

EVR HOLDINGS PLC
CONSOLIDATED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2017

Company Number: 5628362

EVR HOLDINGS PLC

REPORT AND FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 DECEMBER 2017

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EVR HOLDINGS PLC

COMPANY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2017

Directors	Anthony Matchett Steven Hancock Simon Cole Ian Hanson Sebastian Theron
Secretary	Sebastian Theron
Registered Office	The Lighthouse 370 Gray's Inn Road London England WC1X 8BB
Company number	5628362
Registrar and transfer office	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen B63 3DA
Auditors	haysmacintyre 10 Queen Street Place London EC4R 1AG
Nominated adviser	Investec Bank plc 2 Gresham Street London EC2V 7QP
Broker	Investec Bank plc 2 Gresham Street London EC2V 7QP

EVR HOLDINGS PLC

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

Introduction

I am pleased to present my first report as Executive-Chairman of EVR Holdings plc ("the Company") for the year ended 31 December 2017, a period in which the group made significant progress across all facets of its business. In combination with further operational improvements our MelodyVR business continued to secure positive critical recognition and endorsement, which in combination with a strengthening of its balance sheet have laid the foundations for the successful launch the MelodyVR platform in the near future.

Operational Highlights

- Partnership with Universal Music Group and completion of a VR content creation and distribution agreement in March 2017;
- Global marketing and Windows mixed reality collaboration partnership agreement with Microsoft Corporation in June 2017;
- Partnership with Sony Music Entertainment and completion of a VR content creation and distribution agreement in July 2017;
- Arrangements with numerous European music publishers, collection societies and performance rights organizations;
- Partnership with Roc Nation LLC and completion of a VR content creation and distribution agreement together and a publishing agreement with Rock Nation Publishing LLC in October 2017;
- Management supplemented by exceptionally talented individuals from top tier technology and music companies.

Financial Review

Having secured global licencing and distribution agreements with all three of the world's largest record labels; Warner Music Group, Universal Music Group and Sony Computer Entertainment, in conjunction with further rights holder agreements with publishers and collection societies, MelodyVR is well-poised to monetise its content across multiple territories. Our principal operational focus for the period under review has been to further refine and hone its technology platform in preparation for the forthcoming launch of the MelodyVR product. In order to broaden and strengthen its management and resource base, we have sought to recruit experienced talent in both in the UK and the US from respected organisations such as Universal Music Group, Spotify, Sony Computer Entertainment and Microsoft Corporation, with staff numbers (including contractors) as at 31 March 2018 totalling 64 worldwide.

We have been cautious to ensure that the timing of the launch of the Melody VR platform coincides with sufficient VR headset adoption, in order to ensure a broad level of accessibility to our original music content. Our platform development has been the subject of rigorous testing with high levels of user research conducted during the software's nascency, in order to craft a polished user experience that adequately showcases the premium VR content that we have created over the course of the last 4 years. Improvements and additions to the platform will continue post-launch and into the foreseeable future, as our user base becomes more established, with ongoing R&D taking place to broaden both platform functionality and appeal. We believe that we have laid the foundations required to launch a scalable technology platform, created to satisfy consumer demand for what we believe will be a new, exciting and compelling form of digital music consumption.

The results for the year ended reflect these key initiatives outlined above together with the continued expansion of our music library with some of the world's most high profile artists. Operating loss before non-recurring and non-cash items totalled £5.168m (2016: Loss £1.64m). After non-recurring and non-cash items, net financing charges and taxation, the Group reported a loss of £6.23m (2016 : Loss £2.64m). At the balance sheet date the Group had cash reserves of £12.41m (2016 : £3.37m) reflecting the successful fundraising initiatives completed during the year.

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CHAIRMAN'S STATEMENT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

Fundraises

On 7 June 2017, the Company announced the successful placing of 62,500,000 new ordinary shares of 1p each generating £5.0 million of additional funds. In addition, on 25 October 2017 the Company issued a further 125,000,000 new ordinary shares of 1p each generating £10m before expenses. These funds are being used to further expand the content library and enhance the MelodyVR music platform prior to its imminent launch. The fundraises also presented the opportunity to welcome new institutions, from both the United Kingdom and the United States, to the register of shareholders.

Outlook

Despite the increasing investment in R&D and the heightened marketing spend as we build towards launch, we continue to manage our costs prudently in line with both our working capital and growth aspirations post launch. The support from our technology partners has consistently endorsed the MelodyVR product and supports our continuing confidence of the opportunity for monetizing our significant library of original music content. Your Board is encouraged with its trading in the period to date, and is confident of a successful product launch for MelodyVR and of the exciting future of its music platform.

Anthony Matchett
Executive Chairman

EVR HOLDINGS PLC

GROUP STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their Strategic Report on the Group for the year ended 31 December 2017.

RESULTS

The Group made a loss after taxation of £6,231,882 (2016: loss £2,584,414).

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:

	2017	2016
Gross financial assets – cash and cash equivalents	£12,409,820	£3,369,693
Net asset value – fully diluted per share	£0.13	£0.07
Closing share price	£0.08	£0.0605
Market capitalisation	<u>£92,609,141</u>	<u>£57,230,657</u>

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

The Board acknowledges that a key risk to the success of the MelodyVR application is the pace of VR hardware adoption and the penetration of high quality affordable VR devices. Continued investment by major technology Companies into the development of new VR devices has resulted in increasing adoption rates as well as significant developments in both the quality and affordability of VR headsets. The Board continues to monitor this progress and would look to launch the MelodyVR application at such time that there are sufficient quality VR headsets in the market to ensure the greatest probability of success.

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 2017

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 enquiries, the directors have a reasonable expectation that the Group has access to adequate resources to continue in operational existence for the foreseeable future. This is both a consideration of the significant cash reserves the Company has at 31 December 2017 and the availability of additional finance, which the Company is confident will be raised in Q2 2018.



Sebastian Theron
Director

30 April 2018

EVR HOLDINGS PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their annual report on the affairs of the Group, together with the financial statements for the year ended 31 December 2017.

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 6. The directors do not propose to declare a dividend (2016: 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	
	2017	2016	2017	2016
Simon Cole	–	–	4,615,090	4,615,090
Anthony Matchett	184,107,796	215,357,796	11,537,725	11,537,725
Steven Hancock	146,509,136	177,759,136	11,684,783	11,684,783
Ian Hanson (appointed: 26 April 2017)	–	–	4,615,090	–
Sebastian Theron (appointed: 26 April 2017)	294,118	294,118	4,664,109	3,640,830

Sean Nicolson (resigned: 25 May 2017) and Peter Read (resigned 26 April 2017) served as directors during the year, with ordinary shareholdings as at 31 December 2017 of 6,587,561 shares (2016: 6,587,561) and 3,137,254 shares (2016: 3,137,254) respectively.

SUBSTANTIAL INTERESTS

The Company is aware that at 31 December 2017, 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	184,107,796	15.90%
Steven Hancock	146,509,136	12.66%
Schroder UK Dynamic Absolute Return Fund	62,500,000	5.40%
Mark Newton	57,349,397	4.95%
Canacord Genuity Group Inc	54,481,131	4.71%
Blueport Capital, L.P.	46,471,650	4.01%

EVR HOLDINGS PLC

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

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

Remuneration Committee

The Remuneration Committee comprises Simon Cole (committee chairman), Sean Nicolson (resigned: 25 May 2017), Peter Read (resigned: 26 April 2017) and Ian Hanson (appointed: 26 April 2017). 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 comprises Ian Hanson (committee chairman) and Simon Cole. The Audit Committee meets at least twice a year to consider the annual and interim financial statements and the audit plan. 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.

EVR HOLDINGS PLC

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

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.

RESEARCH AND DEVELOPMENT

MelodyVR Limited has undertaken significant research and development activities during the year. It is the contention of management that the recognition criteria for development costs as an intangible asset contained within IAS38 has not been met in the year ended 31 December 2017, as such all costs have been expensed through the Statement of Comprehensive Income.

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 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.

EVR HOLDINGS PLC

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

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.

AUDITORS

haysmacintyre were reappointed as the Company's auditors.

ON BEHALF OF THE BOARD



Sebastian Theron
Director

30 April 2018

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF EVR HOLDINGS PLC

Opinion on financial statements of EVR Holdings Plc

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 2017 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.

The financial statements comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Company Statement of Changes in Equity, the Consolidated and Parent Company Cash Flow 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.

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 public interest 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.

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.

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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF EVR HOLDINGS PLC

Risk	Our response
Going Concern Ongoing losses may indicate that the accounts 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 Scrutinizing of scenario forecasting and assessment of reasonableness of assumptions
Valuation of options and warrants 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 accounts are correct
Accounting treatment for intangible assets 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 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 £265k, 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 £200k.

We have agreed to report to the Audit Committee all audit differences in excess of £13k, 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 other information comprises the information included in the annual report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. 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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF EVR HOLDINGS PLC

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;

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 10, 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.

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 as: www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF EVR HOLDINGS PLC

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.



Ian Cliffe

(Senior Statutory Auditor)

for and on behalf of haysmacintyre, Statutory Auditor

10 Queen Street Place, London, EC4R 1AG

30 April 2018

EVR HOLDINGS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
Continuing operations:			
Administrative expenses		(6,192,145)	(2,630,922)
OPERATING LOSS		<u>(6,192,145)</u>	<u>(2,630,922)</u>
Operating loss before non-recurring and non-cash items		(5,168,043)	(1,640,175)
Depreciation		(141,607)	(53,631)
Readmission costs		–	(492,139)
Share based payments		(882,495)	(444,977)
OPERATING LOSS		<u>(6,192,145)</u>	<u>(2,630,922)</u>
Finance income		2,988	2,212
Finance costs		(6,348)	(7,847)
Foreign exchange gain		(36,377)	–
LOSS FOR THE YEAR BEFORE TAXATION		<u>(6,231,882)</u>	<u>(2,636,557)</u>
Taxation	8	–	–
NET LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(6,231,882)</u>	<u>(2,636,557)</u>
Attributable to:			
Owners of the parent company		(6,231,882)	(2,584,414)
Non-controlling interest		–	(52,143)
LOSS PER SHARE – basic and diluted from continuing operations	9	<u>(0.61)p</u>	<u>(0.044)p</u>

The loss for the Company for the year totalled £1,737,097 (2016: £1,311,886).

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

EVH HOLDINGS PLC**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AT 31 DECEMBER 2017**

	Note	2017 £	2016 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	638,429	229,732
Intangible assets	11	603,476	603,476
TOTAL NON-CURRENT ASSETS		<u>1,241,905</u>	<u>833,208</u>
CURRENT ASSETS			
Trade and other receivables	13	227,748	112,602
Cash and cash equivalents	14	12,409,820	3,369,693
TOTAL CURRENT ASSETS		<u>12,637,568</u>	<u>3,482,295</u>
TOTAL ASSETS		<u>13,879,473</u>	<u>4,315,503</u>
CURRENT LIABILITIES			
Trade and other payables	15	(613,351)	(232,283)
NET ASSETS/(LIABILITIES)		<u>13,266,122</u>	<u>4,083,220</u>
EQUITY			
Share capital	16	12,184,391	10,067,861
Share premium reserve		18,308,854	5,903,289
Retained Earnings		(9,002,854)	(2,770,972)
Share option reserve	17	1,327,472	444,977
Merger relief reserve		486,611	486,611
Non-controlling interests		(46,003)	(46,003)
Currency Translation Reserve		10,194	–
Reverse takeover reserve		(10,002,543)	(10,002,543)
TOTAL EQUITY		<u>13,266,122</u>	<u>4,083,220</u>

These financial statements were approved by the Board of Directors on 30 April 2018 and were signed on its behalf by:



Sebastian Theron
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 2017

	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 2016	9,500	148,500	-	-	(186,558)	-	-	-	(28,558)
Warrants and option issued	-	-	-	444,977	-	-	-	-	444,977
Company's reserve/(deficit) prior to reverse acquisition	2,925,753	4,523,392	-	-	(5,679,926)	-	-	-	1,769,219
Shares issued by the Company on acquisition	4,866,118	-	486,611	-	-	-	-	-	5,352,729
Reverse acquisition adjustment	(9,597)	(240,457)	-	-	5,679,926	(10,002,543)	-	-	(4,572,671)
Share issue	2,276,087	1,471,854	-	-	-	-	6,140	-	3,747,941
Non-controlling interest	-	-	-	-	-	-	6,140	-	6,140
Losses for the year	-	-	-	-	(2,584,414)	-	(52,143)	-	(2,636,557)
Balance at 31 December 2016	10,067,861	5,903,289	486,611	444,977	(2,770,972)	(10,002,543)	(46,003)	-	4,083,220
Share issue	2,116,530	12,405,565	-	-	-	-	-	-	14,522,095
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)
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

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 2017

	Share capital £	Share premium £	Share Option Reserve £	Retained Losses £	Total Equity £
Balance at 1 January 2016	2,925,753	4,523,392	110,762	(5,170,529)	2,389,378
Shares issued by company on acquisition	4,866,118	486,611	–	–	5,352,729
Grant of share options/warrants	–	–	444,977	–	444,977
Share issue	2,275,990	1,379,897	–	–	3,655,887
Loss for the year and total comprehensive loss for the year	–	–	–	(1,311,886)	(1,311,886)
Balance at 31 December 2016	<u>10,067,861</u>	<u>6,389,900</u>	<u>555,739</u>	<u>(6,482,415)</u>	<u>10,531,085</u>
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	<u><u>12,184,391</u></u>	<u><u>18,795,464</u></u>	<u><u>1,438,234</u></u>	<u><u>(8,219,512)</u></u>	<u><u>24,198,577</u></u>

EVH HOLDINGS PLC**STATEMENT OF FINANCIAL POSITION****FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £	2016 £
NON-CURRENT ASSETS			
Investments	12	5,352,731	5,352,731
TOTAL NON-CURRENT ASSETS		<u>5,352,731</u>	<u>5,352,731</u>
CURRENT ASSETS			
Trade and other receivables	13	47,497	23,235
Cash and cash equivalents	14		
Intercompany	14	11,711,137	3,285,490
		<u>7,221,737</u>	<u>1,935,347</u>
TOTAL CURRENT ASSETS		<u>18,980,371</u>	<u>5,244,072</u>
TOTAL ASSETS		<u>24,333,102</u>	<u>10,596,803</u>
CURRENT LIABILITIES			
Trade and other payables	15	(134,525)	(65,718)
NET ASSETS		<u>24,198,577</u>	<u>10,531,085</u>
EQUITY			
Share capital	16	12,184,391	10,067,861
Share premium account	16	18,795,464	6,389,900
Share option reserve	17	1,438,234	555,739
Retained earnings		(8,219,512)	(6,482,415)
TOTAL EQUITY		<u>24,198,577</u>	<u>10,531,085</u>

These financial statements were approved by the Board of Directors on 30 April 2018 and were signed on its behalf by:



Sebastian Theron
Director

Company number: 5628362

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 2017**

	Notes	2017 £	2016 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss from continuing operations		(6,231,882)	(2,636,557)
Adjustments for:			
Depreciation of fixed assets		141,607	53,631
Share based payment expense		882,495	444,977
Increase/(decrease) in trade and other receivables		(241,392)	112,575
Increase in trade and other payables		508,120	475,576
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		<u>(4,941,052)</u>	<u>(1,549,798)</u>
Investing activities			
Purchase of property, plant and equipment		(550,278)	(243,469)
Acquisition of subsidiary		–	1,401,905
NET CASH INFLOW FROM INVESTING ACTIVITIES		<u>(550,278)</u>	<u>1,158,436</u>
Financing activities			
Proceeds from issue of ordinary share capital		14,174,918	3,328,988
Proceeds from the exercise of warrants		347,176	418,952
Loans from directors		–	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		<u>14,522,094</u>	<u>3,747,940</u>
Increase in cash and cash equivalents		9,030,764	3,356,578
Effect of changes in foreign exchange rates		9,363	–
Cash and cash equivalents brought forward		3,369,693	13,115
CASH AND CASH EQUIVALENTS CARRIED FORWARD	14	<u><u>12,409,820</u></u>	<u><u>3,369,693</u></u>

EVR HOLDINGS PLC**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £	2016 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(1,737,097)	(1,311,886)
Adjustments for:			
Share based payment charge		<u>882,495</u>	<u>444,977</u>
OPERATING CASH FLOW BEFORE WORKING CAPITAL CHANGES		(854,602)	(866,909)
(Increase)/decrease in trade and other receivables		(24,261)	(18,211)
Increase/(decrease) in trade and other payables		<u>68,806</u>	<u>49,050</u>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		<u>(810,057)</u>	<u>(836,070)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Financing of subsidiary undertaking		<u>(5,286,390)</u>	<u>(1,935,347)</u>
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES		<u>(5,286,390)</u>	<u>(1,935,347)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares		15,347,176	3,815,857
Share issue costs		<u>(825,082)</u>	<u>(159,971)</u>
NET CASH INFLOW FROM FINANCING ACTIVITIES		<u>14,522,094</u>	<u>3,655,886</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		8,425,647	884,469
Cash and cash equivalents brought forward		<u>3,285,490</u>	<u>2,401,021</u>
CASH AND CASH EQUIVALENTS CARRIED FORWARD	14	<u>11,711,137</u>	<u>3,285,490</u>

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

EVR HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017. In the prior year, the Company completed the acquisition of Melody. The Directors determined that the transaction was akin to a reverse acquisition as per IFRS 3, Business Combinations. However, in order to fall under the category of a Business Combination under IFRS 3, the purchase needs to be of a business. The Directors have determined that the Company constitutes an investment business and therefore the transaction falls under the scope of IFRS 3.

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) 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 2019, covering the 12 month period beyond the signing date of these financial statements. These forecasts take into account the intended launch timetable within the year ending December 2018, as well as projecting potential revenue profiles based on hardware adoption estimates. 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.

EVR HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

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.

- Amendments to IFRS 2 Share Based Payment (effective for accounting periods beginning on or after 1 January 2018)
- IFRS 15 Clarification of Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2018)
- IFRS 16 Leases (effective for accounting periods beginning on or after 1 January 2019)

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 and employees. 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.

Financial assets

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

EVR HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

2. ACCOUNTING POLICIES (continued)

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.

Intangible Assets (other than goodwill)

Intangible assets are recognised on business combinations if they are separable from the acquired entity or arise from other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight line basis over their useful economic lives. Cost includes all directly attributable costs of acquisition. The amortisation expense is included within the administration expense line in the consolidated statement of comprehensive income.

Intangible assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying value may not be recoverable.

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.

EVH HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

2. ACCOUNTING POLICIES (continued)

Trade payables

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

Dividends

Dividend distributions payable to equity shareholders are included in current financial liabilities when the dividends are approved in general meeting prior to the statement of financial position date.

RESERVES

Full details of movements in reserves are set out in the company statement of changes in equity on page 18.

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

Reserve	Description and Purpose
Merger relief reserve	Relates to share premium arising on issue of shares relating to reverse acquisition takeover
Share option reserve	Value of warrants and options issued
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.
Non-controlling interest	Relates to percentage of Immersive Construction not owned by EVH Holdings plc

3. SEGMENTAL INFORMATION

	United Kingdom £	United States £	Eliminations and adjustments £	Consolidated £
Loss before tax	(5,768,348)	(463,534)	–	(6,231,882)
Depreciation	140,288	1,319	–	141,607
Segment assets	26,325,793	161,189	(12,607,509)	13,879,473
Capital expenditure	(530,571)	(19,707)	–	(550,278)
Segment liabilities	(7,857,077)	(614,529)	7,858,255	(613,351)

4. LOSS FROM OPERATIONS

This has been arrived at after charging:

	2017		2016	
	Group £	Company £	Group £	Company £
Depreciation of property, plant and equipment	141,607	–	53,631	–

EVH HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

5. LOSS ATTRIBUTABLE TO EVH 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

The registered offices of MelodyVR Limited 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.

The aggregate of the share capital and reserves as at 31 December 2017 and of the profit and loss for the year ended on that date for the subsidiary undertakings was as follows:

Name	Share capital and reserves £	Accumulated loss £
MelodyVR Ltd	(5,669,575)	(5,919,629)
Immersive Construction Ltd	(60,285)	(106,425)
MelodyVR inc	(453,340)	(463,534)

6. AUDITOR'S REMUNERATION

	2017		2016	
	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	29,800	13,500	28,250	13,000
Fees payable to the Company's auditors for other services:				
Tax services	3,582	3,582	4,000	4,000
Other services	5,820	5,820	55,000	55,000
	<u>39,202</u>	<u>22,902</u>	<u>87,250</u>	<u>72,000</u>

EVR HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

7. DIRECTORS' AND EMPLOYEE REMUNERATION

	2017		2016	
	Group £	Company £	Group £	Company £
The amount paid to directors and employees, is as follows:				
Short-term employee benefits	2,080,020	559,974	691,302	268,124
Share based payment costs	277,136	63,686	358,497	31,009
	<u>2,357,156</u>	<u>623,660</u>	<u>1,049,799</u>	<u>299,133</u>

	2017		2016	
	Group No.	Company No.	Group No.	Company No.
The average number of employees for the year was as follows:				
Directors	6	6	4	2
Senior Management	1	–	1	1
Staff	23	–	9	–
	<u>30</u>	<u>6</u>	<u>14</u>	<u>3</u>

Details for directors' remuneration is as follows:

	Fees £	Total 2017 £	Total 2016 £
Director			
Sean Nicolson	25,000	25,000	25,000
Peter Read	8,333	8,333	25,000
Anthony Matchett	165,077	165,077	75,000
Steven Hancock	153,846	153,846	75,000
Simon Cole	25,000	25,000	15,624
Sebastian Theron	136,179	136,179	–
Ian Hanson	16,955	16,955	–
	<u>530,390</u>	<u>530,390</u>	<u>215,624</u>

EVR HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

8. TAXATION

	2017	2016
	£	£
Current tax		
UK corporation tax	—	—
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversing of timing differences	—	—
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	—	—
	<u> </u>	<u> </u>

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:

	2017	2016
	£	£
Factors affecting the tax charge		
Loss before tax	(6,231,882)	(2,636,557)
	<u> </u>	<u> </u>
Loss before tax multiplied by rate of corporation tax in the UK of 19.25% (2016: 20%)	(1,199,637)	(527,311)
Effects of:		
Fixed asset differences	708	—
Expenses not deductible for tax purposes	194,272	149,808
Adjust closing deferred tax to average rate	68,981	—
Adjust opening deferred tax to average rate	(49,780)	—
Deferred tax not recognised	985,456	377,503
	<u> </u>	<u> </u>
Total tax	—	—
	<u> </u>	<u> </u>

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 2017 the Group has tax losses carried forward of approximately £3,094,882 (2016: £2,109,426).

9. EARNINGS PER SHARE

The basic earnings per share is based on the loss for the year divided by the weighted average number of shares in issue during the year. The weighted average number of ordinary shares for the year ended 31 December 2017 assumes that all shares have been included in the computation based on the weighted average number of days since issue.

	2017	2016
	Group	Group
	£	£
Loss attributable to equity holders of the Company:		
Continuing and total operations	(6,231,882)	(2,584,414)
	<u> </u>	<u> </u>
	No. of	No. of
	shares	shares
Weighted average number of ordinary shares in issue for basic and fully diluted earnings	1,022,052,742	588,269,184
	<u> </u>	<u> </u>

EVR HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

9. EARNINGS PER SHARE (continued)

	Pence per Share	Pence per Share
Loss per share		
Basic and diluted:		
Continuing and total operations	<u>(0.61)p</u>	<u>(0.44)p</u>

10. PROPERTY, PLANT AND EQUIPMENT

	Audiovisual productions £	Office Equipment £	Computer Equipment £	Leasehold Improvements £	Total £
Cost					
At 31 December 2016	75,614	4,086	211,076	–	290,776
Additions	208,340	23,041	261,582	57,315	550,278
Disposals	–	–	–	–	–
At 31 December 2017	<u>283,954</u>	<u>27,127</u>	<u>472,658</u>	<u>57,315</u>	<u>841,054</u>
Accumulated Depreciation					
At 31 December 2016	22,682	670	37,692	–	61,044
Charge for the period	48,668	2,773	86,462	3,678	141,581
At 31 December 2017	<u>71,350</u>	<u>3,443</u>	<u>124,154</u>	<u>3,678</u>	<u>202,625</u>
Net Book Value					
At 31 December 2016	<u>52,932</u>	<u>3,416</u>	<u>173,384</u>	<u>–</u>	<u>229,732</u>
At 31 December 2017	<u>212,604</u>	<u>23,684</u>	<u>348,504</u>	<u>53,637</u>	<u>638,429</u>

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

11. INTANGIBLE FIXED ASSETS

	Goodwill Group £
Cost	
At 31 December 2016	603,476
Additions	–
At 31 December 2017	<u>603,476</u>
Impairment	
At 31 December 2016	–
Charge for the year	–
At 31 December 2017	<u>–</u>
Net Book Value	
At 31 December 2017	<u>603,476</u>
At 31 December 2016	<u>603,476</u>

EVR HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

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.

12. INVESTMENTS

	Parent £
Cost	
At 31 December 2016	5,352,731
Additions	–
At 31 December 2017	<u>5,352,731</u>
Impairment	
At 31 December 2016	–
Charge for the year	–
At 31 December 2017	<u>–</u>
Net Book Value	
At 31 December 2017	<u>5,352,731</u>
At 31 December 2016	<u>5,352,731</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

	2017		2016	
	Group £	Company £	Group £	Company £
Prepayments	100,025	4,197	112,602	11,180
Other debtors	127,723	43,300	–	12,055
Intercompany receivable	–	7,221,737	–	1,935,347
	<u>227,748</u>	<u>7,269,234</u>	<u>112,602</u>	<u>1,958,582</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

	2017		2016	
	Group £	Company £	Group £	Company £
Cash and cash equivalents	<u>12,409,820</u>	<u>11,711,137</u>	<u>3,369,693</u>	<u>3,285,490</u>

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 2017

15. TRADE AND OTHER PAYABLES

	2017		2016	
	Group £	Company £	Group £	Company £
Trade payables	555,170	85,674	122,326	21,562
Other creditors	58,181	48,851	109,957	44,156
	<u>613,351</u>	<u>134,525</u>	<u>232,283</u>	<u>65,718</u>

16. ISSUED SHARE CAPITAL

	Number of Shares No.	Nominal Value £	Share premium £
Issued and fully paid			
At 31 December 2016:			
Ordinary shares of 1p each	945,961,274	9,459,612	6,389,900
Deferred shares of 0.24p each	150,520,616	361,249	–
Deferred shares of 0.95p each	26,000,000	247,000	–
At 31 December 2016:	<u>1,122,481,890</u>	<u>10,067,861</u>	<u>6,389,900</u>
Issued and fully paid			
Issue of new ordinary shares at 1.1p each	8,483,622	84,836	8,121
Issue of new ordinary shares at 1.4p each	6,958,173	69,582	26,644
Issue of new ordinary shares at 1.85p each	8,711,196	87,112	70,882
Issue of new ordinary shares at 8p each	187,500,000	1,875,000	13,125,000
Share issue costs			(825,082)
	<u>211,652,991</u>	<u>2,116,530</u>	<u>12,405,565</u>
At 31 December 2017:	<u>1,334,134,881</u>	<u>12,184,391</u>	<u>18,795,465</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 DIRECTOR WARRANTS

EQUITY SETTLED SHARE OPTION SCHEME

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 volatility input used in the Black Scholes pricing model is based on expected volatility of the relevant share price over the length of the option. In determining the correct volatility input into the Black Scholes model, the directors have used their own judgment, whilst also taking into account the expectations of the market, regarding the current and future circumstances in the VR market generally, and the particular circumstances of the Company internally.

EVR HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

17. SHARE OPTIONS AND DIRECTOR WARRANTS (continued)

The following table sets out the details of these options granted:

Option holder	Warrants in parent at 31-Dec 2016	Warrants issued in the year	Warrants at 31-Dec 2017	Exercise price	Issue date	Expiry date
Simon Cole	4,615,090	–	4,615,090	1.1p	16.05.2016	17.05.2019
Anthony Matchett	11,537,725	–	11,537,725	1.1p	16.05.2016	17.05.2019
Steven Hancock	11,684,713	–	11,684,713	1.1p	16.05.2016	17.05.2019
Sebastian Theron	3,640,830	–	3,640,830	1.1p	13.10.2016	13.10.2019
	–	1,023,279	1,023,279	8.125p	17.07.2017	17.07.2020
Ian Hanson	–	4,615,090	4,615,090	8.125p	17.07.2017	17.07.2020
	<u>31,478,358</u>	<u>5,638,369</u>	<u>37,116,727</u>			

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

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 2017 expire on the tenth anniversary from the grant date and are subject to vesting criteria.

SHARE OPTIONS AND DIRECTOR 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 Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

DIRECTOR WARRANTS AND OPTIONS

On 13 October 2016 the Group issued 3,640,830 options to Sebastian Theron (appointed as Director: 26 April 2017). The fair value of these options was determined using the Black-Scholes option pricing model and was 0.259p per option.

On 17 July 2017 the Group issued 1,023,279 and 4,615,090 options respectively to Sebastian Theron and Ian Hanson (appointed as Director: 26 April 2017). The fair value of these options was determined using the Black-Scholes option pricing model and was 4.5p per option.

The significant inputs to the model in respect of the options and warrants granted were as follows

	2017	2016
Grant date share price	7.8p	1.1p
Exercise share price	8.125p	1.1p
No. of share options	5,638,369	59,777,856
Risk free rate	0.5%	0.5%
Expected volatility	40%	40%
Expected option life	3 years	3 years
Calculated fair value per share	0.38p	0.4p

The total share-based payment expense recognised in the income statement for the year ended 31 December 2017 in respect of warrants granted was £32,677 (2016: £239,111).

EVR HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

17. SHARE OPTIONS AND DIRECTOR WARRANTS (continued)

The fair value of the options is based on the market value at the date of grant of the number of shares for which the performance criteria have been met for the year less the exercise price per share of 8.125p. The market value per share at the date of grant was 9.15p.

EMPLOYEE OPTIONS

During the year ended 31 December 2017, the Group issued a total of 10,018,362 share options to employees under the approved enterprise incentive share option scheme, subject to vesting conditions. The fair value of these options was determined using the Black-Scholes pricing model. The options, and all significant inputs to the model in respect of the options granted as summarised below:

Issue date	Grant date share price £	Exercise price £	Number of options	Risk free rate	Expected volatility	Expected option life	Calculated fair value per share	Total expense recognised in Comprehensive Income during the year £
2nd February 2017	10.13p	10.25p	1,300,000	0.50%	40%	10 years	4.9p	17,085
2nd February 2017	10.13p	3.3p	1,350,000	0.50%	40%	10 years	7.6p	31,108
2nd February 2017	10.13p	9.63p	1,250,000	0.50%	40%	3 years	3.0p	37,500
17th July 2017	7.88p	8.13p	4,118,362	0.50%	40%	10 years	4.0p	55,698
17th July 2017	7.88p	8.13p	2,000,000	0.50%	40%	10 years	3.8p	11,591

In the year ended 31 December 2017, options issued by the Group to employees under the approved enterprise management incentive share option scheme for which the vesting criteria were no longer satisfied, causing the options to lapse totalled 2,125,496 options. The total share-based payment release recognised in the income statement for the year ended 31 December 2017 in respect of lapsed options issued in the year ended 31 December 2016, was £13,954.

WARRANTS ISSUED TO COMMERCIAL PARTNERS

On 20 March 2017 the Group issued 43,239,926 options to Universal Music Group. These warrants may be exercised at any time on or before 20 March 2022 and entitle the warrant holder to subscribe 12.375p for one ordinary share for each warrant held. The fair value of these warrants was determined using the Black-Scholes option pricing model and was 1.3p per option. The inputs to the model were as follows:

The significant inputs to the model in respect of the options granted were as follows:

	2017
Grant date share price	11.13p
Exercise share price	12.375p
No. of share options	43,239,926
Risk free rate	0.5%
Expected volatility	40%
Expected option life	1 year
Calculated fair value per share	1.3p

The total share-based payment expense recognised in the income statement for the year ended 31 December 2017 in respect of these options granted was £562,119.

EVR HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

17. SHARE OPTIONS AND DIRECTOR WARRANTS (continued)

On 17 July 2017 the Group issued 43,239,926 options to Sony Music Entertainment. These warrants may be exercised at any time on or before 17 July 2022 and entitle the warrant holder to subscribe 14.2p for one ordinary share for each warrant held. The fair value of these warrants was determined using the Black-Scholes option pricing model and was 0.1p per option. The inputs to the model were as follows:

The significant inputs to the model in respect of the options granted were as follows:

	2017
Grant date share price	7.88p
Exercise share price	14.2p
No. of share options	43,239,926
Risk free rate	0.5%
Expected volatility	40%
Expected option life	1 year
Calculated fair value per share	0.1p

The total share-based payment expense recognised in the income statement for the year ended 31 December 2017 in respect of these options granted was £43,240.

As at 31 December 2017, the number of warrants still in issue and available to be exercised totalled 64,749,775, as detailed below:

Number of warrants 2016	Exercised during the year	Number of warrants 2017	Exercise Price	Expiry-Date
21,927,298	(6,958,173)	14,969,125	1.4p	31-Jul-18
27,472,224	(8,483,620)	18,988,604	1.1p	16-May-19
30,273,062	(8,711,196)	21,561,866	1.85p	16-Oct-19
9,230,180	–	9,230,180	1.2p	31-Jul-20
<u>88,902,764</u>	<u>(24,152,989)</u>	<u>64,749,775</u>		

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.

EVH HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

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:

	2017		2015	
	Group £	Company £	Group £	Company £
Financial assets:				
Cash and bank balances	12,409,820	11,711,137	3,369,693	3,285,490
Loans and receivables	227,748	7,269,234	–	1,935,347
Investments	–	5,352,731	–	5,352,731
Financial liabilities at amortised cost:				
Trade and other payables	613,351	134,525	232,284	65,718

19. RELATED PARTY TRANSACTIONS

At the balance sheet date amounts owed from subsidiary undertaking MelodyVR Ltd totalled £7,221,737 (2016: £1,935,347). There were no other related party transactions during the year to 31 December 2017.

20. POST YEAR END EVENTS

There have been no material events since the reporting date.

21. ULTIMATE CONTROLLING PARTY

The directors do not consider there to be a single ultimate controlling party.

