ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED
31 DECEMBER 2020

IMMOTION

IMMOTION GROUP PLC

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SIR ROBIN MILLER
CHAIRMAN, 28 APRIL 2021

The only way to describe 2020 is a year of unprecedented and unforeseeable challenges. The COVID-19 pandemic caused restrictions and lockdowns, which effectively closed our business for lengthy periods in 2020.

Rather than sailing into profitable waters in Spring 2020 as we had expected, we had to batten down the hatches and move into survival mode, requiring very tough decisions, particularly those which impacted our people. However, thanks to the resilience of our team, and the support of our shareholders, we have navigated through what we all hope is the worst of the impact of the COVID-19 pandemic on our business, though we are not complacent.

Creative actions from our team saw two new divisions emerge, 'Let's Explore' and 'Uvisan'. The combination of these new revenue streams, and more importantly, the ongoing recovery of our core Location Based Entertainment (LBE) business, particularly as conditions improve in the USA, and with the UK set to re-open in mid-May 2021, has significantly boosted our confidence.

While the future currently looks considerably healthier, we have reflected carefully on what risk appetite we have in the short term, as well as the resources available to us.

We have concluded that the balance of 2021 should be a period of measured investment, as well as the coming of age of our Group, with the key short-term objective being to move the Group into EBITDA profitability and positive operating cashflows. With tight cost control, our existing partner business should be a platform for the overall profitability of our Group and our new divisions should then provide further contribution.

We remain confident about the prospects for our core LBE business. There is much still to go after in the aquarium market, where we now have a very strong reputation, particularly in the USA, with Mandalay Bay and Clearwater Aquarium being two strong exemplars of the way forward – larger, more fully integrated attractions, which offer both economies of effort as well as strong potential economics for both partners.

We will seek opportunities in the zoo market in earnest in 2022, when hopefully we will have the pandemic behind us. Our refined LBE model along with the global opportunities that we believe remain for the growth of our LBE business give us renewed belief in its future potential, particularly in a post-pandemic environment.

'Let's Explore' and 'Uvisan' are a testament to the creativity and versatility of our team and enable us to leverage our skills and central operating cost base. 'Let's Explore' gives us a seasonal balance to our LBE activities, with Q4 likely to be its strongest period by far with both Black Friday and the holiday season.

Uvisan is seeking to capitalise on the greater attention we expect organisations to pay to ensure safe working conditions for their people and customers, and to address workplace risks that were not considered before the pandemic. This has the potential to become a significant market. Early blue-chip enquiries for our 'Cleanroom by Uvisan' product, have been encouraging.

We look forward to watching these new activities evolve alongside the expected recovery and future growth of our core business. While there is still reason for caution, we have demonstrated that we are single-minded, creative and fleet of foot. While we can only play in the conditions that prevail, we remain confident in our ability to succeed.

Sir Robin Miller
Chairman, 28 April 2021

We have worked tirelessly to position the Group for a strong recovery.

MARTIN HIGGINSON
CHIEF EXECUTIVE OFFICER,
28 APRIL 2021

To say 2020 was a difficult year for the group would be an understatement. The group's core location based entertainment (LBE) business suffered considerably due to the lockdowns imposed as a result of the COVID-19 pandemic and the significant focus became the mitigation of the effects of the pandemic.

We have worked tirelessly to position the Group for a strong recovery from the pandemic and the current outlook is considerably better as our key markets have emerged or are due to emerge from lockdown. I will first summarise the Group's current position and outlook as I feel this will be of more interest to our shareholders, before turning my attention to a review of 2020's performance.

TRADING POST PERIOD END & OUTLOOK

Despite a challenging January and February 2021, impacted by the ongoing pandemic related restrictions, March and April 2021 have seen a strong rebound in revenue, led primarily by the USA Location Based Entertainment business.

In March 2021 we saw our LBE revenues almost double compared to February, with total unaudited Group revenue in March 2021 of circa £440k. This momentum along with the lifting of restrictions in Las Vegas, USA (allowing 80% capacity as of 1 May 2021 and 100% effective 1 June 2021); the UK business expected to come back on stream in mid-May; and the busy summer period should see our LBE revenues grow substantially. This, along with contributions from our Home Based Entertainment (HBE) and Uvisan divisions, should allow us to move to profitability on a monthly basis at the EBITDA level. The combination of an expected strong summer for our LBE business, together with an expected busy Q4 2021 for 'Let's Explore' (which coincides with a quieter quarter for LBE) will give some welcome "seasonal" balance to our Group activities.

We have continued to maintain tight control of costs, with monthly central overheads and salaries currently running at circa £215k per month. This lower cost base is now supporting three divisions. We have identified further cost savings, particularly in occupancy costs and we would expect those to come through in H2 2021.

Much of the required investment in assets and stock to support our 2021 plan has already been made, which should allow us, with careful management of our cash resources, to be self-funded for the remainder of 2021.

We currently have paid in full for stock of a further 50 motion platforms (106 seats) for the LBE business. To make these operational involves relatively small spending on headsets and dressing of the sites, as well as road transport of equipment from our warehouse to site.

In addition, we have in aggregate circa 12,000 fully paid Let's Explore Mega Packs in our UK and USA warehouses, plus a further 34,000 units in production. Net of deposits already paid, circa £130,000 remains to be paid over the coming months, which we expect to be largely self-funding from sales in that period. This approach has enabled us to plan ahead and secure a significantly lower unit product cost.

LOCATION BASED ENTERTAINMENT (LBE)

Our core LBE business has begun to recover strongly, driven largely by the improvement in the USA. With COVID-19 restrictions easing and leisure venues set to either re-open or ease restrictions (where already open), we expect to have the large majority of our LBE sites open for summer. We hope to see all our UK sites re-open in mid-May 2021 and, so long as the overall pandemic restrictions ease as currently expected, we would hope to see a strong summer contribution driven by "staycations" and pent-up consumer demand particularly in the UK.

In the USA, the majority of our LBE sites are already trading and remaining COVID-19 related restrictions are being relaxed. Importantly, the capacity restrictions relating to our installation at Shark Reef Aquarium, Las Vegas, were relaxed from 15 March 2021 and capacity is now back at the same level permitted when we opened the site in August 2020. This has, from April 2021, had a positive impact on revenue and contribution from this key site and with a further lifting of local restrictions due on 1 May 2021 to 80% and then to 100% on 1 June 2021 we expect to see further increases over the coming weeks and months.

Trading began at our new 22-seat installation at Clearwater Marine Aquarium, Florida, USA, on 22 March 2021 and the early uptake has been very strong, with high levels of utilisation.

March 2021 saw our best result, in terms of turnover and contribution, since October 2020, and we expect this to grow again in April 2021 (with a full month back at 50% capacity at Shark Reef Aquarium) and again in May 2021, as the UK sites come back on stream, with peak seasonal performance in the UK and USA expected in July and August 2021.

In terms of new LBE sites, we remain focused on deploying the VR platforms that we currently hold in stock. We have recently installed new units into Virginia Aquarium (4 seats) as well as increasing capacity at our installations at Mystic Aquarium (up to 8 seats) and OdySea Aquarium (up to 6 seats) ahead of the summer season. We are also contracted to install 8 seats into Sea Life Brighton in time for its reopening on 17 May 2021.

We remain focused on larger, more integrated installs, with the focus for the remainder of 2021 being on quality over quantity.

In Australia, in addition to our two existing sites, Sea Life Sydney and Sea Life Melbourne, we have opened a new tower coaster installation in the observation deck on the Sydney Tower Eye and early trading has been encouraging. This is a very prestigious and high traffic site.

Due to strategic changes at our site at Dubai Aquarium we have decided to uninstall from that location and are repatriating the equipment, which will be re-deployed elsewhere. We continue to review our options for the remaining three Middle East sites.

HOME BASED ENTERTAINMENT (HBE)

Let's Explore has continued to make solid progress with the product now launched in a number of new territories, including USA and Canada. We have re-organised the supply chain and made a substantial forward commitment to stock. This has allowed us to obtain substantial product cost reductions and to plan ahead.

We took the opportunity in January and February 2021 to pull back on UK marketing as consumers recovered from Christmas spending. In this period, we focused on operational matters, planning for international roll out.

We soft launched in the USA in early March 2021, fulfilling from the UK and we will be scaling up marketing in the USA from early April 2021 as we begin shipping from our fulfilment partner in Wisconsin.

Whilst margins in March 2021 were impacted as we sold through of old stock at a significantly higher unit cost as well as substantial international shipping charges, it did allow us to prove USA demand before launching with local distribution. All stock now on hand in the USA and to be delivered to us going forward is at the new significantly lower product cost, though we do still have some of the higher cost stock in the UK to sell through.

With stock now in the USA, we are exploring selling through our LBE Partner network. It is our intention to be up and running with key US partners for the Summer 2021 season. We have also now started to sell on Amazon, both in the UK and USA.

Further products have been added to the Let's Explore Oceans portfolio, including our new Explore the Oceans 78-page Augmented Reality book and Flashcard pack. These new products join our Oceans book pack and fossils, all of which offer the opportunity to increase basket sizes and margin.

We have also tested advertising into territories further afield to establish potential demand. Again, we have fulfilled demand from the UK, which has impacted margin, but this has been on a relatively small scale and has been useful in informing our thoughts on which territories to target. We are now examining how to optimise distribution for these territories.

Whilst we are looking to build sales volumes through the year, our focus will be on the key Christmas season and Q4 2021 in particular, where our product is perfectly suited as a Christmas and seasonal gift to be purchased by parents, grandparents, relatives and friends.

UVISAN

Uvisan has continued to make good progress and has now sold almost 50 cabinets into a range of sectors from universities and schools through to the NHS. High profile clients have included Aardman Animation, the studio behind Wallace & Gromit; the British Film Institute; and a number of well-known universities.

We have also appointed a number of re-sellers in the UK and in Europe and in the coming months we will look at potential distribution into the USA.

We have also developed 'Cleanroom by Uvisan' and have a trial site with Chichester University. The university will use the system to disinfect its state-of-the-art recording studio and equipment (such as mixing and editing desks) as well as cameras and related equipment. The system uses fixed UV-C lights, along with a proprietary safety and control system to provide rapid disinfection of un-occupied rooms. This system can achieve ambient and surface disinfection in less than 10 minutes, allowing for rapid and safe turnover of rooms between user groups.

Along with the UV disinfection cabinets, Uvisan now has a more rounded offering. Uvisan already makes a small contribution to our Group overheads and, with 'Cleanroom from Uvisan' coming on stream, we would expect to see this grow in H2 and beyond.

UVISAN

REVIEW OF 2020

The Group began 2020 full of optimism with EBITDA profitability coming into clear sight and a plan for further strong growth. As with all leisure businesses, the pandemic hit us in March 2020 with the full force of mandatory closures and worldwide lockdown.

Essentially, 2020 became about survival and, as the lockdown gripped, we took the steps necessary to cut costs (including salary cuts), manage cashflows and obtain available government support in both the UK and the USA. However, with no revenue for lengthy periods of time we suffered very substantial losses and cash outflow in the year. These are detailed in the financial review which follows.

With a continued belief in the long-term prospects for our business, we took the opportunity to strengthen our balance sheet, with two equity fundraises following the start of the pandemic. We are grateful to our core shareholders for their support during what was a very tough and uncertain time.

Our board and family members showed their faith and determination by investing a further £500,000 into the business, being almost half of the equity fundraise we undertook in November 2020.

There were of course periods when the LBE business was allowed to re-open and we did make progress. The opening of our landmark site at Mandalay Bay (albeit delayed, and with much restricted capacity) was extremely pleasing. However, we also took the decision not to rush to open some sites, and on the whole we took a cautious approach being highly selective in making new investment, recognising the need to maintain cash reserves to enable us to manage our way through extended periods of lockdown and disruption.

We continued to have faith in our core LBE business model but also took the view that we needed to try to innovate (albeit on a limited budget) and hence 'Let's Explore' and 'Uvisan' were born.

There is now a real sense of emerging from the darkness and the focus must be on what lies ahead.

Our whole board wishes to put on record that the professionalism of those that have worked tirelessly throughout the period (often on a more than a full-time basis and for reduced salary) and the grace, patience and understanding of those that have been furloughed on reduced income has been humbling.

LOCATION BASED ENTERTAINMENT (LBE)

The growth of our partner estate stalled as the pandemic took hold and the opening of our landmark site at Shark Reef Aquarium, Mandalay Bay, Las Vegas was delayed from April 2020 until early August 2020, as work on site had to be halted when Las Vegas went into lockdown.

The bulk of our estate was shut for lengthy periods. In the UK, we had three full months of lockdown in Q2 2020 and a further period of lockdown in November 2020 with zero revenue across all sites. In the USA, localised lockdowns reduced our Q2 2020 trade to virtually nil, with a number remaining closed until now. In the Middle East, all of our sites were effectively closed from mid-March 2020 for the remainder of the year.

The movement of our portfolio during 2020, and since period end, can be summarised as follows:

	Total		USA		UK		ROW	
	Sites	Headsets	Sites	Headsets	Sites	Headsets	Sites	Headsets
At 1 January 2020	**46**	**302**	**20**	**99**	**16**	**142**	**10**	**61**
Installed in 2020	10	103	7	84	3	19	-	-
Uninstalled in 2020	(8)	(60)	(3)	(20)	(5)	(40)	-	-
At 31 December 2020	**48**	**345**	**24**	**163**	**14**	**121**	**10**	**61**
Installed in 2021	2	32	1	28	-	-	1	4
Uninstalled in 2021	(1)	(2)	(1)	(2)	-	-	-	-
At 31 March 2021	**49**	**375**	**24**	**189**	**14**	**121**	**11**	**65**

Revenues at sites that re-opened in the year were initially heavily impacted, particularly in the earlier stages of the pandemic. This appears to have been in large part the result of capacity and social distancing restrictions imposed by the venues themselves.

In the USA, we have seen an improving picture with easing of COVID-19 measures and we are hopeful that as restrictions continue to be eased and attendances recover to pre-pandemic levels we believe we should see a return towards similar levels of revenue seen in the same periods before the pandemic.

As of 31 March 2021, the operational status of our installed base was as follows:

	Total		USA		UK		ROW	
	Sites	Headsets	Sites	Headsets	Sites	Headsets	Sites	Headsets
At 31 March 2021	**49**	**375**	**24**	**189**	**14**	**121**	**11**	**65**
Fully Operational	26	213	19	166	-	-	7	47
Site Closed	18	139	-	-	14	121	4	18
Site Open but Installation not Operating	5	23	5	23	-	-	-	-

HOME BASED ENTERTAINMENT (HBE) - Let's Explore

We conceived of the idea for Let's Explore in the depths of the first UK lockdown. Given the uncertainty around the length and impact of the pandemic and the fact that our LBE business was shut in its entirety, we felt the need to be proactive and create a hedge against our LBE business, recognising that cash was very tight.

Using elements of our LBE business's content and the skills of our creative and marketing teams we designed an interactive in-home product that aimed to be both fun and educational. We put together interactive undersea experiences using both VR and AR elements, all driven from our holographic viewing cube.

Once the product was designed, we sourced all the various elements (headsets, cubes, books, packaging, etc). However, given our desire to launch for Christmas 2020, it was not possible to consolidate and source all the elements at lowest cost or indeed to optimize the logistics.

We took a cautious approach to the amount of stock we bought ahead of Christmas (again at the expense of margin). Given long lead times from China by sea, there were elements, such as headsets, that we had to air freight to the UK when it became apparent that there was substantial demand.

In addition, as we had decided to focus on digital marketing only, there was little time to test and build up our credentials with social media marketing partners, such as Facebook, who limit advertising spend for new advertisers.

We launched the Let's Explore Oceans Mega Pack on 1 October 2020 and this was very well received with strong reviews, selling circa 11,000 units before the year end, generating £669,000 of revenue.

This early success gave us the belief that we should develop the business further and we remain excited by its prospects.

UVISAN

Uvisan was born out of the need to be able to safely and effectively sanitise the VR headsets at our LBE sites. It was clear that at a site such as Las Vegas where we need to keep two batches of 36 headsets rotating every 10 minutes that alcohol wipes would be just too laborious and time consuming in addition to the risk of damaging equipment and the environment.

UV light is a well-established means of disinfection, used in many industries, including the food industry. (UV-C light kills 99.9% of bacteria and viruses with the right dosage). It is particularly well suited for rapid disinfection of touched and shared equipment and is perfect for sensitive electronic equipment that can be damaged by moisture or abrasive substances.

Early on we undertook successful tests of our equipment with third parties and were delighted when HP recommended our cabinets for disinfecting their range of VR headsets.

It was apparent to us that other businesses utilising VR headsets would have the same need but that there could be wider demand from those who use shared equipment and spaces.

We began some soft marketing in August 2020 and found that there was demand but clearly (and ironically) periods of lockdown made this challenging. Nevertheless, we had some early orders supplying schools, universities, the creative industries and others.

Recent sales to a number of prestigious clients, including Aardman and the NHS, have given the directors confidence to expand this business division. A number of distribution agreements have now been entered into for the UK and Europe.

At the same time, we began looking at wider needs for rapid disinfection and accordingly we began to develop what has become "Cleanroom by UVISAN". This is a whole room UV-C disinfection system. For this to be a viable product, we decided to develop a proprietary safety and control system. We have worked to develop this product with Chichester University and have now installed the prototype Cleanroom system in their state-of-the-art audio suite.

Uvisan will shortly have the necessary CE and other accreditations for its new 'Cleanroom' product. Along with the UV disinfection cabinets the business now has a more rounded offering. We now have a number of enquiries from substantial blue chip counterparties regarding potential 'Cleanroom by Uvisan' installations. Today, Uvisan makes a small contribution to our Group overheads and with Cleanroom we would expect to see this grow in H2 and beyond.

FINANCIAL REVIEW FOR THE YEAR ENDED 31 DECEMBER 2020

Total revenue for the year reduced to £2,848,000 (2019: £3,606,000). Unsurprisingly, this decline was largely driven by lockdowns in response to the pandemic and the ongoing impact of lockdown periods – LBE segment revenues declined by £857,000 to £2,075,000 (2019: £2,932,000).

Let's Explore, the in-home consumer product created in response to the pandemic, generated revenue of £669,000 in the period from its launch on 1 October 2020 (2019: £nil).

A significant area of focus in the year was to secure available governmental COVID-19 related financial support in both the UK and USA to the fullest extent possible. We received £479,000 in the year through the UK Coronavirus Job Retention Scheme (included within other income). We also received £119,000 as a loan through the USA Paycheck Protection Program for which we have received full forgiveness since the year end (and as such no credit to the income statement has been made in the 2020 accounts).

Cost reductions were a key focus as the lockdowns in the UK and USA took hold. Administrative expenses (excluding depreciation, amortisation, impairment, share based payments and one-off costs) fell to £2,731,000 (2019: £3,591,000). Whilst the entirety of this reduction cannot be attributed to actions taken in response to COVID-19 (a programme of cost reductions was being implemented late in 2019), the Group made further significant cost savings resulting from temporary pay reductions for the majority of staff and, regrettably a number of redundancies were also made.

The Group made an adjusted EBITDA loss of £1,690,000 during the year (2019: £2,494,000).

Following an impairment review, the Directors decided to write-off certain pieces of VR content created by the Group historically, which are not expected to recover their carrying value. This resulted in an impairment charge of £253,000 in the year.

The Group's loss after tax in the year was £4,732,000 (2019: £5,415,000). The adjusted loss per share† was 1.17p (2019: 1.72p).

Overall cash inflow in the year was £1,190,000 being cash outflow of £2,012,000 from operations, a £1,393,000 outflow from investing activities and a £4,595,000 inflow from financing activities.

Operating cash outflows in the year were £2,012,000 (2019: £2,246,000). The difference from EBITDA was predominantly a result of net working capital outflows in the period of £192,000 (of which £152,000 was the build-up of stock for Let's Explore and Uvisan) and the cash impact of restructuring costs of circa £96,000.

Investing cash outflows reduced substantially to £1,393,000 (2019: £2,762,000). This was the result of substantial reductions of both intangible and tangible asset additions, in the case of the former due to our content creators being on furlough for a substantial part of the year, and in the case of the latter due to significantly fewer new partner installations and associated spend in the period.

Net financing activities produced a cash inflow of £4,595,000 (2019: £4,771,000) due in the main to the three equity placings which took place in the year (net proceeds of which were £5,012,000).

Net assets at the balance sheet date were £6,714,000 (2019: £6,275,000).

Whilst we are feeling as positive about our business and the outlook as we have in over a year, I feel obligated in the current environment to point out that there does remain considerable uncertainty as to how the situation with COVID-19 (and its variants) will evolve and what the impact of that could be on our business.

As part of the preparation of our accounts, we are required to consider these matters and Note 4 to the accounts details our thought process in this regard. From our perspective the key risk would come from further widespread and or lengthy lockdowns, particularly as it impacts our key LBE sites. At the time of writing that does not appear to be a major risk in the USA which now accounts for the majority of our LBE revenue and the UK remains set to re-open in mid-May 2021.

CONCLUSION

I would particularly like to thank our fantastic team and supportive shareholders, as we have come through a period of huge challenge. Absent any material deterioration in the recovery from the pandemic conditions, we are optimistic about the outlook for the remainder of 2021 and are now seeing a strong recovery.

We have a plan for 2021, which should underpin our Group becoming profitable and generating positive operating cashflows, whilst reflecting the need for caution and the resources available to us. Much of the investment to support that plan has already been made and, with a strong recovery underway, we will seek to manage our resources so that our plans for the remainder of 2021 will be self-funding.

We look forward to the year ahead with renewed optimism but are also cognisant of the fluid nature of the current business environment and will adapt our plans as needed. Having survived what has hopefully been the worst of the pandemic, we are now intent on driving our business forward with renewed vigour and optimism.

Martin Higginson
Chief Executive Officer, 28 April 2021

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

Strategic Report

LOCATION BASED ENTERTAINMENT: PARTNER SITES

Our LBE business primarily focuses on establishing partnerships with high-footfall leisure destinations. Immotion provides, at its own cost, VR hardware and experiences to the operator and provides ongoing support. The operator typically provides at its cost the site, staff and utilities. The parties share the revenue generated on a pre-agreed basis.

As we came into 2020, the LBE business was on a growth trajectory and was beginning to attract the attention of increasingly more partner sites. In January 2020, the Group announced its deal with MGM Resorts to install a 36-seat VR cinema with pre-show area into the Shark Reef Aquarium at Mandalay Bay, Las Vegas, which would become by far the Group's biggest installation to date.

At the beginning of the year, the Group had 185 headsets installed at partner sites. This figure had increased to 234 headsets with a further 122 contracted for installation by the time COVID-19 restrictions took hold late in Q1. As at 31 December 2020, the Group had 278 partner headsets installed, though due to COVID-19 restrictions only 145 of these headsets were operational at that point in time.

Despite lockdowns and similar restrictions, we were able to open several new partner sites in the second half of the year, picking up where we left off with a focus on aquariums, which historically have performed better for us than any other cohort. In June, we installed into Oklahoma Aquarium and Mystic Aquarium, in Connecticut, followed in July. The uptake at Oklahoma was so positive that we later doubled the number of headsets at that location to 8. In August, we completed our installation into the Shark Reef Aquarium at Mandalay Bay (which we started in Q1 before the lockdown halted work). This installation was far more ambitious than anything we had done previously and the economics of the deal reflect this: Immotion receives $4.50 per paying visitor into the aquarium, though current temporary COVID-19 restrictions in Nevada have limited throughput through our attraction.

Our primary key performance indicator (KPI) for our partner business is the average revenue per installed headset per week, which equated to £329[1] during the period that sites were operational in the year (2019: £303[2]).

Aquarium partner sites continued to outperform the overall partner average, averaging £495 revenue per headset per week during the period that sites were operational in the year (2019: £476). We continue to focus on finding more aquarium partners as well as other 'edutainment' locations such as zoos, though the COVID-19 outbreak has inevitably delayed contracted installations and stalled contract negotiations to some extent with new partners.

LOCATION BASED ENTERTAINMENT: IMMOTIONVR EXPERIENCE CENTRES

Under our ImmotionVR business model, the Group rents space in retail and family entertainment destinations, paying the costs of occupancy (rent, rates and utilities) and staff. Customers are typically charged £6 for a single experience, £10 for a fifteen-minute pass, £20 for a thirty-minute pass or £30 for a one-hour pass.

Due to the superior returns on capital seen under the partnership model, the Group continued to de-emphasise ImmotionVR during the year, closing marginal sites and not actively pursuing new sites.

At the end of the year, there were 57 installed headsets (2019: 117 headsets) in operation across 5 ImmotionVR sites (2019: 9 sites).

The primary key performance indicator (KPI) for ImmotionVR centres is revenue per installed headset per week. Excluding the sites which were permanently closed during the period, ImmotionVR experience centres generated an average revenue per headset per week of £175 in the year (2019: £212).

[1] The average revenue per headset per week of £329 ignores one partner site which had a large number of headsets installed from remnant stock which would not otherwise have been used.

[2] A small number of early partnership arrangements terminated during 2019 following unsuccessful trials. Taking into account only the Partnership arrangements which were installed at the end of the year, the revenue per headset per week was £303.

HOME BASED ENTERTAINMENT

Let's Explore was a new initiative launched in response to the pandemic and related lockdown which befell us. During May 2020, we considered how the library of VR content we have created could be used in a direct-to-consumer offering, and the idea of Let's Explore was born.

Our undersea content was particularly strong as a result of our focus on aquarium partnerships in the LBE business, hence our first Let's Explore product had an Oceans theme. It is our intent to add other genres, such as dinosaurs and space, to create a wider product range.

The Let's Explore Oceans Mega Pack is sold via the Group's LetsExplore.com website for £79.99 in the UK and includes a smartphone-compatible VR headset, a holographic cube and a hardback colour book. The headset is used to view the ten VR movies and the cube is used to control four augmented reality (AR) experiences, all of which are included within our free-to-download iOS and Android apps.

Let's Explore Oceans was launched in the UK on 1 October 2020 and its performance exceeded our initial expectations, with 11,350 units sold and revenue of £669,000 between launch and 31 December 2020.

In 2021, we have launched the Let's Explore Oceans product into further territories and have added additional products within the oceans genre to expand our offering and give us the scope to increase average order values.

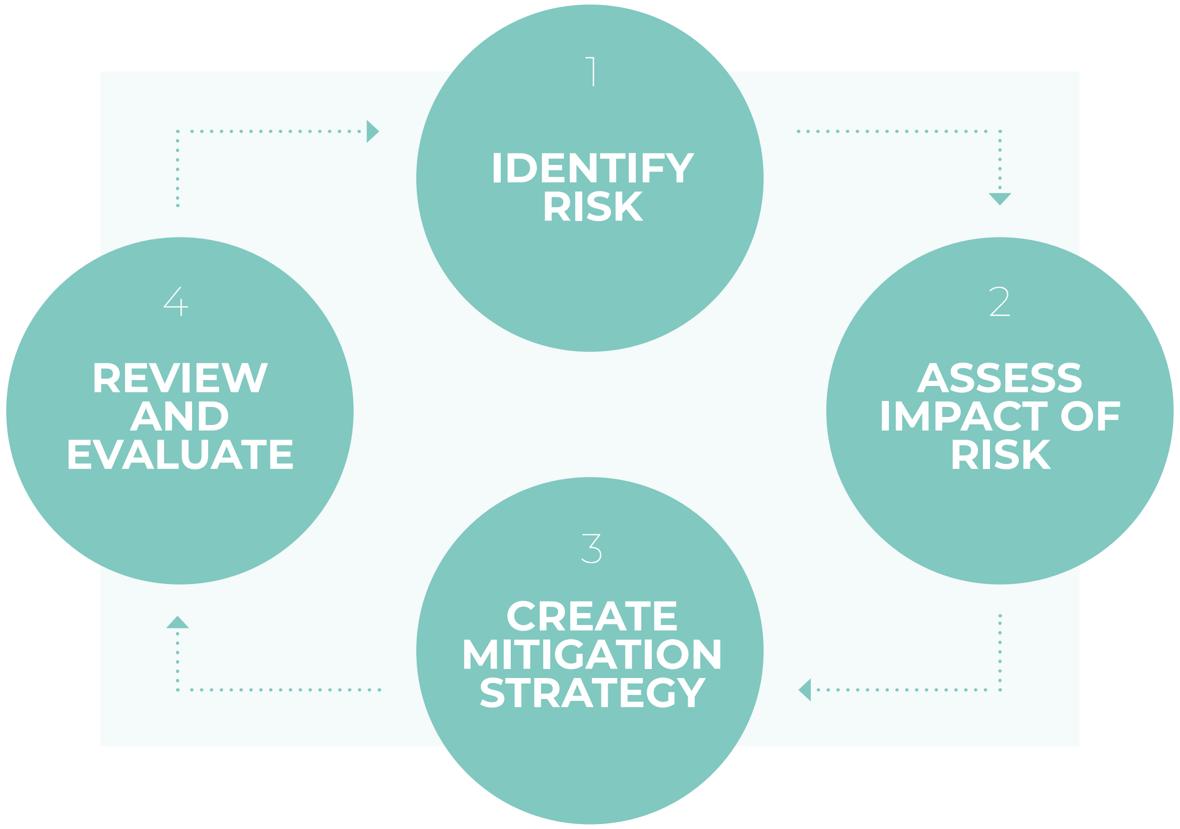
A relationship has been established with a fulfilment house in the USA to fulfil orders throughout the USA and Canada, starting in April 2021. We are also selling into several other international destinations and are looking to expand that list throughout the year with the possibility of localised products and proximate fulfilment houses where justified by demand.

RISKS AND UNCERTAINTIES

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

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

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



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

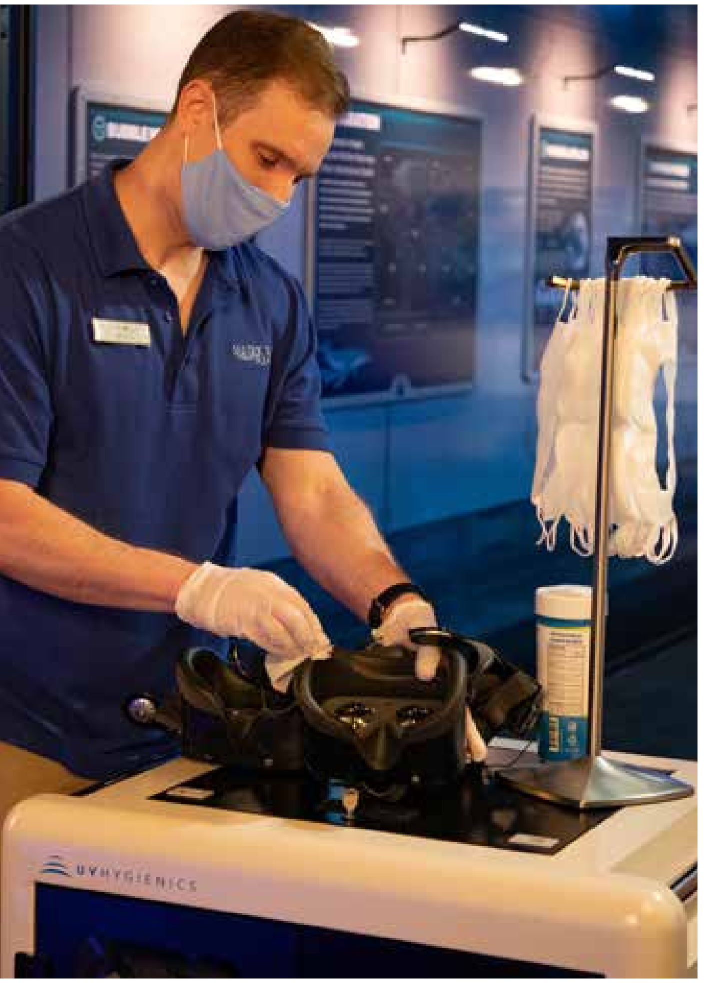
RISK	POTENTIAL IMPACT	MITIGATION AND CONTROL
Impact of COVID-19 (and future pandemics)	COVID-19 resulted in the closure of all of the Group's own ImmotionVR and partner sites. This, at times, reduced the Group's revenue to nil and had a material impact on the Group's 2020 performance. There is currently no certainty as to how long COVID-19 will remain an issue and the risk of a future pandemic of similar or greater proportions cannot be ruled-out.	The Group has developed its Uvisan cleansing products which can be deployed as needed at ImmotionVR and partner sites to sanitise VR headsets and other equipment. Through the launch of its Let's Explore products, the Group has developed an alternative revenue stream which reduces the Group's reliance on the out-of-home market.
Failure to implement the Group's strategy	A failure to implement the Group's strategy may have an adverse impact on its business, financial and other conditions, profitability and results of operations. There can be no assurance that the Group will be able to maintain or grow its financial performance to anticipated future levels.	The Group has regular Board meetings as well as constant communication with senior management to monitor and refine progress against its targets. Weekly KPIs are distributed to senior management to enable them to monitor performance.

RISK	POTENTIAL IMPACT	MITIGATION AND CONTROL
Technological advances within the industry	Any industry which is heavily reliant on technology is prone to rapid change with new entrants and ideas continuously changing the market. There is a risk that the technologies adopted by the Group could become obsolete or uncompetitive which could have a material adverse impact on its prospects. Additionally, advances in hardware may require the Group to incur additional capital expenditure that is not currently foreseen, which could have an adverse material impact on the cash position of the Group, and potentially trigger the requirement for further capital.	Industry trends are monitored, and the Group sends representatives to key trade shows to establish what new products are coming to market.
Competition	The Group may be challenged by new or incumbent competitors (which could include well resourced, international players in the entertainment industry) which, in comparison with the Group, have greater market presence or brand recognition, access to more popular and/or engaging content, superior financial resources, economies of scale or lower cost bases, or the ability to withstand or respond more swiftly to changes in market conditions.	It is the Group's intention to create barriers to entry in the following ways: (i) by building up an install base of Immotion hardware on long term contracts with quality partners; (ii) by offering hardware and VR experiences which are amongst the best and most relevant in the market; and (iii) through the provision of hardware and experiences at no up-front cost to partners.
Cash requirement	The Group's partnership model and content creation require capital expenditure in advance of revenue generation.	Cash forecasts are maintained and regularly updated. The Group endeavours to allocate resources into opportunities which give the most effective payback. The Group aims to support its cash flow with debt financing where practical. The Group is focused on reaching a level of trade sufficient to produce a positive operating cash flow as well as the ability to fund or part-fund ongoing capex alongside debt facilities.

RISK	POTENTIAL IMPACT	MITIGATION AND CONTROL
Foreign exchange movements	The Group has certain contracts priced in foreign currencies and also has employees and operations based overseas paid in foreign currencies. It is therefore exposed to the risk that adverse exchange rate movements could cause its contribution from those territories to be reduced (relative to its reporting currency) resulting in reduced profitability for the Group. The Group also procures VR hardware and Let's Explore components in US dollars and Euros. There is a risk that the costs of such equipment increases against the Group on a Sterling basis.	The Group does not use speculative financial instruments to hedge against potential currency loss. The Group has foreign currency accounts which it uses to hold funds in Sterling, US Dollars and Euros generated from operations and settle liabilities denominated in those currencies.

Martin Higginson
Chief Executive Officer, 28 April 2021

The Group aims to operate ethically and be socially responsible in its actions.



BUSINESS CONDUCT, ETHICS AND ANTI-CORRUPTION

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

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

HEALTH & SAFETY

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

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

RELATIONSHIP WITH STAKEHOLDERS

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

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

STAKEHOLDER	WHY WE ENGAGE	HOW WE ENGAGE
Our shareholders	We maintain and value regular dialogue with our shareholders throughout the year and place great importance on our relationship with them. We know that our investors expect a comprehensive insight into the financial performance of the Group, and awareness of long-term strategy and direction. As such, we aim to provide high levels of transparency and clarity of our results and long-term strategy and to build trust in our future plans.	· Regular reports and analysis on investors and shareholders · Annual Report · Company website · Shareholder circulars · AGM · RNS announcements · Press releases
Our employees	Without our employees we would not have a business. Effective employee engagement leads to a happier, healthier workforce who are invested in the success of the Group. We strive to address any employee concerns regarding working conditions, health and safety, training and development, as well as workforce diversity. Engagement with our employees starts from the top and is driven effectively throughout the Group.	· Evaluation and feedback processes for employees and management · Competitive rewards packages · Encouraging employee training and development · Online staff directory and intranet · Board level access and a relatively flat organisational structure
Regulatory bodies	The Group's operations are subject to a wide range of laws, regulations, and listing requirements including data protection, tax, employment, environmental and health and safety legislation, along with contractual terms.	· Company website · RNS announcements · Annual Report · Direct contact with regulators · Compliance updates at Board Meetings · Consistent risk review · Liaison with professional advisors
Our customers	Our relationship with our customers is collaborative and we are in constant dialogue to provide support as required. We listen to and engage with our customers on a regular basis to ensure that we understand their needs and can provide solutions that address them. We work hard to ensure that customer concerns are dealt with in a timely and professional manner.	· Continual dialogue and review of feedback from partner sites to ensure satisfaction · Dedicated teams for support to ensure consumer concerns are addressed
Our suppliers	We have a number of key suppliers with whom we have built strong relationships. We establish effective engagement channels to ensure our relationships remain collaborative and forward focused, and to foster relationships of mutual trust and loyalty.	· Taking a collaborative approach to problem solving with our suppliers · Clear parameters are given, backed-up by written agreements where required, to ensure the Group and supplier's actions are co-ordinated

The necessary mix of experience & skills.

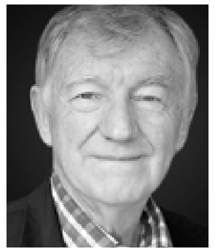
THE BOARD IS COMPRISED OF THREE EXECUTIVE DIRECTORS AND TWO NON-EXECUTIVE DIRECTORS. BOTH OF THE NON-EXECUTIVE DIRECTORS ARE DEEMED TO BE INDEPENDENT.

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

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

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

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



SIR ROBIN MILLER

Non-Executive Chairman

Robin has extensive PLC experience spanning many years, particularly in the media sector.

He was formerly Chief Executive (1985-1998 and 2001-2003) and Chairman (1998-2001) of Emap plc, a leading international media group in consumer and trade publishing, commercial radio, music TV channels and events.

Robin is currently Non-Executive Chairman of Digitalbox plc and Non-Executive Director of Edge VCT, Premier Sports Holdings plc, Dennis Maps Ltd and Crash Media Group Ltd.

MARTIN HIGGINSON

Co-Founder and 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 Monstermob Group plc which listed on AIM in 2003.

Over a three year period, Monstermob 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 and listed on AIM in February 2019. Martin holds the position of Non-Executive Director of Digitalbox plc and has previously held Non-Executive Director positions with Legend plc and Cupid plc.

DAVID MARKS

Co-Founder and Group Finance and Executive Director

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

David then pursued a career in corporate finance and M&A, initially with UBS and latterly with Deutsche Bank. In 2001 David was appointed as a Partner responsible for making private equity investment at Nikko Principal Investments Limited, the European Principal Finance arm of Nikko Cordial, one of Japan's largest securities businesses.

David subsequently joined AIM-listed Monstermob Group plc, initially as a Non-Executive Director and subsequently as Group Finance Director. He steered the Company as it rapidly expanded internationally across Europe, USA and Asia.

David has also been involved in a number of early stage ventures as both an investor and board member and with Martin created Digitalbox Group which was a member of the UK Fast Track 100 in both 2016 and 2017.

David has an honours degree in Law from the University of Glasgow and is a member of the Institute of Chartered Accountants of Scotland.

ROD FINDLEY

Commercial Director

Rod has over 20 years' experience as a director, writer and creative director and has won a range of awards for his creative work.

He has a Bachelor of Arts degree from McGill University in Montreal and an MFA in Film at USC. He is founder and CEO of C.2K Entertainment Inc, which was acquired by Immotion Group on 21 December 2017.

Thanks to his strong reputation for creating narratives and engaging consumers using pioneering technology, Rod has delivered campaigns (broadcast, digital and print) for major brands such as Toshiba, Sony, Guthy-Renker and Canon.

International broadcasters NHK and WoWoW have broadcast his long-form documentary and narrative work. Rod began using the power of virtual reality with major projects on behalf of Toyota and AbbVie.

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.

BOARD MEETINGS

The Board typically meets once every two months to discuss significant matters including strategic decisions and performance.

The Company's day-to-day operations are managed by the Executive Directors. Any Director needing independent professional advice in the furtherance of his duties may obtain this advice at the expense of the Company.

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

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

AUDIT COMMITTEE

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

(i) ensuring that appropriate financial reporting procedures are properly maintained and reported on;

(ii) meeting with the Group's auditors to discuss matters of relevance, including risk issues;

(iii) ensuring the internal controls of the Group are properly maintained;

(iv) reviewing the financial statements prior to issue to the shareholders;

(v) reviewing reports from the Group's auditors;

(vi) reviewing and approving the scope and content of the Group's annual risk assessment programme and the annual audit; and

(vii) monitoring the independence of the external auditors.

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

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

DISCLOSURE COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

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

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

RISK COMMITTEE

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

ATTENDANCE

Directors' attendance at meetings of the Board and its Committees during 2020 were as follows:

	Board	Audit	Disclosure	Nomination	Remuneration	Risk
Martin Higginson	14/14	-	-	-	-	-
David Marks	14/14	3/3	-	-	-	1/1
Rod Findley	8/14	-	-	-	-	-
Sir Robin Miller	8/14	3/3	-	-	2/2	1/1
Nicholas Lee	9/14	3/3	-	-	2/2	1/1

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

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODES

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

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

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

Full details of the QCA Code's ten principles and the steps the Company takes to adhere to them can be found at:

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

FINANCIAL CONTROLS

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

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

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

RISK MANAGEMENT REVIEW

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

SHAREHOLDER RELATIONS

The Company regularly updates its investor relations website which can be found at: 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. The going concern basis of accounting has therefore been adopted in preparing the financial statements.

In reaching this conclusion, the Directors have considered the financial position of the Group, together with its forecasts and projections until 31 December 2022, taking into account reasonably possible changes in trading performance (more details on the assumptions made by the Directors when preparing their forecasts can be found in note 4 to the accounts).

Whilst the forecasts prepared did not indicate a requirement for additional funding to enable the Group to continue being able to operate as a going concern, the Directors note that there is still considerable uncertainty as to whether the assumptions made in preparing these forecasts will turn out to be accurate. If there were to be further lockdowns, they could have a material impact on the Group's ability to generate revenue from partner and ImmotionVR sites. Should this happen, the Directors may need to consider mitigating actions such as seeking any government support available, identifying cost savings and / or seeking external finance in the form of debt or equity.

CULTURE

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

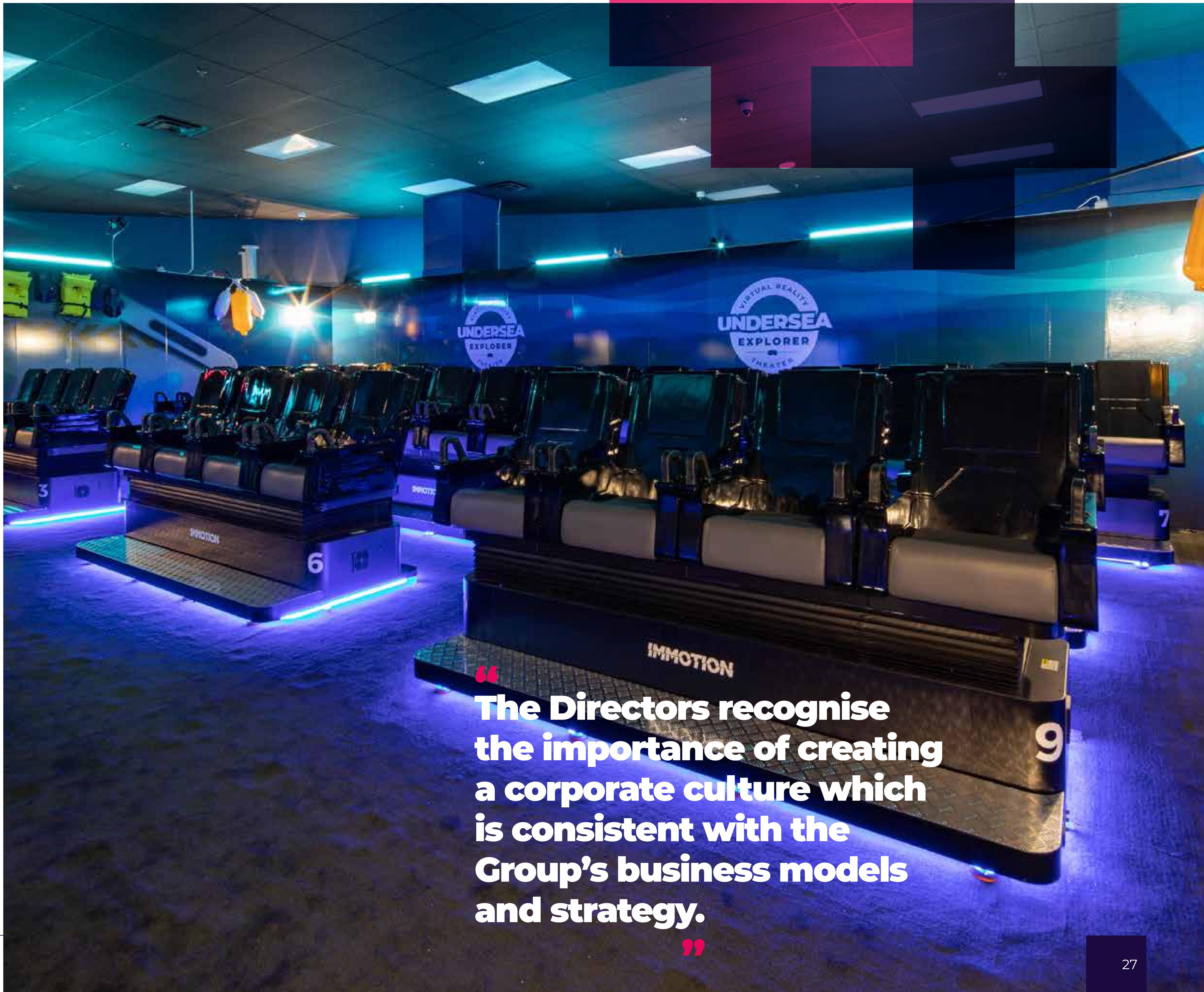
Virtual Reality has a broad appeal and is enjoyed by people of all genders and ages. It is the Group's intention that its non-discriminatory policy when hiring staff will produce a workforce as diverse as its customer base, increasing the value of feedback from within the organisation.

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

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

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

The Board believes 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.



Ensuring the appropriate financial procedures.

THE AUDIT COMMITTEE, CHAIRED BY NICHOLAS LEE, MEETS AT LEAST TWICE PER YEAR. SIR ROBIN MILLER ALSO SERVES ON THE AUDIT COMMITTEE.

The audit committee's responsibilities include:

(i) ensuring that appropriate financial reporting procedures are properly maintained and reported on;

(ii) meeting with the Group's auditors to discuss matters of relevance, including risk issues;

(iii) ensuring the internal controls of the Group are properly maintained;

(iv) reviewing the financial statements prior to issue to the shareholders;

(v) reviewing reports from the Group's auditors;

(vi) reviewing and approving the scope and content of the Group's annual risk assessment programme and the annual audit; and

(vii) monitoring the independence of the external auditors.

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

The Audit Committee met three times during the year: twice in the process of approving the 2019 accounts and once to approve the 2020 interim accounts.

SIGNIFICANT ACCOUNTING ISSUES

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

(i) The carrying value of the Group's goodwill and intangible assets – the Audit Committee have reviewed the goodwill and intangible assets on the Group's balance sheet in the context of future earnings expected to be generated from those assets. The decision has been taken to fully impair certain VR experiences developed or partially developed where their expected future earnings are expected to be negligible.

(ii) The capitalisation of staff time spent creating VR and AR content – the Group has a dedicated team of content creators who have created a range of VR and AR content 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 satisfied that the Group's accounting policy was compliant with IAS 38.

(iii) The Audit Committee have reviewed the Group's application of IFRS 16 in relation to its property leases and concluded that they are satisfied that the Group's financial statements are consistent with the requirements of IFRS 16.

(iv) The Audit Committee have reviewed the accounting treatment applied to the new share options issued on 19 November 2020 and the cancellation of the majority of the share options issued on 12 July 2018 and have concluded that the Group's financial statements are consistent with the requirements of IFRS 2.

IMPACT OF NEW ACCOUNTING STANDARDS ON FUTURE REPORTS

The new International Financial Reporting Standards (IFRS) to be adopted by the Group from 1 January 2021 are set out in note 3. They are not expected to have a material impact on the Group.

INTERNAL AUDIT

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

INTERNAL CONTROLS

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

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

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

EXTERNAL AUDITORS

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

Haysmacintyre LLP's fees in the year in respect of audit services were £60k (2019: £58k) and in respect of non-audit services were £11k (2019: £26k) as detailed in note 9.

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, 28 April 2021

Reviewing, balancing & incentivising.

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 2020 is shown in the table below:

	Salary	Consultancy	Benefits	Pension	Total	Total
	2020	2020	2020	2020	2020	2019
	£	£	£	£	£	£
Martin Higginson	45,250	122,250	7,327	459	175,286	204,446
David Marks	155,033	-	-	1,314	156,347	180,380
Rod Findley	114,890	-	32,144	-	147,034	157,910
Ian Liddell[1]	-	-	-	-	-	169,162
Sir Robin Miller	21,563	15,000	-	-	36,563	45,000
Nicholas Lee	28,438	-	-	667	29,105	35,794
Total	**365,174**	**137,250**	**39,471**	**2,440**	**544,335**	**792,692**

[1] *Resigned 9th December 2019*

SERVICE CONTRACTS

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

DIRECTORS AND THEIR INTERESTS

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

	28 April 2021	31 December 2020	31 December 2019
	Shares of £0.00040108663	Shares of £0.00040108663	Shares of £0.00040108663
Martin Higginson[1]	24,026,945	24,026,945	24,026,945
David Marks	10,292,663	10,292,663	9,767,580
Rod Findley	10,584,349	10,584,349	10,084,349
Sir Robin Miller	385,000	385,000	350,024
Nicholas Lee	241,743	241,743	241,743

[1] *Includes shares indirectly held in M Higginson's personal pension scheme*

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

	EMI Options	Unapproved Options	Total
	Shares	Shares	Shares
Martin Higginson	6,578,921	9,551,448	16,130,369
David Marks	6,578,921	3,858,376	10,437,297
Rod Findley	-	10,437,297	10,437,297
Total	**13,157,842**	**23,847,121**	**37,004,963**

All of the above options were issued on 19 November 2020 and have an exercise price of 2.5 pence.

Other than 3,479,099 of R Findley's options, which automatically vest on 19 November 2021*, the above options have the following vesting criteria:

(i) One-third of the options vest on the later of: 12 months from the date of issue* and the 20th consecutive day whereby the volume-weighted average price of the Company's shares is 5 pence or greater;

(ii) One-third of the options vest on the later of: 12 months from the date of issue* and the 20th consecutive day whereby the volume-weighted average price of the Company's shares is 7.5 pence or greater; and

(iii) One-third of the options vest on the later of: 12 months from the date of issue* and the 20th consecutive day whereby the volume-weighted average price of the Company's shares is 10 pence or greater.

**none of the options are exercisable during the first 12 months from the issue date except in the case of a change of control of the company.*

Sir Robin Miller
Chairman of the Remuneration Committee

The Directors' Report.

THE DIRECTORS PRESENT THEIR REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Group are: (i) the provision of virtual reality (VR) experiences to partner sites on a revenue share basis and in its own ImmotionVR sites; and (ii) the sale of the Group's Let's Explore consumer product. This last activity commenced on 1 October 2020.

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

BOARD OF DIRECTORS

The Directors who served during the year were:

Martin Higginson
David Marks
Rodney Findley
Sir Robin Miller
Nicholas Lee

FUTURE DEVELOPMENTS

The Company has chosen in accordance with section 414C(11) of the Companies Act 2006 to include the disclosure of likely future developments in the Chief Executive's Statement on pages 4 to 12.

DIVIDENDS

No dividends were paid during the year (2019: £Nil). The Board is not recommending the payment of a final dividend in respect of the year ended 31 December 2020.

EARNINGS PER SHARE

Loss per share in the period from continuing operations was 1.33p (2019: 2.13p) and diluted loss per share from continuing operations in the period was 1.33p (2019: 2.13p).

Adjusted loss per share from continuing operations in the period was 1.17p (2019: 1.72p).

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. The going concern basis of accounting has therefore been adopted in preparing the financial statements.

In reaching this conclusion, the Directors have considered the financial position of the Group, together with its forecasts and projections until 31 December 2022, taking into account reasonably possible changes in trading performance (more details on the assumptions made by the Directors when preparing their forecasts can be found in note 4 to the accounts).

Whilst the forecasts prepared did not indicate a requirement for additional funding to enable the Group to continue being able to operate as a going concern, the Directors note that there is still considerable uncertainty as to whether the assumptions made in preparing these forecasts will turn out to be accurate. If there were to be further lockdowns, they could have a material impact on the Group's ability to generate revenue from partner and ImmotionVR sites. Should this happen, the Directors may need to consider mitigating actions such as seeking any government support available, identifying cost savings and/or seeking external finance in the form of debt or equity.

POST BALANCE SHEET EVENTS

On 31 March 2021, the Company issued 6,000,000 ordinary shares at a price of 5 pence each following an approach from an existing institutional investor, yielding £300,000 before expenses.

TREASURY OPERATIONS AND FINANCIAL INSTRUMENTS

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

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

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

The Group's exposure and approach to capital and financial risk, and approach to managing these is set out in note 26 to the consolidated financial statements.

RESEARCH & DEVELOPMENT

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

EMPLOYEE ENGAGEMENTS

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

EMPLOYEE POLICIES

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

PAYMENT OF SUPPLIERS

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

DIRECTORS' INDEMNITY

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

DIRECTORS' CONFLICTS OF INTEREST

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

POLITICAL DONATIONS

The Group did not make any political donations during 2020 (2019: £Nil).

SIGNIFICANT SHAREHOLDINGS

As at 31 December 2020, the following shareholders owned 3% or more of the Company:

Shareholder	Shares	%
Stonehage Fleming	38,035,010	9.29%
Unicorn AIM VCT	29,137,930	7.11%
Rathbone Nominees Limited	28,093,140	6.86%
Martin Higginson[1]	24,026,945	5.87%
Samuel Higginson	17,694,330	4.32%
Herald Investment Trust	12,896,551	3.15%

[1] *Includes shares indirectly held in M Higginson's pension scheme*

As at 28 April 2021, the following shareholders owned 3% or more of the Company:

Shareholder	Shares	%
Stonehage Fleming	38,035,010	9.15%
Rathbone Nominees Limited	34,093,140	8.20%
Unicorn AIM VCT	29,137,930	7.01%
Martin Higginson[1]	24,026,945	5.87%
Samuel Higginson	17,694,330	4.26%
Herald Investment Trust	12,896,551	3.10%

[1] *Includes shares indirectly held in M Higginson's pension scheme*

MATTERS COVERED IN THE CHAIRMAN'S STATEMENT AND 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 14 and 15) and the Chief Executive's Statement (on pages 4 to 12) and within the notes to the Financial Statements.

ANNUAL GENERAL MEETING

The Company's Annual General Meeting will be held on 30 June 2021.

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 28 April 2021 and signed on its behalf

Martin Higginson
Director

The 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 IFRSs 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 IFRSs are 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 assume 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.

Independent Auditors' Report.

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 2020 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 2020 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. In our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting, we considered the inherent risks to the group and the parent company's business model and reviewed the directors' assessment of how those risks affect the group and the parent company's financial resources or ability to continue operations over the period to 31 December 2022. We considered the likely cash inflows and outflows over this period and assessed the risk that the group and the parent company would be unable to meet their liabilities as they fall due. We scrutinised the reasonableness of management's assumptions applied to the cash flow projections and sensitised such projections against various scenarios which could come to realisation. We reviewed and appropriately challenged management's going concern assessment. We also considered post balance sheet date performance and the historical accuracy of management forecasting to assess the credibility of the going concern assessment.

We draw attention to Note 4 in the financial statements, which indicates that the group incurred a loss after taxation of £4,732,000 during the year ended 31 December 2020. The COVID-19 outbreak has had a significant impact on the group's ability to generate revenue, while the timing and extent to which normal trading conditions will resume remains highly uncertain. As stated in Note 4, these facts, along with other matters described in note 4, 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.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered areas where subjective judgement was exercised by the directors, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also assessed the risk of management override of controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud. We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

Our audit scope included the statutory audit of each of the group's subsidiaries incorporated in the United Kingdom for the year ended 31 December 2020 except C.2K Entertainment Inc. and those outlined below that are exempt from statutory audit. These subsidiary audits were performed to subsidiary level materiality which was calculated for each entity with reference to their respective loss and was lower than group materiality in each case. C.2K Entertainment Inc was audited to group materiality. The subsidiaries, Immotion Limited and Ranger Rob Limited, were exempt from audit by virtue of S479A of Companies Act 2006 and were audited to group materiality.

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.

KEY AUDIT MATTER	HOW OUR SCOPE ADDRESSED THIS MATTER
Revenue recognition There is a risk that group revenue, comprising the sale of content, partner revenue, VR revenue and hardware, is not recognised in line with the accounting policies in note 4 or in accordance with IFRS 15.	**Our audit work included, but was not restricted to, the following:** · Considering the stated accounting policies in respect of revenue recognition and whether these are consistent with IFRS 15; · A detailed review of how revenue is recognised; · A review of the judgments made; and · Substantive procedures on a sample of revenue transactions, including a review of those around the reporting date to assess appropriate cut off has been applied.
Impairment of goodwill The group has goodwill arising from previous acquisitions with a carrying value £2,438,000 held on its balance sheet. Given the financial performance of the group during the year ended 31 December 2020, there is a risk as to the valuation of goodwill arising during previous acquisitions and whether any impairment is required.	Our audit work included, but was not restricted to, the following: · Reviewing and assessing the impairment reviews prepared by management and challenging their underlying assumptions; · Reviewing and assessing future budgets and cash flow forecasts a review of the application of appropriate sensitivities; · Making enquiries of management and assessing expected future performance and potential growth in the business.

KEY AUDIT MATTER	HOW OUR SCOPE ADDRESSED THIS MATTER
Capitalisation of development costs The group recognises material software and content developments costs as an intangible asset, rather than expenditure. Given that such capitalisation and ongoing recognition is a matter of judgement, we considered this area to be a key audit matter.	Our audit work included, but was not restricted to, the following: · Reviewing and assessing the criteria for capitalising development costs under IAS 38 and ensuring these had been met; · Reviewing and assessing the methodology of calculating development costs; · Reviewing and assessing the client's impairment review of each ongoing project at the year-end and assessment of whether they meet the criteria of an intangible asset; and · Reviewing and assessing management's rationale for capitalising costs and consideration of whether there is sufficient indication of future economic benefits to justify capitalisation.

OUR APPLICATION OF MATERIALITY

The scope and focus of our audit was influenced by our risk 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 £68,800, determined by reference to 1.5% of the group's net loss. Based on the benchmarks used in the annual report, the net loss is considered a primary measure used by the shareholders in assessing the performance of the group and is a generally accepted auditing benchmark. We have reported to the audit committee any corrected or uncorrected misstatements arising exceeding £3,440. Performance materiality was set at £51,600, being 75% of materiality.

Materiality for the parent company was set at £6,200, determined by reference to 1.5% of the parent company's net loss. Based on the benchmarks set by the shareholders in assessing the performance of the parent company, net loss is considered a primary measure and is a generally accepted auditing benchmark. We have reported to the audit committee any corrected or uncorrected misstatements arising exceeding £310. Performance materiality was set at £4,650, being 75% of 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 35, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to regulatory requirements related to the AIM Rules, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, income tax, payroll tax and sales tax.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to revenue and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- We obtained an understanding of how the group complies with the AIM regulations through discussions with management;
- Inspecting correspondence and filings with tax authorities;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulations;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing journals, in particular journal entries posted with unusual account combinations, postings by unusual users or with unusual descriptions; and
- Challenging assumptions and judgements made by management in their critical accounting estimates.

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 parent 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.

Christopher Cork
(Senior Statutory Auditor)

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

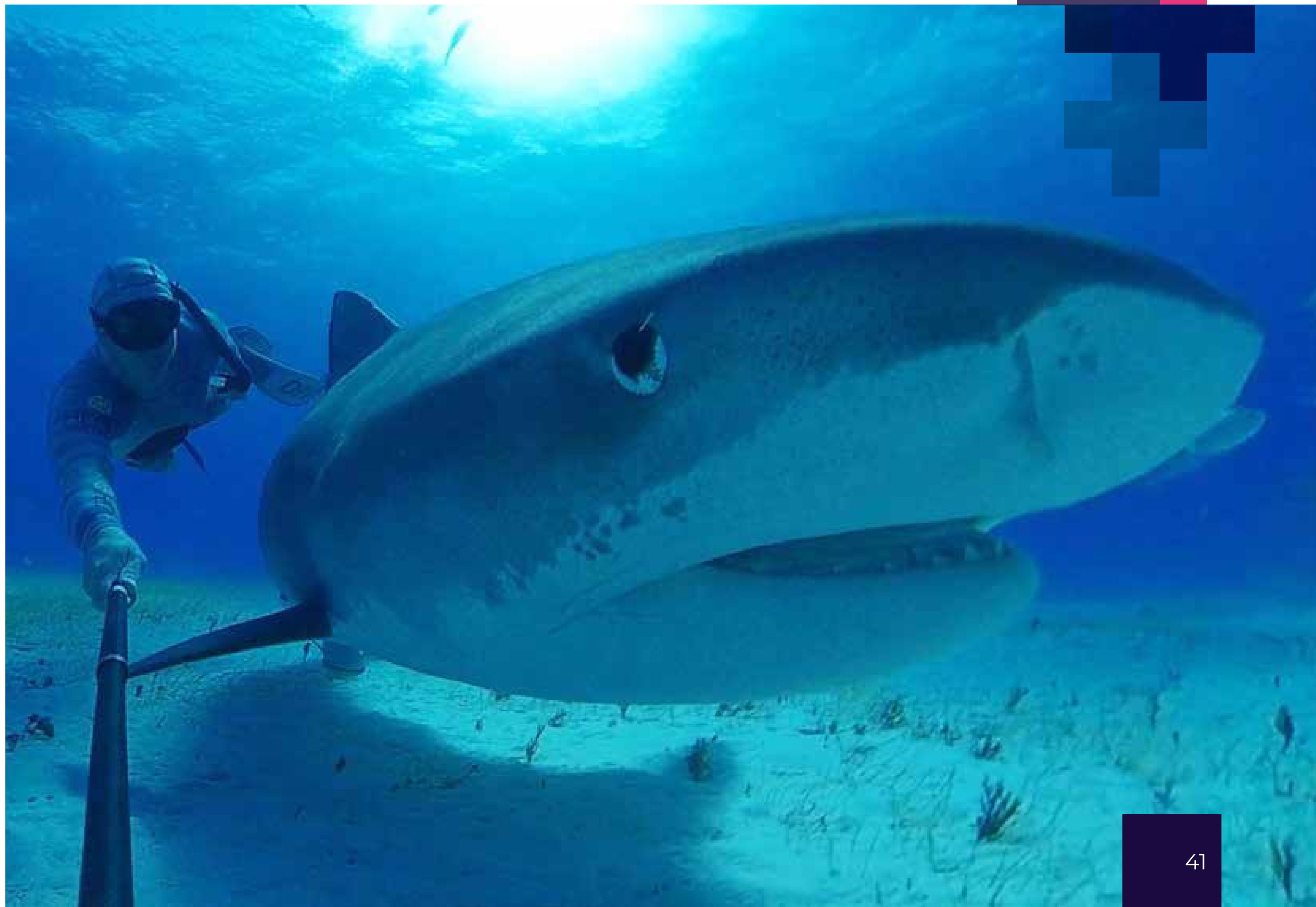
28 April 2021

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2020

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Revenue - continuing operations	7	2,848	3,606
Cost of sales - continuing operations		(2,382)	(2,509)
Gross Profit		466	1,097
Administrative expenses – continuing operations		(5,779)	(6,524)
Other operating income	8	575	-
Loss from operations	9	(4,738)	(5,427)
Memorandum:			
Adjusted EBITDA		**(1,690)**	**(2,494)**
Depreciation		(1,751)	(1,304)
Amortisation		(719)	(561)
Impairment of tangible and intangible assets		(253)	(458)
Share based payments		(194)	(171)
Loss on disposal of fixed assets		(35)	(12)
Restructuring costs		(96)	(427)
Loss from operations		**(4,738)**	**(5,427)**
Finance costs	11	(82)	(108)
Finance income	12	2	4
Loss before taxation and attributable to equity holders of the parent		**(4,818)**	**(5,531)**
Taxation	13	86	84
Loss from continuing operations		**(4,732)**	**(5,447)**
Discontinued operations (net of tax)		-	32
Loss after taxation		**(4,732)**	**(5,415)**
Other comprehensive expense			
Loss on translation of subsidary		(35)	(29)
Loss after taxation and attributable to equity holders of the parent and total comprehensive income for the period		**(4,767)**	**(5,444)**

	Note	Year ended 31 December 2020 £0.01	Year ended 31 December 2019 £0.01
Loss per share			
Basic (continuing)	14	(1.33)	(2.13)
Basic (discontinued)		0.00	0.01
		(1.33)	**(2.12)**
Loss per share			
Diluted (continuing)	14	(1.33)	(2.13)
Diluted (discontinued)		0.00	0.01
		(1.33)	**(2.12)**

The notes on pages 46 to 77 form part of the group financial statements.



Consolidated Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital	Share premium	Foreign exchange reserve	Retained (deficit)/ earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2019	**78**	**9,999**	**(16)**	**(3,861)**	**6,200**
Issue of shares	37	5,684	-	-	5,721
Issue costs deducted from equity	-	(373)	-	-	(373)
Loss after tax	-	-	-	(5,415)	(5,415)
Equity settled share-based payments	-	-	-	171	171
Currency translation of overseas subsidary	-	-	(29)	-	(29)
Balance at 31 December 2019	**115**	**15,310**	**(45)**	**(9,105)**	**6,275**
Issue of shares	49	5,352	-	-	5,401
Issue costs deducted from equity	-	(389)	-	-	(389)
Loss after tax	-	-	-	(4,732)	(4,732)
Equity settled share-based payments	-	-	-	194	194
Currency translation of overeas subsidary	-	-	(35)	-	(35)
Balance at 31 December 2020	**164**	**20,273**	**(80)**	**(13,643)**	**6,714**

The notes on pages 46 to 77 form part of the group financial statements.

Consolidated Statement of Financial Position as at 31 December 2020

	Note	31 December 2020 £'000	31 December 2019 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	2,260	3,132
Intangible fixed assets	16	3,625	4,020
Total non-current assets		**5,885**	**7,152**
Current assets			
Inventories	17	152	-
Trade and other receivables	18	829	703
Contract assets	19	91	100
Cash and cash equivalents	20	1,664	474
Total current assets		**2,736**	**1,277**
Total assets		**8,621**	**8,429**
LIABILITIES			
Current liabilities			
Trade and other payables	21	(1,153)	(1,060)
Loans and borrowings	21	(175)	(101)
Lease liabilities	21	(231)	(401)
Deferred tax liability	26	-	(27)
Contract liabilities	22	(12)	(14)
Total current liabilities		**(1,571)**	**(1,603)**
Non-current liabilities			
Loans	21	(160)	(55)
Lease liabilities	21	(176)	(496)
Total non-current liabilities		**(336)**	**(551)**
Total liabilities		**(1,907)**	**(2,154)**
Total net assets		**6,714**	**6,275**
Capital and reserves attributable to owners of the parent			
Share capital	28	164	115
Share premium	30	20,273	15,310
Foreign exchange reserve	30	(80)	(45)
Retained earnings / (deficit)	30	(13,643)	(9,105)
Total equity		**6,714**	**6,275**

The financial statements were approved by the Board and authorised for issue on 28 April 2021

Martin Higginson
Chief Executive Officer

David Marks
Group Finance Director

The notes on pages 46 to 77 form part of the group financial statements.

Consolidated Statement of Cash Flows for the Year Ended 31 December 2020

Year ended	Year ended 31 December 2020 £'000	31 December 2019 £'000
Cash flows from operating activities		
Loss before tax including discontinued operations	(4,818)	(5,499)
Adjustments for:		
Share based payments	194	171
Depreciation on property plant and equipment	1,751	1,304
Depreciation on stock transfers	-	(2)
Loss on disposal of fixed assets	35	12
Amortisation of intangible assets	719	561
Impairment of tangible and intangible assets	253	458
Finance costs	82	108
Finance income	(2)	(4)
Foreign exchange on retranslation of fixed assets	(72)	(32)
Foreign exchange loss	(35)	(29)
Corporation tax repayment received	73	289
Cash flows from operating activities before changes in working capital	**(1,820)**	**(2,663)**
(Increase) / Decrease in inventories	(152)	133
(Increase) / Decrease in trade and other receivables	(132)	339
Increase / (Decrease) in trade and other payables	92	(55)
Cash used in operations	**(2,012)**	**(2,246)**
Investing activities		
Purchase of intangible assets	(545)	(1,005)
Purchase of property, plant and equipment	(1,069)	(1,804)
Proceeds from disposals of property, plant and equipment	159	15
Foreign exchange on retranslation of fixed assets	62	32
Net cash used in investing activities	**(1,393)**	**(2,762)**
Financing activities		
Financing costs	(82)	(108)
Finance income	2	4
New loans and finance leases	302	87
Loan and finance lease repayments	(615)	(560)
Foreign exchange on retranslation of financing	(24)	-
Issue of new share capital	5,401	5,721
Costs on issue of shares	(389)	(373)
Net cash from financing activities	**4,595**	**4,771**
Net increase / (decrease) in cash and cash equivalents	**1,190**	**(237)**
Cash and cash equivalents at beginning of the period	474	711
Cash and cash equivalents at end of the period	**1,664**	**474**

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Reconciliation of net cashflow to movement in net debt:		
Net increase/(decrease) in cash and cash equivalents	1,190	(237)
New loans and finance leases	(328)	(1,166)
Repayment of loans and finance leases	615	560
Foreign exchange on retranslation of financing	24	-
Movement in net funds in the year	**1,501**	**(843)**
Net debt / (funds) at 1 January	(579)	264
Net funds / (debt) at 31 December	**922**	**(579)**
Breakdown of net funds / (debts)		
Cash and cash equivalents	1,664	474
Loans and borrowings	(335)	(156)
Lease liabilities	(407)	(897)
Net funds / (debts) at 31 December	**922**	**(579)**

The notes on pages 46 to 77 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, MediaCityUK, Manchester, M50 3SP. The Group is listed on the Alternative Investment Market (AIM) of the London Stock Exchange.

The principal activities of the Group during the year were the provision of virtual reality (VR) experiences to partner sites and via its own ImmotionVR sites; and the sale of the Let's Explore virtual and augmented reality consumer product.

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 AND INTERPRETATIONS ADOPTED IN THE CURRENT FINANCIAL YEAR ENDED 31 DECEMBER 2020

The principal accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the Group's annual audited consolidated financial statements for the year ended 31 December 2019, except for any new and revised IFRSs effective 1 January 2020. None of the new IFRSs and IFRS amendments effective on 1 January 2020 have had a material impact on the consolidated financial statements of the Group.

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

Insurance Contracts – amendment to IFRS 4 (effective 1 January 2021)

This amendment by the IASB relates to the accounting for insurance and is not expected to have a material impact on the Group.

Interest Rate Benchmark Reform – Phase 2 (effective 1 January 2021)

In August 2020, the IASB issued Interest Rate Benchmark Reform—Phase 2, which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases. These amendments address issues that might affect financial reporting after the reform of an interest rate benchmark. These amendments are not expected to have a material impact on the Group.

Leases – amendment to IFRS 16 (effective for annual accounting periods commencing 1 July 2020)

The IASB issued an amendment to IFRS 16 Leases to make it easier for lessees to account for COVID-19-related rent concessions such as rent holidays and temporary rent reductions. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021. Early adoption has not been chosen by the Group and it is not anticipated that the Group will choose this option in 2021. However, that will depend to an extent on how the COVID-19 pandemic unfolds in 2021 and on the type and amount of any concessions obtained from landlords of properties that are accounted for under IFRS 16.

4. ACCOUNTING POLICIES

Principal accounting policies

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

Basis of preparation

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

Basis of Consolidation

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

Going concern

The Group incurred a loss after taxation of £4,732,000 for the year and an operating cash outflow of £2,012,000. The loss in the year and the continuation post year end of the operational disruption and economic uncertainty created by COVID-19 lockdowns indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern unless losses after taxation are reduced significantly and/or new equity funds raised as required.

The Directors have prepared forecasts covering the period to December 2022, assessing the trading projections and cash flow taking into consideration the continued impact of COVID-19. The projections include:

- the anticipated reopening of partner and ImmotionVR sites as lockdowns are lifted with revenue from each site projected to be 50% of pre-COVID levels in 2021 and 75% in 2022;
- no further lockdowns affecting partner and ImmotionVR sites;
- selective opening of a small number of new partner sites;
- forecasted revenue and contribution of Let's Explore; and
- the impact of government support packages available in the UK and USA.

Whilst the forecasts prepared did not indicate a requirement for additional funding to enable the Group to continue being able to operate as a going concern, the Directors note that there is still considerable uncertainty as to whether the assumptions made in preparing these forecasts will turn out to be accurate. If there were to be further lockdowns, they could have a material impact on the Group's ability to generate revenue from partner and ImmotionVR sites. Should this happen, the Directors may need to consider mitigating actions available to them which are likely to include the pursuit of any government support available, identifying cost savings and/or seeking external finance in the form of debt or equity.

Based on the forecast prepared, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

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

Business combinations and goodwill

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

Revenue recognition

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

Partners

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

Hardware Sales

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

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be reliably measured;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be reliably measured.

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

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

Let's Explore

Revenue is recognised on sales of the Let's Explore products in the period in which the corresponding order is placed and paid for. A provision for future refunds is deducted from revenue each period.

Content

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

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

Content licensing revenue is recognised on the date on which the related sale of that content by the licensee takes place where agreements do not provide for new or updated content to be supplied. Where Immotion Group is committed under licensing agreements to producing new content, or material updates, revenue is recognised over the period of the agreement. No element of financing is deemed present as the sales are made with standard credit terms of 30 days which is consistent with market practice. The Group does not expect to have any contracts where the period between the transfer of the promised services or goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Leases

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

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

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

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

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

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

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

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

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

Foreign currency

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

In preparing the financial statements of the individual companies, transactions in currencies other than the Group company's functional currency (foreign currencies) are recorded at rates of exchange prevailing on the dates of the transactions. At the reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of the gain or loss is also recognised directly in equity.

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

Tangible assets

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

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

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

VR Hardware	- 33% straight line
Computer equipment	- 33% straight line
Leasehold property	- Over term of lease
Leasehold property improvements	- Over term of lease
Plant & Equipment	- 33% straight line
Fixtures & Fittings	- 20% to 33% straight line
IFRS 16 right of use assets	- Over term of lease

Intangible assets

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

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

Internally generated intangible assets

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

Impairment of assets

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

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

Inventories

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

Financial instruments

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

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

Contract assets

Contract assets are recognised when the Group has satisfied a performance obligation but cannot recognise a receivable until other obligations are satisfied. Contract assets represent a right to payment that is conditional on further performance while receivables represent an unconditional right to payment.

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 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 and 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 and cash equivalents

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

Trade payables

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

Where share options are cancelled due to employees leaving the Group's employment before they have vested, cumulative share based payment expenses recognised in respect of those employees are reversed through the statement of comprehensive income.

Where share options are replaced the fair value of the replaced options at the date of grant continues to be recognised through the statement of comprehensive income in addition to a charge equating to the incremental value of the new options granted.

Fair value is calculated either using the Monte-Carlo model or Black-Scholes model, details of which are given in note 29.

Pensions

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

Taxation and 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.

Government grants

The Group recognises government grants when it has reasonable assurance that it will comply with the relevant conditions and the grant will be received.

Grants related to income are recognised in the profit and loss account in line with the recognition of the expenses that the grants are intended to compensate. Such grants are presented as income and are not deducted from the related expenditure.

Grants related to assets are presented as deferred income and are amortised over the useful life of the asset.

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 AND JUDGMENTS

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

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

Critical accounting judgments

Revenue recognition

The revenue for the sale of hardware is recognised once the benefits and control of these items are no longer with the Group and are instead with the customer. Revenue is recognised under the specifics of IFRS 15 Bill-and-Hold arrangements for 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.

Revenue from the sale of Let's Explore packages is recognised on receipt of payment, which is a condition for an order to be accepted. At each accounting date provision is made for refunds to be made for orders received and paid for, prior to the accounting date. This provision is based on past experience of the level of refund applications received.

Partner revenue is accounted for on the basis that the Group acts as the principal in the transactions between partners and customers. Gross sales of services by partners to end customers are reported to the Group regularly and are included within the Group's turnover without any deductions.

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

Recoverability criteria for capitalisation of development expenditure

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

Impairment of goodwill

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

R&D tax credits

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

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

In assessing the 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 when economic benefits are expected to be received, which has been estimated at 3 years.

Depreciation

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

Share based payments expense

Non-market performance and service conditions are included in the assumptions about the number of options that are expected to vest. At the end of each reporting period the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to the original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity. This requires a judgment as to how many options will meet the future vesting criteria as well as the judgments required in estimating the fair value of the options.

Where options are cancelled, followed by the grant of new options at or close to the time of the cancellations, a key judgment, based on the reasons for the cancellations and the new issues, is made as to the extent to which the new options granted are modifications of, or replacements for, the cancelled options, or new options.

IFRS 16 discount rates

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

6. SEGMENTAL INFORMATION

A segmental analysis of revenue and expenditure for the year ended 31 December 2020 is below. Immotion Group Plc changed its internal reporting during the year ended 31 December 2020 and the segmental analysis has been prepared on a different basis to 2019. The 2019 comparative analysis has been amended in line with the segments adopted in 2020.

	Location Based Entertainment	Home Based Entertainment	Head Office	Total
	£'000	£'000	£'000	£'000
Revenue	2,075	669	104	2,848
Cost of Sales	(1,746)	(573)	(63)	(2,382)
Administrative expenses*	(1,298)	(134)	(1,299)	(2,731)
Other operating income	484	-	91	575
Operating loss	(485)	(38)	(1,167)	(1,690)
Amortisation	(442)	(81)	(196)	(719)
Depreciation	(1,593)	-	(158)	(1,751)
Impairment	(37)	-	(216)	(253)
Loss on disposal	(35)	-	-	(35)
Restructuring costs	(77)	-	(19)	(96)
Share based payments	-	-	(194)	(194)
Finance costs	(50)	-	(32)	(82)
Finance income	-	-	2	2
Taxation	-	-	86	86
Loss for the year	**(2,719)**	**(119)**	**(1,894)**	**(4,732)**

**Administrative expenses exclude depreciation, amortisation, impairment, loss on disposal, restructuring costs and share based payments.*
All operations are continuing.

A segmental analysis of revenue and expenditure for the year ended 31 December 2019 is below:

	LBE	HBE	Head Office	Total continuing operations	Discontinued operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	2,932	-	674	3,606	18	3,624
Cost of sales	(2,157)	-	(352)	(2,509)	18	(2,491)
Administrative expenses*	(1,554)	-	(2,037)	(3,591)	-	(3,591)
Operating (loss) / profit	(779)	-	(1,715)	(2,494)	36	(2,458)
Amortisation	(143)	-	(418)	(561)	-	(561)
Depreciation	(1,038)	-	(266)	(1,304)	-	(1,304)
Impairment	-	-	(458)	(458)	-	(458)
Loss on disposal	(18)	-	6	(12)	-	(12)
Restructuring costs	(109)	-	(318)	(427)	(4)	(431)
Share based payments	-	-	(171)	(171)	-	(171)
Finance costs	-	-	(108)	(108)	-	(108)
Finance income	-	-	4	4	-	4
Tax	-	-	84 8	4	-	84
(Loss) / Profit for the year	**(2,087)**	**-**	**(3,360)**	**(5,447)**	**32**	**(5,415)**

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

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

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

	External revenue by location of customer		External revenue by location of customer	
	2020 Continuing £'000	2020 Discontinued £'000	2019 Continuing £'000	2019 Discontinued £'000
United Kingdom	1,395	-	1,599	-
United States of America	1,176	-	1,031	18
Australia	124	-	187	-
United Arab Emirates	38	-	55	-
China	35	-	156	-
Saudi Arabia	35	-	62	-
Netherlands	27	-	422	-
Germany	13	-	83	-
France	5	-	5	-
Japan	-	-	5	-
Estonia	-	-	1	-
	2,848	**-**	**3,606**	**18**

	Total assets by location		Net tangible capital expenditure by location	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
United Kingdom	6,901	6,437	266	1,182
United States of America	1,542	1,698	813	1,358
United Arab Emirates	56	95	6	83
Saudi Arabia	50	82	-	96
Australia	35	52	8	73
Germany	22	43	-	65
China	9	14	-	17
France	6	8	2	9
	8,621	**8,429**	**1,095**	**2,883**

7. REVENUE

Revenue by stream is split:	2020 £'000	2019 £'000
Location Based Entertainment	2,075	2,826
Home Based Entertainment	669	-
Head Office	104	780
	2,848	**3,606**

The Group had certain customers whose revenue individually represented 10% or more of the Group's total revenue. For the year ended 31 December 2020, two customers accounted for 23% and 20% of the revenue respectively (2019: two customers accounted for 27% and 12% respectively).

8. OTHER OPERATING INCOME

	2020 £'000	2019 £'000
UK Government grants: Coronavirus Job Retention Scheme	479	-
Rent receivable	96	-
	575	**-**

9. LOSS FROM OPERATIONS

This is arrived at after charging:	2020 £'000	2019 £'000
Continuing operations		
Staff costs (see note 10)	2,932	4,003
Depreciation of property, plant & equipment	1,751	1,304
Amortisation of intangible fixed assets	719	561
Impairment of intangible and tangible assets	253	458
Short-term lease expense	102	267
Foreign exchange differences	-	10
Auditors' remuneration		
Auditors' remuneration in respect of the Company	13	12
Audit of the Group and subsidiary undertakings	47	46
Auditors' remuneration – non-audit services – review of interim accounts	11	13
Auditors' remuneration – non-audit services –taxation fees	-	13
	71	**84**
Restructuring costs		
Business restructuring	16	427
COVID-19 effects - redundancies and aborted projects	80	-
	96	**427**

10. STAFF COSTS

Staff costs for all employees, including Directors consist of:	2020 £'000	2019 £'000
Wages and salaries	2,414	3,405
Social security costs	293	387
Pensions	31	40
	2,738	**3,832**
Share based payment charge	194	171
	2,932	**4,003**

Staff costs above include termination costs of £69k (2019: £277k) during the year.
Staff costs above include £326k capitalised in 2020 (2019: £513k) as development costs (see note 16).

The average number of employees of the group during the year was as follows:	2020	2019
Directors	5	6
Management and administration	14	14
Retail	37	50
Operations	13	7
Sales and Marketing	7	3
Content and software development	10	19
	86	**99**

Directors' detailed emoluments

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

	Salary 2020 £'000	Consultancy 2020 £'000	Benefits 2020 £'000	Pension 2020 £'000	Total 2020 £'000	Total 2019 £'000
Martin Higginson	45	122	7	1	175	204
David Marks	155	-	-	1	156	180
Rod Findley	115	-	32	-	147	158
Ian Liddell*	-	-	-	-	-	170
Sir Robin Miller	22	15	-	-	37	45
Nicholas Lee	28	-	-	1	29	36
	365	**137**	**39**	**3**	**544**	**793**

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

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

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

£120k of the share-based payment expense in 2020 relates to the directors (2019: £127k).

The Directors of the company on 28 April 2021 and at the statement of financial position date, and their interests in the issued ordinary share capital of the Company as at those dates were as follows:

	Shares of £0.00040108663					
	28/04/2021		31/12/2020		31/12/2019	
Martin Higginson	24,026,945	5.78%	24,026,945	5.87%	24,026,945	8.40%
David Marks	10,292,663	2.48%	10,292,663	2.51%	9,767,580	3.41%
Rod Findley	10,584,349	2.55%	10,584,349	2.58%	10,084,349	3.52%
Sir Robin Miller	385,000	0.09%	385,000	0.09%	350,024	0.12%
Nicholas Lee	241,743	0.06%	241,743	0.06%	241,743	0.08%

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

	Type of Option	Options held at 31 December 2020	Exercise Price £	Date of grant	Exercise period
Martin Higginson	EMI Option	6,578,921	0.025	19/11/2020	19/11/2021
Martin Higginson	Non-EMI Option	9,551,448	0.025	19/11/2020	19/11/2021
David Marks	EMI Option	6,578,921	0.025	19/11/2020	19/11/2021
David Marks	Non-EMI Option	3,858,376	0.025	19/11/2020	19/11/2021
Rod Findley	Non-EMI Option	10,437,297	0.025	19/11/2020	19/11/2021

All of the above options were issued as replacements for options issued on 12th July 2018 which were surrendered on 19th November 2020. None of the above options may be exercised before 19th November 2021. Further information on share options is included in note 29. The market price of the shares at 31 December 2020 was 4.15p with a quoted range from 1 January 2020 to 31 December 2020 of 1.25p to 8.75p.

11. FINANCE COSTS

	2020	2019
	£'000	£'000
Other interest	43	55
IFRS 16 lease charges	39	53
	82	**108**

12. FINANCE INCOME

	2020	2019
	£'000	£'000
Other interest	2	4
	2	**4**

13. TAXATION ON LOSS FROM ORDINARY ACTIVITIES

	2020	2019
	£'000	£'000
R&D tax credit	65	80
Adjustment in respect of prior periods	(6)	(59)
Foreign taxation	-	(1)
Deferred tax movement	27	64
Tax credit for the year	**86**	**84**

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

	2020	2019
	£'000	£'000
Loss on ordinary activities before tax: Continuing Operations	4,818	5,531
Loss on ordinary activities before tax: Discontinued Operations	-	32
Total loss on ordinary activities before tax	**4,818**	**5,499**
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (2019: 19%)	915	1,045
Effects of:		
Fixed asset differences	(14)	(57)
Expenses not deductible for tax purposes	(149)	(556)
R&D tax credits	65	35
Adjustments to prior periods	(6)	(59)
Deferred tax not recognised	(725)	(310)
Adjust closing deferred tax to average rate of tax	-	(14)
Tax credit for the year	**86**	**84**

The UK Finance Act 2020 received royal assent on 22 July 2020. This legislation maintained the UK corporation tax rate at the same level as in the year commencing 1 April 2019 at 19% for the years commencing 1 April 2020 and 1 April 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates.

In the 2021 budget statement issued on 3 March 2021 the UK Government announced its intention to raise the corporation tax rate from 19% to 25% for the year commencing 1 April 2023. As this measure has not been enacted it has not been taken into account in calculating the deferred tax position at 31 December 2020.

There were unused tax losses of £13.9m at 31 December 2020 (£10.7m at 31 December 2019). No deferred tax asset has been recognised due to the uncertainty surrounding future profits.

14. EARNINGS PER SHARE

The earnings per share is based on the following:	2020 £'000	2019 £'000
Continuing post tax loss attributable to shareholders	(4,732)	(5,447)
Discontinued post tax loss attributable to shareholders	-	32
Basic weighted average number of shares	356,941,188	255,564,704
Diluted weighted average number of shares	356,941,188	255,564,704
	£0.01	£0.01
Basic loss per share	(1.33)	(2.12)
Diluted loss per share	(1.33)	(2.12)
Continuing loss per share	(1.33)	(2.13)
Continuing diluted loss per share	(1.33)	(2.13)
Discontinued earnings per share	-	0.01
Discontinued diluted earnings per share	-	0.01
Adjusted loss: continuing operations	(4.189)	(4.391)
Adjusted earnings: discontinued operations	-	36
Basic weighted average number of shares	356,941,188	255,564,704
Diluted weighted average number of shares	356,941,188	265,290,288
	£0.01	£0.01
Basic adjusted loss per share	(1.17)	(1.72)
Diluted adjusted loss per share	(1.17)	(1.72)
Basic adjusted loss per share: continuing operations	(1.17)	(1.73)
Diluted adjusted loss per share: continuing operations	(1.17)	(1.73)
Basic adjusted earnings per share: discontinued operations	-	0.01
Diluted adjusted earnings per share: discontinued operations	-	0.01

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.

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

15. PROPERTY, PLANT AND EQUIPMENT

Cost	Leasehold Property £'000	Fixtures, Fittings & Equipment £'000	IFRS 16 Right-of-use Asset £'000	Total £'000
At 1 January 2019	405	1,579	1,079	3,063
Additions	159	1,504	-	1,663
Transfers from inventory	-	147	-	147
Transfers to inventory	-	(6)	-	(6)
Disposals	(17)	(38)	-	(55)
Foreign exchange	(1)	(21)	-	(22)
At 31 December 2019	546	3,165	1,079	4,790
At 1 January 2020	546	3,165	1,079	4,790
Additions	50	1,019	26	1,095
Disposals	(123)	(53)	(284)	(460)
Impairment cost	(94)	-	-	(94)
Foreign exchange	1	(39)	(15)	(53)
At 31 December 2020	**380**	**4,092**	**806**	**5,278**
Accumulated depreciation				
At 1 January 2019	65	345	-	410
Depreciation charge on owned assets	146	738	-	884
Depreciation charge on financed assets	-	71	349	420
Transfers to inventory	-	2	-	2
Disposals	(5)	(26)	-	(31)
Foreign exchange adjustment	(1)	(19)	(7)	(27)
At 31 December 2019	205	1,111	342	1,658
At 1 January 2020	205	1,111	342	1,658
Depreciation on owned assets	156	1,189	-	1,345
Depreciation on financed assets	-	66	340	406
Disposals	(71)	(29)	(166)	(266)
Impairment depreciation	(64)	-	-	(64)
Foreign exchange	-	(45)	(16)	(61)
At 31 December 2020	**226**	**2,292**	**500**	**3,018**
Net Book Value				
At 31 December 2020	**154**	**1,800**	**306**	**2,260**
At 31 December 2019	341	2,054	737	3,132
At 31 December 2018	340	1,234	-	1,574

The net book value of assets held under finance leases or hire purchase contracts, included above, is £306k (2019: £803k) relating to VR Hardware and property leases. The depreciation charge on these assets was £406k (2019: £420k).

The net book value of owned and leased assets included in property, plant and equipment in the Statement of Financial Position is as follows:

	2020 £'000	2019 £'000
Tangible fixed assets owned	1,954	2,329
Tangible fixed assets subject to hire purchase and finance lease arrangements	306	803
	2,260	**3,132**

Information about the leased assets is summarised below:	2020 £'000	2019 £'000
Equipment	-	66
IFRS 16 leased property	306	737
	306	**803**

The depreciation charge in respect of the leased assets is as follows:	2020 £'000	2019 £'000
Equipment	66	71
IFRS 16 leased property	340	349
	406	**420**

16. INTANGIBLE ASSETS

Cost	Development Costs £'000	Goodwill Arising on Consolidation £'000	Other Intangible Assets £'000	Total £'000
At 1 January 2019	1,506	2,438	504	4,448
Additions	970	-	35	1,005
Impairment	(494)	-	-	(494)
Foreign exchange	(9)	-	-	(9)
At 31 December 2019	1,973	2,438	539	4,950
At 1 January 2020	1,973	2,438	539	4,950
Additions	539	-	6	545
Impairment	(332)	-	-	(332)
Foreign exchange	(9)	-	-	(9)
As at 31 December 2020	**2,171**	**2,438**	**545**	**5,154**
Accumulated amortisation				
At 1 January 2019	94	-	316	410
Amortisation	455	-	106	561
Impairment	(36)	-	-	(36)
Foreign exchange	(5)	-	-	(5)
At 31 December 2019	508	-	422	930
At 1 January 2020	508	-	422	930
Amortisation	614	-	105	719
Impairment	(109)	-	-	(109)
Foreign exchange	(11)	-	-	(11)
At 31 December 2020	**1,002**	**-**	**527**	**1,529**
Net Book Value				
At 31 December 2020	**1,169**	**2,438**	**18**	**3,625**
At 31 December 2019	1,465	2,438	117	4,020
At 31 December 2018	2	2,438	455	2,895

Other intangible assets comprise website development and trademark costs.

Amortisation is charged over periods ranging between 2 and 10 years.

	2020	2019
	£'000	**£'000**
Goodwill and impairment		
The carrying value of goodwill in respect of each entity acquired is as follows:		
Immotion Studios Limited (previously Studio Liddell Limited)	1,252	1,252
C. 2K Entertainment Inc.	748	748
Immotion Limited (previously VR Aquisition (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 reasonably possible changes in the key assumptions would not result in an impairment of the present carrying value of the goodwill.

Immotion Studios Limited, C.2K Entertainment Inc. and Immotion Limited were acquired in relation to the Location Based Entertainment segment. The Location Based Entertainment segment has been assessed as a CGU when conducting impairment reviews.

Location Based Entertainment

The recoverable amount of the Location Based Entertainment segment has been determined from a review of the current and anticipated performance. In preparing these projections, a discount rate of 10% (based on the Group's weighted average cost of capital) has been applied to forecast earnings for 2021, 2022 and 2023. The discount rate was based on the Company's cost of capital as estimated by management.

17. INVENTORIES

	2020	2019
	£'000	**£'000**
Inventory	152	-
	152	**-**

Inventories recognised in cost of sales during the year was £196k (2019: £8k).

The Directors consider that no impairment of inventory is necessary as at 31 December 2020 (2019: £Nil).

18. TRADE AND OTHER RECEIVABLES

	31 December 2020	31 December 2019
	£'000	**£'000**
Trade receivables	102	161
Prepayments and accrued income	595	328
Other receivables	67	134
Tax recoverable	65	80
	829	**703**

The Group has elected not to make a provision of expected credit losses due to its historical low incidence of bad debts.

19. CONTRACT ASSETS

	31 December 2020	31 December 2019
	£'000	**£'000**
Accured Income	91	100

20. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
	£'000	**£'000**
Cash at bank	1,664	474

21. LIABILITIES

	31 December 2020	31 December 2019
	£'000	**£'000**
Current liabilities		
Trade payables	594	361
Social security and other taxes	149	132
Accruals	263	285
Other payables	147	282
Loans	175	101
Hire purchase and lease liabilities	231	401
	1,559	**1,562**
Non-current liabilities		
Loans	160	55
Hire purchase and lease liabilities	176	496
	336	**551**

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 initially agreed at £169k on 27 September 2018. Under the agreement with HMRC, the liability was to be paid in monthly instalments over 2 years, with interest at 4.25%. As a consequence of a review of such loan charges by the UK Government HMRC confirmed during 2020 that Immotion Studios Limited could suspend the payment of the agreed instalments with effect from the April 2020 payment, as the total paid would probably cover the liability under the revised legislation. An application has been submitted by Immotion Studios Limited to HMRC under the Disguised Remuneration Repayment Scheme (2020) but to date HMRC have not confirmed the revised liability. The liability in the Group balance sheet at 31 December 2020 of £39k is the amount payable as at 31 March 2020 under the initial arrangement of 2018. The liability is included within social security and other taxes (2019 - £59k).

22. CONTRACT LIABILITIES

	2020	2019
	£'000	£'000
Contract liabilities	12	14
	12	**14**

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

23. LOANS

The Group has the following loan arrangements in place as at 31 December 2020:

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 was repayable, by monthly instalments, with interest at 7.66%, and the final payment was made in March 2020.

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, repayable by monthly instalments, is secured, with interest payable at a fixed rate of 7.79%. The final payment falls due on 15 August 2021. The amount payable at 31 December 2020 was £54k.

SBA Economic Injury Disaster Loan
An agreement dated 3 July 2020 was completed between the subsidiary C.2K Entertainment, Inc., and the Bank of America, for a loan of $150,000 under the USA Government's Small Business Administration (SBA) Disaster Loan Scheme, to assist with recovery from the effects of the COVID-19 pandemic. Repayments commence on 3 July 2021 at a fixed sum of $731 per month. This loan is secured, interest is charged at a fixed rate of 3.75% pa, and repayment of the loan in full is due by 3rd July 2050. The liability at 31 December 2020 was $153k (£112k), including interest. No loan capital repayment is required until after 31 December 2021.

Paycheck Protection Program

An agreement dated 1 May 2020 was completed between the subsidiary C.2K Entertainment, Inc., and the Bank of America, for a loan of $160,580 advanced under the USA Government's Paycheck Protection Program, a program designed to assist USA businesses recover from the effects of the COVID-19 pandemic. Under the program as long as the loan is applied to expenditure specified in USA legislation, the loan can be forgiven partially or in full. Forgiveness applications can be made 6 months after the loan advance and an application for forgiveness of this loan has been submitted to the Bank of America. As confirmation of forgiveness has not been received the loan balance at 31 December 2020 is included in current liabilities. In the event that full or partial forgiveness is not confirmed the Bank of America will issue terms for the repayment of the loan. The repayment term would be either 2 or 5 years from the date of the advance and the interest rate would be fixed at 1% pa. This is an unsecured loan. The amount included in current liabilities at 31 December 2020, including interest, is $162k (£119k).

Bounce Back Loan Scheme

An agreement dated 28 August 2020 was completed between Immotion Group Plc and Coutts & Co., for a loan of £50,000 to be advanced on 9 September 2020 under the UK Government's Bounce Back Loan Scheme for small companies affected by the COVID-19 pandemic. Repayments commence on 9 September 2021 and full repayment is due by 9 September 2026 at the latest. This loan is unsecured and repayment is guaranteed by the UK Government. The liability at 31 December 2020, including interest was £50k, of which £48k is payable after 31 December 2021.

	2020	2019
	£'000	£'000
Amounts falling due within one year		
Lending Crowd	-	23
Bank of America	54	78
Paycheck Protection Program	119	-
Bounce Back Loan Scheme	2	-
	175	**101**
Amounts falling due after one year		
Bank of America	-	55
SBA Economic Injury Disaster Loan	112	-
Bounce Back Loan Scheme	48	-
	160	**55**

24. HIRE PURCHASE FINANCE

Lombard Technology Services Limited

On 24 April 2018 a loan agreement was completed between the Group and Lombard Technology Services Limited for the sale and leaseback of equipment valued at £194k. The loan is repayable by monthly instalments with the final pay-ment falling due in March 2021. The total amount payable under the loan agreement was £179k including interest costs. The amount payable as at 31 December 2020 under this hire purchase arrangement was £15k. This is included within the Group's hire purchase and finance lease liabilities detailed below.

	2020	2019
Hire purchase liabilities are due as follows:	£'000	£'000
Within 1 year	15	56
Between 1-5 years	-	15
	15	**71**

25. LEASES

Group as a lessee

The group has leasing arrangements for its operations.

	2020	2019
Lease liabilities are due as follows:	£'000	£'000
Within 1 year	216	345
Between 1-5 years	176	481
At 31 December 2020	**392**	**826**

Contractual undiscounted cash flows are due as follows:	£'000	£'000
Not later than one year	259	368
Between one year and five years	181	450
	440	**818**

All the lease liabilities are over right-of-use assets.

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

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

	2020	2019
	£'000	£'000
Interest expense on lease liabilities	39	53
Expenses relating to short-term leases	102	267

26. DEFERRED TAX LIABILITY

	2020	2019
	£'000	£'000
Balance at 1 January	27	90
Deferred tax credit in the year	(27)	(63)
Balance at 31 December	**-**	**27**

The deferred tax provision comprises:

Deferred tax on intangibles	-	27

27. 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 Group has elected not to make a provision of expected credit losses due to its historical low incidence of bad debts.

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 2020	31 December 2019
	£'000	£'000
Current financial assets		
Trade receivables	102	161
Other receivables	67	134
Cash and cash equivalents	1,664	474
	1,833	**769**

The table below illustrates the due date of trade receivables:

	31 December 2020	31 December 2019
	£'000	£'000
Current	41	124
31 - 60 days	19	23
61 - 90 days	4	11
91 - 120 days	3	3
121 and over	35	-
	102	**161**

The table below illustrates the geographical location of trade receivables:

	31 December 2020	31 December 2019
	£'000	£'000
United Kingdom	14	63
China	41	5
Middle East	-	3
Australia	7	29
USA	25	50
Europe	15	11
	102	**161**

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 23, 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.

	2020	2019
Cash at bank and equivalents	**£'000**	**£'000**
At the year end the Group had the following cash balances:	1,664	474

Cash at bank comprises cash deposits held within Coutts & Co in various currencies, principally sterling, as well as US Dollar accounts 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.

	2020	2019
Financial liabilities at amortised cost	**£'000**	**£'000**
Trade payables	594	361
Finance leases & hire purchase	407	897
Loans	335	156
	1,336	**1,414**

The table below illustrates the maturities of trade payables:

	2020	2019
	£'000	**£'000**
Current	152	321
31 - 60 days	179	24
61 - 90 days	37	6
91 - 120 days	32	-
121 and over	194	10
	594	**361**

The table below shows the maturities of financial liabilities:

	Carrying amount	6 months or less	6-12 months	1 or more years
	£'000	**£'000**	**£'000**	**£'000**
Trade payables	594	400	194	-
Finance leases	407	121	110	176
Loans	335	159	16	160
	1,336	**680**	**320**	**336**

Capital Disclosures and Risk Management

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

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

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

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

Market risk

Interest rate risk

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

Foreign currency risk

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

28. SHARE CAPITAL

	2020	2019
Called up share capital **Allotted, called up and fully paid**	**£'000**	**£'000**
409,538,083 Ordinary shares of 0.040108663 pence each (2019: 286,165,544 ordinary shares)	164	115

Shares issued during the year ended 31 December 2020:

Date	Description	No. of shares	Price per share £	Gross share value £	Cash received £
12 February 2020	Placing on AIM	39,310,339	0.0725	2,850,000	2,850,000
22 May 2020	Placing on AIM	54,062,200	0.0250	1,351,555	1,351,555
25 November 2020	Placing on AIM	30,000,000	0.0400	1,200,000	1,200,000
Total		**123,372,539**		**5,401,555**	**5,401,555**
At 31 December 2019		286,165,544		16,289,011	13,073,887
At 31 December 2020		**409,538,083**		**21,690,566**	**18,475,442**

Cash received does not include costs relating to share issues. In the year to 31 December 2020, costs of £389k were incurred relating to share issues and these costs were charged against share premium.

29. SHARE BASED PAYMENTS

In order to incentivise and reward employees on 12th July 2018 the Group established a share option scheme for key employees. By 2020 it became clear that the 2018 scheme was not appropriate for the current Group circumstances and was unlikely to provide the incentives envisaged in 2018. A new 2020 share option scheme was therefore established on 19 November 2020. Employees issued with 2020 share scheme options on 19 November 2020 surrendered all share options received under the 2018 scheme.

Details following, for both the 2018 and 2020 schemes, show:

- the number of share options in issue at 31 December 2020,
- the key assumptions used for calculating the 2020 share based payment expense,
- the 2020 expense for each of the share option types in issue.

2018 Scheme	**Number**
Unexpired options at 1 January 2020	8,414,083
Option cancellations 2020	(400,000)
Options surrendered 19 November 2020	(7,066,750)
Unexpired options at 31 December 2020	**947,333**

The unexpired options over Ordinary shares at 31 December 2020 were all issued to Group employees who have since ceased to be employed by the Group.

The type of options and the principles and assumptions employed in the valuation of the 2018 options are as follows.

Time Based Shares

These options over Ordinary shares have been valued using the Black-Scholes pricing model. The share options in issue fully vest 3 years after the grant date. For valuation purposes the judgment made in the model is that all participants will exercise their right to sell their shares a year after they have fully vested.

Expected Period of Award	**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	2020 charge £'000
12 July 2019	989,860	4.7p	-
12 July 2020	989,860	5.5p	15
12 July 2021	989,862	6.2p	21
			36

EBITDA Condition Shares

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

Expected Period of Award	**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	2020 charge £'000
Year 1 EBITDA target	1,261,124	5.5p	18
Year 2 EBITDA target	1,261,124	6.2p	28
			46

Share Price Condition Shares

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

Expected Period of Award	2.97 years	3.97 years
Share price at grant	12p	12p
Exercise price	10p	10p
Expected volatility	55.3%	57%
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	2020 charge £'000
Year 1 share price target	1,261,126	4.9p	16
Year 2 share price target	1,261,127	5.2p	23
			39

The amount charged in 2020 of £121k on the 2018 Scheme options includes £108k in respect of options that were surrendered on 19 November 2020 and replaced by new options issued the same day – details below.

2020 Scheme	Number
Options issued 19 November 2020	55,981,867
Unexpired options at 31 December 2020	55,981,867

Time Based Shares

These options over Ordinary shares have been valued using the Black-Scholes pricing model. The share options in issue vest 1 year after the grant date. For valuation purposes the judgment made in the model is that all participants will exercise their right to sell their shares a year after they have fully vested.

Expected Period of Award	2 years
Share price at grant	4.40p
Exercise price	2.50p
Expected volatility	61.0%
Risk free rate	0.0%

Expected volatility has been determined by reference to the historic share price volatilities of comparable listed companies.

Vesting date	Number of options	Estimated fair value	2020 charge £'000
19 November 2021	3,479,099	2.32	9
			9

Share Price Condition Shares

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

Expected Period of Award	1 year	3 years	4 years
Share price at grant	4.4p	4.4p	4.4p
Exercise price	2.5p	2.5p	2.5p
Expected volatility	71%	66.0%	63.0%
Risk free rate	0.0%	0.0%	0.0%

Expected volatility has been determined by reference to the historic share price volatilities of comparable listed companies.

Vesting date	Number of options	Estimated fair value	2020 charge £'000
Year 1 share price target	17,500,920	2.07p	42
Year 3 share price target	17,500,922	1.57p	11
Year 4 share price target	17,500,926	1.34p	6
			59

No options over Ordinary shares were exercised in the period.
During the year, 400,000 options were cancelled.

Warrants

In 2018, the Group issued warrants over 1,488,500 Ordinary shares. These warrants have been valued using the Black-Scholes pricing model. 677,000 of these warrants expired on 31 December 2019 leaving a balance at 31 December 2020 of 811,500 unexpired warrants.

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

Expected volatility has been determined by reference to the fluctuations in the Group's share price between the formation of its current group structure and the grant date of the warrants. A charge of £5k has been included in the year ended 31 December 2020.

30. 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.

31. CAPITAL COMMITMENTS

At 31 December 2020 and 31 December 2019 there were no capital commitments.

32. RELATED PARTY TRANSACTIONS

Purchases

Name of related party	Services	Relationship
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
Digitalbox Publishing Ltd	Office and staff	Directors and shareholders of Immotion Group Plc were also directors and shareholders of Digitalbox Plc, the parent company of Digitalbox Publishing Limited
Huddled Group Ltd	Fulfilment and postage	M Higginson is a director and shareholder of Huddled Group Ltd

	Costs invoiced		Amounts outstanding	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
M Capital Investment Properties Ltd	122	63	4	-
Robin Miller Consultants Ltd	15	15	1	1
Samuel Higginson	-	50	-	-
Digitalbox Publishing Ltd	2	17	-	5
Huddled Group Ltd	88	-	16	-
	227	**145**	**21**	**6**

Income

Name of related party	Services	Relationship
David Marks	Interest on loan	D Marks is a director of Immotion Group Plc and Immotion Studios Limited

	Expensed in the year		Amounts in receivables	
Income invoiced to related parties	2020 £'000	2019 £'000	2020 £'000	2019 £'000
David Marks loan	1	1	16	15

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 £544k (2019: £793k) in the year ended 31 December 2020.

The key management held 37m of share options realising a charge of £120k (2019: £127k) in the year.

33. POST BALANCE SHEET EVENTS

On 31 March 2021, the Company issued 6,000,000 ordinary shares at a price of 5 pence each following an approach from an existing institutional investor, raising £300,000 gross of expenses.

34. SUBSIDIARY UNDERTAKINGS

Ranger Rob UK Limited, company number 09511044, and Immotion Limited, company number 11054174, were exempt from undergoing an audit for year ended 31 December 2020 by virtue of S479A of Companies Act 2006.

Company Statement of Financial Position as at 31 December 2020

		31 December 2020	31 December 2019
		£'000	£'000
Fixed assets			
Investments	III	3,113	3,113
Intangible fixed assets	IV	4	24
		3,117	**3,137**
Current assets			
Trade and other receivables	V	4,694	4,261
Cash and cash equivalents	VI	1,185	323
		5,879	**4,584**
Payables: amounts falling due within 1 year	VII	(127)	(123)
Net current assets		**5,752**	**4,461**
Payables: amounts falling due in more than 1 year	VIII	(48)	-
Total assets less total liabilities		**8,821**	**7,598**
Capital and reserves			
Called up share capital		164	115
Share premium account		20,273	15,310
Retained reserves		(11,616)	(7,827)
Shareholders funds		**8,821**	**7,598**

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 £3,983k (2019: £7,579k) 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 28 April 2021

Martin Higginson
Chief Executive Officer

David Marks
Group Finance Director

The notes on pages 81 to 84 form part of the Company financial statements.

Company Statement of Changes in Equity for the Year Ended 31 December 2020

	Share Capital £'000	Share Premium £'000	Retained Reserves £'000	Total Equity £'000
Balance at 1 January 2019	78	9,999	(419)	9,658
Issue of shares	37	5,684	-	5,721
Issue costs deducted from equity	-	(373)	-	(373)
Loss after tax	-	-	(7,579)	(7,579)
Equity setteled share-based payments	-	-	171	171
Balance at 31 December 2019	**115**	**15,310**	**(7,827)**	**7,598**
Issue of shares	49	5,352	-	5,401
Issue costs deducted from equity	-	(389)	-	(389)
Loss after tax	-	-	(3,983)	(3,983)
Equity settled share-based payments	-	-	194	194
Balance at 31 December 2020	**164**	**20,273**	**(11,616)**	**8,821**

The notes on pages 81 to 84 form part of the Company financial statements.

Company Statement of Cash Flows for the Year Ended 31 December 2020

	Year ended 31 December 2020	Year ended 31 December 2019
	£'000	**£'000**
Cash flows from operating activities		
Loss before tax	(3,983)	(7,579)
Adjustments for:		
Share based payments	194	171
Amortisation of intangible assets	21	30
Cash flows from operating activities before changes in working capital	**(3,768)**	**(7,378)**
(Increase) / decrease in trade and other receivables	(433)	1,792
Increase in trade and other payables	2	63
Cash used in operations	**(4,199)**	**(5,523)**
Investing activities		
Purchase of intangible assets	(1)	(17)
Net cash absorbed from investing activities	**(4,200)**	**(17)**
Financing activities		
New loans advanced	50	-
Issue of new share capital	5,401	5,721
Costs on issue of shares	(389)	(373)
Net cash from financing activities	**5,062**	**5,348**
Net increase / (decrease) in cash and cash equivalents	**862**	**(192)**
Cash and cash equivalents at beginning of the period	323	515
Cash and cash equivalents at the end of the period	**1,185**	**323**
Reconciliation of net cashflow to movement in net debt:		
Net increase / (decrease) in cash and cash equivalents	862	(192)
New loans and finance leases	(50)	-
Movement in net debt in the year	**812**	**(192)**
Net debt at 1 January	323	515
Net debt at 31 December	**1,185**	**323**

The notes on pages 81 to 84 form part of the Company financial statements.

Notes to the Company Financial Statements for the Year Ended 31 December 2020

I. ACCOUNTING POLICIES

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

Valuation of investments

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

II. OPERATING LOSS

The auditor's remuneration for audit and other services is disclosed in note 9 to the consolidated financial statements.

The average number of employees of the company during the year was 8 (2019: 8) and total staff costs were £504,403 (2019: £594,124). Directors' remuneration is disclosed in note 10 to the consolidated financial statements.

The Company operating loss is stated after a provision of £3,707k (2019: £7,354k) against amounts due from other group companies. The provision carried forward at 31 December 2020 was £11,061k (£7,354k at 31 December 2019).

III. FIXED ASSET INVESTMENTS

	31 December 2020	31 December 2019
	£'000	**£'000**
Subsidiary undertakings		
Cost		
Balance at 1 January 2020	3,113	3,113
Additions	-	-
Disposals	-	-
Balance at 31 December 2020	**3,113**	**3,113**
Provisions		
Balance at 1 January 2020	-	-
Balance at 31 December 2020	-	-
Carrying value of investments	**3,113**	**3,113**

At the year end, the Company had the following direct subsidiaries:

Subsidiary name	Class of Shares	Proportion of ownership	Registered office
Immotion Studios Limited	Ordinary	100%	East Wing, Ground Floor, The Victoria, MediaCityUK, Manchester, M50 3SP
Immotion Limited	Ordinary	100%	East Wing, Ground Floor, The Victoria, MediaCityUK, Manchester, M50 3SP
C. 2K Entertainment Inc	Ordinary	100%	1067 Gayley Avenue, Los Angeles, California, CA 90024, USA
Let's Explore Media Limited	Ordinary	100%	East Wing, Ground Floor, The Victoria, MediaCityUK, Manchester, M50 3SP

At the year end, the Company had the following indirect subsidiaries:

Subsidiary name	Class of Shares	Proportion of ownership	Registered office
Immotion VR Limited	Ordinary	100%	East Wing, Ground Floor, The Victoria, MediaCityUK, Manchester, M50 3SP
Ranger Rob UK Limited	Ordinary	100%	East Wing, Ground Floor, The Victoria, MediaCityUK, Manchester, M50 3SP

Subsidiary name	Principal activity
Immotion Studios Limited	Virtual reality content, software design and development
Immotion Limited	Intermediate holding company
C.2K Entertainment Inc	Location Based Entertainment
Immotion VR Limited	Location Based Entertainment
Let's Explore Media Limited	In home virtual reality equipment and experiences
Ranger Rob UK Limited	Group subsidiary with limited trading

The Company is obliged to review investment values annually for impairment. In order to perform this test, management is required to compare the carrying value of the relevant cash generating unit ("CGU") with its recoverable amount. The recoverable amount of the CGU is determined from a value in use calculation. It is considered that any reasonably possible changes in the key assumptions would not result in an impairment of the present carrying value of the investments.

The recoverable amount of each subsidiary has been determined from a review of the current and anticipated performance of the business segment to which it serves or was originally acquired to serve. In preparing this projection, a discount rate of 10% (based on the weighted average cost of capital) has been applied to forecast earnings for 2021, 2022 and 2023. The discount rate was based on the Company's cost of capital as estimated by management.

IV. INTANGIBLE FIXED ASSETS

	Total
	£'000
Software Cost	
At 1 January 2020	66
Additions	1
At 31 December 2020	**67**
Accumulated amortisation	
At 1 January 2020	42
Amortisation charge	21
At 31 December 2020	**63**
Net Book Value	
At 31 December 2020	**4**
At 31 December 2019	24

V. RECEIVABLES: due within one year

	2020	2019
	£'000	**£'000**
Amounts owed by group undertakings	4,594	4,204
Other receivables	27	27
Prepayments and accrued income	73	30
	4,694	**4,261**

VI. CASH AND CASH EQUIVALENTS

	2020	2019
	£'000	**£'000**
Cash at bank and in hand	1,185	323
	1,185	**323**

VII. PAYABLES: amounts falling due within 1 year

	2020	2019
	£'000	**£'000**
Trade payables	50	71
Accruals	38	28
Other tax and social security	36	24
Other payables	1	-
Loan - Coutts & Co.	2	-
	127	**123**

VIII. PAYABLES: amounts falling due in more than 1 year

	2020	2019
	£'000	**£'000**
Loan - Coutts & Co.	48	-

Details of this loan are contained in note 23 to the consolidated financial statements.

Notes to the Company Financial Statements for the Year Ended 31 December 2020

IX. SHARE CAPITAL

Details of the Company's share capital and the movements in the period can be found in Note 28 to the consolidated financial statements.

X. SHARE OPTIONS

Details of the share options outstanding at 31 December 2020 can be found in Note 29 to the consolidated financial statements.

XI. RESERVES

Details of the reserves can be found in Note 30 to the consolidated financial statements.

XII. RELATED PARTY TRANSACTIONS

Details of the Company's related party transactions can be found in Note 32 to the consolidated financial statements.

XIII. POST BALANCE SHEET EVENTS

On 31 March 2021, the Company issued 6,000,000 ordinary shares at a price of 5 pence each following an approach from an existing institutional investor.

Directors, Secretary and Advisors

Directors	Rodney Findley Martin Higginson Nicholas Lee David Marks Sir Robin Miller
Comapany Secretary and Registered Office	Daniel Wortley Immotion Group Plc East Wing, Ground Floor, The Victoria, MediaCityUK, Manchester M50 3SP
Company Number	10964782
Registrars	Neville Registrars Limited Neville House, Steelpark Road Halesowen B62 8HD
Nominated Advisor and Broker	WH Ireland Limited 24 Martin Lane, London EC4R 0DR
Joint Broker	Alvarium Capital Partners Limited 1st Floor, 10 Burlington Street, London W1S 3AG
Independent Auditors	Haysmacintyre LLP 10 Queen Street Place, London EC4R 1AG
Solicitors	Freeths LLP 3rd Floor, 100 Wellington Street, Leeds LS1 4LT
Country of Incorporation of Parent Company	England and Wales
Legal Form	Public Limited Company
Domicile	United Kingdom

ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED
31 DECEMBER 2020

IMMOTION