

EVR Holdings plc
(‘EVR’ or the ‘Company’)

AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

EVR Holdings plc (AIM: EVRH), a leading creator of music virtual reality (‘VR’) content, announces its results for the year ended 31 December 2017.

Operational Highlights

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

Chairman’s Statement

Introduction

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

Financial Review

Having secured global licencing and distribution agreements with all three of the world’s largest record labels; Warner Music Group, Universal Music Group and Sony Computer Entertainment, in conjunction with further rights holder agreements with publishers and collection societies, MelodyVR

is well-poised to monetise its content across multiple territories. Our principal operational focus for the period under review has been to further refine and hone its technology platform in preparation for the forthcoming launch of the MelodyVR product. In order to broaden and strengthen its management and resource base, we have sought to recruit experienced talent in both in the UK and the US from respected organisations such as Universal Music Group, Spotify, Sony Computer Entertainment and Microsoft Corporation, with staff numbers (including contractors) as at 31 March 2018 totalling 64 worldwide.

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

The results for the year ended reflect these key initiatives outlined above together with the continued expansion of our music library with some of the world's most high profile artists. Operating loss before non-recurring and non-cash items totalled £5.168m,(2016: Loss £1.64m). After non-recurring and non-cash items, net financing charges and taxation, the Group reported a loss of £6.23m (2016: £2.64m). At the balance sheet date the Group had cash reserves of £12.41m (2016: £3.34m) reflecting the successful fundraising initiatives completed during the year.

Fundraises

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

Outlook

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

Anthony Matchett
Executive Chairman

For more information please contact

EVR Holdings plc

Anthony Matchett, Executive Chairman and CEO
Sebastian Theron, Chief Financial Officer

Tel: +44 (0) 203 289 7430
email@evrholdings.com

Investec Bank plc: Nominated Advisor, Financial Advisor and
Corporate Broker

Tel: +44 (0) 207 597 5970

Corporate Finance: David Anderson / Junya Iwamoto

Corporate Broking: Sara Hale / Rob Baker

About EVR Holdings plc

EVR Holdings plc ('EVR') is a company that is quoted on the AIM market of the London Stock Exchange (EVRH.L). EVR, a creator of virtual reality content, joined AIM on 16 May 2016 following a reverse takeover of Armstrong Ventures plc. MelodyVR Ltd is a wholly owned subsidiary of EVR. Further information can be viewed at www.evrholdings.com.

PRIMARY FINANCIAL STATEMENTS

**Consolidated Statement of Comprehensive Income
For the year ended 31 December 2017**

	2017	2016
	£	£
Continuing operations:		
Administrative expenses	(6,192,145)	(2,630,922)
	<hr/>	<hr/>
OPERATING LOSS	(6,192,145)	(2,630,922)
<hr/>		
Operating loss before non-recurring and non-cash items	(5,168,043)	(1,640,175)
	(141,607)	(53,631)
Depreciation	-	(492,139)
Readmission costs	(882,495)	(444,977)
Share based payments	<hr/>	<hr/>
	(6,192,145)	(2,630,922)
OPERATING LOSS		

Finance income	2,988	2,212
Finance costs	(6,348)	(7,847)
Foreign exchange gain	(36,377)	-
	<u> </u>	<u> </u>
LOSS FOR THE YEAR BEFORE TAXATION	(6,231,882)	(2,636,557)
Taxation	-	-
	<u> </u>	<u> </u>
NET LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(6,231,882)	(2,636,557)
Attributable to:		
Owners of the parent company	(6,231,882)	(2,584,414)
Non – controlling interest	-	(52,143)
	<u> </u>	<u> </u>
LOSS PER SHARE – basic and diluted from continuing operations	(0.61)p	(0.044)p
	<u> </u>	<u> </u>

Consolidated Statement of Financial Position
As at 31 December 2017

	2017	2016
	£	£
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	638,429	229,732
Intangible assets	603,476	603,476
	<u> </u>	<u> </u>
TOTAL NON-CURRENT ASSETS	1,241,905	833,208
	<u> </u>	<u> </u>
CURRENT ASSETS		
Trade and other receivables	227,748	112,602
Cash and cash equivalents	12,409,820	3,369,693
	<u> </u>	<u> </u>
TOTAL CURRENT ASSETS	12,637,568	3,482,295
	<u> </u>	<u> </u>
TOTAL ASSETS	13,879,473	4,315,503

Non-controlling interest	-	-	-	-	-	-	6,140	-	6,140
Losses for the year	-	-	-	-	(2,584,414)	-	(52,143)	-	(2,636,557)
Balance at 31 December 2016	10,067,861	5,903,289	486,611	444,977	(2,770,972)	(10,002,543)	(46,003)	-	4,083,220
Share issue	2,116,530	12,405,565	-	-	-	-	-	-	14,522,095
Grant of share options/warrants	-	-	-	882,495	-	-	-	-	882,495
Loss for the year and total comprehensive loss for the year	-	-	-	-	(6,231,882)	-	-	-	(6,231,882)
Currency transaction reserve	-	-	-	-	-	-	-	10,194	10,194
Balance at 31 December 2017	12,184,391	18,308,854	486,611	1,327,472	(9,002,854)	(10,002,543)	(46,003)	10,194	13,266,122

**Consolidated Statement of Cash Flows
For the year ended 31 December 2017**

	2017	2016
	£	£
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss from continuing operations	(6,231,882)	(2,636,557)
Adjustments for:		
Depreciation of fixed assets	141,607	53,631
Share based payment expense	882,495	444,977
Increase/(decrease) in trade and other receivables	(241,392)	112,575
Increase in trade and other payables	508,120	475,576
	_____	_____
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(4,941,052)	(1,549,798)
	_____	_____
Investing activities		
Purchase of property, plant and equipment	(550,278)	(243,469)
Acquisition of subsidiary	-	1,401,905
	_____	_____
NET CASH INFLOW FROM INVESTING ACTIVITIES	(550,278)	1,158,436

Financing activities		
Proceeds from issue of ordinary share capital	14,174,918	3,328,988
Proceeds from the exercise of warrants	347,176	418,952
Loans from directors	-	-
	_____	_____
NET CASH GENERATED FROM FINANCING ACTIVITIES	14,522,094	3,747,940
	_____	_____
Increase in cash and cash equivalents	9,030,764	3,356,578
Effect of changes in foreign exchange rates	9,363	-
Cash and cash equivalents brought forward	3,369,693	13,115
	_____	_____
CASH AND CASH EQUIVALENTS CARRIED FORWARD	12,409,820	3,369,693
	_____	_____

ABRIDGED NOTES TO THE PRIMARY FINANCIAL STATEMENTS

For the 12 months ended 31 December 2017

The financial statements of the Group for the 12 months ended 31 December 2017 and 2016 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 2017 or 2016 as defined by section 435 of the Companies Act 2006 but is derived from those accounts. Statutory accounts for 2016 have been delivered to the Registrar of Companies, and those for 2017 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 section 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 2017. In the prior year, the Company completed the acquisition of Melody. The Directors determined that the transaction was akin to a reverse acquisition as per IFRS 3, Business Combinations. However, in order to fall under the category of a Business Combination under IFRS 3, the purchase needs to be of a business. The Directors have determined that the Company constitutes an investment business and therefore the transaction falls under the scope of IFRS 3.

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

Going Concern

The Financial Statements have been prepared on the going concern basis. The Directors have prepared cash flow forecasts through to 30 June 2019, covering the 12 month period beyond the signing date of these financial statements. These forecasts take into account the intended launch timetable within the year ending December 2018, as well as projecting potential revenue profiles based on hardware adoption estimates. As there are sufficient existing resources to operate for the foreseeable future the Board has concluded that the going concern assumption is appropriate in preparing these financial statements.

1. LOSS FROM OPERATIONS

This has been arrived at after charging:

	2017		2016	
	Group	Company	Group	Company
	£	£	£	£
Depreciation of property, plant and equipment	141,607	-	53,631	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

2. AUDITORS REMUNERATION

	2017		2016	
	Group	Company	Group	Company
	£	£	£	£

During the year the Company obtained the following service from the Company's auditors:

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

4. EARNINGS PER SHARE

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

	2017 Group £	2016 Group £
Loss attributable to equity holders of the Company:		
Continuing and total operations	(6,231,882)	(2,584,414)
	<hr/>	<hr/>
	No. of shares	No. of shares
Weighted average number of ordinary shares in issue for basic and fully diluted earnings	1,022,052,742	588,269,184
	<hr/>	<hr/>
	Pence per Share	Pence per Share
Loss per share		
Basic and diluted:		
Continuing and total operations	(0.61)p	(0.44)p
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5. SHARE OPTIONS AND DIRECTOR WARRANTS

EQUITY SETTLED SHARE OPTION SCHEME

The Group operates share-based payment arrangements to remunerate directors and key employees in the form of options and warrants. Equity-settled share-based payments are measured at fair value

(excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

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

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

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

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

The Group operates an approved enterprise management incentive scheme under which employees have been granted options to purchase shares in EVR Holdings plc. The unexercised options at 31 December 2017 expire on the tenth anniversary from the grant date and are subject to vesting criteria.

SHARE OPTIONS AND DIRECTOR WARRANTS

Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the

equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

DIRECTOR WARRANTS AND OPTIONS

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

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

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

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

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

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

EMPLOYEE OPTIONS

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

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

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

WARRANTS ISSUED TO COMMERCIAL PARTNERS

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

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

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

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

On 17 July 2017 the Group issued 43,239,926 options to Sony Music Entertainment. These warrants may be exercised at any time on or before 17 July 2022 and entitle the warrant holder to subscribe

14.2p for one ordinary share for each warrant held. The fair value of these warrants was determined using the Black-Scholes option pricing model and was 0.1p per option.

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

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

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

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

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

6. RELATED PARTY TRANSACTIONS

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

7. POST BALANCE SHEET EVENTS

There have been no material events since the reporting date.