The information contained within this announcement is deemed by the Company to constitute inside information stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

For Immediate Release **30 June 2020**

MelodyVR Group PLC

('MVR', the 'Group' or the 'Company')

Full Year Results

MelodyVR Group PLC (AIM: MVR), the leading creator of virtual reality music ('VR') content and operator of the MelodyVR platform, is pleased to announce its results for the year ended 31 December 2019.

Highlights

- MelodyVR featured by Apple as "App of the Day" and by Google as a winner of "Best Apps in 2019"
- The official launch of an exclusive 5G partnership with Telefonica's, O2 mobile network operator;
- MelodyVR launched on the Oculus Quest
- Partnered with Good Morning America for the first ever live simultaneous TV and VR broadcast featuring Kane Brown and Marshmello;
- Launch of the MelodyVR platform service in 4 new additional markets together with the first live festival broadcast of Wireless festival in combination with Live Nation;
- The launch of our iOS and Android mobile application, broadening the reach of MelodyVR to billions of smart phones;
- A strategic partnership with John Gore Organisation for the capture of theatrical content and a subscription of £5m by way of equity investment.

For further information please contact:

MelodyVR Group PLC

Anthony Matchett, Executive Chairman & CEO www.melodyvr.group

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Corporate Finance: Ciaran Walsh, Ruari McGirr,

Corporate Broking: Simon Johnson

Chairman's Statement

It has now been more than 12 months since the broadcast of our inaugural live stream event featuring Liam Payne formerly of One Direction to 36 countries on both the MelodyVR platform and Facebook 360. The viewing metrics achieved for that event, particularly via Facebooks 360 social platform illustrated not only significant consumer appetite for our platform content but also mass engagement via a 2D screen. In July 2019, with a view to harnessing engagement and extending the reach of our music content library to the 1 billion plus smartphone devices around the world, we launched our own mobile application allowing users access to our platform content and the ability to experience truly immersive content from their own mobile device. Our launch coincided with our first partnership with Live Nation and the live stream to audiences across 45 countries of Wireless Festival, a ground-breaking VR first, which generated more than 250,000 individual views reaching more than 1,000,000 fans via Facebook live and 13,000,000 impressions over the company's digital media channels. Over the festival weekend, our newly launched app featured as one of the top 20 apps on the iOS App store as well as trending as the number 1 app on Google play marking a new phase in amplified awareness of our music service.

Our objective has been to build awareness and foster engagement at a pace far exceeding the adoption of dedicated VR devices. Our partnership with Good Morning America ("GMA") and the first ever live simultaneous TV and VR broadcast featuring Marshmello and Kane Brown from Central Park in New York reached viewing audiences in all 50 US states and stimulated tens of thousands of installs of our mobile app in the days leading up to the event.

Live coverage of the Good Morning America Nashville concerts reinforced our partnership with GMA and provided an opportunity to extend the reach of our content to new genres and extending reach and extend consumer awareness of VR and our MelodyVR platform content as a pre-curser to monetisation.

In October 2019, we announced our partnership with Telefonica's O2 mobile network, in a move to showcase both the capabilities of 5G technology and the full extent of immersive content using a next generation network. Our on-going flagship partnership with O2 signalled the first step in our core objective of scaling our business via a subscription model and we continue to work on both replicating these alliances with new strategic partners and extending our existing relationships in new geographic territories.

Recognition by Apple in November as an "App of the day" and our nomination by Google as one of its "Best of 2019" celebrates the consumer appeal of our offering and provides a testament to our technological capabilities in delivering content direct to consumer.

The release of content from internationally celebrated artists including Panic! At the Disco, Luke Combs, Tyga, Lewis Capaldi and Kelly Clarkson during 2019, have ensured that our platform content reflects the necessary diversity to attract a board and rich user base, and our exclusive sessions with L Devine, Hamzaa, Ashnikko and J C Stewart have truly showcased the depth of unique engagement that can be experienced via our platform as we push the boundaries of intimate and personal artist- fan engagement.

Operationally we recognise that our key strategic partners reside in the US and our new facility in Los Angeles will provide us with the necessary operational hub from which to extend our US presence. New warehouse and distribution facilities in the UK provide us with the necessary platform from which to further open the eyes of new users to the immersive world of MelodyVR via our own VR viewer which we intend to offer both as part of stand-alone initiatives and as part of a programme of support to our strategic partners.

As we continue to build awareness, we have been careful to contain our operational cost base. Overall staff numbers, including third party contractors, have reduced in number since the last year end, despite bolstering our management team with a number of seasoned industry professional who will oversee the next phase of our businesses development.

Our relationship with John Gore Organisation and the opportunity to extend our offering to a new theatre vertical remains a priority and during 2019 we were able to capture our first Broadway production in VR. We intend to further our exposure to theatre capture once we have progressed our navigation of the rights and distribution framework of this new and exciting opportunity. The partial exercise of the option by John Gore Organisation, and the extension of that option for a further two years demonstrates the valued and continuing support that we have from one of our key strategic partners. This in combination with the successful conclusion of a further equity raise in early 2020 provides us not only with the necessary validation of our strategic objectives but also the funding with which to deliver on our strategic ambitions.

Significant events in 2019

- In November and December 2019, MelodyVR is featured by Apple as "App of the Day" and by Google as a winner of "Best Apps in 2019"
- In October 2019, we launched our exclusive 5G partnership with Telefonica's, O2 mobile network operator;
- In August 2019, we launched on the Oculus Quest and partnered with Good Morning America for the first ever live simultaneous TV and VR broadcast featuring Kane Brown and Marshmello;
- In July 2019, we launched our MelodyVR platform service in 4 new additional markets together with our first live festival broadcast of Wireless festival in combination with Live Nation;
- In June 2019, we announced the launch of our iOS and Android mobile application together with a strategic partnership with John Gore Organisation for the capture of theatrical content and a subscription of £5m by way of equity investment.

Review of business and 2019 financial results

Since the launch of our mobile app in July 2019 our principle focus has been to extend awareness of the MelodyVR platform and consequent engagement with its platform content. Since that time, we have generated more than 150,000 new installs of our app and seen average engagement time grow to more than 28 minutes in a single session.

The success of these initiatives provided a firm foundation for the strategic partnership with O2, which in combination with a global telecommunications provider for the first time saw MelodyVR monetise its platform content via subscription and this flagship partnership with O2 signals our intentions with regards to subscription monetisation of our platform content. O2's 5G subscribers now have access to our content beyond the confines of their own homes and we anticipate that as the availability of 5G handsets increase, those embracing MelodyVR as part of their bundled offering will expand. The availability of unique live events and paid ticketed offerings will further broaden awareness and, as part of a bundled subscription, offer the music fan the ultimate in artist – fan connection.

The Group reported revenues for the year totalling £0.2m (2018: £1.2m) resulting from content sales, partnership licencing deals and subscriber revenues from its partnership with O2 which launched in October 2019. The gross loss of £1.6m (2018 : £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 £13.8m (2018: loss £10.1m) and excludes £1.2m (2018: £0.1m) of Research and Development tax credits associated with the development and launch of our mobile app and the subsequent step up in content capture and broadcast activity associated with events such as Wireless and the Good Morning America Series.

After non-recurring and non-cash items, net financing charges and taxation, the Group reported a loss of £15.0m (2018: loss £11.3m) resulting in a loss per share of 1.1p (2018: loss 0.9p).

The Group continues to capitalise the capture and production of music content on its balance sheet as intangible assets in addition to the capitalisation of specific development activities such as that of its mobile application. During the course of 2019, the Group capitalised £1.72m (2018 : £1.82m) of intangible assets on its balance sheet, consisting of £1.28m (2018: £0.67m) of R&D development spend and £0.44m (2018 : £1.15m) of content assets. These amounts will be amortised over their useful lives and amortisation charges of £0.41m (2018 : £0.15m) and £0.59m (2018 £0.18m) respectively were reflected during the year.

As at 31 December 2019 the Group had cash reserves of £6.8m (2019: £19.3m), subsequently bolstered by the equity raise of $12m (before costs) and $1m of option exercise subscription proceeds received after the year end.

In March 2020, we raised a further $12 million (£10.3m) before costs via the issuance of new shares to new US based investors. This raise will ensure that we have sufficient resources to continue to scale our business responsibly and positions us well in this time of global uncertainty caused as a result of the COVID-19 pandemic.

The outbreak of the COVID-19 pandemic has provided us with an unexpected circumstance to further showcase our VR capabilities and the heightened experiences we can offer to music fans around the world. In the absence of mass attended events, our purpose-built studio in LA provides us with a unique forum for artists to engage with their fans at a time bereft of traditional mass attended music performances. We recognise the opportunity to spotlight our offering and further extend our brand awareness with a rich new stream of live performances from a broad spectrum of artists and intend to use this time to build upon our library of content and ensure a constant and exciting series of new platform releases throughout the remainder of this year.

With support from all of the major labels, publishers and many high profile artists who have recognised this as one of the few credible opportunities that exist to engage with their fan base at this time of restriction, our intention is to replicate the concept not only in other key geographies but at new previously unexplored and unconventional venues which, in the absence of audience attendance would add further interest and depth to the experience.

These initiatives have not only provided us with the opportunity to extend reach and showcase our content platform at a time of restricted choice but have also pivoted the manner in which we capture content resulting in a streamlining of our operational capture costs. The transition to an operating model of performance capture and broadcast at a single location greatly reduces the logistical challenges and cost of multi venue capture and we expect to be able to report the impact of this with our half year results.

Whilst there have been many positives associated with the decision to pursue these new initiatives, the application of resource required to stage these events has inevitably delayed the trajectory for launching our consumer subscription service. Our commitment to growing awareness as a platform for subsequent monetisation of that engagement remains a priority, and in the near term, our Live Series will provide new openings for branding and partner advertising and the stage upon which to offer our first live ticketing "paid for" event. The content created over the course of the next few months of our Live Series will allow us to further extend the breadth and depth of our content library and allow for greater engagement at the time our subscription service is launched.

The launch of our live series in 2020, initially in Los Angeles will provide the first live performance hub to both enrich our platform content and provide potentially weekly live content broadcast to music fans around the world. The opportunity to deliver exclusive performances in real time to audiences around the world will afford new opportunities for product placement, session branding and other ad supported initiatives.

Technology and development

The Group will continue to build awareness and engagement with its content platform as a pre-cursor to launching its subscription service. Our efforts to enrich our content library to extend consumer appeal in addition to more frequent broadcasting of live events from both our own purpose-built studios and established event venues will provide the platform for monetisation of our user base and the opportunity to forge new partnerships and extend our reach to new user groups. In addition, we continue to pursue the opportunity that live theatre affords, and the development of our platform will incorporate access to this new creative vertical.

Product development expenses primarily comprise 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.

Again, 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 this last year – our continued progress would not have been attained without the efforts of the management team and the unwavering commitment of our staff.

Going forward, we will continue to pursue opportunities to keep us at the forefront of providing ever more immersive experiences and pursue our ambitions 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

PRIMARY FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income For the year ended 31 December 2019

	2019 £	2018 £
Continuing operations:		
Revenue	194,971	1,180,623
Cost of sales	(1,832,042)	(1,427,674)
GROSS LOSS	(1,637,071)	(247,051)
Administrative expenses	(14,227,561)	(11,260,086)
OPERATING LOSS	(15,864,632)	(11,507,137)
Operating loss before non-recurring and non-cash items	(13,794,485)	(10,142,438)
Depreciation	(624,862)	(388,833)
Amortisation	(1,001,809)	(329,073)
Share based payments	(443,476)	(646,793)
OPERATING LOSS	(15,864,632)	(11,507,137)
Finance income	106,891	42,929
Finance costs	(14,229)	-
Foreign exchange gain/(loss)	(381,101)	73,253
LOSS FOR THE YEAR BEFORE TAXATION	(16,153,071)	(11,390,955)
Taxation	1,184,287	121,016
NET LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(14,968,784)	(11,269,939)
Attributable to:		
Owners of the parent company	(14,968,784)	(11,270,952)
Non – controlling interest	-	1,013
LOSS PER SHARE – from continuing operations – basic and diluted	(1.1)p	(0.9)p

Consolidated Statement of Financial Position as at 31 December 2019

	2019 £	2018 £
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	813,728	933,992
Right-of-use assets	515,706	-
Financial assets	235,446	-
Goodwill	603,476	603,476
Other intangible assets	2,043,574	1,492,071
TOTAL NON-CURRENT ASSETS	4,211,930	3,029,539
CURRENT ASSETS		
Inventories	371,877	-
Trade and other receivables	3,382,819	1,601,896
Cash and cash equivalents	6,795,341	19,327,948
TOTAL CURRENT ASSETS	10,550,037	20,929,844
TOTAL ASSETS	14,761,967	23,959,383
CURRENT LIABILITIES		
Trade and other payables	(1,143,311)	(1,933,437)
Lease liabilities	(156,964)	-
	(1,300,275)	(1,933,437)
NON-CURRENT LIABILITIES		
Lease liabilities	(323,443)	-
NET ASSETS	13,138,249	22,025,946
EQUITY		
Share capital	14,944,850	13,690,204
Share premium reserve	40,531,229	36,258,164
Retained Earnings	(35,242,590)	(20,273,806)
Share option reserve	2,417,741	1,974,265
Merger relief reserve	486,611	486,611
Non-controlling interests	(44,990)	(44,990)
Currency Translation Reserve	47,941	(61,959)
Reverse takeover reserve	(10,002,543)	(10,002,543)
TOTAL EQUITY	13,138,249	22,025,946

Consolidated Statement of Changes in Equity For the year ended 31 December 2019

	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 2018	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
Share issue	1,111,111	3,477,603	-	-	-	-	-	-	4,588,714
Grant of share options/warrants	143,535	795,462	-	443,476	-	-	-	-	1,382,473
Loss for the year and total comprehensive loss for the year	-	-	-	-	(14,968,784)	-	-	-	(14,968,784)
Non-controlling interest	-	-	-	-	-	-	-	-	-
Currency transaction reserve	-	-	-	-	-	-	-	109,900	109,900
Balance at 31 December 2019	14,944,850	40,531,229	486,611	2,417,741	(35,242,590)	(10,002,543)	(44,990)	47,941	13,138,249

Consolidated Statement of Cash Flows For the year ended 31 December 2019

	2019	2018
	£	£
Operating activities		
Loss from continuing operations before tax	(16,153,071)	(11,390,955)
Adjustments for:		
Depreciation of tangible assets	610,128	388,833
Depreciation of right-of-use assets	14,734	-
Amortisation of intangible assets	1,001,809	329,073
Loss on disposal of intangible assets	169,596	-
Share based payment expense	443,476	646,793
Increase in inventories	(371,877)	-
Increase in trade and other receivables	(596,636)	(1,115,147)
(Decrease)/increase in trade and other payables	(790,126)	1,118,317
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(15,671,967)	(10,023,086)
Investing activities		
Purchase of property, plant and equipment	(489,864)	(682,040)
Investment in intangible assets	(1,722,908)	(1,821,144)
Purchase of financial assets	(235,446)	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(2,448,218)	(2,503,184)
Financing activities		
Proceeds from issue of ordinary share capital	4,588,714	19,048,293
Proceeds from the exercise of warrants	938,997	406,831
NET CASH GENERATED FROM FINANCING ACTIVITIES	5,527,711	19,455,124
(Decrease)/increase in cash and cash equivalents	(12,592,474)	6,928,854
Effect of changes in foreign exchange rates	59,867	(10,726)
Cash and cash equivalents brought forward	19,327,948	12,409,820
CASH AND CASH EQUIVALENTS CARRIED FORWARD	6,795,341	19,327,948

ABRIDGED NOTES TO THE PRIMARY FINANCIAL STATEMENTS

For the 12 months ended 31 December 2019

The financial statements of the Group for the 12 months ended 31 December 2019 and 2018 have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by European Union.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2019 or 2018 as defined by sec on 435 of the Companies Act 2006 but is derived from those accounts. Statutory accounts for 2018 have been delivered to the Registrar of Companies, and those for 2019 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, and (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under sec on 498 (2) or (3) of the Companies Act 2006 in respect of the accounts.

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 2019. 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 June 2021, covering the 12 month period beyond the signing date of these financial statements. This includes taking into account the potential impact of COVID-19 to ensure that cashflow is positively managed and the impact to the Group's operations is mitigated. 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.

Statement of compliance

a) New standards, interpretations and amendments effective from 1 January 2019

New standards impacting the Group that will be adopted in the annual financial statements for the year ended 31 December 2019, and which have given rise to changes in the Group's accounting policies are:

- IFRS 16 "Leases"

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Group does not have significant leasing activities acting as a lessor.

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains, a lease at the date of initial application.

Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

b) New standards, interpretations and amendments not yet effective

The Group currently adopts all relevant accounting standards that have been endorsed by the EU. There are various standards that are expected to be endorsed in 2020. The Group believes these standards will have no material impact on the financial statements.

Revenue

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

(a) Content sales
Content revenue is recognised in the period the content is purchased from the MelodyVR platform either directly or via third party resellers. Revenue from content sales are recognised gross of costs paid to third party licence and rights holders in line with contracts, with the corresponding cost recognised as cost of sales.

(b) Content licence revenue
Revenue from licence contracts for the use of artist/label content is recognised over the period to which the contract relates.

(c) Interest income
Interest income is recognised using the effective interest method.

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%

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.

1. LOSS FROM OPERATIONS

This has been arrived at after charging:	Group	
	2019	**2018**
	£	**£**
Depreciation of property, plant and equipment	610,128	388,833
Depreciation of right-of-use assets	14,734	-
Amortisation on internally generated intangible assets	1,001,809	329,073
Loss on disposal of intangible assets	169,596	-

2. AUDITORS REMUNERATION

	Group	
	2019	**2018**
During the year the Group obtained the following service from the Group's auditors:	**£**	**£**
Fees payable to the Group's auditors for the audit of the Group's annual accounts	26,000	25,500
Fees payable to the Group's auditors for other services:		
Tax services	4,000	5,925
Other services	-	5,550
	30,000	36,975

3. DIRECTORS' AND EMPLOYEE REMUNERATION

	Group	
	2019	**2018**
The amount paid to directors and employees, is as follows:	**£**	**£**
Wages and salaries	5,157,779	4,669,734
Social security costs	631,586	553,006
Pension costs	114,874	73,975
Share based payment costs	443,476	507,446
	6,347,715	5,804,161

The average number of employees for the year was as follows:

	2019		2018	
	Group No.	**Company No.**	**Group No.**	**Company No.**
Directors	5	5	5	5
Senior Management	-	-	1	-
Staff	73	-	48	-
	78	5	54	5

Details for directors' remuneration is as follows:

Director	**Current salary £**	**Total 2019 £**	**Total 2018 £**
Anthony Matchett	275,000	372,545	442,500
Steven Hancock	220,000	270,910	305,667
Sebastian Theron (resigned: 15 January 2019)	-	10,154	277,000
Simon Cole	120,000	96,667	35,416
Ian Hanson (resigned: 1 April 2020)	-	40,000	31,250
Andy Botha	40,000	40,000	1,613
Sean Nicolson (resigned: 7 February 2018)	-	-	2,564
		830,276	1,096,010

The remuneration committee approved the salary increases and bonuses for executive directors during the year. Non-executive fees were also increased in line with market rates.

4. 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 anti-dilutative 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

	2019 £	**2018 £**
Loss attributable to equity holders of the Company:		
Continuing and total operations	(14,968,784)	(11,270,952)
	No. of shares	**No. of shares**
Weighted average number of ordinary shares for basic earnings	1,368,304,682	1,252,156,578
	Pence per Share	**Pence per Share**
Loss per share		
Basic and diluted per share		

Continuing and total operations	(1.1p)	(0.9p)

5. INTANGIBLE FIXED ASSETS

Group	**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
At 1 January 2019	603,476	667,819	646,344	506,981	2,424,620
Additions	-	1,282,545	101,999	338,364	1,722,908
Disposals	-	(69,871)	(126,766)	-	(196,637)
Transfers	-	-	(306,701)	306,701	-
At 31 December 2019	**603,476**	**1,880,493**	**314,876**	**1,152,046**	**3,950,891**
Accumulated Depreciation					
At 1 January 2018	-	-	-	-	-
Charge for the period	-	149,279	-	179,794	329,073
At 31 December 2018	-	149,279	-	179,794	329,073
At 1 January 2019	-	149,279	-	179,794	329,073
Charge for the period	-	413,294	-	588,515	1,001,809
Eliminated on disposal	-	(27,041)	-	-	(27,041)
At 31 December 2019	**-**	**535,532**	**-**	**768,309**	**1,303,841**
Net Book Value					
At 31 December 2019	**603,476**	**1,344,961**	**314,876**	**383,737**	**2,647,050**
At 31 December 2018	603,476	518,540	646,344	327,187	2,095,547
At 1 January 2018	603,476	-	-	-	603,476

Goodwill has been calculated as the fair value of the MelodyVR Group 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 and are presented above in line with the accounting policy in Note 2.

The parent entity does not have any items of intangible fixed assets.

6. ISSUED SHARE CAPITAL

	2019		2018	
	Number of Shares	**Nominal Value**	**Number of Shares**	**Nominal Value**
Issued and fully paid	**No.**	**£**	**No.**	**£**
Ordinary shares of 1p each	1,433,660,237	14,336,601	1,308,195,592	13,081,955
Deferred shares of 0.24p each	150,520,616	361,249	150,520,616	361,249
Deferred shares of 0.95p each	26,000,000	247,000	26,000,000	247,000
	1,610,180,853	14,944,850	1,484,716,208	13,690,204

Movement	**Number of Shares**	**Nominal Value**	**Share premium**
Issued and fully paid during the year	**No.**	**£**	**£**
Issue of new ordinary shares at 1.1p each	478,908	4,789	479
Issue of new ordinary shares at 1.85p each	8,877,585	88,776	75,459
Issue of new ordinary shares at 4.5p each	111,111,111	1,111,111	3,888,889
Issue of new ordinary shares at 15.4p each	4,997,041	49,970	719,524
Share issue costs	-	-	(411,286)
	125,464,645	1,254,646	4,273,065

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.

7. 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 2019:

Director	Warrants and options in parent at 1 January 2019	Exercised during the year	Warrants and options at 31 December 2019	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	(147,058)	11,537,725	1.1p	16.05.2026
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
	37,067,778	(147,058)	36,920,720		

No options or warrants issued to directors were 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 MelodyVR Group PLC.

The following table sets out the details of share options held at 31 December 2019:

	2019		2018	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at 1 January	5.7p	44,486,521	5.1p	28,609,707
Granted during the year	13.9p	57,970,410	6.9p	17,526,814
Exercised during the year	14.6p	(5,475,949)	-	-
Forfeited during the year	5.3p	(6,019,727)	8.5p	(1,650,000)
As at 31 December	10.4p	90,961,255	5.7p	44,486,521
Vested and exercisable at 31 December	10.9p	77,894,348	5.2p	19,366,068

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 2019	Share options 31 December 2018
13 October 2016	13 October 2026	1.1p	11,613,522	12,212,157
02 February 2017	02 February 2027	0.8p	3,750,000	3,750,000
17 July 2017	17 July 2027	8.1p	11,647,550	11,647,550
12 March 2018	12 March 2028	9.0p	6,361,724	7,661,724
7 December 2018	7 December 2020	-	-	4,600,000
20 December 2018	20 December 2028	5.7p	4,615,090	4,615,090
31 December 2019	31 December 2021	15.3p	44,973,369	-
16 October 2019	16 October 2024	5.3p	8,000,000	-

	2019	2018
Total	90,961,255	44,486,521
Weighted average remaining contractual life of options outstanding at end of period	4.15 years	8.79 years

Of the share options outstanding at 31 December 2019 9,230,180 (2018: 13,845,270) are held by directors of the Company.

MEASUREMENT OF FAIR VALUES

The model inputs for options granted during the year ended 31 December 2019 included:

	Share options scheme		**Warrants**	
	2019	**2018**	**2019**	**2018**
Fair value at grant date (weighted-average)	0.2p	4.6p	n/a	1.8p
Share price at grant date (weighted-average)	5.07p	8.46p	n/a	5.25p
Exercise price (weighted-average)	13.91p	6.87p	n/a	5.5p
Expected volatility	40%	40%	n/a	40%
Expected life (weighted average)	2.4 years	10 years	n/a	5 years
Risk-free interest rate	0.50%	0.50%	n/a	0.50%

Total expenses arising from share-based payment transactions recognised in profit or loss during the year were as follows:

	2019	**2018**
	£	**£**
Options and warrants issued to directors	73,133	173,994
Options issued under employee share scheme	226,343	333,452
Options issued to commercial and other partners*	144,000	-
Warrants issued to commercial and other partners	-	139,347
Total	443,476	646,793
Share option reserve	2,417,741	1,974,265

* Options issued to commercial and other partners includes 49,970,410 option shares granted under an option agreement to subscribe for an equivalent of $10 million of new Ordinary Shares at a price to be determined at the time of exercise which would value the Company's issued equity share capital at approximately £220 million.

8. POST BALANCE SHEET EVENTS

On 23 March 2020, the Company raised gross proceeds of $12m via the placing of 275,410,966 ordinary shares at a price of 3.75 pence per share.

On 1 April 2020, Ian Hanson resigned as a director of the Company.

On 14 April 2020, Grant Dollens was appointed to the Board as Non-executive Director.

On 11 May 2020, the Company resolved by Special Resolution to change its name to MelodyVR Group PLC.

Other than the above, the Directors were not aware of any other material events since the reporting date.

9. POSTING OF ANNUALL REPORT

The annual report for the year ended 31 December 2019, which includes notes to the financial statements, will be available today from the Company's website at www.melodyvr.group and also posted today to shareholders.