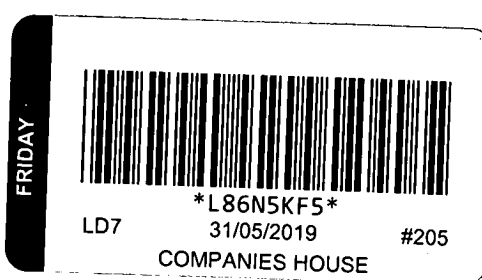


**EVR HOLDINGS PLC**  
**CONSOLIDATED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2018**

**Company Number: 5628362**



# **EVR HOLDINGS PLC**

## **REPORT AND FINANCIAL ACTIVITIES**

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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**EVR HOLDINGS PLC**

**COMPANY INFORMATION**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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<b>Directors</b>	Anthony Matchett Steven Hancock Simon Cole Ian Hanson Sebastian Theron (resigned: 15 <sup>th</sup> January 2019) Andy Botha (appointed: 17 <sup>th</sup> December 2018)
<b>Secretary</b>	Sebastian Theron (resigned: 15 <sup>th</sup> January 2019) Andy Brown (appointed: 15 <sup>th</sup> January 2019)
<b>Registered Office</b>	The Lighthouse 370 Gray's Inn Road London England WC1X 8BB
<b>Company number</b>	5628362
<b>Registrar and transfer office</b>	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen B63 3DA
<b>Auditors</b>	Haysmacintyre LLP 10 Queen Street Place London EC4R 1AG
<b>Nominated adviser</b>	Investec Bank plc 2 Gresham Street London EC2V 7QP
<b>Broker</b>	Investec Bank plc 2 Gresham Street London EC2V 7QP

Our principal subsidiary MelodyVR is a leading virtual reality (VR) music platform that provides digital on demand access to an extensive library of live music performances from many of the world's most loved and listened to artists. Since launching our service in May 2018, our aim has been to deliver immersive music experiences globally, capturing the magic of live performance whether re-lived via recorded content, or streamed to fans in real-time.

Currently, access to music content on the MelodyVR platform is available via a free to the user application on the market-leading Oculus platform, which is owned and operated by Facebook. Through licensing agreements with major record labels and music publishers, such as Universal Music Group, Warner Music Group and Sony Music Entertainment, users can instantly enjoy an extensive catalogue of free and paid for content, each providing an unrivalled VR visual and audio experience. Our licensing agreements provide for various monetisation models which ensures rights holders, artists and songwriters are appropriately compensated and incentivised for their work. We believe that we have the most comprehensive, and only global licensing arrangements in the world for the creation and distribution of music VR content.

December 2018 saw our inaugural live stream event, featuring Liam Payne, formerly of One Direction, perform to a full-capacity venue in London. This event was broadcast live to 36 countries on both the MelodyVR platform and Facebook 360, and to date this content alone has achieved more than 127,000 views. Delivering this first-of-its-kind high resolution VR content in real-time, in addition to the recorded content available via MelodyVR's existing music library, provides significant opportunities for revenue generation and will continue to drive awareness of MelodyVR's services, as well as providing ever more immersive engagement for fans and music lovers alike, on a global basis.

In order to extend the reach and accessibility of our offering, we are working with both new and existing media and platform partners to market and distribute our service - from media, technology, events and brand partners through to the telecoms, hardware and other non-music related industries. The success of our live stream event in December 2018, and the viewing metrics achieved particularly via Facebook's 360 social platform, illustrated significant consumer appetite for MelodyVR content. While VR device adoption continues to build, we will focus on our mobile strategy to extend the reach of our music content library to the 1 billion plus smartphone devices around the world.

Where others have scaled operations in anticipation of mass market appeal, our measured expansion has allowed us to conserve valuable cash resources, preserve agility and capitalise on our first mover advantage in this young and embryonic industry. Ultimately the success of our model will depend on our ability to scale. We are reassured by the experiences of those who have already experienced our immersive content and are confident that given the right access, awareness and availability of our content, user numbers and the quality of engagement will deliver profitable growth. We will, therefore, continue to invest in key marketing and product initiatives, to accelerate reach and believe that at scale we will benefit from substantial revenues and improved margins.

#### **Significant events in 2018**

- In May 2018, we launched our MelodyVR music platform in the UK and US, allowing users to access our exclusive music library via Facebook's Oculus Go VR headset device.
- In June 2018, availability of the MelodyVR platform was extended across a further 8 countries.
- In October 2018, we announced that we had entered in to an agreement with Ibiza Rocks Group for the provision of immersive VR content production and sponsorship of the MelodyVR music platform.
- In November 2018, Oculus launched a major holiday season marketing campaign to promote both its Oculus Go VR headset and showcased selected content partners of which MelodyVR featured prominently.
- In December 2018, MelodyVR broadcast its virtual reality first live stream event, featuring Liam Payne formerly of One Direction. This event successfully utilised MelodyVR's proprietary broadcast technology to deliver a simultaneous, real time global VR broadcast of the live performance.
- During and subsequent to the year end, the Group signed multi-year licence agreements with a number of music labels, publishers and music venues.

## **EVR HOLDINGS PLC**

### **CHAIRMAN'S STATEMENT (continued)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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##### **Review of business and 2018 financial results**

It is now 10 months since MelodyVR launched on the Oculus platform, which consists of a suite of VR devices, featuring an immersive content environment – the Oculus Store. This digital storefront can be accessed via the Oculus Go, a stand-alone, all in one headset combining both visual clarity with immersive sound to bring virtual reality experiences to life. In November 2018, Facebook launched a global advertising campaign in which MelodyVR featured in order to stimulate sales of its headset hardware and raise VR awareness. Given the global nature of the campaign, the commitment that Facebook has publicly made to the adoption of VR and to the success of its own Oculus VR headset suite, headset sales figures for Q4 2018 will have seen good growth.

Our inaugural live stream event featuring Liam Payne achieved strong viewer metrics with over 127,000 views to date, the majority of which were accessed via the Facebook 360 platform. This portal provides viewers with the ability to experience full 360 degree, 2D content for those without access to a VR headset. The success of this format and the proven appetite for Melody's content has reinforced our belief in our own monetisation model whether as a truly immersive VR experience or as a peripheral second screen consumption.

We have an important partnership deal with Ibiza Rocks which demonstrates our ability to earn sponsorship revenues from leveraging MelodyVR's technical expertise and the appeal of our music platform. Ibiza Rocks have been both a sponsor of our site and our marketing partners and we continue to work together to secure both targeted audiences and exclusive content. In addition, we will seek to evaluate the adoption of more innovative advertising offerings particularly in conjunction with the continued programme of live events through the coming year.

During the year we raised £20 million (before costs) via the issuance of new shares primarily to institutional investors. The cash raised during 2018 will ensure that we have sufficient resources to continue to scale our business responsibly, regardless of the state of the capital markets and the uncertainty which currently surrounds the UK.

The Group reported revenues for the year totalling £1.2m (2017: £nil) from content sales and partnership deals. The gross loss of £0.2m has been calculated after the deduction of content creation costs as well as amounts due to all rights holders. These amounts include commissions and revenue share arrangements due to app stores, record labels, artists, publishers, songwriters and exclusive event / venue partners.

The operating loss before non-recurring and non-cash items for the year amounted to £10.1m (2017: Loss £5.2m) reflecting our investment in people and our operating capabilities as we scaled up for launch and ready the business for the next stage of its development. After non-recurring and non-cash items, net financing charges and taxation, the Group reported a loss of £11.3m (2017: Loss £6.2m) resulting in a loss per share of 0.9p (2017: Loss 0.61p).

Following the launch of the Melody VR platform, it was determined that the company has met the necessary conditions to be able to capitalise and reflect £1.82m of intangible assets on its balance sheet, consisting of £0.67m of R&D development spend and £1.15m of content assets. These amounts will be amortised over their useful lives and expenses of £0.15m and £0.18m respectively were reflected during the year.

As at 31 December 2018 the Group had cash reserves of £19.3m (2017: £12.4m) reflecting the successful fundraising completed during the year.

##### **Technology and development**

The group intends to continue to make significant investment in capturing and creating new content to further enrich the library of experiences of the MelodyVR platform. In addition, we will develop new equipment and enhance the functionality of our existing product. Product development expenses are primarily comprised of costs incurred for development of equipment related to the capture and production of content together with resources expended on the Group's existing platform and service offerings. In 2019 we anticipate extending this to include new advertising products, the introduction of new mobile applications, an enhanced website and improvements to our content delivery services. The costs incurred during 2018, include related employee compensation and benefits, facility costs and consulting costs.

**EVR HOLDINGS PLC**

**CHAIRMAN'S STATEMENT (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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I would like to take this opportunity to extend my gratitude to our shareholders, customers and business partners for their support, effort and insights over the course of these past years. The development of our business would not have been attained without the efforts of the management team and the unwavering commitment of our staff.

Going forward, the Group will continue to pursue opportunities to keep up with this evolving marketplace and optimise its corporate strategy of creating long-term value for stakeholders, and I look forward to reporting on our progress over the course of the coming year.

**Anthony Matchett**  
**Executive Chairman**

8 May 2019

A handwritten signature in black ink, appearing to be 'A. Matchett', written over a horizontal line.

# **EVR HOLDINGS PLC**

## **GROUP STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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The directors present their Strategic Report on the Group for the year ended 31 December 2018.

#### **RESULTS**

The Group made a loss after taxation of £11,269,939 (2017: loss £6,231,882).

#### **PRINCIPAL ACTIVITIES**

The Group's principal activity is specialising in the creation and curation of Virtual Reality content for distribution and consumption through its own platform.

#### **REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

The review of the business and future developments are set out in the Executive Chairman's Statement above.

#### **KEY PERFORMANCE INDICATORS**

The key performance indicators are set out below:

	<b>2018</b>	<b>2017</b>
Gross financial assets – cash and cash equivalents	£19,327,949	£12,409,820
Net asset value – basic per share	1.7p	1.2p
Closing share price	£0.048	£0.08
Market capitalisation	£62,793,388	£92,609,141

The Board currently considers the following operational key performance indicators in assessing the Group's performance against its objectives:

- The number of event promotion and venue partnership agreements in place and the number of content production opportunities these partnerships create.
- The number of VR experiences created
- Extent and breadth of licence agreements in place
- Number and reputation of artists whose performances have been captured

#### **KEY RISKS AND UNCERTAINTIES**

Virtual reality is still a new and emerging market, which makes it difficult to evaluate our future prospects. Despite our position as the world's leading provider of immersive VR music experiences, given the infancy of the market and our dependence on VR hardware manufacturers to stimulate the necessary consumer adoption, our business has yet to reach scale. Whilst we are confident that in time, adoption of VR headset technology will become commonplace we will seek to leverage the appetite for our content via new mobile portals and 2D interfaces. Long term we will be dependent on attracting and retaining users, and on successfully monetising our content and attracting advertisers and sponsors to our platform in order to generate sufficient revenue to become profitable.

The Board have identified the risk associated with insufficient licencing of content released onto the MelodyVR application could result in litigation and potential financial loss. Securing licencing arrangements with major record labels as well as signing agreements with publishers and collection societies has reduced the risk associated with potential exploitation of unlicensed content. Management continue to engage with new as well as existing rightsholders to ensure that there are sufficient agreements in place to mitigate this risk further.

## **EVR HOLDINGS PLC**

### **GROUP STRATEGIC REPORT (continued)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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We depend on key personnel to develop great products and services as well as to operate our business, and if we are unable to retain, attract and integrate qualified personnel our ability to successfully grow our business could be harmed. If we cannot maintain MelodyVR's culture as we grow, we could lose the innovation, team work and focus that contribute crucially to our business.

#### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

Our operations are exposed to financing and financial risks which are managed under the control and supervision of the Board of Directors of the Company. To manage these risks efficiently, we have established guidelines in the form of a treasury policy that serves as a frame work for the daily financial operations of the Group. The treasure policy stipulates the rules and limitations for the management of financial risks throughout the group.

Financial risk management is centralised within the group treasury who is responsible for the management of financial and financial risks. Group treasury manages and executes the financial management activities including monitoring the exposure of financial risk, cash management and maintaining a liquidity reserve and it provides certain financial services to the entities of the group. Group treasury operates within the limits and policies authorised by the Board of Directors.

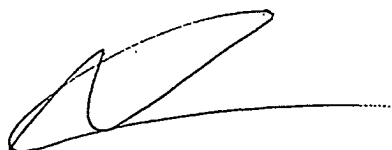
Further details of the Group's financial risk management objectives and policies are set out in Note 18 to these financial statements.

#### **GOING CONCERN**

As disclosed in Note 2, after making the necessary enquiries, the directors have a reasonable expectation that the Group has access to adequate resources to continue in operational existence for the foreseeable future.

**Anthony Matchett**  
**Executive Chairman**

8 May 2019



## **EVR HOLDINGS PLC**

### **DIRECTORS' REPORT**

#### **FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present their annual report on the affairs of the Group, together with the financial statements for the year ended 31 December 2018.

The Company is a public company, incorporated in England and Wales and quoted on AIM.

#### **PRINCIPAL ACTIVITIES**

The Company's principal activities are detailed in the strategic report above.

#### **RESULTS AND DIVIDENDS**

The results for the year are set out in the Strategic Report on page 5. The directors do not propose to declare a dividend (2017: Nil).

#### **DIRECTORS**

The directors of the Company during the year together with their interests in the equity of the Company are set out below:

	Number of ordinary shares		Number of share options and warrants	
	2018	2017	2018	2017
Simon Cole	-	-	4,615,090	4,615,090
Anthony Matchett	168,482,796	184,107,796	11,537,725	11,537,725
Steven Hancock	130,884,136	146,509,136	11,684,783	11,684,783
Ian Hanson (appointed: 26 April 2017)	-	-	4,615,090	4,615,090
Sebastian Theron (resigned: 15 January 2019)	294,118	294,118	4,664,109	4,664,109
Sean Nicolson (resigned: 7 February 2018)	6,587,561	6,587,561	9,303,709	9,303,709
Peter Read (resigned: 26 April 2017)	3,137,254	3,137,254	9,230,180	9,475,278
Andy Botha (appointed: 17 December 2018)	-	-	4,615,090	-

#### **SUBSTANTIAL INTERESTS**

The Company is aware that at 31 March 2019, the following held in excess of 3% of the issued ordinary share capital of the Company:

	Number of Ordinary shares	Percentage of Issued share capital
Anthony Matchett	168,482,796	12.88%
Steven Hancock	130,884,136	10.00%
Schroder UK Dynamic Absolute Return Fund	74,428,982	5.69%
Oppenheimer Global Opportunities Fund	68,750,000	5.25%
Blueport Capital, L.P.	58,223,438	4.45%
Mark Newton	43,551,776	3.33%

## **CORPORATE GOVERNANCE**

As an AIM quoted company, the Group does not have to comply with the UK Corporate Governance Code published by the Financial Reporting Council in September 2014. The Quoted Companies Alliance has published a corporate governance code for small and mid-sized quoted companies, which includes a standard of minimum best practice for AIM companies, and recommendations for reporting corporate governance matters (QCA Code). The Board embraces the principles of good corporate governance and intends to comply with the QCA Code insofar as it is considered appropriate taking into account the Company's size, stage of development and resources.

## **BOARD OF DIRECTORS**

The Group supports the concept of an effective board leading and controlling the Group. The Board is responsible for approving the Group's policy and strategy. All directors have access to advice from the Company Secretary and independent professionals at the Group's expense. Training is available for new directors and other directors as necessary.

### **Board Committees**

The terms of reference of the board committees are reviewed regularly and available on the Company's website, [www.evrholdings.com](http://www.evrholdings.com)

### **Remuneration Committee**

The Remuneration Committee comprises Simon Cole (committee chairman) and Ian Hanson. It is responsible for reviewing the performance of the senior executives and for determining their levels of remuneration. The committee makes recommendations to the Board, within agreed terms of reference, regarding the levels of remuneration and benefits including participation in the Company's share plan.

### **Audit Committee**

The Audit Committee meets at least twice a year to consider the annual and interim financial statements and the audit plan. Andy Botha replaced Ian Hanson as committee chairman in January 2019, and the other member of the committee is Simon Cole. The Audit Committee is responsible for ensuring that appropriate financial reporting procedures are properly maintained and reported upon, reviewing accounting policies and for meeting the auditors and reviewing their reports relating to the accounts and internal control systems.

### **Internal control and financial risk management**

The Board acknowledges its responsibility for maintaining appropriate internal controls systems and procedures to safeguard the Company's assets, employees and the business of the Company and its subsidiaries (the Group). The Directors have recognised the changing requirements of the Group as it has developed from an investment company to a growing multi-asset operating group. The Board has established and operates a policy of continuous review and development of appropriate financial, operational, compliance and risk management controls, which cover expenditure approval, authorisation and treasury management, together with operating procedures consistent with the accounting policies of the Group.

The internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide reasonable but not absolute assurance against material misstatement or loss. The Board has approved the Group's current operating and capital budget and performance against budget is monitored and reported to the Board on a monthly basis.

The Directors confirm that the effectiveness of the internal control system during the year has been reviewed by the Board. Steps are underway to reinforce as needed all processes and systems as the Group scales. The Board does not consider it necessary to establish an internal audit function considering the current size of the Group.

# **EVR HOLDINGS PLC**

## **DIRECTORS' REPORT (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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### **POST BALANCE SHEET EVENTS**

The Directors were not aware of any other material events since the reporting date.

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company to enable them to ensure that the financial statements comply with the Companies Act 2006 and article 4 of EC Regulation 1606/2002 (the IAS Regulation). They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. In addition, the directors are responsible for the maintenance and integrity of the corporate and financial information included in the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors, as listed, are also responsible for preparing the strategic report, directors' report and financial statements for the Group and parent company in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the London Stock Exchange's AIM Rules for Companies.

Under company law the directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Group and parent company for that period.

In preparing the financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 (Accounting Policies, changes in Accounting Estimates and Errors) and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from other jurisdictions.

### **DISCLOSURE OF INFORMATION TO AUDITORS**

Each of the persons at the time when this Directors' Report is approved have confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Groups auditors are unaware, and
  - the director has taken all steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Groups auditors are aware of that information.
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**EVR HOLDINGS PLC**

**DIRECTORS' REPORT (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

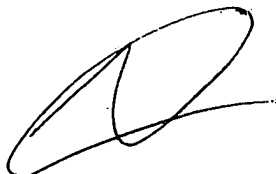
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**AUDITORS**

Haysmacintyre LLP were reappointed as the Company's auditors.

ON BEHALF OF THE BOARD

**Anthony Matchett**  
**Executive Chairman**



8 May 2019

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF EVR HOLDINGS PLC

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#### Opinion on financial statements of EVR Holdings Plc

We have audited the financial statements of EVR Holdings plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of financial statements is not appropriate; or
- the directors' have not disclosed in the financial statements or identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorized for issue;

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, 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) that we identified. These matters included 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.

Risk	Our response
<b>Going Concern</b> Ongoing losses may indicate that the financial statements should not be prepared on a going concern basis	Review of cash flow forecasts and budgets for a minimum period of 12 months post signing the financial statements to assess the ongoing viability of the company. Discussion with management on future plans, scrutinising of management's scenario forecasting and assessment of reasonableness of assumptions made by management.

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF EVR HOLDINGS PLC

Risk	Our response
<b>Valuation of options and warrants</b> Risk that valuation is incorrect due to assumptions and the key data from the agreements not being included accurately. Further risk that warrants are not adequately disclosed in the notes to the financial statements.	Assumptions discussed with management and consideration taken to see if these are reasonable. Review of warrant agreement(s) to ensure that data has been included correctly within the calculation. Disclosure checklist performed to ensure disclosures in the financial statements are correct.
<b>Accounting treatment for intangible assets</b> Risk that development costs in respect of the app and of music content captured may not be treated accurately in the financial statements.	Review of IAS 38 capitalisation requirements against development costs incurred. Discussions with management surrounding capitalisation and amortisation policy. Review of paper prepared by management and assessment of assumptions made.

#### Our application of materiality

We define materiality as the magnitude of misstatement that could reasonably be expected to influence the readers and the economic decisions of the users of the financial statements. We use materiality both in planning our audit and in evaluating the results of our work.

We determined planning materiality for the group to be £480k, which is 2% of draft gross assets. Overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the company was 75% of materiality, namely £360k.

We have agreed to report to the Audit Committee all audit differences in excess of £24k, as well as differences below that threshold that, in our view, warrant reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

#### An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the company and its environment, including internal control, and assessing the risks of material misstatement.

Based on that understanding our audit was focused on the key risks as described above.

#### 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 auditors' 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 other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

#### Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken during 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 has been prepared in accordance with applicable legal requirements;

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF EVR HOLDINGS PLC

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#### Matters on which we are required to report by exception

In light of our 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 and 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 Statement of Directors' Responsibilities set out on page 9, 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 company or to cease operations, or have no realistic alternative but to do so.

#### Auditors 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 it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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



Ian Cliffe  
(Senior Statutory Auditor)

for and on behalf of Haysmacintyre LLP, Statutory Auditors

10 Queen Street Place, London, EC4R 1AG

8 May 2019

**EVR HOLDINGS PLC**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £	2017 £
Continuing operations:			
Revenue	3	1,180,623	-
Cost of sales		(1,427,674)	-
<b>GROSS LOSS</b>		<b>(247,051)</b>	
Administrative expenses		(11,260,086)	(6,192,145)
<b>OPERATING LOSS</b>		<b>(11,507,137)</b>	<b>(6,192,145)</b>
Operating loss before non-recurring and non-cash items		(10,142,438)	(5,168,043)
Depreciation		(388,833)	(141,607)
Amortisation		(329,073)	-
Share based payments		(646,793)	(882,495)
<b>OPERATING LOSS</b>		<b>(11,507,137)</b>	<b>(6,192,145)</b>
Finance income		42,929	2,988
Finance costs		-	(6,348)
Foreign exchange gain/(loss)		73,253	(36,377)
<b>LOSS FOR THE YEAR BEFORE TAXATION</b>		<b>(11,390,955)</b>	<b>(6,231,882)</b>
Taxation	8	121,016	-
<b>NET LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(11,269,939)</b>	<b>(6,231,882)</b>
Attributable to:			
Owners of the parent company		(11,270,952)	(6,231,882)
Non – controlling interest		1,013	-
<b>LOSS PER SHARE – from continuing operations – basic and diluted</b>	9	<b>(0.9)p</b>	<b>(0.61)p</b>

The loss for the Company for the year totalled £716,816 (2017: £1,737,097).

The accompanying accounting policies and notes are an integral part of these financial statements.

**EVR HOLDINGS PLC**

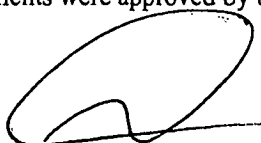
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AT 31 DECEMBER 2018**

	Note	2018 £	2017 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	933,992	638,429
Goodwill	11	603,476	603,476
Other intangible assets	11	1,492,071	-
<b>TOTAL NON-CURRENT ASSETS</b>		<u>3,029,539</u>	<u>1,241,905</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	13	1,601,896	202,835
Cash and cash equivalents	14	19,327,948	12,409,820
<b>TOTAL CURRENT ASSETS</b>		<u>20,929,844</u>	<u>12,612,655</u>
<b>TOTAL ASSETS</b>		<u>23,959,383</u>	<u>13,854,560</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	(1,933,437)	(613,351)
<b>NET ASSETS</b>		<u>22,025,946</u>	<u>13,266,122</u>
<b>EQUITY</b>			
Share capital	16	13,690,204	12,184,391
Share premium reserve		36,258,164	18,308,854
Retained Earnings		(20,273,806)	(9,002,854)
Share option reserve	17	1,974,265	1,327,472
Merger relief reserve		486,611	486,611
Non-controlling interests		(44,990)	(46,003)
Currency Translation Reserve		(61,959)	10,194
Reverse takeover reserve		(10,002,543)	(10,002,543)
<b>TOTAL EQUITY</b>		<u>22,025,946</u>	<u>13,266,122</u>

These financial statements were approved by the Board of Directors on 8 May 2019 and were signed on its behalf by:

Anthony Matchett  
Director



Company number: 5628362

The accompanying accounting policies and notes are an integral part of these financial statements.

**EVR HOLDINGS PLC**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Share capital £	Share premium £	Merger Relief Reserve £	Share Option Reserve £	Retained Losses £	Reverse Takeover Reserve £	Non- Controlling Interest £	Currency Translation Reserve £	Total Equity £
Balance at 1 January 2017	10,067,861	5,903,289	486,611	444,977	(2,770,972)	(10,002,543)	(46,008)	-	4,083,220
Share issue	2,116,530	12,405,565	-	-	-	-	-	-	14,522,094
Grant of share options/warrants	-	-	-	882,495	-	-	-	-	882,495
Loss for the year and total comprehensive loss for the year	-	-	-	-	(6,231,882)	-	-	-	(6,231,882)
Non-controlling interest	-	-	-	-	-	-	-	-	-
Currency transaction reserve	-	-	-	-	-	-	-	10,194	10,194
Balance at 31 December 2017	12,184,391	18,308,854	486,611	1,327,472	(9,002,854)	(10,002,543)	(46,003)	10,194	13,266,122
Share issue	1,250,000	17,798,293	-	-	-	-	-	-	19,048,293
Grant of share options/warrants	255,813	151,017	-	646,793	-	-	-	-	1,053,623
Loss for the year and total comprehensive loss for the year	-	-	-	-	(11,270,952)	-	-	-	(11,270,952)
Non-controlling interest	-	-	-	-	-	-	1,013	-	1,013
Currency transaction reserve	-	-	-	-	-	-	-	(72,153)	(72,153)
Balance at 31 December 2018	13,690,204	36,258,164	486,611	1,974,265	(20,273,806)	(10,002,543)	(44,990)	(61,959)	22,025,946

The accompanying accounting policies and notes are an integral part of these financial statements.

**EVR HOLDINGS PLC**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 £	2017 £
<b>Operating activities</b>			
Loss from continuing operations		(11,390,955)	(6,231,882)
<i>Adjustments for:</i>			
Depreciation of tangible assets		388,833	141,607
Amortisation of intangible assets		329,073	-
Share based payment expense		646,793	882,495
Increase in trade and other receivables		(1,115,147)	(241,392)
Increase in trade and other payables		1,118,317	508,120
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>		<b>(10,023,086)</b>	<b>(4,941,052)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(682,040)	(550,278)
Investment in intangible assets		(1,821,144)	-
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(2,503,184)</b>	<b>(550,278)</b>
<b>Financing activities</b>			
Proceeds from issue of ordinary share capital		19,048,293	14,174,918
Proceeds from the exercise of warrants		406,831	347,176
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>		<b>19,455,124</b>	<b>14,522,094</b>
Increase in cash and cash equivalents		6,928,854	9,030,764
Effect of changes in foreign exchange rates		(10,726)	9,363
Cash and cash equivalents brought forward		12,409,820	3,369,693
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	14	<b>19,327,948</b>	<b>12,409,820</b>

**EVR HOLDINGS PLC**

**STATEMENT OF FINANCIAL POSITION - COMPANY**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £	2017 £
<b>NON-CURRENT ASSETS</b>			
Investments	12	5,352,731	5,352,731
<b>TOTAL NON-CURRENT ASSETS</b>		<u>5,352,731</u>	<u>5,352,731</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	13	20,787,552	7,269,234
Cash and cash equivalents	14	18,013,110	11,711,137
<b>TOTAL CURRENT ASSETS</b>		<u>38,800,662</u>	<u>18,980,371</u>
<b>TOTAL ASSETS</b>		<u>44,153,393</u>	<u>24,333,102</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	(569,715)	(134,525)
<b>NET ASSETS</b>		<u>43,583,678</u>	<u>24,198,577</u>
<b>EQUITY</b>			
Share capital	16	13,690,204	12,184,391
Share premium account	16	36,744,775	18,795,464
Share option reserve	17	2,085,027	1,438,234
Retained earnings		(8,936,328)	(8,219,512)
<b>TOTAL EQUITY</b>		<u>43,583,678</u>	<u>24,198,577</u>

These financial statements were approved by the Board of Directors on 8 May 2019 and were signed on its behalf by:

**Anthony Matchett**  
Director



Company number: 5628362

The accompanying accounting policies and notes are an integral part of these financial statements.

**EVR HOLDINGS PLC**

**STATEMENT OF CHANGES IN EQUITY - COMPANY**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Share capital £	Share premium £	Share Option Reserve £	Retained Losses £	Total Equity £
Balance at 1 January 2017	10,067,861	6,389,900	555,739	(6,482,415)	10,531,085
Share issue	2,116,530	12,405,564	-	-	14,522,094
Grant of share options/warrants	-	-	882,495	-	882,495
Loss for the year and total comprehensive loss for the year	-	-	-	(1,737,097)	(1,737,097)
Balance at 31 December 2017	12,184,391	18,795,464	1,438,234	(8,219,512)	24,198,577
Share issue	1,250,000	17,798,293	-	-	19,048,293
Grant of share options/warrants	255,813	151,018	646,793	-	1,053,624
Loss for the year and total comprehensive loss for the year	-	-	-	(716,816)	(716,816)
Balance at 31 December 2018	13,690,204	36,744,775	2,085,027	(8,936,328)	43,583,678

**1. GENERAL INFORMATION**

The Group's principal activities are described in the Directors' Report.

EVR Holdings plc is a public company incorporated in England and Wales and quoted on AIM. Its registered address is The Lighthouse, 370 Gray's Inn Road, London, England, WC1X 8BB.

**2. ACCOUNTING POLICIES**

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements have been prepared using the measurement bases specified by IFRSs for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The financial statements are presented in pounds sterling (£) which is the functional currency of the Group.

An overview of standards, amendments and interpretations to IFRSs issued but not yet effective, and which have not been adopted early by the Group are presented below under 'Statement of Compliance'.

**Basis of Consolidation**

Where the Group has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

**Business Combinations**

The Consolidated Financial Statements comprise the period for the 12 months to 31 December 2018. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Consolidated within these financial statements are results from subsidiaries: MelodyVR Ltd (100% ownership), MelodyVR Inc (100% ownership), MelodyVR Holdings Ltd (100% ownership) and Immersive Construction Ltd (51% ownership).

**Going Concern**

The Financial Statements have been prepared on the going concern basis. The Directors have prepared cash flow forecasts through to 30 June 2020, covering the 12 month period beyond the signing date of these financial statements. As there are sufficient existing resources to operate for the foreseeable future the Board has concluded that the going concern assumption is appropriate in preparing these financial statements.

**Critical Accounting Estimates and Judgements**

The preparation of financial statement in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. These estimates and assumptions are based upon management's knowledge and experience of the amounts, events or actions. Actual results may differ from such estimates. During the period the Group recognised internally generated intangible assets, which will be amortised in line with the policy as outlined elsewhere in note 2 to these financial statements. Other than the amortisation of intangible assets, the directors consider there to be no critical estimates and judgments applicable to the financial statements.

**2. ACCOUNTING POLICIES (continued)**

**Statement of compliance**

The financial statements comply with IFRS as adopted by the European Union. At the date of authorisation of these financial statements the following Standards and Interpretations affecting the Group, which have not been applied in these financial statements, were in issue, but not yet effective. The Group does not plan to adopt these standards early.

- IFRS 16 Leases (effective for accounting periods beginning on or after 1 January 2019)

**Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes.

**Share based payments**

All share based payments are accounted for in accordance with IFRS 2 – Share-based payments. The Company issues equity-settled share based payments in the form of options and warrants to certain directors, employees and corporate partners. Equity settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

Fair value is estimated using the Black-Scholes valuation model. The expected life used in the model has been adjusted, on the basis of management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to retained earnings.

**Taxation**

Current taxation is the taxation currently payable on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Temporary differences include those associated with shares in subsidiaries and joint ventures and are only not recognised if the Group controls the reversal of the difference and it is not expected for the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the statement of financial position date. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statements, except where they relate to items that are charged or credited to equity in which case the related deferred tax is also charged or credited directly to equity.

No deferred tax asset has been recognised in respect of tax losses carried forward as the Directors cannot be certain that future profits against which the losses can be relieved will be sufficient for this asset to be realised.

**2. ACCOUNTING POLICIES (continued)**

**Financial assets**

The Group's financial assets comprise prepayments, and cash and cash equivalents.

**Cash and Cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

**Investments**

Investments in subsidiaries are held at cost less impairment.

**Goodwill**

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the statement of comprehensive income.

Impairment tests on goodwill are undertaken annually at 31 December as it is not amortised.

**Capitalisation of Development and Content creation costs**

The Group recognises both internal development costs as well as VR content creation costs as intangible assets only when the following criteria are met: the technical feasibility of completing the intangible asset exists, there is an intent to complete and an ability to use or sell the intangible asset, the intangible asset will generate probable future economic benefits, there are adequate resources available to complete the development and to use or sell the intangible asset, and there is the ability to reliably measure the expenditure attributable to the intangible asset during its development.

Intangible assets with finite lives are amortised on a straight-line basis over their estimated useful lives and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation of intangible assets is recognised in the consolidated statement of comprehensive income/costs in the expense category consistent with the function of the intangible assets.

Amortisation rates applicable to development costs is 33% straight line.

Amortisation rates applicable to content assets released during the period is as follows:

- Year 1: 80%
- Year 2: 15%
- Year 3: 5%

**2. ACCOUNTING POLICIES (continued)**

**Capitalisation of Development and Content creation costs (continued)**

Content assets in production are not amortised as these assets are still in development and not in the condition necessary to be capable of operating in the manner intended by management. At the point the asset is in operational condition it is reclassified to Content Assets – released and is amortised in line with the above amortisation policy.

**Impairment of investments**

Investments are assessed for indicators of impairment at each balance sheet date. Investments are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the investment, the estimated future cash flows of the investment have been affected.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less depreciation. Depreciation is calculated to write down the cost of all tangible fixed assets by equal monthly instalments over their estimated useful lives at the following rates-

Audiovisual production - 33% straight line  
 Computer Equipment - 33% straight line  
 Office Equipment - 25% straight line  
 Leasehold Improvements -33% straight line

**Financial liabilities**

The Group's financial liabilities comprise trade payables. Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instruments.

**Trade payables**

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

**RESERVES**

Full details of movements in reserves are set out in the company statement of changes in equity on page 19.

The following describes the nature and purpose of each reserve within owners' equity.

<b>Reserve</b>	<b>Description and Purpose</b>
Merger relief reserve	Relates to share premium arising on issue of shares relating to reverse acquisition takeover
Reverse takeover reserve	Relates to amounts arising on reverse acquisition takeover
Currency Translation Reserve	Relates to differences in the consolidation of foreign subsidiaries and associates where the functional currency differs from the group presentation currency.
Share option reserve	Value of warrants and options issued
Non-controlling interest	Relates to percentage of Immersive Construction not owned by EVR Holdings plc

# **EVR HOLDINGS PLC**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **3. SEGMENTAL INFORMATION**

The Group became revenue generative from 1 May 2018 and during the year generated revenue from the provision of goods and services over time and at a point in time in the following geographical regions:

UK £	Rest of Europe £	United States £	Rest of world £	Total £
6,398	980,934	193,291	-	1,180,623

	United Kingdom £	United States £	Eliminations and adjustments £	Consolidated £
Loss before tax	(10,775,633)	(615,322)	-	(11,390,955)
Depreciation and amortisation	708,115	9,791	-	717,906
Segment assets	49,097,482	483,721	(25,621,820)	23,959,383
Capital expenditure	(2,475,279)	(27,905)	-	(2,503,184)
Segment liabilities	(21,181,465)	(1,624,538)	20,872,566	(1,933,437)

#### **4. LOSS FROM OPERATIONS**

This has been arrived at after charging:

	2018		2017	
	Group £	Company £	Group £	Company £
Depreciation of property, plant and equipment	388,833	-	141,607	-
Amortisation on internally generated intangible assets	329,073	-	-	-

#### **5. LOSS ATTRIBUTABLE TO EVR HOLDINGS PLC**

As permitted by section 408 Companies Act 2006, no separate income statement is presented in respect of the parent company.

#### **SUBSIDIARY UNDERTAKINGS**

The following were the subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
MelodyVR Ltd	Ordinary	100%	Virtual reality content creation
Immersive Construction Ltd	Ordinary	51%	Research and development
MelodyVR Inc	Ordinary	100%	Virtual reality content creation
MelodyVR Holdings Ltd	Ordinary	100%	Dormant entity

# **EVR HOLDINGS PLC**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

### **5. LOSS ATTRIBUTABLE TO EVR HOLDINGS PLC (continued)**

The registered offices of MelodyVR Limited, MelodyVR Holdings Ltd and Immersive Construction Ltd are The Lighthouse, 370 Gray's Inn Road, London, England, WC1X 8BB, and the registered offices of MelodyVR Inc is 8954 St Ives Drive, Los Angeles, CA, United States, 90069.

### **6. AUDITOR'S REMUNERATION**

	2018		2017	
	Group	Company	Group	Company
	£	£	£	£
During the year the Company obtained the following service from the Company's auditors:				
Fees payable to the Company's auditors for the audit of the Company's annual accounts	25,500	14,000	24,850	13,500
Fees payable to the Company's auditors for other services:				
Tax services	5,925	5,925	3,582	3,582
Other services	5,550	5,550	4,950	4,950
	<u>36,975</u>	<u>25,475</u>	<u>33,382</u>	<u>22,032</u>

### **7. DIRECTORS' AND EMPLOYEE REMUNERATION**

	2018		2017	
	Group	Company	Group	Company
	£	£	£	£
The amount paid to directors and employees, is as follows:				
Wages and salaries	4,669,734	1,096,010	1,861,673	480,775
Social security costs	553,006	145,283	218,347	79,199
Pension costs	73,975	-	-	-
Share based payment costs	507,446	173,994	239,836	63,686
	<u>5,804,161</u>	<u>1,415,287</u>	<u>2,319,856</u>	<u>623,660</u>

	2018		2017	
	Group	Company	Group	Company
	No.	No.	No.	No.
The average number of employees for the year was as follows:				
Directors	5	5	6	6
Senior Management	1	-	1	-
Staff	48	-	23	-
	<u>54</u>	<u>5</u>	<u>30</u>	<u>6</u>

**7. DIRECTORS' AND EMPLOYEE REMUNERATION (continued)**

Details for directors' remuneration is as follows:

Director	Current salary £	Total 2018 £	Total 2017 £
Anthony Matchett	275,000	442,500	165,077
Steven Hancock	220,000	305,667	153,846
Sebastian Theron (resigned: 15 January 2019)	-	277,000	136,179
Simon Cole	50,000	35,416	25,000
Ian Hanson	40,000	31,250	16,955
Andy Botha	40,000	1,613	-
Sean Nicolson (resigned: 7 February 2018)	-	2,564	25,000
Peter Reed (resigned: 26 April 2017)	-	-	25,000
		<u>1,096,010</u>	<u>530,390</u>

The remuneration committee approved the salary increases and bonuses for executive directors post the launch of the MelodyVR application on 1 May 2018. Non-executive fees were also increased in line with market rates.

**8. TAXATION**

	2018 £	2017 £
<b>Current tax</b>		
UK corporation tax	(121,016)	-
<b>Deferred tax</b>		
Origination and reversing of timing differences	-	-
<b>Tax on profit on ordinary activities</b>	-	-

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average rate applicable as follows:

Factors affecting the tax charge	2018 £	2017 £
Loss before tax	(11,390,955)	(6,231,882)
Loss before tax multiplied by rate of corporation tax in the UK of 19% (2017: 19.25%)	(2,164,281)	(1,199,637)
Effects of:		
Fixed asset differences	4,570	708
Expenses not deductible for tax purposes	223,141	194,272
Income not taxable for tax purposes	(7,353)	-
Group income	(290,008)	-
Adjustment in respect of prior periods	(121,016)	-
Adjust closing deferred tax to average rate	394,638	68,981
Adjust opening deferred tax to average rate	(169,800)	-49,780
Deferred tax not recognised	2,010,093	985,456
<b>Total tax credit</b>	<u>(121,016)</u>	<u>-</u>

**EVR HOLDINGS PLC**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

**8. TAXATION (continued)**

No deferred tax asset has been recognised as the Directors cannot be certain that future profits will be sufficient for this asset to be realised. As at 31 December 2018 the Group has tax losses carried forward of approximately £5,104,975 (2017: £3,094,882).

**9. EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the loss attributable to shareholders by the weighted average number of ordinary shares in issue during the year. 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. For a loss-making company with outstanding share options and warrants, net loss per share would be decreased by the exercise of options. Therefore the antidilutive potential ordinary shares are disregarded in the calculation of diluted EPS. Reconciliation of the profit and weighted average number of shares used in the calculation are set out below:

	2018 Group £	2017 Group £
<b>Loss attributable to equity holders of the Company:</b>		
Continuing and total operations	(11,270,952)	(6,231,882)
	-----	-----
	<b>No. of shares</b>	<b>No. of shares</b>
Weighted average number of ordinary shares for basic earnings	1,252,156,578	1,022,052,742
Weighted average number of ordinary shares and dilutive shares and other instruments in issue for fully diluted earnings	1,613,487,210	1,452,275,506
	-----	-----
	<b>Pence per Share</b>	<b>Pence per Share</b>
<b>Loss per share</b>		
<b>Basic and diluted per share</b>		
Continuing and total operations	(0.9p)	(0.61p)
	=====	=====

**EVR HOLDINGS PLC**
**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**FOR THE YEAR ENDED 31 DECEMBER 2018**
**10. PROPERTY, PLANT AND EQUIPMENT**

	Audio-visual Production Equipment	Office Equipment	Computer Equipment	Leasehold Improvements	Total
Cost	£	£	£	£	£
At 1 January 2018	283,954	27,127	472,659	57,315	841,055
Additions	198,506	57,035	411,885	16,970	684,396
At 31 December 2018	482,460	84,162	884,544	74,285	1,525,451
<b>Accumulated Depreciation</b>					
At 1 January 2018	71,351	3,443	124,154	3,678	202,626
Charge for the period	109,299	15,676	239,805	24,053	388,833
At 31 December 2018	180,650	19,120	363,959	27,731	591,459
<b>Net Book Value</b>					
At 31 December 2017	212,603	23,683	348,506	53,637	638,429
At 31 December 2018	301,810	65,042	520,585	46,554	933,992

The parent entity does not have any items of property, plant and equipment.

**11. INTANGIBLE FIXED ASSETS**

	Goodwill	Development costs	Content assets – in production	Content assets – released	Total
Cost	£	£	£	£	£
At 1 January 2018	603,476	-	-	-	603,476
Additions	-	667,819	646,344	506,981	1,821,144
At 31 December 2018	603,476	667,819	646,344	506,981	2,424,620
<b>Accumulated Amortisation</b>					
At 1 January 2018	-	-	-	-	-
Charge for the period	-	149,279	-	179,794	329,073
At 31 December 2018	-	149,279	-	179,794	329,073
<b>Net Book Value</b>					
At 31 December 2017	603,476	-	-	-	603,476
At 31 December 2018	603,476	518,540	646,344	327,187	2,095,547

# **EVR HOLDINGS PLC**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **11. INTANGIBLE FIXED ASSETS (continued)**

Goodwill has been calculated as the fair value of the EVR Holdings plc ordinary shares pre reverse takeover less the net asset value of the Company at the time of take over. During the year the recognition criteria for intangibles assets as per IAS38 were satisfied for assets internally generated by the Company's subsidiary entity, MelodyVR Ltd and have therefore been capitalised for the first time and are presented above in line with the accounting policy on page 22.

#### **12. INVESTMENTS**

	<b>Parent £</b>
<b>Cost</b>	
At 1 January 2018	5,352,731
At 31 December 2018	<u>5,352,731</u>
<b>Impairment</b>	
At 1 January 2018	-
Charge for the year	-
At 31 December 2018	<u>-</u>
<b>Net Book Value</b>	
At 31 December 2017	<u>5,352,731</u>
At 31 December 2018	<u><u>5,352,731</u></u>

The fair value of the investment has been calculated by taking the 486,611,833 shares issued by the Company at 1.1p per share to acquire Melody.

#### **13. TRADE AND OTHER RECEIVABLES**

	<b>2018</b>		<b>2017</b>	
	<b>Group £</b>	<b>Company £</b>	<b>Group £</b>	<b>Company £</b>
Trade receivables	746,165	-	-	-
Prepayments	226,927	-	100,025	4,197
Other debtors	628,804	-	102,810	43,300
Intercompany receivable	-	20,787,552	-	7,221,737
	<u>1,601,896</u>	<u>20,787,552</u>	<u>202,835</u>	<u>7,269,234</u>

The fair value of trade and other receivables is considered by the directors not to be materially different to carrying amounts.

#### **14. CASH AND CASH EQUIVALENTS**

	<b>2018</b>		<b>2017</b>	
	<b>Group £</b>	<b>Company £</b>	<b>Group £</b>	<b>Company £</b>
Cash and cash equivalents	19,327,948	18,013,110	12,409,820	11,711,137

The Directors consider that the carrying amount of cash and cash equivalent represents their fair value.

**EVR HOLDINGS PLC**
**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**FOR THE YEAR ENDED 31 DECEMBER 2018**
**15. TRADE AND OTHER PAYABLES**

	<b>2018</b>		<b>2017</b>	
	<b>Group £</b>	<b>Company £</b>	<b>Group £</b>	<b>Company £</b>
Trade payables	659,130	38,741	555,170	85,674
Other creditors	1,274,307	489,662	58,181	48,851
Intercompany payables	-	41,312	-	-
	<u>1,933,437</u>	<u>569,715</u>	<u>613,351</u>	<u>134,525</u>

**16. ISSUED SHARE CAPITAL**

	<b>Number of Shares No.</b>	<b>Nominal Value £</b>	<b>Share premium £</b>
<b>Issued and fully paid</b>			
At 31 December 2017:			
Ordinary shares of 1p each	1,157,614,265	12,184,391	18,795,465
Deferred shares of 0.24p each	150,520,616	361,249	-
Deferred shares of 0.95p each	26,000,000	247,000	-
	<u>1,334,134,881</u>	<u>12,792,640</u>	<u>18,795,465</u>

	<b>Number of Shares No.</b>	<b>Nominal Value £</b>	<b>Share premium £</b>
<b>Issued and fully paid during the year</b>			
Issue of new ordinary shares at 1.4p each	14,760,790	147,608	59,043
Issue of new ordinary shares at 1.85p each	10,820,537	108,205	91,975
Issue of new ordinary shares at 16p each	125,000,000	1,250,000	18,750,000
Share issue costs	-	-	(951,707)
	<u>150,581,327</u>	<u>1,505,813</u>	<u>17,949,311</u>

	<b>Number of Shares No.</b>	<b>Nominal Value £</b>	<b>Share premium £</b>
<b>Issued and fully paid</b>			
At 31 December 2018:			
Ordinary shares of 1p each	1,308,195,592	13,690,204	36,744,776
Deferred shares of 0.24p each	150,520,616	361,249	-
Deferred shares of 0.95p each	26,000,000	247,000	-
	<u>1,484,716,208</u>	<u>14,298,453</u>	<u>36,744,776</u>

The deferred shares do not confer upon the holders right to any dividends or the right to attend or vote at general meetings of the Company.

**17. SHARE OPTIONS AND WARRANTS**

The Group operates share-based payment arrangements to remunerate directors and key employees in the form of options and warrants. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

The fair value at grant date is independently determined using the Black Scholes Model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free interest rate for the term of the option and the correlations and volatilities of the peer group companies.

In determining the expected price volatility, the directors have taken account of expectations regarding the current and future circumstances in the virtual reality market, both from the perspective of investment into content creation and hardware manufacture, and from the perspective of consumer trends, to assess the expected uptake of virtual reality as a mainstream outlet for music and other media and entertainment genres.

**DIRECTOR OPTIONS AND WARRANTS**

The following table sets out the details of options and warrants held by directors at 31 December 2018:

Director	Warrants and options in parent at 1 January 2018	Issued during the year	Warrants and options at 31 December 2018	Exercise price	Expiry date
Simon Cole	4,615,090	-	4,615,090	1.1p	16.05.2026
Anthony Matchett	11,537,725	-	11,537,725	1.1p	16.05.2026
Steven Hancock	11,684,783	-	11,684,783	1.1p	16.05.2026
Sebastian Theron	3,640,830	-	3,640,830	1.1p	13.10.2026
	1,023,279	-	1,023,279	8.125p	17.07.2027
Ian Hanson	4,615,090	-	4,615,090	8.125p	17.07.2027
Andy Botha	-	4,615,090	4,615,090	5.7p	20.12.2028
	<u>37,116,797</u>	<u>4,615,090</u>	<u>41,731,887</u>		

No options or warrants issued to directors were exercised, have lapsed or been forfeited during the year. This calculation takes into account warrants and options awarded to directors in the performance of their duties.

**EQUITY SETTLED SHARE OPTION SCHEME**

The Group operates an approved enterprise management incentive scheme under which employees have been granted options to purchase shares in EVR Holdings plc. The unexercised options at 31 December 2018 expire on the tenth anniversary from the grant date and are subject to vesting criteria.

## 17. SHARE OPTIONS AND WARRANTS (continued)

The following table sets out the details of share options held at 31 December 2018:

	2018 Average exercise price per share option	Number of options	2017 Average exercise price per share option	Number of options
As at 1 January	5.1p	28,609,707	1.1p	13,828,472
Granted during the year	6.9p	17,526,814	8p	16,906,731
Exercised during the year	-	-	-	-
Forfeited during the year	8.5p	(1,650,000)	2.8p	(2,125,496)
As at 31 December	5.7p	44,486,521	5.1p	28,609,707
Vested and exercisable at 31 December	5.2p	19,366,068	3.1p	5,320,719

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant Date	Expiry date	Weighted average exercise price	Share options 31 December 2018	Share options 31 December 2017
13 October 2016	13 October 2026	1.1p	12,212,157	12,212,157
02 February 2017	02 February 2027	7.8p	6,750,000	6,750,000
17 July 2017	17 July 2027	8.13p	8,647,550	8,647,550
12 March 2018	12 March 2028	8.69p	7,661,724	-
07 December 2018	07 December 2028	4.85p	4,600,000	-
20 December 2018	20 December 2028	5.7p	4,615,090	-
Total			44,486,521	28,609,707
Weighted average remaining contractual life of options outstanding at end of period			8.79 years	9.79 years

Of the share options outstanding at 31 December 2018 13,845,270 are held by directors of the Company.

## 17. SHARE OPTIONS AND WARRANTS (continued)

## WARRANTS

The Group issues warrants to directors, key advisors, commercial partners and others in consideration of the benefit accruing to the Group. The following table sets out the details of warrants held at 31 December 2018:

	2018		2017	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at 1 January	6.4p	226,775,183	2.1p	164,448,322
Granted during the year	5.5p	6,000,000	13.3p	86,479,852
Exercised during the year	1.6p	(25,581,327)	1.5p	(24,152,991)
Forfeited during the year	1.4p	(208,335)	-	-
As at 31 December	7p	206,985,521	6.4p	226,775,183
Vested and exercisable at 31 December	7p	206,985,521	6.4p	226,775,183

Warrants outstanding at the end of the year have the following expiry date and exercise prices:

Grant Date	Expiry date	Exercise price	Share options 31 December 2018	Share options 31 December 2017
31 July 2015	31 July 2018	1.4p	-	14,969,125
31 July 2015	31 July 2020	1.2p	9,230,180	9,230,180
30 June 2016	30 June 2026	1.1p	51,294,234	51,294,234
16 October 2016	16 October 2019	1.85p	10,741,329	21,561,866
22 December 2016	22 December 2021	4.3p	43,239,926	43,239,926
17 July 2017	17 July 2022	14.2p	43,239,926	43,239,926
20 March 2017	20 March 2022	12.4p	43,239,926	43,239,926
29 October 2018	29 October 2023	5.5p	6,000,000	-
Total			206,985,521	226,775,183
Weighted average remaining contractual life of options outstanding at end of period			4.68 years	5.33 years

Of the warrants outstanding at 31 December 2018, 27,886,617 are held by directors of the Company.

## 17. SHARE OPTIONS AND WARRANTS (continued)

## MEASUREMENT OF FAIR VALUES

The model inputs for options granted during the year ended 31 December 2018 included:

	Share options scheme		Warrants	
	2018	2017	2018	2017
Fair value at grant date	4.6p	4.21p	1.8p	0.7p
Share price at grant date	8.46p	8.5p	5.25p	9.51p
Exercise price	6.87p	7.98p	5.5p	13.29p
Expected volatility (weighted-average)	40%	40.0%	40%	40%
Expected life (weighted average)	10 years	9.42 years	5 years	5 years
Risk-free interest rate	0.50%	0.50%	0.50%	0.50%

Total expenses arising from share-based payment transactions recognised in Other Comprehensive Income during the year were as follows:

	2018	2017
	£	£
Options and warrants issued to directors	173,994	63,686
Options issued under employee share scheme	333,452	175,950
Warrants issued to commercial and other partners	139,347	642,859
	=====	=====
Total	646,793	882,495
	=====	=====
Share option reserve	1,974,265	1,327,472
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## 18. FINANCIAL INSTRUMENTS

## CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for shareholders;
- to support the Group's growth; and
- to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Management regards total equity as capital and reserves, for capital management purposes.

**18. FINANCIAL INSTRUMENTS (continued)****CREDIT RISK**

The main credit risk relates to liquid funds held at banks. The credit risk in respect of these bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

**LIQUIDITY RISK**

The Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs.

An analysis of trade and other payables is given in note 15. These payables are payable within a year.

**CATEGORIES OF FINANCIAL INSTRUMENTS**

The IAS 39 categories of financial asset included in the statement of financial position and the headings in which they are included are as follows:

	2018		2017	
	Group	Company	Group	Company
	£	£	£	£
<b>Financial assets:</b>				
Cash and bank balances	19,327,948	18,013,110	12,409,820	11,711,137
Trade and other receivables	1,601,896	20,787,552	202,835	7,269,234
Investments	-	5,352,731	-	5,352,731
<b>Financial liabilities at amortised cost:</b>				
Trade and other payables	(1,933,437)	(569,715)	(613,351)	(134,525)

**19. RELATED PARTY TRANSACTIONS**

At the balance sheet date amounts owed from subsidiary undertaking MelodyVR Ltd totalled £20,743,240 (2017: £7,221,737), and owing to MelodyVR Inc totalled £44,312 (2017: £nil) There were no other related party transactions during the year to 31 December 2018.

**20. POST YEAR END EVENTS**

There have been no material events since the reporting date.

**21. ULTIMATE CONTROLLING PARTY**

EVR Holdings Plc is listed on the Alternative Investment Market of the London Stock Exchange, and therefore the directors do not consider there to be any single ultimate controlling party.