

IMMOTION GROUP PLC
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
Company Number: 10964782

IMMOTION GROUP PLC
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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IMMOTION GROUP PLC

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

Little more than a year ago the Company, along with many others, was suffering from declining or zero revenue as Covid-19, having caused the lockdown of many of the partner sites through which our core LBE business functioned, continued its seemingly unstoppable advance. The name of the game became survival via cost cutting, seeking all available government support and a decision to go direct to our audience with the Let's Explore product and the related formation of our HBE division.

As the Chief Executive describes in his review below, the second half of 2021 turned out to be one of recovery and progress, particularly for LBE, at a much faster rate than we anticipated, as sites reopened and confidence returned, providing further opportunities to launch new sites at aquariums and now zoos. This, particularly in the United States, boosted our confidence in the potential of this part of our business as illustrated by very strong revenue and contribution growth to match.

It has also made us reconsider our strategy relating to our other two businesses, HBE and Uvisan, and we have come to the conclusion that we need to focus all our resources on LBE which has a strong pipeline.

We therefore intend to spin out HBE and Uvisan in the short term to enable us to be fully focused on LBE as we are confident that this compelling business model is highly scalable and can drive superior shareholder returns.

Sir Robin Miller
Chairman
25 April 2022

IMMOTION GROUP PLC

CHIEF EXECUTIVE'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

Overview

2021 was a year of recovery and progress. The Group's core LBE business recovered well despite conditions remaining challenging in the first half, particularly in Q1, as Covid-19 related closures and disruption continued.

H2 2021 saw a return to more normal trading conditions, as the majority of our LBE sites were reopened, restrictions at partner sites were eased, and attendances recovered towards pre-Covid levels. Overall, we were extremely pleased to be back in business with solid revenue performance, although we remained cautious when it came to expanding our core LBE estate as we sought to consolidate our finances and develop greater confidence in the market recovery.

As we ended the year, it was clear the LBE business had not only recovered, but was flourishing. This recovery, combined with increased demand from potential partner locations, has forced us to review our operations, allocation of resources and how we can best deliver maximum shareholder value.

Whilst we rightly took the decision in the middle of the Covid pandemic to launch two new businesses, HBE and Uvisan, as a way of hedging our position, we have decided it is in the best interest of our shareholders that we allocate all our resources to the LBE business. We believe this will maximise returns, and therefore we will be looking to spin out HBE and Uvisan, seeking external investment for both.

Outcome

The landscape continued to be challenging in 2021, although significantly less so than the previous year, and I am pleased to report overall Group revenue was £9.4m (2020: £2.8m), with adjusted positive EBITDA of £0.9m, a significant improvement on 2020, where we were in the throes of the pandemic and suffered a negative adjusted EBITDA of £1.7m. The split of revenue and EBITDA for 2021 was as follows:

| | LBE | HBE | Uvisan | Head Office | Total |
|------------------------------|-----|-------|--------|-------------|-------|
| | £m | £m | £m | £m | £m |
| Revenue | 6.3 | 2.5 | 0.5 | 0.1 | 9.4 |
| Adjusted EBITDA ¹ | 2.3 | (0.4) | 0.1 | (1.0) | 0.9 |

Further details of divisional performance are discussed in the Review of Operations below.

Outlook

The Board's focus is now about driving growth of Group revenue and profit based on the following pillars of growth:

- **Focus on core LBE business:** Given renewed confidence and growth prospects.
- **Uninterrupted trading position:** Trading in 2021 was impacted by lockdowns and capacity restrictions affecting certain locations. We do not anticipate any further disruption in our key markets and we expect 2022 to be our first full year of trading without capacity restrictions at our Mandalay Bay site.
- **Expansion of key locations:** We have expanded capacity at our some of our best performing locations:
 - Shark Reef at Mandalay Bay, Las Vegas, USA
 - Sea Life London, UK
 - Odysea Aquarium, Arizona, USA
- **Additional new sites:** We have a strong pipeline of new sites.
- **Operational gearing:** With a fixed cost base that we do not believe will increase proportionately with revenue, every new site's contribution flows straight to the bottom line.

¹ Adjusted EBITDA stated before depreciation, amortisation, impairment, share based payments and other one-off costs and income.

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As our refocused business builds a track record of profitability and operating cash flow generation we can fund our plans by reinvesting the cash generated in order to further expand the business.

2022 has begun in a very promising fashion with Q1 Group revenue of £2.1m (2020: £0.8m). LBE revenue has tripled to £1.8m versus £0.6m in the same period in 2020. The growth in LBE revenues is continuing and, with a buoyant Easter period, we expect April LBE revenues to exceed £800k.

We are at a very advanced stage for the signing of our first major zoo installation which we expect to be this week, with an agreement for another large zoo installation in the USA also imminent.

We are also developing a new 'plug and play' solution for zoos; a containerised solution that can be delivered to site with minimum setup required. This will be particularly useful for many zoo sites that do not have available indoor space. We will look for a trial later in the year with a view to finessing and being ready to scale this additional model in 2023.

The combination of large purpose-built theatre solutions, including pre-show experiences, along with a modular solution and our existing mini theatre offering will allow us to address all potential partner opportunities and choose the appropriate model for each partner site.

Since the period end, we have added significantly to the portfolio in the first quarter including the expansion of some of our best performing sites: taking our installation at Shark Reef Aquarium at Mandalay Bay from 36 headsets to 48 headsets (along with a contract extension to 31 January 2024); and doubling our capacity at both Sea Life London (under a new three year contract) and Odysea Aquarium. These sites are illustrative of our future direction – larger installations which represent significant new key attractions for our partners, in high traffic, established destinations, driving significant revenue for both parties.

We believe that there remains significant potential in the aquarium sector, as we have seen by the scaling up of a number of our existing sites, as well as the active pipeline of new sites with new partners.

The combination of 'on message' proprietary content, immersive motion platform technology, and locations that deliver large and predictable footfall underpins our belief that we can achieve very significant enhancement in shareholder value moving forwards.

Naturally, uncertainties remain, not least the appalling situation in Ukraine, but it now feels like a wholly different trading picture compared to the same period last year.

Review of Group Operations

Location Based Entertainment

Our LBE division recovered strongly in H2 of 2021 but the first half, and in particular Q1 2021, was heavily impacted by the Covid-19 pandemic. H1 revenue was £2.3m, an increase of 186% versus 2020 (£0.8m) and H1 divisional adjusted EBITDA was £0.9m (2020: £0.5m negative). The second half saw much more normalised trading conditions, as can be seen from the table below:

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FOR THE YEAR ENDED 31 DECEMBER 2021

| | H1 2021 | H2 2021 | FY 2021 | H1 2020 | H2 2020 | FY 2020 |
|---------------------|---------|---------|---------|---------|---------|---------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Revenue | 2,302 | 4,001 | 6,303 | 806 | 1,269 | 2,075 |
| Gross profit | 1,000 | 1,769 | 2,769 | 70 | 259 | 329 |
| Overhead | (439) | (473) | (912) | (617) | (681) | (1,298) |
| Other income | 313 | 135 | 448 | - | 484 | 484 |
| EBITDA ² | 874 | 1,431 | 2,305 | (547) | 62 | (485) |

Notes: LBE revenue is the total charged to consumers (excluding VAT and sales taxes). Gross profit is revenue charged to consumers (net of VAT or sales taxes), less partners' shares of revenue and other direct costs of delivering revenue.

Overhead includes direct and apportioned overhead and excludes Head Office (unallocated) overheads.

We installed 62 headsets across seven new sites in 2021, and 43 headsets were removed from predominantly underperforming sites for redeployment elsewhere, giving us a net increase of 19 headsets during the period and taking us to 364 installed headsets by the period end (302 in our partner estate and 62 in our ImmotionVR sites). These numbers reflect our cautious view of capital expenditure and also the initial focus of prospective partners on their own re-openings and recovery.

We currently have 402 headsets in operation (338 partner and 64 ImmotionVR) across 49 sites as shown in the table below:

| | USA | UK | ROW | Total |
|-------------------------------|-----|------|-----|-------|
| As at 1 January 2021 | | | | |
| Headsets | 163 | 121 | 61 | 345 |
| Sites | 24 | 14 | 10 | 48 |
| Net changes in 2021 | | | | |
| Headsets | 41 | (16) | (6) | 19 |
| Sites | 2 | (1) | (1) | 0 |
| As at 31 December 2021 | | | | |
| Headsets | 204 | 105 | 55 | 364 |
| Sites | 26 | 13 | 9 | 48 |
| Net changes 2022 | | | | |
| Headsets | 28 | 10 | 0 | 38 |
| Sites | 1 | 0 | 0 | 1 |
| As at 26 April 2022 | | | | |
| Headsets | 232 | 115 | 55 | 402 |
| Sites | 27 | 13 | 9 | 49 |

² Adjusted EBITDA stated before depreciation, amortisation, impairment, share based payments and other one-off costs and income.

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The partner portfolio performed well with overall weekly average revenue per headset of £441³ compared to £329⁴ in 2020.

Average revenue per headset per week at our ImmotionVR sites was £284 in 2021 compared to £175 in 2020.

Home Based Entertainment

During the year progress was made in the HBE business. A distribution partnership was established in Australia, as well as direct to Amazon relationships in both the USA and Canada, to add to the already existing UK setup. Third party distribution centres were opened in the USA and Hong Kong allowing us to supply goods directly to North American and Asia Pacific customers.

Whilst sales increased to £2.5m the business was severely impacted by the global logistical problems resulting on occasion in much of the stock either being stuck at port or having to be air freighted at a significant cost to the business. We took the decision that we needed to turn bought stock into cash, but we also recognised there was a significant impact on the margin in doing so.

With the vast majority of stock sold during the period the team turned their attention to future years and how to grow the market. The idea of Vodiatic arose following feedback from Let's Explore customers. In the main they wanted to see more content, and a more user-friendly menu system.

Vodiatic was 'beta' launched earlier this year. Initial feedback showed the need for an even greater library of content, as well as the need for the VR menu system to be fully operational whilst wearing the VR headset.

The concept of delivering a VR video streaming solution, combined with an affordable VR headset is a "big idea" and as such we accept if this business is to fulfil its ambitions it may be loss making for some time and is likely to consume significant capital. We have therefore taken the view that it is not appropriate to embark on this using Immotion's balance sheet.

Uvisan

Uvisan made good progress in its first full year of trading. Revenue increased by 669 per cent to £477,000 (2020: £62,000). A small divisional profit of £67,000 was reported (2020: loss of £6,000).

In 2021, the business was focused on the sale of UVC sanitising cabinets (three size options) through our growing network of resellers and distributors, as well as direct. Notably, we signed our first distributor in the USA and one that covers both Australia and New Zealand.

We delayed the launch of Cleanroom, our room and surface sanitising system, whilst we put the finishing touches to our proprietary control system and app. We believe it has application in settings (both new build and retrofit) where hygiene is key - such as hospitals, laboratories and cleanroom manufacturing/engineering. We are also looking at its potential application for pathogen control in indoor farming facilities.

Whilst Uvisan made a promising start in 2022 having completed its first major customer delivery in the USA it will also require capital for growth, as such this too should not be done using Immotion's balance sheet.

³ The average revenue per headset per week of £441 ignores one partner site which had a large number of headsets installed from remnant stock which would not otherwise have been used.

⁴ 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.

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Financial review

Revenue for the year increased 230% to £9,391,000 (2020: £2,848,000). The Group's H1 revenue was suppressed by Covid-19, with no revenue coming from its UK operations until leisure businesses were able to reopen on 17 May 2021. The table below shows the split of revenue between H1 and H2, and by segment:

| | H1 2021 | H2 2021 | FY 2021 |
|-----------------------|--------------|--------------|--------------|
| | £000 | £000 | £000 |
| LBE | 2,302 | 4,001 | 6,303 |
| HBE | 337 | 2,189 | 2,526 |
| Uvisan | 88 | 389 | 477 |
| Other (inc licensing) | 33 | 52 | 85 |
| Total | 2,760 | 6,631 | 9,391 |

The Group made gross profit in the period of £3,196,000 (2020: £466,000), a gross profit margin of 34.0% (2020: 16.4%).

The Group benefited from other income of £532,000 in the period (2020: £575,000), £503,000 of which came from Covid-19 government support packages (2020: £479,000) and £29,000 being sublease rents (2020: £96,000). Government support in the period included £235,000 relating to the forgiveness of both the 2020 and 2021 Paycheck Protection Program loans in the USA and £206,000 received under the UK government's Coronavirus Job Retention Scheme.

Despite the significant growth in revenue, administrative expenses (excluding depreciation, amortisation, impairment, share based payments and one-off items) remained relatively flat at £2,820,000 (2020: £2,731,000).

The Group achieved a full year positive adjusted EBITDA⁵ result for the first time since its inception of £908,000 (2020: £1,690,000 negative).

The Group's loss after tax reduced to £1,999,000 (2020: £4,732,000). The adjusted loss⁶ per share was 0.28p (2020: 1.17p).

The overall cash outflow in the period was £565,000 (2020: inflow of £1,190,000). The distinction between H1 and H2 trading illustrated above can also be seen in the cash flows for the respective periods with strong cash generated from operations in the second half, as shown in the table below:

⁵ Adjusted EBITDA stated before depreciation, amortisation, impairment, share based payments and other one-off costs and income.

⁶ Adjusted loss is the loss after taxation, adjusted for share based payments, impairment charges and one-off costs and income.

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| | H1 2021 | H2 2021 | FY 2021 |
|----------------------|------------|--------------|--------------|
| | £000 | £000 | £000 |
| Opening cash | 1,664 | 629 | 1,664 |
| Operating activities | (847) | 1,139 | 292 |
| Investing activities | (278) | (539) | (817) |
| Financing activities | 90 | (130) | (40) |
| Closing cash | 629 | 1,099 | 1,099 |

The operating cash inflow of £292,000 (2020: £2,012,000 outflow) was net of a working capital outflow of £725,000 (2020: £192,000 outflow). This was primarily driven by a £989,000 increase in trade and other receivables (including prepayments and accrued income), which itself resulted from the low levels of trading activity at year end 2020. This was partially offset by inflows of £49,000 and £215,000 in respect of inventories and trade and other payables (including deferred income) respectively.

Investing cash outflows reduced to £817,000 (2020: £1,393,000 outflow), largely a result of a cautious approach to capital expenditure in the period and the deployment of hardware which had been acquired prior to Covid-19.

The Group had a net financing cash outflow of £40,000 (2020: £4,595,000 inflow). During the year, the Group received net equity proceeds from an existing investor of £285,000 and received a Second Draw Paycheck Protection Program loan of £119,000. Loan and lease repayments (including rents payable under IFRS 16 leases) were £405,000.

Net assets at the balance sheet date were £5,720,000 (2020: £6,714,000).

Conclusion

Overall, we are satisfied with the progress we've made. The second half of 2021 underpinned our belief in the core LBE business, with 2022 to date providing further support for our decision to focus solely on this business as we move forward. We are seeing high levels of engagement from prospective partners, and with the new 'plug and play' solution in the wings we are confident we will have the tools at our disposal to continue a significant and rapid roll out of partner solutions.

2022 has got off to a great start with very strong Easter trading. This combined with a strong pipeline of new partner sites and the summer season ahead of us gives the Board considerable confidence in the business and its future.

Martin Higginson
Chief Executive Officer
25 April 2022

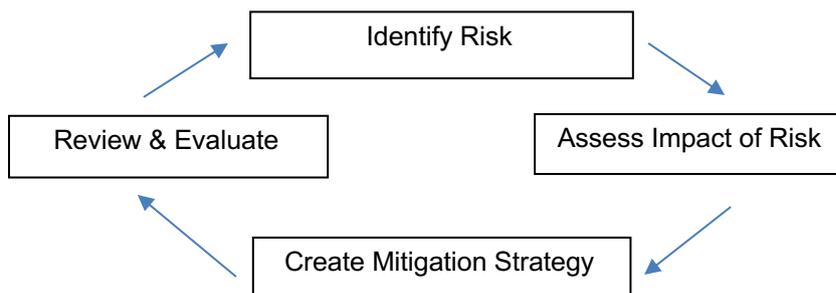
IMMOTION GROUP PLC
RISKS AND UNCERTAINTIES

FOR THE YEAR ENDED 31 DECEMBER 2021

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 had a material impact on the Group’s LBE business during the lockdowns of 2020 and 2021. Whilst it seems that the worst of COVID-19 is behind us, the risk of future lockdowns or social distancing measures in relation to COVID-19 or a future pandemic of similar or greater proportions cannot be ruled-out. | <p>The LBE business was significantly disrupted during the COVID-19 lockdowns and restrictions.</p> <p>Should there be a widespread resurgence of COVID-19, further disruption to the business cannot be ruled out.</p> <p>The geographical spread of the Group’s partner sites should act as a mitigant against localised outbreaks.</p> <p>Uvisan products developed by the Group are deployed in high throughput partner locations to allow fast disinfection of VR headsets between uses.</p> |
| Supply chain issues | The Group experienced challenges in 2021 resulting from supply chain pressures. This led to increased costs and longer lead times which impacted all three of the Group’s divisions. | <p>The Group plans as far ahead as practical when arranging shipping in an attempt to secure the best possible rates.</p> <p>The Group has taken steps to amass buffer stock of key hardware where feasible in order to protect it against supply chain shocks.</p> |

IMMOTION GROUP PLC

RISKS AND UNCERTAINTIES

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| Risk | Potential Impact | Mitigation and Control |
|--|--|--|
| Failure to deliver the Group's strategy | Failure to deliver the Group's strategy may have an adverse impact on its business, financial and other conditions, profitability and results of operations. There can be no assurance that the Group will be able to maintain or grow its financial performance to anticipated future levels. | The Group has regular Board meetings as well as constant communication with senior management to monitor and refine progress against its targets. Weekly KPIs are distributed to senior management to enable them to monitor performance. |
| Technological advances within the industry | 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 new hardware is purchased and tested to ensure the Group's offerings remain relevant. |
| Competition | The Group may be challenged by new or incumbent competitors (which could include well resourced, international players in the entertainment industry) which, in comparison with the Group, have greater market presence or brand recognition, access to more popular and/or engaging content, superior financial resources, economies of scale or lower cost bases, or the ability to withstand or respond more swiftly to changes in market conditions. | It is the Group's intent to create barriers to entry in the in the following ways: (i) by building up an install base of Immotion hardware on long term contracts with high 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. |

IMMOTION GROUP PLC

RISKS AND UNCERTAINTIES

FOR THE YEAR ENDED 31 DECEMBER 2021

| Risk | Potential Impact | Mitigation and Control |
|----------------------------|---|---|
| Foreign exchange movements | <p>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.</p> <p>The Group also procures VR hardware US dollars. There is a risk that the costs of such equipment increases against the Group on a Sterling basis.</p> | <p>The Group has foreign currency accounts which it uses to hold funds in Sterling, US Dollars and other currencies generated from operations and settle liabilities denominated in those currencies.</p> <p>The Group does not use speculative financial instruments to hedge against potential currency loss.</p> |

Martin Higginson
Chief Executive Officer
25 April 2022

IMMOTION GROUP PLC

CORPORATE AND SOCIAL RESPONSIBILITY REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Business Conduct, Ethics and Anti-Corruption

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

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

Health & Safety

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

The Group has deployed its Uvisan UVC cleansing units at certain high throughput partner sites to sterilise VR headsets between uses.

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

| Stakeholder | Why we engage | How we engage |
|--------------------|---|---|
| Our shareholders | We maintain and value regular dialogue with our shareholders throughout the year and place great importance on our relationship with them. We know that our investors expect a comprehensive insight into the financial performance of the Group, and awareness of long-term strategy and direction. As such, we aim to provide high levels of transparency and clarity of our results and long-term strategy and to build trust in our future plans. | <ul style="list-style-type: none">• Annual Report• Company website• Shareholder circulars• AGM• RNS announcements• Press releases• We have commissioned regular shareholder register analysis to enable us to monitor changes to the shareholder base |
| 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. | <ul style="list-style-type: none">• Evaluation and feedback processes for employees and management• Competitive rewards packages• Encouraging employee training and development• Board level access and a relatively flat organisational structure |

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CORPORATE AND SOCIAL RESPONSIBILITY REPORT

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| Stakeholder | Why we engage | How we engage |
|--------------------|--|--|
| Regulatory bodies | The Group's operations are subject to a wide range of laws, regulations, and listing requirements including data protection, tax, employment, environmental and health and safety legislation, along with contractual terms. | <ul style="list-style-type: none"> • 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. | <ul style="list-style-type: none"> • 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. | <ul style="list-style-type: none"> • 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 |

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CORPORATE GOVERNANCE REPORT

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The Board

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

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

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

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

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

Sir Robin Miller, Non-Executive Chairman

Robin has extensive PLC experience spanning many years, particularly in the media sector. He was formerly Chief Executive (1985-1998 and 2001-2003) and Chairman (1998-2001) of Emap Plc, a leading international media group in consumer and trade publishing, commercial radio, music TV channels and events. Robin is currently Non-Executive Director of 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 Monsternob Group Plc which listed on AIM in 2003. Over a three year period it grew to become a Top 50 AIM listed business with a market capitalisation of £192m. This business was sold to Zed Worldwide in late 2006. Martin has subsequently founded a range of businesses including Cityblock plc, a luxury student accommodation business which was privatised and sold to management in 2009; NetPlayTV plc, an interactive TV gaming business which boasted exclusive partnerships with Virgin Media, Channel Five, and ITV; and Digitalbox Plc, a digital media business. Digitalbox was ranked in The Sunday Times Tech Track 100 in both 2015 and 2016 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. David then pursued a career in corporate finance and M&A, initially with UBS and latterly with Deutsche Bank. In 2001, David was appointed as a Partner responsible for making private equity investment at Nikko Principal Investments Limited, the European Principal Finance arm of Nikko Cordial, one of Japan's largest securities businesses. David subsequently joined AIM-listed Monsternob Group Plc, initially as a Non-Executive Director and subsequently as Group Finance Director. He steered the company as it rapidly expanded internationally across Europe, USA and Asia. David has also been involved in a number of early-stage ventures as both an investor and board member and with Martin Higginson created Digitalbox Group which was a member of The Sunday Times Tech Track 100 in both 2015 and 2016. 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, President (Location-Based Entertainment) & Group Commercial Director

Rod has over 25 years' experience as a director, creative director and business leader and has won a range of international awards for his work. He is a recognised expert in the field of immersive technology (VR, AR) speaking

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and leading panels around the world, from Singapore to Dubai. With a BA from McGill University in Montreal and an MFA in Film at USC, he founded C.2K Entertainment, with partner Ken Musen, a creative advertising agency based in Los Angeles. Working with blue-chip clients such as Toyota, Sony and Emaar, Rod grew the company and expanded its footprint globally with offices in Tokyo and Dubai. Seeing the dramatic opportunities in immersive technology such as VR and AR, Rod pioneered a string of immersive campaigns for his major brand clients. C.2K was acquired by Immotion Group in December 2017, since when Rod has utilised his skills in engaging clients and audiences using pioneering technologies to deliver significant growth in the location-based entertainment division.

Nicholas Lee, Non-Executive Director

Nicholas has extensive investment banking and capital markets experience and is actively involved in public markets. 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 with a particular focus on technology and financial sectors.

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.

IMMOTION GROUP PLC

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FOR THE YEAR ENDED 31 DECEMBER 2021

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

Disclosure Committee

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

Nomination Committee

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

Remuneration Committee

The Remuneration Committee is chaired by Sir Robin Miller and meets at least 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.

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-Executive Directors, 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 2021 were as follows:

| | Board | Audit | Disclosure | Nomination | Remuneration | Risk |
|------------------|-------|-------|------------|------------|--------------|------|
| Martin Higginson | 7/7 | - | - | - | 1/4 | - |
| David Marks | 7/7 | 2/2 | 1/1 | - | 2/4 | 1/1 |
| Rod Findley | 7/7 | - | - | - | - | - |
| Sir Robin Miller | 7/7 | 2/2 | 1/1 | - | 4/4 | 1/1 |
| Nicholas Lee | 7/7 | 2/2 | 1/1 | - | 4/4 | 1/1 |

IMMOTION GROUP PLC
CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

No formal meetings of the Nomination Committee 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 for the foreseeable future. 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 for the next 12 months, taking into account reasonably possible changes in trading performance and capital expenditure requirements. The Group's forecasts assumed no further significant disruption resulting from COVID-19.

IMMOTION GROUP PLC
CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

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.

IMMOTION GROUP PLC
AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

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

The Audit Committee met twice during the year: to approve the 2020 accounts and to approve the 2021 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; and
- (ii) The capitalisation of staff time spent creating VR and AR content – employees of the Group have created a VR content and software 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.

Impact of New Accounting Standards on Future Reports

The new International Financial Reporting Standards (IFRS) to be adopted by the Group from 1 January 2022 onwards 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.

IMMOTION GROUP PLC

AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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 £70k (2020: £60k) and in respect of non-audit services were £12k (2020: £11k) 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
25 April 2022

IMMOTION GROUP PLC

REMUNERATION COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 is shown in the table below:

| | Salary | Consultancy | Bonus | Benefits | Pension | Total | Total |
|-------------|----------------|---------------|---------------|---------------|--------------|----------------|----------------|
| | 2021 | 2021 | 2021 | 2021 | 2021 | 2021 | 2020 |
| | £ | £ | £ | £ | £ | £ | £ |
| M Higginson | 133,953 | 64,094 | - | 8,112 | 1,128 | 207,287 | 175,286 |
| D Marks | 178,646 | - | - | 4,200 | 1,318 | 184,164 | 156,347 |
| R Findley | 106,709 | - | 20,717 | 27,325 | - | 154,751 | 147,034 |
| R Miller | 23,906 | 15,234 | - | - | - | 39,140 | 36,563 |
| N Lee | 30,443 | - | - | - | 726 | 31,169 | 29,105 |
| | 473,657 | 79,328 | 20,717 | 39,637 | 3,172 | 616,511 | 544,335 |

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:

| | 25 April 2022 | 31 December 2021 | 31 December 2020 |
|--------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Shares of £0.00040108663 | Shares of £0.00040108663 | Shares of £0.00040108663 |
| M Higginson ¹ | 24,026,945 | 24,026,945 | 24,026,945 |
| D Marks | 10,292,663 | 10,292,663 | 10,292,663 |
| R Findley | 10,584,349 | 10,584,349 | 10,584,349 |
| R Miller | 385,000 | 385,000 | 385,000 |
| N Lee | 241,743 | 241,743 | 241,743 |

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

IMMOTION GROUP PLC
REMUNERATION COMMITTEE REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

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

| | EMI Options Shares | Unapproved Options Shares | Total Options Shares |
|-------------|-----------------------------------|--|-------------------------------------|
| M Higginson | 6,578,921 | 9,551,448 | 16,130,369 |
| D Marks | 6,578,921 | 3,858,376 | 10,437,297 |
| R Findley | - | 10,437,297 | 10,437,297 |
| | 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.

The vesting status of the Directors' options is as follows:

| | Vested Options Shares | Unvested Options Shares | Total Options Shares |
|-------------|--------------------------------------|--|-------------------------------------|
| M Higginson | 5,376,789 | 10,753,580 | 16,130,369 |
| D Marks | 3,479,099 | 6,958,198 | 10,437,297 |
| R Findley | 5,798,498 | 4,638,799 | 10,437,297 |
| | 14,654,386 | 22,350,577 | 37,004,963 |

The vesting criteria of the unvested share options is as follows:

- (i) 11,175,288 of the unvested options will vest if the volume-weighted average price of the Company's shares is 7.5 pence or greater for twenty consecutive days; and
- (ii) 11,175,289 of the unvested options will vest if the volume-weighted average price of the Company's shares is 10 pence or greater for twenty consecutive days.

Sir Robin Miller
Chairman of the Remuneration Committee

IMMOTION GROUP PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their report and audited financial statements for the year ended 31 December 2021.

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; (ii) the sale of the Group's Let's Explore consumer product; and (iii) the sale of the Group's Uvisan UV-C cleansing products.

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 3 to 8.

Dividends

No dividends were paid during the year (2020: £Nil). The Board is not recommending the payment of a final dividend in respect of the year ended 31 December 2021.

Earnings per Share

Loss per share in the period was 0.48p (2020: 1.33p).

Going Concern

At the time of approving the financial statements, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. 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 for the next 12 months, taking into account reasonably possible changes in trading performance and capital expenditure requirements. The Group's forecasts assumed no further significant disruption resulting from COVID-19.

Post Balance Sheet Events

As outlined in the Chairman's Statement, the Board have taken the decision to divest the Group's non-core Home Based Entertainment and Uvisan divisions. The terms and timing of the disposals are yet to be confirmed and as such the Board cannot be certain that the plan won't be significantly changed or withdrawn. This decision is considered to be a non-adjusting post balance sheet event as it was made subsequent to 31 December 2021.

IMMOTION GROUP PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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 products and services. The Group claims R&D tax credits where eligible.

Employee Engagements

The Group engages with its employees regularly in numerous ways. Details of the Group's performance are shared with employees at appropriate times.

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 2021 (2020: £Nil).

IMMOTION GROUP PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

Significant Shareholdings

As at 31 December 2021, the following shareholders owned 3% or more of the Company:

| Shareholder | Shares | % |
|--|------------|-------|
| Stonehage Fleming | 38,035,010 | 9.15% |
| Hargreaves Lansdown (Nominees) Limited | 36,362,772 | 8.75% |
| Rathbone Nominees Limited | 33,216,858 | 7.99% |
| Unicorn AIM VCT | 29,137,930 | 7.01% |
| Martin Higginson ¹ | 24,026,945 | 5.78% |
| Interactive Investor Services Nominees Limited | 23,154,748 | 5.57% |
| Lawshare Nominees Limited | 18,390,245 | 4.43% |
| Halifax Share Dealing | 12,954,710 | 3.12% |
| Herald Investment Trust | 12,896,551 | 3.10% |

¹ Includes shares held by M Higginson's pension scheme

As at 25 April 2022, the following shareholders owned 3% or more of the Company:

| Shareholder | Shares | % |
|--|------------|-------|
| Stonehage Fleming | 38,035,010 | 9.15% |
| Hargreaves Lansdown (Nominees) Limited | 36,147,205 | 8.70% |
| Rathbone Nominees Limited | 32,602,113 | 7.85% |
| Unicorn AIM VCT | 29,137,930 | 7.01% |
| Martin Higginson ¹ | 24,026,945 | 5.78% |
| Interactive Investor Services Nominees Limited | 22,025,079 | 5.30% |
| Lawshare Nominees Limited | 20,554,533 | 4.95% |
| Herald Investment Trust | 12,896,551 | 3.10% |

¹ Includes shares held by 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 Chief Executive's Statement (on pages 3 to 8) and within the notes to the Financial Statements.

Annual General Meeting

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

Statement as to Disclosure of Information to the Auditor

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

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

Auditors

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

IMMOTION GROUP PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

**Approved by the Board on 25 April 2022
and signed on its behalf**

**Martin Higginson
Director**

IMMOTION GROUP PLC

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the 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.

IMMOTION GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF IMMOTION GROUP PLC

FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and parent company Statements of Financial Position, the Consolidated and parent company Statements of Changes in Equity, the Consolidated and parent company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards.

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 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted IFRSs; 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included but was not limited to:

- The review of management's going concern assessment which incorporate scrutiny of working capital projections for a period of at least twelve months from the date of approval of the financial statements;
- The review and consideration of the appropriateness of sensitivity analysis of trading performance and cash flow forecasts prepared by management;
- Challenging and assessing the underlying assumptions of the cash flow forecasts and considering whether the period of the forecast is appropriate;
- The review of post balance sheet trading performance and cash flow to assess the reasonableness of management's forecasting; and
- A consideration of management's assertion of risk mitigation measures available to the group should there be a materially adverse decline in trading performance or cash flow.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

IMMOTION GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF IMMOTION GROUP PLC

FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021. It excludes the two US subsidiaries C.2K Entertainment Inc and Let's Explore Inc and those outlined below that are exempt from statutory audit. These subsidiary audits, which are exempt from local statutory audits were performed to component level materiality, which was lower than group materiality, while work for the purposes of the group audit was performed on non-UK subsidiaries using component materiality assessed in line with their contribution to the Group's financial performance. The subsidiaries, Immotion Limited, Ranger Rob Limited and Vodiac Limited, were exempt from audit by virtue of S479A of Companies Act 2006 and were audited to component materiality for the purposes of the group audit.

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 incorrectly treated under IFRS. | Our audit work included, but was not restricted to, the following: <ul style="list-style-type: none">• Considering the stated accounting policies in respect of revenue recognition and whether these are consistent with IFRS 15;• A detailed review and assessment of how revenue is recognised;• An assessment of deferred and accrued income to ensure it is correctly calculated, recognised in the appropriate period and that it is complete;• A review of deferred and accrued income judgements 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 £2,438k (2020: £2,438k). There is a risk that the valuation of goodwill arising from previous acquisitions is impaired and therefore materially overstated. | Our audit work included, but was not restricted to, the following: <ul style="list-style-type: none">• Reviewing and assessing the impairment reviews prepared by management, including the assessment of the validity of inputs into the calculation and challenging their underlying assumptions and sensitivities;• We challenged management's allocation of goodwill to a specific CGU;• Reviewing and assessing future budgets and cash flow forecasts used in management's impairment reviews;• Considering whether there were any indications of impairment for the financial year end; and• Making enquiries of management and assessing expected future performance and potential growth in the business. |

| | |
|---|---|
| <p>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.</p> | <p>Our audit work included, but was not restricted to, the following:</p> <ul style="list-style-type: none">• Reviewing and assessing the criteria for capitalising development costs under IAS 38 and ensuring these had been met;• Vouching items capitalised as development costs on a sample basis to appropriate supporting documents such as invoices and timesheets;• Reviewing and assessing the methodology of calculating development costs;• Reviewing and assessing management's impairment review of ongoing projects at the balance sheet date; and• assessment of whether they meet the criteria of an intangible asset. |
|---|---|

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 £150,000, determined by reference to 7.5% of the group's loss before tax. Based on the group's KPI's used in the annual report, the loss before tax 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 £7,500. Performance materiality was set at £112,500, being 75% of materiality.

Materiality for the parent company was set at £100,000, determined by reference to 1% of its gross asset position. We have reported to the audit committee any corrected or uncorrected misstatements arising exceeding £5,000. Performance materiality was set at £75,000, 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.

IMMOTION GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF IMMOTION GROUP PLC

FOR THE YEAR ENDED 31 DECEMBER 2021

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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.

The objectives of our audit, in respect to fraud are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows: 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 for this business 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.

- Inspecting correspondence with regulators and tax authorities;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating management's controls designed to prevent and detect irregularities;

IMMOTION GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF IMMOTION GROUP PLC

FOR THE YEAR ENDED 31 DECEMBER 2021

- Identifying and testing journals, in particular journal entries which exhibited certain characteristics which could indicate risks, including those posted with unusual narratives, those posted at unusual dates or unusual times and journals posted with round or consistent ending numbers; 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 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
Date:

10 Queen Street Place
London
EC4R 1AG

IMMOTION GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

AS AT 31 DECEMBER 2021

| | Note | Year ended 31 December 2021 £'000 | Year ended 31 December 2020 £'000 |
|---|------|--|--|
| Revenue | 7 | 9,391 | 2,848 |
| Cost of sales | | (6,195) | (2,382) |
| Gross profit | | 3,196 | 466 |
| Administrative expenses | | (5,722) | (5,779) |
| Other operating income | 8 | 532 | 575 |
| Loss from operations | 9 | (1,994) | (4,738) |
| Memorandum: | | | |
| Adjusted EBITDA | | 908 | (1,690) |
| Depreciation | | (1,470) | (1,751) |
| Amortisation | | (641) | (719) |
| Impairment of tangible and intangible assets | | (82) | (253) |
| Share based payments | | (676) | (194) |
| Profit / (loss) on disposal of fixed assets | | 18 | (35) |
| One-off costs & income | | (51) | (96) |
| Loss from operations | | (1,994) | (4,738) |
| Finance costs | 11 | (44) | (82) |
| Finance income | 12 | 1 | 2 |
| Loss before taxation and attributable to equity holders of the parent | | (2,037) | (4,818) |
| Taxation | 13 | 38 | 86 |
| Loss after taxation | | (1,999) | (4,732) |
| Other comprehensive expense | | | |
| Profit / (loss) on translation of subsidiary | | 44 | (35) |
| Loss after taxation and attributable to equity holders of the parent and total comprehensive income for the period | | (1,955) | (4,767) |
| All results arose from continuing operations. | | £0.01 | £0.01 |
| Loss per share | | | |
| Basic | 14 | (0.48) | (1.33) |
| Diluted | 14 | (0.48) | (1.33) |

The notes on pages 38 to 72 form part of the group financial statements.

IMMOTION GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

| | Share capital £'000 | Share premium £'000 | Foreign exchange reserve £'000 | Retained deficit £'000 | Total equity £'000 |
|---|------------------------|------------------------|-----------------------------------|---------------------------|-----------------------|
| Balance at 1 January 2020 | 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 overseas subsidiary | - | - | (35) | - | (35) |
| Balance at 31 December 2020 | 164 | 20,273 | (80) | (13,643) | 6,714 |
| Issue of shares | 2 | 298 | - | - | 300 |
| Issue costs deducted from equity | - | (15) | - | - | (15) |
| Loss after tax | - | - | - | (1,999) | (1,999) |
| Equity settled share-based payments | - | - | - | 676 | 676 |
| Currency translation of overseas subsidiary | - | - | 44 | - | 44 |
| Balance at 31 December 2021 | 166 | 20,556 | (36) | (14,966) | 5,720 |

The notes on pages 38 to 72 form part of the group financial statements.

IMMOTION GROUP PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

| | | 31 December 2021 £'000 | 31 December 2020 £'000 |
|--|-------------|------------------------------|------------------------------|
| ASSETS | Note | | |
| Non-current assets | | | |
| Property, plant and equipment | 15 | 1,188 | 2,260 |
| Intangible fixed assets | 16 | 3,305 | 3,625 |
| Total non-current assets | | 4,493 | 5,885 |
| Current assets | | | |
| Inventories | 17 | 103 | 152 |
| Trade and other receivables | 18 | 1,783 | 829 |
| Contract assets | 19 | 83 | 91 |
| Cash and cash equivalents | 20 | 1,099 | 1,664 |
| Total current assets | | 3,068 | 2,736 |
| Total assets | | 7,561 | 8,621 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 21 | (1,103) | (1,153) |
| Loans and borrowings | 21 | (130) | (175) |
| Lease liabilities | 21 | (171) | (231) |
| Contract liabilities | 22 | (278) | (12) |
| Total current liabilities | | (1,682) | (1,571) |
| Non-current liabilities | | | |
| Loans | 21 | (155) | (160) |
| Lease liabilities | 21 | (4) | (176) |
| Total non-current liabilities | | (159) | (336) |
| Total liabilities | | (1,841) | (1,907) |
| Total net assets | | 5,720 | 6,714 |
| Capital and reserves attributable to owners of the parent | | | |
| Share capital | 27 | 166 | 164 |
| Share premium | 29 | 20,556 | 20,273 |
| Foreign exchange reserve | 29 | (36) | (80) |
| Retained deficit | 29 | (14,966) | (13,643) |
| Total equity | | 5,720 | 6,714 |

The financial statements were approved by the Board and authorised for issue on 25 April 2022

Martin Higginson
Chief Executive Officer

David Marks
Group Finance Director

The notes on pages 38 to 72 form part of the group financial statements.

IMMOTION GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

| | Year ended 31 December 2021 £'000 | Year ended 31 December 2020 £'000 |
|--|--|--|
| Cash flows from operating activities | | |
| Loss before tax | (2,037) | (4,818) |
| Adjustments for: | | |
| Share based payments | 676 | 194 |
| Depreciation on property plant and equipment | 1,470 | 1,751 |
| Profit/(loss) on disposal of fixed assets | (18) | 35 |
| Amortisation of intangible assets | 641 | 719 |
| Impairment of tangible and intangible assets | 82 | 253 |
| Finance costs | 44 | 82 |
| Finance income | (1) | (2) |
| Foreign exchange on retranslation of fixed assets | 35 | (72) |
| Foreign exchange profit/(loss) | 44 | (35) |
| Foreign corporate tax payment | (3) | - |
| Corporation tax repayment received | 84 | 73 |
| Cash inflows/(outflows) from operating activities before changes in working capital | 1,017 | (1,820) |
| Decrease/(increase) in inventories | 49 | (152) |
| Increase in trade and other receivables | (989) | (132) |
| Increase in trade & other payables and contract liabilities | 215 | 92 |
| Cash generated/(used) in operations | 292 | (2,012) |
| Investing activities | | |
| Purchase of intangible assets | (404) | (545) |
| Purchase of property, plant and equipment | (425) | (1,069) |
| Proceeds from disposals of property, plant and equipment | 41 | 159 |
| Foreign exchange on retranslation of fixed assets | (29) | 62 |
| Net cash used in investing activities | (817) | (1,393) |
| Financing activities | | |
| Finance costs | (44) | (82) |
| Finance income | 1 | 2 |
| New loans and finance leases | 119 | 302 |
| Loan and finance lease repayments | (405) | (615) |
| Foreign exchange on retranslation of financing | 4 | (24) |
| Issue of new share capital | 300 | 5,401 |
| Costs on issue of shares | (15) | (389) |
| Net cash from financing activities | (40) | 4,595 |
| Net (decrease)/increase in cash and cash equivalents | (565) | 1,190 |
| Cash and cash equivalents at beginning of the period | 1,664 | 474 |
| Cash and cash equivalents at end of the period | 1,099 | 1,664 |

IMMOTION GROUP PLC**CONSOLIDATED STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31 DECEMBER 2021**

| Reconciliation of net cashflow to movement in net debt: | Year ended 31 December 2021 £000 | Year ended 31 December 2020 £000 |
|--|---|---|
| Net (decrease)/increase in cash and cash equivalents | (565) | 1,190 |
| New loans and finance leases | (119) | (328) |
| Repayment of loans and finance leases | 405 | 615 |
| Foreign exchange on retranslation of financing | (4) | 24 |
| Movement in net funds in the year | (283) | 1,501 |
| Net funds/(debt) at 1 January | 922 | (579) |
| Net funds at 31 December | 639 | 922 |
| Breakdown of net funds/(debts) | | |
| Cash and cash equivalents | 1,099 | 1,664 |
| Loans and borrowings | (285) | (335) |
| Lease liabilities | (175) | (407) |
| Net funds at 31 December | 639 | 922 |

The notes on pages 38 to 72 form part of the group financial statements.

IMMOTION GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 Cumberland Court, 80 Mount Street, Nottingham, England, NG1 6HH. The Group is listed on AIM.

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; the sale of the Let's Explore virtual and augmented reality consumer product; and the sale of UV sanitisation equipment.

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 2021

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 2020, except for any new and revised IFRSs effective 1 January 2021. None of the new IFRSs and IFRS amendments effective in the year ended 31 December 2021 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

The following new accounting standards and amendments to new accounting standards have been issued but are not yet effective and have not yet been endorsed by the UK Endorsement Board:

- IFRS 17 'Insurance contracts' – effective 1 January 2023;
- Amendments to IFRS 3 'Reference to the conceptual framework' – effective 1 January 2022;
- Amendments to IAS 1 'Disclosure of accounting policies' – effective 1 January 2023;
- Amendments to IAS 1 'Classification of liabilities as current or non-current' – effective 1 January 2023;
- Amendments to IAS 8 'Definition of accounting estimates' – effective 1 January 2023;
- Amendments to IAS 12 'Deferred tax related to assets and liabilities arising from a single transaction' – effective 1 January 2023;
- Amendments to IAS 16 'Proceeds before intended use' – effective 1 January 2022;
- Amendments to IAS 37 'Onerous contracts – costs of fulfilling a contract' – effective 1 January 2022; and
- Annual improvements to IFRS 2018-2020 – effective 1 January 2022.

The Group is currently assessing the impact of the above changes, but they are not expected to have a material impact. The Group has not adopted any other standard, amendment or interpretation that has been issued but is not yet effective.

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.

4 ACCOUNTING POLICIES (continued)

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 United Kingdom (“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

At the time of approving the financial statements, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. 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 for the next 12 months, taking into account reasonably possible changes in trading performance and capital expenditure requirements. The Group’s forecasts assumed no further significant disruption resulting from COVID-19. The Directors consider that while such disruption remains a risk, it is no longer considered to be sufficiently likely to an extent that creates a material uncertainty around the Group’s ability to continue as a going concern.

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:

Location Based Entertainment

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.

Home Based Entertainment

Revenue is recognised on sales of the Let’s Explore products in the period in which the corresponding order is placed and paid for.

4 ACCOUNTING POLICIES (continued)

Uvisan and other 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.

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

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

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

The lease liability is included in liabilities 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.

4 ACCOUNTING POLICIES (continued)

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.

4 ACCOUNTING POLICIES (continued)

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:

| | |
|----------------------------------|-------------------------|
| Leasehold property | - Over term of lease |
| Fixtures, fittings and equipment | - 33%-50% 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 has been amortised on a straight-line basis over their estimated useful economic lives, 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.

4 ACCOUNTING POLICIES (continued)

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 recognises lifetime expected credit losses for trade receivables and amounts due on contracts with customers when appropriate. 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.

4 ACCOUNTING POLICIES (continued)

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 28.

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.

4 ACCOUNTING POLICIES (continued)

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.

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

Location Based Entertainment 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.

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.

The revenue for the sale of Uvisan products and other hardware is recognised once the benefits and control of these items are no longer with the Group and are instead with the customer. Management exercise judgment to consider when the risks have been transferred to the customer.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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 balance, the Group has made a provisional assessment as to the likely amount of development expenditure that will be eligible under HMRC's 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.

IMMOTION GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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 2021 is below. Immotion Group Plc changed its internal reporting during the year ended 31 December 2021 and the segmental analysis has been prepared on a different basis to 2020. The 2020 comparative analysis has been amended in line with the segments adopted in 2021.

| | LBE £'000 | HBE £'000 | UV £'000 | HO £'000 | Total £'000 |
|-------------------------------------|----------------------------|----------------------------|---------------------------|---------------------------|------------------------------|
| Revenue | 6,303 | 2,526 | 477 | 85 | 9,391 |
| Cost of sales | (3,534) | (2,427) | (199) | (35) | (6,195) |
| Administrative expenses* | (912) | (574) | (220) | (1,114) | (2,820) |
| Other operating income | 448 | 57 | 9 | 18 | 532 |
| Operating profit/(loss) | 2,305 | (418) | 67 | (1,046) | 908 |
| Amortisation | (421) | (126) | (8) | (86) | (641) |
| Depreciation | (1,336) | - | (2) | (131) | (1,470) |
| Impairment | (2) | (8) | (1) | (72) | (82) |
| Profit on disposal | 18 | - | - | - | 18 |
| One-off (costs) / income | (11) | (36) | (7) | 3 | (51) |
| Share based payments | - | - | - | (676) | (676) |
| Finance costs | - | - | - | (44) | (44) |
| Finance income | - | - | - | 1 | 1 |
| Taxation | - | - | - | 38 | 38 |
| (Loss) / profit for the year | 553 | (588) | 49 | (2,013) | (1,999) |

LBE = Location Based Entertainment

HBE = Home Based Entertainment

UV = Uvisan

HO = Head Office

*Administrative expenses exclude depreciation, amortisation, impairment, profit on disposal, one-off costs and income and share based payments.

All operations are continuing.

IMMOTION GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

6 SEGMENTAL INFORMATION (continued)

A segmental analysis of revenue and expenditure for the year ended 31 December 2020 is below:

| | LBE | HBE | UV | HO | Total |
|--------------------------|----------------|--------------|------------|----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Revenue | 2,075 | 669 | 62 | 42 | 2,848 |
| Cost of sales | (1,746) | (573) | (22) | (41) | (2,382) |
| Administrative expenses* | (1,298) | (134) | (46) | (1,253) | (2,731) |
| Other operating income | 484 | - | - | 91 | 575 |
| Operating loss | (485) | (38) | (6) | (1,161) | (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 |
| Tax | - | - | - | 86 | 86 |
| Loss for the year | (2,719) | (119) | (6) | (1,888) | (4,732) |

LBE = Location Based Entertainment

HBE = Home Based Entertainment

UV = Uvisan

HO = Head Office

*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.

IMMOTION GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

7 REVENUE

| | 2021 | 2020 |
|------------------------------------|---------------------|---------------------|
| | £'000 | £'000 |
| Revenue by stream is split: | | |
| Location Based Entertainment | 6,303 | 2,075 |
| Home Based Entertainment | 2,526 | 669 |
| Uvisan | 477 | 62 |
| Head Office | 85 | 42 |
| | <u>9,391</u> | <u>2,848</u> |

The Group had certain customers whose revenue individually represented 10% or more of the Group's total revenue. For the year ended 31 December 2021, two customers accounted for 24% and 18% of the revenue respectively (2020: two customers accounted for 23% and 20% respectively).

8 OTHER OPERATING INCOME

| | 2021 | 2020 |
|----------------------------|-------------------|-------------------|
| | £'000 | £'000 |
| UK & USA Government grants | 503 | 479 |
| Rent receivable | 29 | 96 |
| | <u>532</u> | <u>575</u> |

9 LOSS FROM OPERATIONS

| | 2021 | 2020 |
|--|-------------------|-------------------|
| | £'000 | £'000 |
| This is arrived at after charging: | | |
| Continuing operations | | |
| Staff costs (see note 10) | 3,156 | 2,927 |
| Depreciation of property, plant & equipment | 1,470 | 1,751 |
| Amortisation of intangible fixed assets | 641 | 719 |
| Impairment of intangible and tangible assets | 82 | 253 |
| Short-term lease expense | 134 | 102 |
| | <u> </u> | <u> </u> |
| Auditors' remuneration | | |
| Auditors' remuneration in respect of the Company | 15 | 13 |
| Audit of the Group and subsidiary undertakings | 55 | 47 |
| Non-audit services: review of interim accounts | 12 | 11 |
| | <u>82</u> | <u>71</u> |

IMMOTION GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

9 LOSS FROM OPERATIONS (continued)

| | 2021 | 2020 |
|--|------------------|------------------|
| | £'000 | £'000 |
| One-off costs & income | | |
| HMRC refund of employee related taxation* | (54) | - |
| Business restructuring | 17 | 16 |
| Redundancies and other non-recurring staff costs | 88 | 80 |
| | <u>51</u> | <u>96</u> |
| | <u><u>51</u></u> | <u><u>96</u></u> |

*Following a UK Government review of a specific area of taxation it was determined that the amount previously agreed as payable, and paid by the group in prior years, was over-stated and the overpayment was refunded in 2021.

10 STAFF COSTS

| | 2021 | 2020 |
|--|---------------------|---------------------|
| | £'000 | £'000 |
| Staff costs for all employees, including Directors consist of: | | |
| Wages and salaries | 2,191 | 2,414 |
| Social security costs | 270 | 293 |
| Pensions | 24 | 31 |
| | <u>2,485</u> | <u>2,738</u> |
| Share based payment charge | 671 | 189 |
| | <u>3,156</u> | <u>2,927</u> |
| | <u><u>3,156</u></u> | <u><u>2,927</u></u> |

Staff costs above include redundancy and other non-recurring staff costs of £88k (2020: £69k) during the year.

Staff costs above include £137k capitalised in 2021 (2020: £326k) as development costs (see note 16).

| The average number of employees of the group during the year was as follows: | Number | Number |
|--|------------------|------------------|
| Directors | 5 | 5 |
| Management and administration | 14 | 14 |
| Retail | 31 | 37 |
| Operations | 6 | 13 |
| Sales and Marketing | 7 | 7 |
| Content and software development | 6 | 10 |
| | <u>69</u> | <u>86</u> |
| | <u><u>69</u></u> | <u><u>86</u></u> |

IMMOTION GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

10 STAFF COSTS (continued)

Directors' detailed emoluments

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

| | Salary 2021 £'000 | Bonus 2021 £'000 | Consultancy 2021 £'000 | Benefits 2021 £'000 | Pension 2021 £'000 | Total 2021 £'000 | Total 2020 £'000 |
|-------------|-------------------------|------------------------|------------------------------|---------------------------|--------------------------|------------------------|------------------------|
| M Higginson | 134 | - | 64 | 8 | 1 | 207 | 175 |
| D Marks | 179 | - | - | 4 | 1 | 184 | 156 |
| R Findley | 107 | 21 | - | 27 | - | 155 | 147 |
| R Miller | 24 | - | 15 | - | - | 39 | 37 |
| N Lee | 30 | - | - | - | 1 | 31 | 29 |
| | 474 | 21 | 79 | 39 | 3 | 616 | 544 |

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

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

£394k of the share-based payment expense in 2021 relates to the directors (2020: £120k).

The Directors of the company on 25 April 2022 and at the statement of financial position date, and their interests in the issued ordinary share capital of the Company as at those dates were as follows:

| | Shares of £0.00040108663 | | | | | |
|------------------|--------------------------|-------|------------|-------|------------|-------|
| | 25/04/2022 | | 31/12/2021 | | 31/12/2020 | |
| Martin Higginson | 24,026,945 | 5.78% | 24,026,945 | 5.78% | 24,026,945 | 5.87% |
| David Marks | 10,292,663 | 2.48% | 10,292,663 | 2.48% | 10,292,663 | 2.51% |
| Rod Findley | 10,584,349 | 2.55% | 10,584,349 | 2.55% | 10,584,349 | 2.58% |
| Sir Robin Miller | 385,000 | 0.09% | 385,000 | 0.09% | 385,000 | 0.09% |
| Nicholas Lee | 241,743 | 0.06% | 241,743 | 0.06% | 241,743 | 0.06% |

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

| | Type of Option | Options held at 31 December 2021 | Exercise price £ | Date of grant | Expiry date |
|------------------|------------------|--|------------------------|------------------|-------------|
| Martin Higginson | EMI Option | 6,578,921 | 0.025 | 19/11/2020 | 19/11/2030 |
| Martin Higginson | Non-Stat. Option | 9,551,448 | 0.025 | 19/11/2020 | 19/11/2030 |
| David Marks | EMI Option | 6,578,921 | 0.025 | 19/11/2020 | 19/11/2030 |
| David Marks | Non-Stat. Option | 3,858,376 | 0.025 | 19/11/2020 | 19/11/2030 |
| Rod Findley | Non-Stat. Option | 10,437,297 | 0.025 | 19/11/2020 | 19/11/2030 |

IMMOTION GROUP PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2021**

10 STAFF COSTS (continued)

Further information on share options is included in note 28.

The market price of the ordinary shares at 31 December 2021 was 5.35p with a quoted range from 1 January 2021 to 31 December 2021 of 3.51p to 7.25p.

11 FINANCE COSTS

| | 2021 £'000 | 2020 £'000 |
|-----------------------|-----------------------------|-----------------------------|
| Other interest | 27 | 43 |
| IFRS 16 lease charges | 17 | 39 |
| | <u>44</u> | <u>82</u> |

12 FINANCE INCOME

| | 2021 £'000 | 2020 £'000 |
|----------------|-----------------------------|-----------------------------|
| Other interest | 1 | 2 |
| | <u>1</u> | <u>2</u> |

13 TAXATION ON LOSS FROM ORDINARY ACTIVITIES

| | 2021 £'000 | 2020 £'000 |
|--|-----------------------------|-----------------------------|
| R&D tax credit | 41 | 65 |
| Adjustment in respect of prior periods | - | (6) |
| Foreign taxation | (3) | - |
| Deferred tax movement | - | 27 |
| Tax credit for the year | <u>38</u> | <u>86</u> |

IMMOTION GROUP PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2021**

13 TAXATION ON LOSS FROM ORDINARY ACTIVITIES (continued)

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

| | 2021 £'000 | 2020 £'000 |
|--|-----------------------------|-----------------------------|
| Loss on ordinary activities before tax | 2,037 | 4,818 |
| Loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (2020: 19%) | <u>387</u> | <u>915</u> |
| Effects of: | | |
| Fixed asset differences | (66) | (14) |
| Expenses not deductible for tax purposes | (205) | (149) |
| R&D tax credit surrenders | 41 | 65 |
| Adjustments to prior periods | - | (6) |
| Deferred tax not recognised | (119) | (725) |
| Tax credit for the year | <u>38</u> | <u>86</u> |

The UK Finance Act 2021 received royal assent on 10 June 2021. This legislation maintained the UK corporation tax rate at the same level as in the year commencing 1 April 2020 at 19% for the years commencing 1 April 2021 and 1 April 2022, increasing the rate to 25% in the year commencing 1 April 2023.

There were unused tax losses of £14.5m at 31 December 2021 (£13.9m at 31 December 2020). No deferred tax asset has been recognised due to the uncertainty surrounding utilisation of existing tax losses against future taxable profits.

IMMOTION GROUP PLC

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FOR THE YEAR ENDED 31 DECEMBER 2021

14 EARNINGS PER SHARE

| | 2021 £'000 | 2020 £'000 |
|--|-------------------|-------------------|
| The earnings per share is based on the following: | | |
| Post tax loss attributable to shareholders | (1,999) | (4,732) |
| | <u> </u> | <u> </u> |
| Basic weighted average number of shares | 414,140,823 | 356,941,188 |
| Diluted weighted average number of shares | 414,140,823 | 356,941,188 |
| | <u> </u> | <u> </u> |
| | £0.01 | £0.01 |
| Basic loss per share | (0.48) | (1.33) |
| Diluted loss per share | (0.48) | (1.33) |
| | <u> </u> | <u> </u> |
| Adjusted loss | (1,171) | (4,189) |
| | <u> </u> | <u> </u> |
| Basic weighted average number of shares | 414,140,823 | 356,941,188 |
| Diluted weighted average number of shares | 414,140,823 | 356,941,188 |
| | <u> </u> | <u> </u> |
| | £0.01 | £0.01 |
| Basic adjusted loss per share | (0.28) | (1.17) |
| Diluted adjusted loss per share | (0.28) | (1.17) |
| | <u> </u> | <u> </u> |

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. Per IAS 33 the diluted EPS cannot show an improvement on the basic EPS. As that would be the result in this case the potential ordinary shares have been disregarded in the calculation of diluted EPS.

Adjusted loss is the loss after taxation, adjusted for share based payments, impairment charges and one-off costs and income. Adjusted loss is a non-GAAP measure.

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FOR THE YEAR ENDED 31 DECEMBER 2021

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 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 |
| At 1 January 2021 | 380 | 4,092 | 806 | 5,278 |
| Additions | 3 | 422 | - | 425 |
| Disposals | (4) | (1,836) | (169) | (2,009) |
| Foreign exchange | - | 21 | 5 | 26 |
| At 31 December 2021 | 379 | 2,699 | 642 | 3,720 |
| Accumulated depreciation | | | | |
| 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 |
| At 1 January 2021 | 226 | 2,292 | 500 | 3,018 |
| Depreciation on owned assets | 92 | 1,202 | - | 1,294 |
| Depreciation on financed assets | - | - | 176 | 176 |
| Disposals | (3) | (1,817) | (166) | (1,986) |
| Foreign exchange | - | 24 | 6 | 30 |
| At 31 December 2021 | 315 | 1,701 | 516 | 2,532 |
| Net Book Value | | | | |
| At 31 December 2021 | 64 | 998 | 126 | 1,188 |
| At 31 December 2020 | 154 | 1,800 | 306 | 2,260 |
| At 31 December 2019 | 341 | 2,054 | 737 | 3,132 |

IMMOTION GROUP PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2021**

15 PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, is £126k (2020: £306k) relating to VR Hardware and property leases. The depreciation charge on these assets was £175k (2020: £406k).

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

| | 2021 | 2020 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Tangible fixed assets owned | 1,062 | 1,954 |
| Tangible fixed assets subject to hire purchase and finance lease arrangements | 126 | 306 |
| | <u>1,188</u> | <u>2,260</u> |

Information about the leased assets is summarised below:

| | 2021 | 2020 |
|-------------------------|--------------|--------------|
| | £'000 | £'000 |
| IFRS 16 leased property | 126 | 306 |
| | <u>126</u> | <u>306</u> |

The depreciation charge in respect of the leased assets is as follows:

| | 2021 | 2020 |
|-------------------------|--------------|--------------|
| | £'000 | £'000 |
| Equipment | - | 66 |
| IFRS 16 leased property | 176 | 340 |
| | <u>176</u> | <u>406</u> |

IMMOTION GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

| 16 INTANGIBLE ASSETS | Development Costs | Goodwill Arising on Consolidation | Other Intangible Assets | Total |
|---------------------------------|----------------------|---|-------------------------------|--------------|
| Cost | £'000 | £'000 | £'000 | £'000 |
| At 1 January 2020 | 1,973 | 2,438 | 539 | 4,950 |
| Additions | 539 | - | 6 | 545 |
| Impairment | (332) | - | - | (332) |
| Foreign exchange | (9) | - | - | (9) |
| | <u>2,171</u> | <u>2,438</u> | <u>545</u> | <u>5,154</u> |
| At 31 December 2020 | 2,171 | 2,438 | 545 | 5,154 |
| At 1 January 2021 | 2,171 | 2,438 | 545 | 5,154 |
| Transfers | (4) | - | 6 | 2 |
| Additions | 384 | - | 20 | 404 |
| Disposals | (6) | - | (2) | (8) |
| Impairment | (81) | - | (1) | (82) |
| Foreign exchange | 3 | - | - | 3 |
| | <u>2,467</u> | <u>2,438</u> | <u>568</u> | <u>5,473</u> |
| At 31 December 2021 | 2,467 | 2,438 | 568 | 5,473 |
| Accumulated amortisation | | | | |
| At 1 January 2020 | 508 | - | 422 | 930 |
| Amortisation | 614 | - | 105 | 719 |
| Impairment | (109) | - | - | (109) |
| Foreign exchange | (11) | - | - | (11) |
| | <u>1,002</u> | <u>-</u> | <u>527</u> | <u>1,529</u> |
| At 31 December 2020 | 1,002 | - | 527 | 1,529 |
| At 1 January 2021 | 1,002 | - | 527 | 1,529 |
| Amortisation | 624 | - | 17 | 641 |
| Transfers | (2) | - | 3 | 1 |
| Disposals | (6) | - | (1) | (7) |
| Impairment | - | - | (1) | (1) |
| Foreign exchange | 5 | - | - | 5 |
| | <u>1,623</u> | <u>-</u> | <u>545</u> | <u>2,168</u> |
| At 31 December 2021 | 1,623 | - | 545 | 2,168 |
| Net Book Value | | | | |
| At 31 December 2021 | <u>844</u> | <u>2,438</u> | <u>23</u> | <u>3,305</u> |
| At 31 December 2020 | <u>1,169</u> | <u>2,438</u> | <u>18</u> | <u>3,625</u> |
| At 31 December 2019 | <u>1,465</u> | <u>2,438</u> | <u>117</u> | <u>4,020</u> |

Other intangible assets comprise website development and trademark costs.

Amortisation is charged on development costs and other intangible assets over periods ranging between 2 and 3 years. Development costs have between two and three years' remaining average useful lives.

IMMOTION GROUP PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2021****16 INTANGIBLE ASSETS (continued)****Goodwill and impairment**

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 and continue to operate in relation to the Location Based Entertainment segment. The Location Based Entertainment segment has been assessed as a single 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 2022 and 2023 and subjected to sensitivity analysis. The discount rate was based on the Company's cost of capital as estimated by management.

17 INVENTORIES

| | 2021 | 2020 |
|-----------|--------------|--------------|
| | £'000 | £'000 |
| Inventory | 103 | 152 |
| | <u>103</u> | <u>152</u> |

Inventories recognised in cost of sales during the year was £589k (2020: £196k). The Directors consider that no impairment of inventory is necessary as at 31 December 2021 (2020: £Nil).

18 TRADE AND OTHER RECEIVABLES

| | 31 December | 31 December |
|--------------------------------|--------------------|--------------------|
| | 2021 | 2020 |
| | £'000 | £'000 |
| Trade receivables | 836 | 102 |
| Prepayments and accrued income | 708 | 595 |
| Other receivables | 217 | 67 |
| Tax recoverable | 22 | 65 |
| | <u>1,783</u> | <u>829</u> |

The fair values of trade and other receivables equate to their carrying values. The Group makes no provision of expected credit losses as no losses are expected.

19 CONTRACT ASSETS

| | 31 December | 31 December |
|----------------|--------------------|--------------------|
| | 2021 | 2020 |
| | £'000 | £'000 |
| Accrued income | 83 | 91 |
| | <u>83</u> | <u>91</u> |

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| 20 | CASH AND CASH EQUIVALENTS | 31 December 2021 £'000 | 31 December 2020 £'000 |
|-----------|-------------------------------------|---------------------------------------|---------------------------------------|
| | Cash at bank | 1,099 | 1,664 |
| | | <u>1,099</u> | <u>1,664</u> |
| | | | |
| 21 | LIABILITIES | 31 December 2021 £'000 | 31 December 2020 £'000 |
| | Current liabilities | | |
| | Trade payables | 548 | 594 |
| | Social security and other taxes | 95 | 149 |
| | Accruals | 352 | 263 |
| | Other payables | 108 | 147 |
| | | <u>1,103</u> | <u>1,153</u> |
| | Trade and other payables | 1,103 | 1,153 |
| | Loans | 130 | 175 |
| | Hire purchase and lease liabilities | 171 | 231 |
| | | <u>1,404</u> | <u>1,559</u> |
| | Non-current liabilities | | |
| | Loans | 155 | 160 |
| | Hire purchase and lease liabilities | 4 | 176 |
| | | <u>159</u> | <u>336</u> |
| | | | |
| 22 | CONTRACT LIABILITIES | 2021 £'000 | 2020 £'000 |
| | Contract liabilities | 278 | 12 |
| | | <u>278</u> | <u>12</u> |

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

23 LOANS

The Group has the following loan arrangements in place as at 31 December 2021:

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 are due to commence on 8 January 2023. 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 8th July 2050. The liability at 31 December 2021 was \$158k (£117k), including interest.

Paycheck Protection Program (2021)

An agreement dated 13 March 2021 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 to recover from the effects of the COVID-19 pandemic. Under the program, loaned funds used to cover payroll and certain other expenses are forgiven and do not need to be repaid. On 26 January 2022 the company received confirmation from the Small Business Administration Department of the USA Government that the loan had been forgiven in full, inclusive of all interest charges. At 31 December 2021 the balance payable, including interest, is included in current liabilities in the sum of \$161,860 (£120k). As full forgiveness of this loan was confirmed on 26 January 2022 as a result of conditions complied with during 2021, \$161,860 (£120k) is included within receivables at 31 December 2021. This is an unsecured loan.

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 commenced on 9 December 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 2021, including interest, was £48k, of which £10k is payable in 2022 and £38k after 31 December 2022.

| | 31 December 2021 £'000 | 31 December 2020 £'000 |
|--|---------------------------------------|---------------------------------------|
| Amounts falling due within one year | | |
| Bank of America | - | 54 |
| Paycheck Protection Program | 120 | 119 |
| Bounce Back Loan Scheme | 10 | 2 |
| | <u>130</u> | <u>175</u> |
| Amounts falling due after one year | | |
| SBA Economic Injury Disaster Loan | 117 | 112 |
| Bounce Back Loan Scheme | 38 | 48 |
| | <u>155</u> | <u>160</u> |

IMMOTION GROUP PLC

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24 LEASES

Group as a lessee

The group has leasing arrangements for its operations.

Lease liabilities are due as follows:

| | 31 December 2021 £'000 | 31 December 2020 £'000 |
|----------------------------|---------------------------------------|---------------------------------------|
| Within 1 year | 171 | 216 |
| Between 1-5 years | 4 | 176 |
| | <u>175</u> | <u>392</u> |
| At 31 December 2021 | <u>175</u> | <u>392</u> |

Contractual undiscounted cash flows are due as follows:

| | 31 December 2021 £'000 | 31 December 2020 £'000 |
|---------------------------------|---------------------------------------|---------------------------------------|
| Not later than one year | 189 | 259 |
| Between one year and five years | 5 | 181 |
| | <u>194</u> | <u>440</u> |
| | <u>194</u> | <u>440</u> |

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

The carrying amounts and nature of right-of-use assets recognised and the movements during the period are shown in note 15 to the accounts.

Set out below are the carrying amounts of lease liabilities and the movements during the period.

| | 2021 £'000 | 2020 £'000 |
|---------------------|-----------------------|-----------------------|
| At 1 January 2021 | 392 | 826 |
| Additions | - | 70 |
| Interest | 17 | 39 |
| Payments | (234) | (543) |
| | <u>175</u> | <u>392</u> |
| At 31 December 2021 | <u>175</u> | <u>392</u> |

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

| | 2021 £'000 | 2020 £'000 |
|--|-----------------------|-----------------------|
| Interest expense on lease liabilities | 17 | 39 |
| Expenses relating to short-term and low value leases | 134 | 102 |
| | <u>151</u> | <u>141</u> |
| | <u>151</u> | <u>141</u> |

IMMOTION GROUP PLC

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25 DEFERRED TAX LIABILITY

| | 2021 £'000 | 2020 £'000 |
|---------------------------------|---------------|---------------|
| Balance at 1 January | - | 27 |
| Deferred tax credit in the year | - | (27) |
| Balance at 31 December | - | - |

26 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 considered by the directors to be low as the funds are held at a bank with a high credit rating assigned by international credit agencies.

| | 31 December 2021 £'000 | 31 December 2020 £'000 |
|---------------------------------|------------------------------|------------------------------|
| Current financial assets | | |
| Trade receivables | 836 | 102 |
| Other receivables | 217 | 67 |
| Cash and cash equivalents | 1,099 | 1,664 |
| | 2,152 | 1,833 |

The table below illustrates the due date of trade receivables:

| | 31 December 2021 £'000 | 31 December 2020 £'000 |
|---------------|------------------------------|------------------------------|
| Current | 498 | 41 |
| 30 – 59 days | 164 | 19 |
| 60 – 89 days | 141 | 4 |
| 90 – 119 days | - | 3 |
| 120 and over | 33 | 35 |
| | 836 | 102 |

IMMOTION GROUP PLC

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26 FINANCIAL RISK MANAGEMENT (continued)

The table below illustrates the geographical location of trade receivables:

| | 31 December 2021 £'000 | 31 December 2020 £'000 |
|----------------|---------------------------------------|---------------------------------------|
| USA & Canada | 489 | 25 |
| United Kingdom | 222 | 14 |
| Australia | 58 | 7 |
| Europe | 39 | 15 |
| China | 26 | 41 |
| Middle East | 2 | - |
| | <u>836</u> | <u>102</u> |

Liquidity risk

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

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

Other than the loans referred to in Note 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.

Cash at bank and cash equivalents

| | 31 December 2021 £'000 | 31 December 2020 £'000 |
|--|---------------------------------------|---------------------------------------|
| At the year end the Group had the following cash balances: | <u>1,099</u> | <u>1,664</u> |

Cash at bank comprises cash deposits held within Coutts & Co and PayPal in various currencies, and US Dollar accounts with the Bank of America.

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

| | 31 December 2021 | 31 December 2020 |
|--|-----------------------------|-----------------------------|
| Financial liabilities at amortised cost | | |
| Trade payables | 548 | 594 |
| Finance leases & hire purchase | 175 | 407 |
| Loans | 285 | 335 |
| | <u>1,008</u> | <u>1,336</u> |

26 FINANCIAL RISK MANAGEMENT (continued)

The table below illustrates the maturities of trade payables:

| | 31 December 2021 £'000 | 31 December 2020 £'000 |
|---------------|---------------------------------------|---------------------------------------|
| Current | 291 | 152 |
| 30 – 59 days | 142 | 179 |
| 60 – 89 days | 7 | 37 |
| 90 – 119 days | 2 | 32 |
| 120 and over | 106 | 194 |
| | <u>548</u> | <u>594</u> |

The table below shows the maturities of financial liabilities:

| | Carrying amount £'000 | 6 months or less £'000 | 6-12 months £'000 | 1 or more years £'000 |
|----------------|----------------------------------|-----------------------------------|------------------------------|--------------------------------------|
| Trade payables | 548 | 442 | 106 | - |
| Finance leases | 175 | 118 | 53 | 4 |
| Loans | 285 | 125 | 5 | 155 |
| | <u>1,008</u> | <u>685</u> | <u>164</u> | <u>159</u> |

Capital Disclosures and Risk Management

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

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

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

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

Market risk

Interest rate risk

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

Foreign currency risk

Foreign exchange transaction risk arises when individual Group operations enter into transactions denominated in a currency other than the functional currency. The main potential areas of exposure are: (i) trading of the Group's US based subsidiaries, C.2K Entertainment Inc. and Let's Explore Inc.; and (ii) capital expenditure in US Dollars. Surplus US Dollars generated can be used to fund US Dollar denominated capital expenditure for the Group, helping to mitigate currency risk.

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| | | | |
|-----------|--|---------------------------------------|---------------------------------------|
| 27 | SHARE CAPITAL | 31 December 2021 £'000 | 31 December 2020 £'000 |
| | Called up share capital Allotted, called up and fully paid | | |
| | 415,538,083 Ordinary shares of 0.040108663 pence each (2020: 409,538,083 ordinary shares) | 166 | 164 |
| | | <u> </u> | <u> </u> |

Shares issued during the year ended 31 December 2021:

| Date | Description | No. of shares | Price per share £ | Gross share value £ | Cash received £ |
|----------------------------|----------------|--------------------|-------------------------|------------------------------|-----------------------|
| At 31 December 2020 | | 409,538,083 | | 21,690,582 | 18,475,346 |
| 26 March 2021 | Placing on AIM | 6,000,000 | 0.05 | 300,000 | 300,000 |
| At 31 December 2021 | | 415,538,083 | | 21,990,582 | 18,775,346 |

Cash received does not include costs relating to share issues. In the year to 31 December 2021, costs of £15k were incurred relating to share issues and these costs were charged against share premium.

28 SHARE BASED PAYMENTS

In order to incentivise and reward employees the Group has a share option scheme, originally established in 2018, for key employees. During 2021, options over 1.8m ordinary shares were granted to one key employee. No options over ordinary shares were exercised in the year.

Further details following provide:

- the number of share options in issue at 31 December 2021 by year of issue,
- the key assumptions used for calculating the 2021 share based payment expense for each type of option in issue,
- the 2021 expense for each of the share option types in issue.

Summary of all options in issue

| | 2021 Options | 2021 Weighted Ave. Exercise Price | 2020 Options | 2020 Weighted Ave. Exercise Price |
|---------------------------|-------------------|--|-------------------|--|
| At start of period | 56,929,200 | 2.6p | 8,414,083 | 10.0p |
| Granted | 1,800,000 | 5.4p | 55,981,867 | 2.5p |
| Surrendered | - | - | (7,066,750) | 10.0p |
| Cancelled | - | - | (400,000) | 10.0p |
| At end of period | 58,729,200 | 2.7p | 56,929,200 | 2.6p |
| Exercisable at period end | 26,987,860 | 2.8p | 409,332 | 10.0p |

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28 SHARE BASED PAYMENTS (continued)

| 2018 Options | Number |
|--|---------------|
| Unexpired options at 1 January 2021 and 31 December 2021 | 947,333 |

The unexpired options over ordinary shares at 31 December 2021 were all issued to Group employees who are no longer 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 vested fully on 12 July 2021, three years after the grant date. For valuation purposes the judgment made in the model was that all participants would exercise their right to sell their shares a year after they 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 unexpired options | Estimated fair value | 2021 charge £'000 |
|---------------------|------------------------------------|-----------------------------|--------------------------|
| 12 July 2019 | 204,665 | 4.7p | - |
| 12 July 2020 | 204,667 | 5.5p | - |
| 12 July 2021 | 204,667 | 6.2p | 11 |
| | | | <u>11</u> |

EBITDA Condition Shares

These options have been valued using the Black-Scholes pricing model. Vesting conditions include the requirement for the company to achieve a specified EBITDA target.

| 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.

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28 SHARE BASED PAYMENTS (continued) – 2018 options

| Option type | Number of unexpired options | Estimated fair value | 2021 charge £'000 |
|----------------------|-----------------------------|----------------------|-------------------|
| Year 2 EBITDA target | 166,667 | 6.2p | 13 |
| | | | 13 |
| | | | 13 |

Share Price Condition Shares

These options have been valued using the Monte Carlo pricing model. Vesting conditions include the requirement for the company to achieve a specified share price.

| 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 unexpired options | Estimated fair value | 2021 charge £'000 |
|---------------------------|-----------------------------|----------------------|-------------------|
| Year 2 share price target | 166,667 | 5.2p | 11 |
| | | | 11 |
| | | | 11 |

The amount charged in 2021 of £35k on the 2018 Scheme options includes £31k in respect of options that were surrendered on 19 November 2020 and replaced by new options issued the same day – details below.

| 2020 options | Number |
|--|------------|
| Unexpired options at 1 January 2021 and 31 December 2021 | 55,981,867 |
| | 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 was that all participants would 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 | 0.00% |

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

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28 SHARE BASED PAYMENTS (continued) – 2020 options

| Vesting date | Number of unexpired options | Estimated fair value | 2021 charge £'000 |
|---------------------|------------------------------------|-----------------------------|--------------------------|
| 19 November 2021 | 3,479,099 | 2.32 | 71 |
| | | | 71 |
| | | | 71 |

Share Price Condition Shares

These options have been valued using the Monte Carlo pricing model. Vesting conditions include the requirement for the company to achieve a specified share price.

| 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 | 71.0% | 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.

| Option type | Number of unexpired options | Estimated fair value | 2021 charge £'000 |
|-------------------------|------------------------------------|-----------------------------|--------------------------|
| 5p share price target | 17,500,920 | 2.07p | 321 |
| 7.5p share price target | 14,970,670 | 1.57p | 78 |
| 10p share price target | 14,970,670 | 1.34p | 50 |
| | | | 449 |
| | | | 449 |

It was agreed by the company's Remuneration Committee, that 2,530,250 Year 3 share price target options and 2,530,250 Year 4 share price target options, issued on 19 November 2020 to a key employee, should vest on 14 December 2021. These options have consequently been revalued using the Black-Scholes pricing model. For valuation purposes the judgment made in the model was that the exercise of the right to sell the shares would occur in the year after the options had 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 | 0.00% |

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

| Vesting date | Number of unexpired options | Estimated fair value | 2021 charge £'000 |
|---------------------|------------------------------------|-----------------------------|--------------------------|
| 14 December 2021 | 5,060,500 | 2.32 | 115 |
| | | | 115 |
| | | | 115 |

IMMOTION GROUP PLC

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28 SHARE BASED PAYMENTS (continued)

| 2021 options | Number |
|---------------------------------------|---------------|
| Unexpired options at 1 January 2021 | - |
| Options issued in the period | 1,800,000 |
| | <hr/> |
| Unexpired options at 31 December 2021 | 1,800,000 |
| | <hr/> <hr/> |

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 was that all participants would exercise their right to sell their shares a year after they have fully vested.

| | |
|---------------------------------|----------------|
| Expected Period of Award | 4 years |
| Share price at grant | 5.40p |
| Exercise price | 5.40p |
| Expected volatility | 61.0% |
| Risk free rate | 0.49% |

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

| Vesting dates | Number of unexpired options | Estimated fair value | 2021 charge £'000 |
|----------------------|------------------------------------|-----------------------------|--------------------------|
| 29 November 2022 | 600,000 | 1.11 | 1 |
| 29 November 2023 | 600,000 | 1.11 | - |
| 29 November 2024 | 600,000 | 1.11 | - |
| | | | <hr/> |
| | | | 1 |
| | | | <hr/> <hr/> |

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 2021 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 2021.

IMMOTION GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

29 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 subsidiaries.

30 CAPITAL COMMITMENTS

At 31 December 2021 and 31 December 2020 there were no capital commitments.

31 RELATED PARTY TRANSACTIONS

Purchases / liabilities

| 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 | Related party partially owned and controlled by a director of Immotion Group Plc |

| | Costs invoiced | | Amounts outstanding | |
|---|----------------|---------------|---------------------|---------------|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| M Capital Investment Properties Limited | 64 | 122 | - | 4 |
| Robin Miller Consultants Ltd | 15 | 15 | 1 | 1 |
| Digitalbox Publishing Limited | - | 2 | - | - |
| Huddled Group Ltd | 40 | 88 | 8 | 16 |
| | 119 | 227 | 9 | 21 |

IMMOTION GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

31 RELATED PARTY TRANSACTIONS (continued)

Income / debtors

| Name of related party | Services | Relationship | Interest Charged | | Amounts in receivables | |
|-----------------------|----------|---|------------------|---------------|------------------------|---------------|
| | | | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| David Marks | Loans | D Marks is a director of Immotion Group Plc | - | - | 16 | 16 |
| Martin Higginson | Loan | M Higginson is a director of Immotion Group Plc | - | - | 17 | - |
| | | | - | - | 32 | - |
| | | | - | - | 65 | 16 |

*Short term advance repaid in full.

**Short term advance to cover expenditure paid on the Group's behalf.

The key management personnel are considered to be the Board of Directors. Their remuneration is disclosed in detail in note 10. Key management were remunerated £616k (2020: £544k) in the year ended 31 December 2021.

The key management held 37m of share options realising a charge of £394k (2020: £120k) in the year.

32 POST BALANCE SHEET EVENTS

As outlined in the Chairman's Statement, the Board has taken the decision to divest the Group's non-core Home Based Entertainment and Uvisan divisions. The terms and timing of the disposals are yet to be confirmed and as such the Board cannot be certain that the plan won't be significantly changed or withdrawn. This decision is considered to be a non-adjusting post balance sheet event as it was made subsequent to 31 December 2021.

33 SUBSIDIARY UNDERTAKINGS

Ranger Rob UK Limited, company number 09511044, Immotion Limited, company number 11054174, and Vodiatic Limited, company number 13676998, were exempt from undergoing an audit for year ended 31 December 2021 by virtue of S479A of Companies Act 2006.

IMMOTION GROUP PLC
COMPANY STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2021

| | | At 31 December 2021 | At 31 December 2020 Restated |
|--|------|------------------------------------|---|
| | | £'000 | £'000 |
| Fixed assets | | | |
| Investments | III | 3,321 | 3,245 |
| Intangible fixed assets | IV | 7 | 4 |
| | | <u>3,328</u> | <u>3,249</u> |
| Current assets | | | |
| Trade and other receivables | V | 5,908 | 4,562 |
| Cash and cash equivalents | VI | 515 | 1,185 |
| | | <u>6,423</u> | <u>5,747</u> |
| Payables: amounts falling due within one year | VII | (801) | (127) |
| Net current assets | | 5,622 | 5,620 |
| Payables: amounts falling due in more than one year | VIII | (38) | (48) |
| Total assets less total liabilities | | <u><u>8,912</u></u> | <u><u>8,821</u></u> |
| Capital and reserves | | | |
| Called up share capital | | 166 | 164 |
| Share premium account | | 20,556 | 20,273 |
| Retained reserves | | (11,810) | (11,616) |
| Shareholders' funds | | <u><u>8,912</u></u> | <u><u>8,821</u></u> |

The Company has taken advantage of the exemptions allowed under section 408 of the Companies Act 2006 and has not presented its income statement in these financial statements. The Group loss for the year included a loss on ordinary activities after tax of £870k (2020: £3,983k) in respect of the Company which is dealt with in the financial statements of the Parent Company.

The financial statements were approved by the Board and authorised for issue on 25 April 2022

Martin Higginson
Chief Executive Officer

David Marks
Finance Director

The notes on pages 76 to 79 form part of the Company financial statements.

IMMOTION GROUP PLC**COMPANY STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2021**

| | Share Capital £'000 | Share Premium £'000 | Retained reserves £'000 | Total Equity £'000 |
|------------------------------------|------------------------------------|------------------------------------|--|-----------------------------------|
| Balance at 1 January 2020 | 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) |
| Share based payments | - | - | 194 | 194 |
| Balance at 31 December 2020 | 164 | 20,273 | (11,616) | 8,821 |
| Issue of shares | 2 | 298 | - | 300 |
| Issue costs deducted from equity | - | (15) | - | (15) |
| Loss after tax | - | - | (870) | (870) |
| Share based payments | - | - | 676 | 676 |
| Balance at 31 December 2021 | 166 | 20,556 | (11,810) | 8,912 |

The notes on pages 76 to 79 form part of the Company financial statements.

IMMOTION GROUP PLC

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

| | Year ended 31 December 2021 £'000 | Year ended 31 December 2020 Restated £'000 |
|---|--|--|
| Cash flows from operating activities | | |
| Loss before tax | (870) | (3,983) |
| Adjustments for: | | |
| Share based payments | 600 | 62 |
| Amortisation of intangible assets | 4 | 21 |
| Finance costs | 3 | - |
| Cash flows from operating activities before changes in working capital | (263) | (3,900) |
| Increase in trade and other receivables | (1,346) | (301) |
| Increase in trade and other payables | 666 | 2 |
| Cash used in operations | (943) | (4,199) |
| Investing activities | | |
| Purchase of intangible assets | (7) | (1) |
| Net cash absorbed from investing activities | (7) | (1) |
| Financing activities | | |
| Finance costs | (3) | - |
| New loans advanced | - | 50 |
| Loan repayments | (2) | - |
| Issue of new share capital | 300 | 5,401 |
| Costs on issue of shares | (15) | (389) |
| Net cash from financing activities | 280 | 5,062 |
| Net (decrease)/increase in cash and cash equivalents | (670) | 862 |
| Cash and cash equivalents at beginning of the period | 1,185 | 323 |
| Cash and cash equivalents at end of the period | 515 | 1,185 |
| Reconciliation of net cashflow to movement in net debt: | | |
| Net (decrease)/increase in cash and cash equivalents | (670) | 862 |
| New loans | - | (50) |
| Movement in net funds in the year | (670) | 812 |
| Net funds at 1 January | 1,185 | 323 |
| Net funds at 31 December | 515 | 1,185 |

The notes on pages 76 to 79 form part of the Company financial statements.

IMMOTION GROUP PLC

NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 United Kingdom. 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 9 (2020: 8) and total staff costs were £653,735 (2020: £504,403). Directors' remuneration is disclosed in note 10 to the consolidated financial statements. Share based payments for employees in 2021 were £671k (2020: £189k).

The Company operating loss is stated after a provision of £448k (2020: £3,707k) against amounts due from other group companies. The provision carried forward at 31 December 2021 was £11,509k (£11,061k at 31 December 2020).

III FIXED ASSET INVESTMENTS

| | 31 December 2021 | 31 December 2020 Restated |
|--------------------------------------|---------------------|---------------------------------|
| | £'000 | £'000 |
| Subsidiary undertakings | | |
| Cost | | |
| Balance at 1 January | 3,245 | 3,113 |
| Additions | 76 | 132 |
| Balance at 31 December | 3,321 | 3,245 |
| Provisions | | |
| Balance at 1 January | - | - |
| Balance at 31 December | - | - |
| Carrying value of investments | 3,321 | 3,245 |

Investment additions relate to share based payment expenses for employees of subsidiary companies, who have been issued options over equity of the parent company. The 2020 comparative figures have been restated in the year for the allocation in prior years' of these expenses (£132,000), which has resulted in an increase in the carrying value of investments as at 31 December 2020. The reduction in share based payment expense has been offset equally by an increase in the provision against amounts due from group undertakings, meaning profit, net assets and reserves have not been affected by this adjustment.

III FIXED ASSET INVESTMENTS (continued)

IMMOTION GROUP PLC**NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2021**

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

| Subsidiary name | Class of shares | Proportion of ownership | Registered office |
|-----------------------------|------------------------|--------------------------------|--|
| C.2K Entertainment Inc. | Ordinary | 100% | 1067 Gayley Avenue, Los Angeles, California, CA 90024, USA |
| Immotion Limited | Ordinary | 100% | Kingswood House, South Road, Kingswood, Bristol, England, BS15 8JF |
| Immotion Studios Limited | Ordinary | 100% | Kingswood House, South Road, Kingswood, Bristol, England, BS15 8JF |
| Let's Explore Media Limited | Ordinary | 100% | Kingswood House, South Road, Kingswood, Bristol, England, BS15 8JF |
| Uvisan Limited | Ordinary | 100% | Kingswood House, South Road, Kingswood, Bristol, England, BS15 8JF |
| Vodiatic Limited | Ordinary | 100% | Kingswood House, South Road, Kingswood, Bristol, England, BS15 8JF |

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% | Kingswood House, South Road, Kingswood, Bristol, England, BS15 8JF |
| Let's Explore Inc. | Ordinary | 100% | 9, E. Loockerman Street, Suite 311, Dover, Delaware, 19901, USA |
| Ranger Rob UK Limited | Ordinary | 100% | Kingswood House, South Road, Kingswood, Bristol, England, BS15 8JF |

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

III FIXED ASSET INVESTMENTS (continued)

IMMOTION GROUP PLC**NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2021**

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 2022, 2023 and 2024. 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 2021 | 67 |
| Additions | 7 |
| | <hr/> |
| At 31 December 2021 | 74 |
| | <hr/> |
| Accumulated amortisation | |
| At 1 January 2021 | 63 |
| Amortisation charge | 4 |
| | <hr/> |
| At 31 December 2021 | 67 |
| | <hr/> |
| Net Book Value | |
| At 31 December 2021 | 7 |
| | <hr/> <hr/> |
| At 31 December 2020 | 4 |
| | <hr/> <hr/> |

| V RECEIVABLES: due within one year | 31 December 2021 £'000 | 31 December 2020 Restated £'000 |
|---|---------------------------------------|--|
| Amounts owed by group undertakings | 5,788 | 4,462 |
| Other receivables | 19 | 27 |
| Prepayments and accrued income | 101 | 73 |
| | <hr/> | <hr/> |
| | 5,908 | 4,562 |
| | <hr/> <hr/> | <hr/> <hr/> |

VI CASH AND CASH EQUIVALENTS

| | 31 December 2021 £'000 | 31 December 2020 £'000 |
|--------------------------|---------------------------------------|---------------------------------------|
| Cash at bank and in hand | 515 | 1,185 |
| | <hr/> | <hr/> |
| | 515 | 1,185 |
| | <hr/> <hr/> | <hr/> <hr/> |

IMMOTION GROUP PLC**NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2021**

VII PAYABLES: amounts falling due within one year

| | 31 December 2021 £'000 | 31 December 2020 £'000 |
|------------------------------------|---------------------------------------|---------------------------------------|
| Trade payables | 51 | 50 |
| Accruals | 28 | 38 |
| Other tax and social security | 19 | 36 |
| Other payables | 2 | 1 |
| Amounts owed to group undertakings | 691 | - |
| Loan – Coutts & Co. | 10 | 2 |
| | <u>801</u> | <u>127</u> |

VIII PAYABLES: amounts falling due in more than one year

| | 31 December 2021 £'000 | 31 December 2020 £'000 |
|---------------------|---------------------------------------|---------------------------------------|
| Loan – Coutts & Co. | <u>38</u> | <u>48</u> |

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

IX SHARE CAPITAL

Details of the Company's share capital and the movements in the period can be found in Note 27 to the consolidated financial statements.

X SHARE OPTIONS

Details of the share options outstanding at 31 December 2021 can be found in Note 28 to the consolidated financial statements.

XI RESERVES

Details of the reserves can be found in Note 29 to the consolidated financial statements.

XII RELATED PARTY TRANSACTIONS

Details of the Company's related party transactions can be found in Note 31 to the consolidated financial statements.

XIII POST BALANCE SHEET EVENTS

Details of post balance sheet events can be found in Note 32 to the consolidated financial statements.

IMMOTION GROUP PLC

DIRECTORS, SECRETARY AND ADVISORS

| | |
|---|--|
| Directors | Rodney Findley Martin Higginson Nicholas Lee David Marks Sir Robin Miller |
| Company Secretary and Registered Office | Daniel Wortley Immotion Group Plc Cumberland Court 80, Mount Street Nottingham England NG1 6HH |
| Company Number | 10964782 |
| Registrars | Neville Registrars Limited Neville House Steelpark Road Halesowen B62 8HD |
| Nominated Adviser and Broker | WH Ireland Limited 24 Martin Lane London EC4R 0DR |
| Joint Broker | Shard Capital Partners LLP 23 rd Floor, 20 Fenchurch Street London EC3M 3BY |
| Joint Broker | Alvarium Capital Partners Limited 1 st Floor, 10 Old 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 |