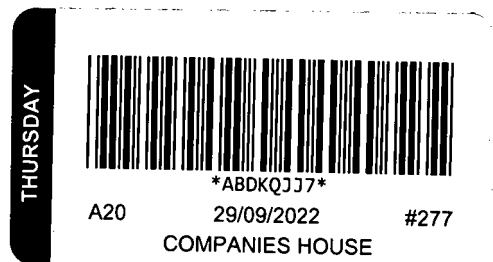


Company Registration No. 11439032 (England and Wales)

IMMERSIVE LABS HOLDINGS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2021



IMMERSIVE LABS HOLDINGS LIMITED

COMPANY INFORMATION

Directors	J R Hadley R W J P Cook J P Hayward A C Clavel J Huffard Jr. R Hinkle J Johnson
Company number	11439032
Registered office	The Programme All Saints Street Bristol BS1 2LZ
Auditor	Grant Thornton UK LLP 2 Glass Wharf Bristol BS2 0EL

IMMERSIVE LABS HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report for the year ended 31 December 2021.

Principal activities and review of the business

The principal activity of the Group during the period was the development and provision of a web-based, cyber-security capabilities platform to a global customer base. The principal activity of the company was licensing the IP in the platform to Group companies.

The results for the Group include results from subsidiaries Immersive Labs Limited and Immersive Labs Corporation. The Group's key financial performance indicators are detailed below:

	2021 £	2020 £	Change %
Revenue	15,375,465	8,889,335	73%
Operating costs (before exceptional costs)	28,494,505	15,437,652	85%
Operating loss	(15,254,225)	(7,715,346)	98%
Cash	50,499,566	17,717,766	185%

The Group has continued to grow at a rapid rate with Group revenues up 73% on prior year. This was driven by growth in both the Group's primary markets – EMEA and the USA. The Group continues to invest to fuel further growth, as a result operating costs increased 85% versus 2020. This investment means the Group is currently consciously loss making and has negative operating cash flows.

The Group held £50,500k of cash at year end (+185% on 2020). Cash reserves were boosted by a successful capital raise of \$60,000k (£43,626k). This raise provides additional capital to support the Group's ongoing investment and growth targets.

On 1 November 2021 the Group acquired Snap Labs LLC. This acquisition accelerated our product roadmap and has broadened our product offering to new and existing customers.

The Directors are confident the Group remains in a strong financial position and retains the ability to continue to invest to driver further growth.

Future developments

The Directors remain focused on continuing to deliver growth and are confident that their strategy will do so. We plan to continue to invest with the focus being on expanding the capability of the platform to ensure it meets all the needs of current and potential customers as well as continuing to expand our geographical presence to maximise our ability to reach potential customers.

Principal risks and uncertainties

Cyber-security is a fast-paced industry with new threats emerging regularly. Our ability to continuously develop the platform in response to this changing landscape is vital to the ongoing success of the Group. We believe that our industry defining platform and team of cyber security experts mean the Group is well-paced to adapt to this evolving landscape.

Covid-19

Like all businesses the Covid-19 pandemic has had an impact on the Group's activities. From a financial performance perspective cyber-security remains a growing market and one which was not directly impacted by the pandemic. We did not experience any significant impact on our ability to attract and retain customers. From an operational perspective we, like many businesses, moved to remote-working in response to the Covid-19 pandemic. This transition has not had any significant impact on operational performance as the Group is well positioned to support remote working.

On behalf of the board

.....
J R Hadley

Director

13/9/2022

Date:

IMMERSIVE LABS HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the group and company during the period is set out in the strategic report.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J R Hadley

R W J P Cook

J P Hayward

A C Clavel

J Huffard Jr.

R Hinkle

(Appointed 26 May 2021)

J Johnson

(Appointed 16 September 2021)

Results and dividends

The results for the year are set out on page 8. No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Research and development

The Group undertakes research and development activities for the ongoing development of its browser based cyberskills training platform. Projects include the development of the training platform, reverse engineering of threats, and the development of new algorithms to enhance user experience.

Auditor

Grant Thornton UK LLP has indicated its willingness to continue in office. In accordance with section 485 of the Companies Act 2006, a resolution proposing that it be re-appointed will be put at a General Meeting.

Future developments and management of principal risks

This information has been included in the strategic report as permitted by Companies Act 2006, s. 414C(11).


Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the group and company has adequate resources to continue in operational existence for the foreseeable future. The business continues to trade satisfactorily and has a good level of cash reserves. The business continues to be consciously loss making and has negative operating cash flows as management targets rapid growth. The rapid growth experienced has allowed management to regularly raise capital to continue this investment and growth strategy, as evidenced by the \$60,000k (£43,626k) capital raise in the year. The directors will continue to review the business position and react accordingly. Having taken these steps, the directors believe that the business has sufficient prospects of trade and sufficient financial resources to continue to trade for a period of not less than twelve months from the date of approval of these financial statements. The directors have therefore continued to adopt the going concern basis in drawing up these financial statements.

On behalf of the board



J R Hadley

Director

13/9/2022

Date:

IMMERSIVE LABS HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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 and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMMERSIVE LABS HOLDINGS LIMITED

Opinion

We have audited the financial statements of Immersive Labs Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMMERSIVE LABS HOLDINGS LIMITED (CONTINUED)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMMERSIVE LABS HOLDINGS LIMITED (CONTINUED)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and the parent company, and determined that the most significant are those that relate to the financial reporting framework (Financial Reporting Standard 102, Companies Act 2006 and the tax legislation relevant to the jurisdictions in which the group operates); health and safety, employee matters, environmental and bribery and corruption procedures;
- We enquired of management and the in-house legal counsel as to whether they were aware of any non-compliance with laws and regulations and whether they had any knowledge of actual, suspected or alleged fraud. We corroborated the results of our enquiries to board minutes and other supporting documentation;
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with employees from different parts of the business, including the finance team, in-house legal counsel and the IT department, to understand where it is considered there was a susceptibility of fraud;
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the group's operations, including the nature of its revenue sources and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
 - the group's control environment including:
 - the finance system and controls, including controls over journal postings, that the group has established to address risks identified, or that otherwise prevent, deter and detect fraud, and how senior management monitor the finance system and the controls;
 - where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. Our audit procedures involved: journal entry testing, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions; and
 - in addition, we completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.
- We also considered the key performance indicators and their propensity to influence efforts made by management to manage earnings;
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the industry in which the group operates; and
 - understanding of the legal and regulatory requirements specific to the group.
- We did not identify any matters relating to non-compliance with laws and regulations or relating to fraud;
- For components at which audit procedures were performed, we did not identify any material matters relating to non-compliance with laws and regulations or relating to fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMMERSIVE LABS HOLDINGS LIMITED (CONTINUED)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Timothy Lincoln BAACA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Bristol

13/9/2022

Date:

IMMERSIVE LABS HOLDINGS LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 £	2020 £
Turnover	3	15,375,465	8,889,335
Cost of sales		(2,370,498)	(1,167,029)
Gross profit		13,004,967	7,722,306
Administrative expenses		(27,826,243)	(15,451,467)
Other operating income	3	2,428	13,815
Exceptional costs	6	(435,377)	-
Operating loss	8	(15,254,225)	(7,715,346)
Operating loss		(15,254,225)	(7,715,346)
Add back: amortisation		2,088,503	1,149,913
Add back: depreciation		174,620	119,710
EBITDA		(12,991,102)	(6,445,723)
Interest receivable and similar income	10	52,430	57,502
Loss before taxation		(15,201,795)	(7,657,844)
Tax on loss	11	501,775	512,892
Loss for the financial year		(14,700,020)	(7,144,952)
Other comprehensive income net of taxation			
Currency translation differences		(224,487)	336,568
Total comprehensive loss for the year		(14,924,507)	(6,808,384)

The loss for the financial year and total comprehensive loss for the year is all attributable to the owners of the parent company.

The notes on pages 13 to 34 form part of these financial statements.

IMMERSIVE LABS HOLDINGS LIMITED**STATEMENTS OF FINANCIAL POSITION****AS AT 31 DECEMBER 2021**

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Fixed assets					
Goodwill	12	2,355,147	-	-	-
Intangible assets	12	4,224,101	2,755,023	2,819,070	2,515,034
Total intangible assets		6,579,248	2,755,023	2,819,070	2,515,034
Tangible assets	13	1,258,810	209,866	-	-
Investments	14	-	-	6,688,477	6,667,003
		7,838,058	2,964,889	9,507,547	9,182,037
Current assets					
Debtors	17	10,070,885	3,396,283	16,089,209	5,249,667
Cash at bank and in hand		50,499,566	17,717,766	42,681,327	11,526,213
		60,570,451	21,114,049	58,770,536	16,775,880
Creditors: amounts falling due within one year	18	(20,959,722)	(9,503,595)	(237,043)	(704,483)
Net current assets		39,610,729	11,610,454	58,533,493	16,071,397
Total assets less current liabilities		47,448,787	14,575,343	68,041,040	25,253,434
Creditors: amounts falling due after more than one year	19	(5,784,805)	(505,734)	-	-
Provisions for liabilities	20	(24,698)	-	(461,650)	(291,861)
Net assets		41,639,284	14,069,609	67,579,390	24,961,573
Capital and reserves					
Called up share capital	23	294	249	294	249
Share premium account	24	68,584,934	26,090,797	68,584,934	26,090,797
Currency translation reserve	24	156,432	380,919	-	-
Profit and loss reserves	24	(27,102,376)	(12,402,356)	(1,005,838)	(1,129,473)
Total equity		41,639,284	14,069,609	67,579,390	24,961,573

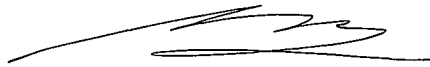
The notes on pages 13 to 34 form part of these financial statements.

As permitted by s408 CA2006, the company has not presented its own income statement and related notes as it prepares group accounts. The company's profit for the year was £123,635 (2020 - £1,449,831 loss).

13/9/2022

The financial statements were approved by the board of directors and authorised for issue on and are signed on its behalf by:

.....
J R Hadley
Director



IMMERSIVE LABS HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Share premium account	Currency translation reserve	Share based payment reserve	Profit and loss reserves	Total
Notes	£	£	£	£	£	£
Balance at 1 January 2020	248	25,918,702	44,351	188,583	(5,445,987)	20,705,897
Year ended 31 December 2020:						
Loss for the year	-	-	-	-	(7,144,952)	(7,144,952)
Other comprehensive income net of taxation:						
Currency translation differences	-	-	336,568	-	-	336,568
Total comprehensive income for the year	-	-	336,568	-	(7,144,952)	(6,808,384)
Issue of share capital 23	1	172,095	-	-	-	172,096
Share based payment	-	-	-	(188,583)	188,583	-
Balance at 31 December 2020	249	26,090,797	380,919	-	(12,402,356)	14,069,609
Year ended 31 December 2021:						
Loss for the year	-	-	-	-	(14,700,020)	(14,700,020)
Other comprehensive income net of taxation:						
Currency translation differences	-	-	(224,487)	-	-	(224,487)
Total comprehensive income for the year	-	-	(224,487)	-	(14,700,020)	(14,924,507)
Issue of share capital 23	45	42,494,137	-	-	-	42,494,182
Balance at 31 December 2021	294	68,584,934	156,432	-	(27,102,376)	41,639,284

IMMERSIVE LABS HOLDINGS LIMITED**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	Share capital £	Share premium account £	Share based payment reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2020		248	25,918,702	188,583	131,775	26,239,308
Year ended 31 December 2020:						
Loss and total comprehensive income for the year		-	-	-	(1,449,831)	(1,449,831)
Issue of share capital	23	1	172,095	-	-	172,096
Capital contribution in respect of share based payment		-	-	(188,583)	188,583	-
Balance at 31 December 2020		249	26,090,797	-	(1,129,473)	24,961,573
Year ended 31 December 2021:						
Profit and total comprehensive income for the year		-	-	-	123,635	123,635
Issue of share capital	23	45	42,494,137	-	-	42,494,182
Balance at 31 December 2021		294	68,584,934	-	(1,005,838)	67,579,390

IMMERSIVE LABS HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021		2020	
		£	£	£	£
Cash flows from operating activities					
Cash absorbed by operations	25	(5,008,354)		(2,439,764)	
R&D tax credits received		-		568,259	
Net cash outflow from operating activities		(5,008,354)		(1,871,505)	
Investing activities					
Purchase of business	16	(1,142,336)		-	
Purchase of intangible assets		(2,159,503)		(1,809,752)	
Purchase of tangible fixed assets		(1,224,707)		(138,308)	
Proceeds on disposal of tangible fixed assets		807		-	
Interest received		45,862		55,179	
Net cash used in investing activities		(4,479,877)		(1,892,881)	
Financing activities					
Proceeds from issue of shares		42,494,182		172,096	
Net cash generated from financing activities		42,494,182		172,096	
Net increase/(decrease) in cash and cash equivalents		33,005,951		(3,592,290)	
Cash and cash equivalents at beginning of year		17,717,766		20,970,118	
Effect of foreign exchange rates		(224,151)		339,938	
Cash and cash equivalents at end of year		50,499,566		17,717,766	

IMMERSIVE LABS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

Immersive Labs Holdings Limited ("the company") is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is The Programme, All Saints Street, Bristol, BS1 2LZ.

The group consists of Immersive Labs Holdings Limited and its wholly-owned subsidiaries Immersive Labs Ltd, Immersive Labs Corporation, Immersive Labs GmbH and Snaplabs LLC. The company's and the group's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see Note 2).

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Reduced disclosure framework

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.
- As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes.

IMMERSIVE LABS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Basis of consolidation

The consolidated financial statements incorporate those of Immersive Labs Holdings Limited and its subsidiaries Immersive Labs Ltd, Immersive Labs Corporation, Immersive Labs GmbH and Snaplabs LLC (i.e. an entity that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits).

All financial statements are made up to 31 December 2021. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the group and company has adequate resources to continue in operational existence for the foreseeable future. The business continues to trade satisfactorily and has a good level of cash reserves. The business continues to be consciously loss making and has negative operating cash flows as management targets rapid growth. The rapid growth experienced has allowed management to regularly raise capital to continue this investment and growth strategy, as evidenced by the \$60,000k (£43,626k) capital raise in the year. The directors will continue to review the business position and react accordingly. Having taken these steps, the directors believe that the business has sufficient prospects of trade and sufficient financial resources to continue to trade for a period of not less than twelve months from the date of approval of these financial statements. The directors have therefore continued to adopt the going concern basis in drawing up these financial statements.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Turnover from contracts with customers for licences is recognised on a straight-line basis over the period for which the customer has signed the licence, there are no non-trivial future obligations and collection is probable. Typically, consideration for the licence is received in advance. This is recognised as deferred income and released to the statement of comprehensive income on a straight line basis over the contract term.

Turnover from fixed term contracts with customers is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. Where the outcome cannot be estimated reliably, turnover is recognised only to the extent of the expenses recognised that it is probable will be recovered.

Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 3 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

IMMERSIVE LABS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	3 year straight line basis
Development costs	3 year straight line basis
Assets under development	Not depreciated
Customer list	3 year straight line basis

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	5 year straight line basis
Fixtures and fittings	3 year straight line basis
Computer equipment	3 year straight line basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

In the separate accounts of the company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand and deposits held at call with banks.

Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments. Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument. Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

IMMERSIVE LABS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the group are recorded at the fair value of proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax is based on taxable profit for the year. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period. Current tax assets are recognised when tax paid exceeds the tax payable. Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Deferred tax

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

IMMERSIVE LABS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received. Termination benefits are recognised immediately as an expense when the group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

IMMERSIVE LABS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Research and development

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using entity-specific observable market data. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity. The expense in relation to options over the parent company's shares granted to employees of a subsidiary is recognised by the company as a capital contribution and presented as an increase in the company's investment in that subsidiary.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Share-based payments

The fair value of share-based awards is measured using the Black-Scholes model which inherently makes use of significant estimates and assumptions concerning the future. Such estimates and assumptions include the expected life of the options and the number of employees that will achieve the vesting conditions. Further details of the share option scheme are given in note 7.

Intangible assets

Internally and externally generated development costs arising from qualifying projects are capitalised, and the resulting intangible assets are amortised over their useful lives taking into account residual values, where appropriate. In assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors.

3 Turnover and other revenue

	2021	2020
	£	£
Turnover analysed by class of business		
Provision of licences	15,169,630	8,843,814
Professional services	205,835	45,521
	<u>15,375,465</u>	<u>8,889,335</u>

IMMERSIVE LABS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

3 Turnover and other revenue (Continued)

	2021 £	2020 £
Other revenue		
Grants received	-	11,148
Other revenue	2,428	2,667
	<u>2,428</u>	<u>13,815</u>
	<u><u>2,428</u></u>	<u><u>13,815</u></u>
	2021 £	2020 £
Turnover analysed by geographical market		
United Kingdom	7,485,480	5,374,696
United States	6,032,274	2,411,218
Rest of the world	1,857,711	1,103,421
	<u>15,375,465</u>	<u>8,889,335</u>
	<u><u>15,375,465</u></u>	<u><u>8,889,335</u></u>

4 Employees

The average monthly number of persons (including directors) employed during the year was:

	Group 2021 Number	2020 Number	Company 2021 Number	2020 Number
Administration	29	21	-	-
Research & Development	109	69	-	-
Selling & Marketing	98	51	-	-
	<u>236</u>	<u>141</u>	<u>-</u>	<u>-</u>
Total	<u><u>236</u></u>	<u><u>141</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Their aggregate remuneration comprised:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Wages and salaries	20,809,734	10,831,485	-	-
Social security costs	2,161,849	1,053,913	-	-
Pension costs	510,617	230,360	-	-
	<u>23,482,200</u>	<u>12,115,758</u>	<u>-</u>	<u>-</u>
	<u><u>23,482,200</u></u>	<u><u>12,115,758</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

The company had no direct employees in the current or previous year.

IMMERSIVE LABS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

5 Directors' remuneration

	2021	2020
	£	£
Remuneration for qualifying services	400,500	335,047
Company pension contributions to defined contribution schemes	12,015	1,294
	<u>412,515</u>	<u>336,341</u>

The number of directors for whom retirement benefits were accruing under defined contribution schemes during the year was 1 (2020 - 3).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2021	2020
	£	£
Remuneration for qualifying services	400,500	304,815
Company pension contributions to defined contribution schemes	12,015	387
	<u>412,515</u>	<u>305,202</u>

6 Exceptional costs

Exceptional costs represent £352,010 of legal and professional and staff bonus related to Series C capital raise, and £83,367 of legal and professional costs relating to the acquisition of Snaplabs LLC.

IMMERSIVE LABS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

7 Share-based payments

EMI Scheme

The equity instruments to be issued are those of Immersive Labs Holdings Limited.

The share options vest during four years of an employee's service (the 'vesting period'). 25% of the options vest on the first anniversary of the date of employment and the remaining 75% of the options vest in 36 equal instalments each month thereafter. The employee is only entitled to exercise the share options upon the occurrence of a trigger event. Furthermore, options are forfeited if the employee leaves the company before they become entitled to exercise the share options.

	2021 Number of options	2021 Weighted average exercise price £	2020 Number of options	2020 Weighted average exercise price £
Outstanding at start of year	216,113	£5.51	86,900	£2.58
Granted during the year	2,854,369	£1.08	154,413	£6.72
Forfeited during the year	(218,986)	£0.58	(18,402)	£3.22
Exercised during the year	(18,589)	£0.11	(6,798)	£1.40
	<u>2,832,907</u>	<u>£1.09</u>	<u>216,113</u>	<u>£5.51</u>
Exercisable at end of year	<u>-</u>		<u>-</u>	

The shares granted in the year are made up of 909,352 new share options and 1,945,017 from a sub division in the year.

The weighted average fair value of options granted in the year was determined using entity-specific observable market data. Service conditions and non-market performance conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

The share based payment expense in the year is £0 (2020: £0)

IMMERSIVE LABS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

7 Share-based payments (Continued)

Growth Scheme

The share options vest in tranches during four years of service ('the vesting period'). The holder is only entitled to exercise the share options upon the occurrence of a trigger event. Furthermore, options are forfeited if the holder leaves the company before they become entitled to exercise the share options.

	2021 Number of options	2021 Hurdle £	2020 Number of options	2020 Hurdle £
Outstanding at start of year	-	£4.75	223,200	£4.75
Granted during the year	-	£4.75	-	£4.75
Forfeited during the year	-	£4.75	(130,640)	£4.75
Exercised during the year	-	£4.75	(92,560)	£4.75
Expired during the year	-		-	
	<u> </u>		<u> </u>	
Outstanding at end of year	-	£4.75	-	£4.75
	<u> </u>		<u> </u>	
Exercisable at end of year	-		-	
	<u> </u>		<u> </u>	

The options forfeited and exercised in the year ended 31st December 2020 were all held by an employee whose employment ended in the prior year.

The weighted average fair value of options granted in the period was determined using the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural consideration. Non-vesting conditions and market conditions are taken into account when estimating the fair value of the option at the grant date. Service conditions and non-market performance conditions are taken into account by adjusting the number of options expected to vest at each reporting date. The inputs to the model were as follows:

Number of shares	223,200
Market value	£4.32
Hurdle	£4.75
Time to maturity (years)	1.4 - 3.4 years
Risk-free interest rate	1.22%
Volatility	30%
Weighted average fair value after proportionate adjustment	£2.16

IMMERSIVE LABS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

8 Operating loss

	2021	2020
	£	£
Operating loss for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(2,077,372)	395,674
Government grants	-	(11,148)
Depreciation of owned tangible fixed assets	174,620	119,710
Amortisation of intangible assets	2,088,503	1,149,913
Operating lease charges/rental charges	788,319	740,343
	<u> </u>	<u> </u>

The exchange gains detailed above relate to unrealised gains on USD cash balances held by the Company.

9 Auditor's remuneration

	2021	2020
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	79,000	57,500
	<u> </u>	<u> </u>

There are no non-audit services provided by the auditor.

10 Interest receivable and similar income

	2021	2020
	£	£
Interest income		
Interest on bank deposits	52,430	57,502
	<u> </u>	<u> </u>

IMMERSIVE LABS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

11 Taxation

	2021 £	2020 £
Current tax		
UK corporation tax on profits for the current period	(499,623)	(512,892)
Adjustments in respect of prior periods	(2,152)	-
Total current tax	<u>(501,775)</u>	<u>(512,892)</u>

The total tax credit for the year included in the income statement can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

	2021 £	2020 £
Loss before taxation	<u>(15,201,795)</u>	<u>(7,657,844)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(2,888,341)	(1,454,990)
Tax effect of expenses that are not deductible in determining taxable profit	41,951	17,060
Change in unrecognised deferred tax assets	4,043,069	1,286,110
Adjustments in respect of prior years	(2,152)	-
Effect of change in corporation tax rate	(548,811)	(140,382)
Research and development tax credit	(499,623)	(379,863)
Effect of overseas tax rates	(757,537)	-
Deferred tax adjustments in respect of prior years	1,226	-
Additional deduction for R&D expenditure	(512,658)	-
Surrender of tax losses for R&D tax credit refund	654,678	159,173
Fixed asset differences	(33,577)	-
Taxation credit	<u>(501,775)</u>	<u>(512,892)</u>

Factors that may affect future tax charges

The main rate of corporation tax in the UK will rise from 19% to 25% on profits over £250,000 with effect from 1 April 2023. The change in rate was substantively enacted on 24 May 2021.

IMMERSIVE LABS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

12 Intangible fixed assets

Group	Goodwill	Software	Development costs	Assets under development	Customer list	Total
	£	£	£	£	£	£
Cost						
At 1 January 2021	-	271,845	4,329,402	-	-	4,601,247
Additions - internally developed	-	-	2,075,537	-	-	2,075,537
Additions - separately acquired	-	70,759	10,373	2,834	-	83,966
Additions - business combinations	2,493,685	1,185,450	-	-	74,090	3,753,225
At 31 December 2021	2,493,685	1,528,054	6,415,312	2,834	74,090	10,513,975
Amortisation and impairment						
At 1 January 2021	-	31,856	1,814,368	-	-	1,846,224
Amortisation charged for the year	138,538	174,348	1,771,501	-	4,116	2,088,503
At 31 December 2021	138,538	206,204	3,585,869	-	4,116	3,934,727
Carrying amount						
At 31 December 2021	2,355,147	1,321,850	2,829,443	2,834	69,974	6,579,248
At 31 December 2020	-	239,989	2,515,034	-	-	2,755,023
Company						
						Development costs £
Cost						
At 1 January 2021						4,329,402
Transfers						2,075,537
At 31 December 2021						6,404,939
Amortisation and impairment						
At 1 January 2021						1,814,368
Amortisation charged for the year						1,771,501
At 31 December 2021						3,585,869
Carrying amount						
At 31 December 2021						2,819,070
At 31 December 2020						2,515,034

In the statement of comprehensive income, amortisation is charged to administrative expenses.

IMMERSIVE LABS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

13 Tangible fixed assets

Group	Leasehold improvements	Assets under development	Fixtures and fittings	Computer equipment	Total
	£	£	£	£	£
Cost					
At 1 January 2021	29,625	-	41,545	357,937	429,107
Additions	-	856,162	5,848	362,697	1,224,707
Disposals	-	-	-	(807)	(807)
Exchange adjustments	-	-	122	399	521
At 31 December 2021	29,625	856,162	47,515	720,226	1,653,528
Depreciation and impairment					
At 1 January 2021	29,034	-	26,893	163,313	219,240
Depreciation charged in the year	591	-	8,231	165,798	174,620
Exchange adjustments	-	-	27	831	858
At 31 December 2021	29,625	-	35,151	329,942	394,718
Carrying amount					
At 31 December 2021	-	856,162	12,364	390,284	1,258,810
At 31 December 2020	591	-	14,652	194,623	209,866

The company had no tangible fixed assets at 31 December 2021 or 31 December 2020.

IMMERSIVE LABS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

14 Fixed asset investments

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Investments in subsidiaries	15	-	-	6,688,477	6,667,003

Movements in fixed asset investments Company

	Shares in group undertakings £
Cost or valuation	
At 1 January 2021	6,667,003
Additions	21,474
At 31 December 2021	6,688,477
Carrying amount	
At 31 December 2021	6,688,477
At 31 December 2020	6,667,003

The addition in the year represents the investment in the entire issued ordinary share capital of Immersive Labs GmbH.

15 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Address	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Immersive Labs Limited	(a)	Provision of software licences	Ordinary	100.00	-
Immersive Labs Corporation	(b)	Provision of software licences	Ordinary	100.00	-
Immersive Labs GmbH	(c)	Provision of software licences	Ordinary	100.00	-
Snaplabs LLC	(d)	Provision of software licences	Ordinary	-	100.00

Registered office addresses:

- (a) The Programme, All Saints Street, Bristol, BS1 2LZ
- (b) 200 Berkeley Street, 19th Floor, Boston, MA 02116, USA
- (c) Georg-Glock-Strasse 4, 40474 Dusseldorf, Germany
- (d) 2418 Aspen St, Philadelphia, PA 19130, USA

IMMERSIVE LABS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

16 Acquisition

On 1 November 2021 the group acquired 100% of the issued capital of Snaplabs LLC for consideration of £3,705,108.

Net assets acquired	Book Value £	Adjustments £	Fair Value £
Intangible assets	-	1,259,540	1,259,540
Trade and other receivables	51,626	-	51,626
Cash and cash equivalents	352	-	352
Trade and other payables	(100,095)	-	(100,095)
Total identifiable net assets	<u>(48,117)</u>	<u>1,259,540</u>	1,211,423
Goodwill			<u>2,493,685</u>
Total consideration			<u><u>3,705,108</u></u>
The consideration was satisfied by:			£
Cash			1,142,688
Deferred consideration			2,562,420
			<u><u>3,705,108</u></u>

Contribution by the acquired business for the reporting period included in the group statement of comprehensive income since acquisition:

	£
Turnover	33,200
Profit after tax	<u><u>17,022</u></u>

IMMERSIVE LABS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

17 Debtors

	Group 2021 £	2020 £	Company 2021 £	2020 £
Amounts falling due within one year:				
Trade debtors	5,346,753	2,037,913	-	-
Corporation tax recoverable	1,014,667	512,892	1,014,667	512,892
Amounts owed by group undertakings	-	-	2,644,211	-
Other debtors	416,415	208,746	8,909	1,429
Prepayments	3,052,094	636,732	-	-
	<u>9,829,929</u>	<u>3,396,283</u>	<u>3,667,787</u>	<u>514,321</u>
Amounts falling due after more than one year:				
Amounts owed by group undertakings	-	-	12,421,422	4,735,346
Other debtors	240,956	-	-	-
	<u>240,956</u>	<u>-</u>	<u>12,421,422</u>	<u>4,735,346</u>
Total debtors	<u>10,070,885</u>	<u>3,396,283</u>	<u>16,089,209</u>	<u>5,249,667</u>

18 Creditors: amounts falling due within one year

	Group 2021 £	2020 £	Company 2021 £	2020 £
Trade creditors	850,415	152,119	-	89
Amounts owed to group undertakings	-	-	181,405	661,569
Other taxation and social security	1,524,548	651,434	-	-
Other creditors	1,342,055	22,792	-	-
Accruals and deferred income	17,242,704	8,677,250	55,638	42,825
	<u>20,959,722</u>	<u>9,503,595</u>	<u>237,043</u>	<u>704,483</u>

Other creditors includes £1,157,665 (2020: £0) of deferred consideration related to the acquisition of Snap Labs LLC (see note 16).

Accruals and deferred income includes deferred income of £13,848,054 (2020: £6,893,193).

IMMERSIVE LABS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

19 Creditors: amounts falling due after more than one year

	Group 2021 £	2020 £	Company 2021 £	2020 £
Deferred income	4,380,050	505,734	-	-
Other creditors	1,404,755	-	-	-
	<u>5,784,805</u>	<u>505,734</u>	<u>-</u>	<u>-</u>

Other creditors reflects £1,404,755 (2020: £0) of deferred consideration related to the acquisition of Snap Labs LLC (see note 16).

20 Provisions for liabilities

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Dilapidations provision		24,698	-	-	-
Deferred tax liabilities	21	-	-	461,650	291,861
		<u>24,698</u>	<u>-</u>	<u>461,650</u>	<u>291,861</u>

21 Deferred taxation

The major deferred tax liabilities and assets recognised by the group and company are:

Group	Liabilities 2021 £	Liabilities 2020 £
Fixed asset timing differences	896,993	497,336
Losses and other deductions	(896,993)	(497,336)
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Company	Liabilities 2021 £	Liabilities 2020 £
Fixed asset timing differences	704,768	477,856
Losses and other deductions	(243,118)	(185,995)
	<u>461,650</u>	<u>291,861</u>
	<u>461,650</u>	<u>291,861</u>

IMMERSIVE LABS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

21 Deferred taxation (Continued)

	Group 2021 £	Company 2021 £
Movements in the year:		
Liability at 1 January 2021	-	291,861
Charge to profit or loss	-	169,789
Liability at 31 December 2021	<u>-</u>	<u>461,650</u>

It is not possible to estimate reliably the extent to which the deferred tax assets and liabilities set out above will reverse within the next 12 months.

22 Retirement benefit schemes

	2021 £	2020 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>510,617</u>	<u>230,360</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

At 31 December 2021 there was a balance of £106,964 to be paid in respect of employee pension contributions, reported in other creditors (2020: £49,859).

23 Share capital

	Group and Company			
	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital Issued and fully paid				
Ordinary shares of 0.00001p each	10,036,119	1,001,753	100	100
Series A shares of 0.00001p each	4,680,400	468,040	47	47
Series B shares of 0.00001p each	9,735,570	973,557	97	97
Growth shares of 0.00001p each	462,800	46,280	5	5
Series C shares of 0.00001p each	4,532,858	-	45	-
	<u>29,447,747</u>	<u>2,489,630</u>	<u>294</u>	<u>249</u>

IMMERSIVE LABS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

23 Share capital (Continued)

On 11th February 2021, 500 Ordinary shares were issued at par value of £0.0001 and share premium of £0.01.

On 6th April 2021, 1000 Ordinary shares were issued at par value of £0.0001 and share premium of £0.0099.

On 13th May 2021, there was a subdivision of shares. All shares with a nominal value of £0.0001 were subdivided into the same share class but having a nominal value of £0.00001.

On 1st June 2021, 4,532,858 Series C shares were issued at par value of £0.00001 and share premium of £42,489,485.

On 14th December 2021 777 Ordinary shares were issued at par value of £0.00001 and share premium of £0.432.

On 14th December 2021 562 Ordinary shares were issued at par value of £0.00001 and share premium of £0.432.

On 14th December 2021 2,250 Ordinary shares were issued at par value of £0.00001 and share premium of £0.695.

The Ordinary Shares (other than the Ordinary Non-Voting Shares) shall confer on each holder of Ordinary Shares the right to receive notice of and to attend, speak and vote at all general meetings of the company and to receive and vote on proposed written resolutions of the company. Full rights to dividends. On a distribution of assets on a liquidation or a return of capital (other than a conversion, redemption or purchase of Shares) the surplus assets of the company remaining after payment of its liabilities shall be applied on a preferential basis.

The Series A Shares (other than the Series A Non-Voting Shares) shall confer on each holder of them the right to receive notice of and to attend, speak and vote at all general meetings of the company and to receive and vote on proposed written resolutions of the company. Full rights to dividends. On a distribution of assets on a liquidation or a return of capital (other than a conversion, redemption or purchase of Shares) the surplus assets of the company remaining after payment of its liabilities shall be applied on a preferential basis.

The Growth Shares shall confer on each holder of them the right to receive notice of and to attend, speak and vote at all general meetings of the company and to receive and vote on proposed written resolutions of the company. Full rights to dividends. On a distribution of assets on a liquidation or a return of capital (other than a conversion, redemption or purchase of Shares) the surplus assets of the company remaining after payment of its liabilities shall be applied on a preferential basis.

The Series B Shares (other than the Series B Non-Voting Shares) shall confer on each holder of them the right to receive notice of and to attend, speak and vote at all general meetings of the company and to receive and vote on proposed written resolutions of the company. Full rights to dividends. On a distribution of assets on a liquidation or a return of capital (other than a conversion, redemption or purchase of Shares) the surplus assets of the company remaining after payment of its liabilities shall be applied on a preferential basis.

The Series C Shares (other than the Series C Non-Voting Shares) shall confer on each holder of them the right to receive notice of and to attend, speak and vote at all general meetings of the company and to receive and vote on proposed written resolutions of the company. Full rights to dividends. On a distribution of assets on a liquidation or a return of capital (other than a conversion, redemption or purchase of Shares) the surplus assets of the company remaining after payment of its liabilities shall be applied on a preferential basis.

IMMERSIVE LABS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

24 Reserves

Share premium

The share premium account reflects consideration received for shares issued above their nominal value net of transaction costs.

Currency translation reserve

The currency translation reserve arises from the change in foreign exchange rates from translation of foreign operating subsidiaries.

Share-based payment reserve

The share-based payment reserve reflects the cumulative share-based payment expense.

Profit and loss reserves

Profit and loss reserves reflect cumulative profits and losses net of distributions to owners.

25 Cash generated from group operations

	2021 £	2020 £
Loss for the year after tax	(14,700,020)	(7,144,952)
Adjustments for:		
Taxation credited	(501,775)	(512,892)
Investment income	(52,430)	(57,502)
Amortisation and impairment of intangible assets	2,088,503	1,149,913
Depreciation and impairment of tangible fixed assets	174,620	119,710
Increase in provisions	24,698	-
Movements in working capital:		
(Increase)/decrease in debtors	(6,114,633)	376,689
Increase in creditors	14,072,683	3,629,270
Cash absorbed by operations	(5,008,354)	(2,439,764)

26 Analysis of changes in net funds - group

	1 January 2021 £	Cash flows £	Exchange rate movements £	31 December 2021 £
Cash at bank and in hand	17,717,766	33,005,951	(224,151)	50,499,566

IMMERSIVE LABS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

27 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Within one year	385,604	203,011	-	-
Between one and five years	1,807,170	15,763	-	-
	<u>2,192,774</u>	<u>218,774</u>	<u>-</u>	<u>-</u>

28 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel of the group, including the statutory directors, is as follows.

	2021 £	2020 £
Salaries including social security costs	3,046,205	2,292,382
	<u>3,046,205</u>	<u>2,292,382</u>

Transactions with related parties

During the year the group entered into the following transactions with related parties:

	Sales 2021 £	Sales 2020 £
Group		
Goldman Sachs Group Inc	462,961	351,168
	<u>462,961</u>	<u>351,168</u>

The following amounts were outstanding at the reporting end date:

	2021 Balance £	2020 Balance £
Group		
Goldman Sachs Group Inc	591,309	-
	<u>591,309</u>	<u>-</u>

Transactions with other related parties

The group has taken advantage of the exemption available under FRS 102 Section 33 and has not disclosed details of transactions or balances between Immersive Labs Holdings Limited and its wholly-owned subsidiaries.

29 Controlling party

There is no ultimate controlling party due to no shareholder holding a controlling stake in the company.