

Company Registration No. 04646508 (England and Wales)

VIRTALIS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2019

VIRTALIS LIMITED

COMPANY INFORMATION

Directors	Mr Guenter Dahm	(Appointed 16 April 2018)
	Mr Russell Palmer	(Appointed 18 December 2018)
	Mr Andrew Finn	(Appointed 13 June 2019)

Company number 04646508

Registered office Chester House
79 Dane Road
Sale
M33 7BP

Auditor Lopian Gross Barnett & Co
1st Floor, Cloister House
Riverside
New Bailey Street
Manchester
M3 5FS

Business address Chester House
79 Dane Road
Sale
M33 7BP

VIRTALIS LIMITED

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VIRTUALIS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2019

The directors present their annual report and financial statements for the year ended 28 February 2019.

Principal activities

The principal activity of the company and group continued to be that of the provision of advanced visualisation and virtual reality ("VR") software, display systems and services.

Directors

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

Mr David Cockburn-Price	(Resigned 29 June 2018)
Mr Guenter Dahm	(Appointed 16 April 2018)
Mr Russell Palmer	(Appointed 18 December 2018)
Mr Andrew Finn	(Appointed 13 June 2019)

Results and dividends

The results for the year are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Auditor

In accordance with the company's articles, a resolution proposing that Lopian Gross Barnett & Co be reappointed as auditor of the group will be put at a General Meeting.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

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 auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

VIRTUALIS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

Fair review of the business

Our primary customers are those who wish to understand, interact with and immerse themselves in either complex information (e.g. CAD models, simulated training environments, multiple disparate data sets) or ideas (e.g. design concepts, product launches). Traditionally, these have been in the academic/research, automotive, aerospace, shipbuilding, defence, engineering, mining and power sectors. We have helped numerous businesses and organisations to visualise their designs, to make their manufacturing processes more efficient, to sell/market their goods in an innovative way and to train users or maintainers of their products. Examples of our work and stories about our customers can be found on our updated website: www.virtualis.com.

We have continued with our investment in a range of innovative and creative R&D activities, seeking to create intellectual property for both specific products and for future VR developments. Interest in Visionary Render software has been high and sales have been strong, with a full pipeline developing, and we aim to roll out new features and capabilities in future point and major releases. The Visionary Render platform is at the heart of GeoVisionary, with development of v3.0 being well underway and this will add significant analytical functionality to the product to broaden its potential user base considerably. The ActiveWorks portfolio of display systems gives users the ability to immerse themselves and to interact with their data in a virtual environment. The range of standard and bespoke systems are designed to support customers' use cases, available resources and budget.

We have continued to engage in a wide range of business development activities during the year through our subsidiary businesses in the USA, Germany and Malaysia and with a wide range of partners and collaborators, forging stronger links in Finland, Brazil and India. We made further sales to our existing customers as well as generating significant new sales of high-end systems and software to organisations around the world. Worldwide interest in visualisation continues to be strong, helped by extra media coverage of the use of VR in consumer gaming/entertainment environments and the launch of more accessible, lower cost hardware. We expect that our additional marketing efforts to highlight how enterprise users are reaping benefits and saving money from using accessible and collaborative VR will take us into many new markets and organisations.

In June 2017 a new investor, Alpina Partners (www.alpinapartners.com) acquired a Significant share capital of the business, which with their leadership and investment we see the Virtualis Group going to the next level of development of products and world wide footprint of our Sales and operations.

On behalf of the board

Mr Guenter Dahm
Director

2 April 2020

VIRTUALIS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRTUALIS LIMITED

Opinion

We have audited the financial statements of Virtualis Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 28 February 2019 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity 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 FRS 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 the parent company's affairs as at 28 February 2019 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 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

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.

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.

VIRTUALIS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF VIRTUALIS LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where 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; or
- the company is entitled to claim exemption in preparing a strategic report due to it being a member of an ineligible group.

Responsibilities of directors

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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

VIRTUALIS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF VIRTUALIS LIMITED

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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jason Selig BA ACA CTA DChA (Senior Statutory Auditor)
for and on behalf of **Lopian Gross Barnett & Co**

3 April 2020

Chartered Accountants
Statutory Auditor

1st Floor, Cloister House
Riverside
New Bailey Street
Manchester
M3 5FS

VIRTALIS LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 28 FEBRUARY 2019

	Notes	2019 £	2018 £
Turnover	3	7,834,363	8,918,217
Cost of sales		(3,312,243)	(4,035,271)
Gross profit		4,522,120	4,882,946
Distribution costs		(325,852)	(314,192)
Administrative expenses		(4,261,375)	(4,614,422)
Other operating (expenses)/income		(2)	2,032
Operating loss before exceptional items		(65,109)	(43,636)
Exceptional items	4	(465,764)	-
Operating loss after exceptional items	5	(530,873)	(43,636)
Interest receivable and similar income	9	140	32,730
Interest payable and similar expenses	10	(5,448)	(10,185)
Loss before taxation		(536,181)	(21,091)
Tax on loss	11	(5,005)	(3,188)
Loss for the financial year		(541,186)	(24,279)

Loss for the financial year is all attributable to the owners of the parent company.

VIRTALIS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY 2019

	2019	2018
	£	£
Loss for the year	(541,186)	(24,279)
Other comprehensive income		
Currency translation differences	<u>(69,416)</u>	<u>(38,683)</u>
Total comprehensive income for the year	<u><u>(610,602)</u></u>	<u><u>(62,962)</u></u>

Total comprehensive income for the year is all attributable to the owners of the parent company.

VIRTUALIS LIMITED

GROUP BALANCE SHEET

AS AT 28 FEBRUARY 2019

		2019		2018	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	12		2,065,503		1,725,717
Tangible assets	13		221,232		258,106
			<u>2,286,735</u>		<u>1,983,823</u>
Current assets					
Stocks	17	365,634		332,733	
Debtors	18	2,950,643		2,831,254	
Cash at bank and in hand		422,906		1,126,484	
		<u>3,739,183</u>		<u>4,290,471</u>	
Creditors: amounts falling due within one year	19	<u>(2,233,299)</u>		<u>(1,871,073)</u>	
Net current assets			<u>1,505,884</u>		<u>2,419,398</u>
Total assets less current liabilities			<u>3,792,619</u>		<u>4,403,221</u>
Creditors: amounts falling due after more than one year	20		<u>(18,355)</u>		<u>(18,355)</u>
Net assets			<u><u>3,774,264</u></u>		<u><u>4,384,866</u></u>
Capital and reserves					
Called up share capital	25		80,329		80,329
Share premium account			26,868		26,868
Profit and loss reserves			3,667,067		4,277,669
Total equity			<u><u>3,774,264</u></u>		<u><u>4,384,866</u></u>

The financial statements were approved by the board of directors and authorised for issue on 2 April 2020 and are signed on its behalf by:

Mr Guenter Dahm
Director

VITALIS LIMITED

COMPANY BALANCE SHEET

AS AT 28 FEBRUARY 2019

		2019		2018	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	12		2,065,503		1,725,717
Tangible assets	13		146,221		163,870
Investments	14		20,329		20,329
			<u>2,232,053</u>		<u>1,909,916</u>
Current assets					
Stocks	17	235,816		114,020	
Debtors	18	2,404,341		3,500,889	
Cash at bank and in hand		324,599		820,626	
		<u>2,964,756</u>		<u>4,435,535</u>	
Creditors: amounts falling due within one year	19	(2,285,143)		(1,464,028)	
Net current assets			679,613		2,971,507
Total assets less current liabilities			2,911,666		4,881,423
Creditors: amounts falling due after more than one year	20		(18,355)		(18,355)
Net assets			<u>2,893,311</u>		<u>4,863,068</u>
Capital and reserves					
Called up share capital	25		80,329		80,329
Share premium account			26,868		26,868
Profit and loss reserves			2,786,114		4,755,871
Total equity			<u>2,893,311</u>		<u>4,863,068</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £1,969,758 (2018 - £237,598 profit).

The financial statements were approved by the board of directors and authorised for issue on 2 April 2020 and are signed on its behalf by:

Mr Guenter Dahm
Director

Company Registration No. 04646508

VIRTALIS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2019

	Share capital	Share premium account	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 March 2017	80,329	26,868	4,340,631	4,447,828
Year ended 28 February 2018:				
Loss for the year	-	-	(24,279)	(24,279)
Other comprehensive income:				
Currency translation differences	-	-	(38,683)	(38,683)
Total comprehensive income for the year	-	-	(62,962)	(62,962)
Balance at 28 February 2018	80,329	26,868	4,277,669	4,384,866
Year ended 28 February 2019:				
Loss for the year	-	-	(541,186)	(541,186)
Other comprehensive income:				
Currency translation differences	-	-	(69,416)	(69,416)
Total comprehensive income for the year	-	-	(610,602)	(610,602)
Balance at 28 February 2019	80,329	26,868	3,667,067	3,774,264

VIRTALIS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2019

	Share capital	Share premium account	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 March 2017	80,329	26,868	4,518,273	4,625,470
Year ended 28 February 2018:				
Profit and total comprehensive income for the year	-	-	237,598	237,598
Balance at 28 February 2018	80,329	26,868	4,755,871	4,863,068
Year ended 28 February 2019:				
Loss and total comprehensive income for the year	-	-	(1,969,757)	(1,969,757)
Balance at 28 February 2019	80,329	26,868	2,786,114	2,893,311

VITALIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2019

1 Accounting policies

Company information

Vitalis Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Chester House, 79 Dane Road, Sale, M33 7BP.

The group consists of Vitalis Limited and all of its subsidiaries.

1.1 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 financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The consolidated financial statements incorporate those of Vitalis Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 28 February 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

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 an impairment of the asset transferred.

Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates. In the group financial statements, associates are accounted for using the equity method.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 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.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

VITALIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

1 Accounting policies **(Continued)**

1.4 Research and development expenditure

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.

1.5 Intangible fixed assets other than goodwill

Research expenditure is charged to the profit and loss account in the year in which it is incurred.

Development expenditure is charged to the profit and loss account in the same way as research expenditure unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure relating to relevant staff costs, on-costs and benefits as well as materials and services consumed is capitalised and amortised over the period during which the company is expected to benefit, matched to the levels of turnover generated and commencing when sales of the product are first made, but not exceeding five years.

1.6 Tangible fixed assets

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

Depreciation 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:

Leasehold improvements	Straight line over 5 years
Plant and equipment	Straight line over 3 or 4 years
Fixtures and fittings	Straight line over 5 years
Computers	Straight line over 3 or 4 years
Motor vehicles	Straight line over 3 years

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 recognised in the profit and loss account.

1.7 Fixed asset investments

In the parent company financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

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.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

VIRTALIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

1 Accounting policies

(Continued)

1.10 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 in the group's balance sheet 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.

Basic financial assets

Basic financial assets, which include 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 transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

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.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.11 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

VIRTUALIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 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.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

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.

3 Turnover and other revenue

	2019	2018
	£	£
Turnover analysed by class of business		
Provision of advanced visualisation and virtual reality	7,834,363	8,918,217

VIRTALIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

3 Turnover and other revenue (Continued)

	2019	2018
	£	£
Other significant revenue		
Interest income	140	334
Dividends received	-	32,396
	<u> </u>	<u> </u>

4 Exceptional item

	2019	2018
	£	£

Restructuring costs	465,764	-
	<u> </u>	<u> </u>

The exceptional costs incurred in the year relate to business restructuring costs and exit payments to the founding shareholders.

As at the financial year end date there were no legal or constructive obligations for further restructuring. As such, no provisions or further costs have been recognised.

5 Operating loss

	2019	2018
	£	£

Operating loss for the year is stated after charging:

Exchange losses	6,144	23,850
Depreciation of owned tangible fixed assets	94,827	75,480
Amortisation of intangible assets	381,214	546,298
Cost of stocks recognised as an expense	3,312,243	4,000,887
Operating lease charges	176,589	157,060
	<u> </u>	<u> </u>

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £6,144 (2018 - £23,850).

6 Auditor's remuneration

	2019	2018
	£	£

Fees payable to the company's auditor and associates:

For audit services		
Audit of the financial statements of the group and company	12,000	12,000
Audit of the financial statements of the company's subsidiaries	11,933	13,117
	<u> </u>	<u> </u>
	<u>23,933</u>	<u>25,117</u>

VIRTALIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

7 Employees

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

Group 2019 Number	2018 Number	Company 2019 Number	2018 Number
45	38	45	38

Their aggregate remuneration comprised:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Wages and salaries	2,188,998	2,116,891	1,349,285	1,636,002
Social security costs	254,958	257,873	254,958	257,873
Pension costs	88,353	119,576	88,353	119,576
	<u>2,532,309</u>	<u>2,494,340</u>	<u>1,692,596</u>	<u>2,013,451</u>

8 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	340,632	528,133
Company pension contributions to defined contribution schemes	4,391	62,069
	<u>345,023</u>	<u>590,202</u>

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

	2019 £	2018 £
Remuneration for qualifying services	121,400	181,042
Company pension contributions to defined contribution schemes	1,894	28,917
	<u>123,294</u>	<u>210,959</u>

VIRTALIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

9 Interest receivable and similar income	2019	2018
	£	£
Interest income		
Interest on bank deposits	140	334
Income from fixed asset investments		
Income from shares in group undertakings	-	32,396
Total income	<u>140</u>	<u>32,730</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>140</u>	<u>334</u>
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10 Interest payable and similar expenses	2019	2018
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	<u>5,448</u>	<u>10,185</u>

11 Taxation	2019	2018
	£	£
Current tax		
UK corporation tax on profits for the current period	<u>5,005</u>	<u>3,188</u>

The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2019	2018
	£	£
Loss before taxation	<u>(536,181)</u>	<u>(21,091)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(101,874)	(4,007)
Unutilised tax losses carried forward	101,874	4,007
Other permanent differences	5,005	3,188
Taxation charge	<u>5,005</u>	<u>3,188</u>

VIRTALIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

12 Intangible fixed assets

Group	Development costs £
Cost	
At 1 March 2018	3,424,716
Additions - internally developed	721,000
	<hr/>
At 28 February 2019	4,145,716
	<hr/>
Amortisation and impairment	
At 1 March 2018	1,698,999
Amortisation charged for the year	381,214
	<hr/>
At 28 February 2019	2,080,213
	<hr/>
Carrying amount	
At 28 February 2019	2,065,503
	<hr/> <hr/>
At 28 February 2018	1,725,717
	<hr/> <hr/>
Company	Development costs £
Cost	
At 1 March 2018	3,424,716
Additions - internally developed	721,000
	<hr/>
At 28 February 2019	4,145,716
	<hr/>
Amortisation and impairment	
At 1 March 2018	1,698,999
Amortisation charged for the year	381,214
	<hr/>
At 28 February 2019	2,080,213
	<hr/>
Carrying amount	
At 28 February 2019	2,065,503
	<hr/> <hr/>
At 28 February 2018	1,725,717
	<hr/> <hr/>

VIRTALIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

13 Tangible fixed assets

Group	Leasehold land and buildings	Leasehold improvements	Plant and equipment	Fixtures and fittings	Computers	Motor vehicles	Total
	£	£	£	£	£	£	£
Cost							
At 1 March							
2018	30,467	29,743	474,397	1,876	128,850	8,741	674,074
Additions	9,108	-	35,154	-	13,691	-	57,953
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 28 February							
2019	39,575	29,743	509,551	1,876	142,541	8,741	732,027
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation and impairment							
At 1 March							
2018	24,156	12,421	316,838	378	53,434	8,741	415,968
Depreciation charged in the year	4,935	8,146	56,976	575	24,195	-	94,827
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 28 February							
2019	29,091	20,567	373,814	953	77,629	8,741	510,795
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Carrying amount							
At 28 February							
2019	10,484	9,176	135,737	923	64,912	-	221,232
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 28 February							
2018	6,311	17,322	157,559	1,498	75,416	-	258,106
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

VIRTALIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

13 Tangible fixed assets (Continued)

Company	Leasehold land and buildings	Plant and equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 March 2018	30,467	474,397	8,741	513,605
Additions	9,108	35,154	-	44,262
At 28 February 2019	<u>39,575</u>	<u>509,551</u>	<u>8,741</u>	<u>557,867</u>
Depreciation and impairment				
At 1 March 2018	24,156	316,838	8,741	349,735
Depreciation charged in the year	4,935	56,976	-	61,911
At 28 February 2019	<u>29,091</u>	<u>373,814</u>	<u>8,741</u>	<u>411,646</u>
Carrying amount				
At 28 February 2019	<u>10,484</u>	<u>135,737</u>	<u>-</u>	<u>146,221</u>
At 28 February 2018	<u>6,311</u>	<u>157,559</u>	<u>-</u>	<u>163,870</u>

14 Fixed asset investments

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Investments in subsidiaries	15	-	-	20,329	20,329

Movements in fixed asset investments

Company	Shares in group undertakings
	£
Cost or valuation	
At 1 March 2018 and 28 February 2019	20,329
Carrying amount	
At 28 February 2019	<u>20,329</u>
At 28 February 2018	<u>20,329</u>

VITALIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2019

15 Subsidiaries

Details of the company's subsidiaries at 28 February 2019 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct Indirect
Vitalis Inc	USA	Ordinary shares	100.00
Vitalis GmbH	Germany	Ordinary shares	100.00
Vitalis Sdn Bhd	Malaysia	Ordinary shares	100.00

VIRTALIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

16 Financial instruments	Group 2019 £	2018 £	Company 2019 £	2018 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	2,709,794	2,456,868	2,171,976	3,147,528
Carrying amount of financial liabilities				
Measured at amortised cost	1,537,355	1,321,362	1,622,158	917,469
17 Stocks	Group 2019 £	2018 £	Company 2019 £	2018 £
Raw materials and consumables	129,818	218,713	-	-
Finished goods and goods for resale	235,816	114,020	235,816	114,020
	365,634	332,733	235,816	114,020
18 Debtors	Group 2019 £	2018 £	Company 2019 £	2018 £
Amounts falling due within one year:				
Trade debtors	1,876,721	2,089,319	770,247	1,384,545
Corporation tax recoverable	6,072	2,855	-	-
Amounts owed by group undertakings	790,828	266,322	1,400,574	1,751,288
Other debtors	42,245	101,227	1,155	11,695
Prepayments and accrued income	147,777	284,531	145,365	266,361
	2,863,643	2,744,254	2,317,341	3,413,889
Deferred tax asset (note 22)	87,000	87,000	87,000	87,000
	2,950,643	2,831,254	2,404,341	3,500,889

The amounts owed by group undertakings in the group figures above, reflect the amounts due by Virtualis Holdings Limited, which is the Ultimate parent company.

VIRTALIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

19 Creditors: amounts falling due within one year

		Group 2019	2018	Company 2019	2018
	Notes	£	£	£	£
Trade creditors		696,581	818,982	561,037	690,259
Amounts owed to group undertakings		-	-	607,015	-
Corporation tax payable		-	-	-	3,158
Other taxation and social security		229,251	160,123	196,292	153,813
Deferred income	23	485,048	407,943	485,048	407,943
Other creditors		119,890	83,288	45,807	-
Accruals and deferred income		702,529	400,737	389,944	208,855
		<u>2,233,299</u>	<u>1,871,073</u>	<u>2,285,143</u>	<u>1,464,028</u>

20 Creditors: amounts falling due after more than one year

		Group 2019	2018	Company 2019	2018
	Notes	£	£	£	£
Other borrowings	21	18,355	18,355	18,355	18,355
		<u>18,355</u>	<u>18,355</u>	<u>18,355</u>	<u>18,355</u>

21 Loans and overdrafts

		Group 2019	2018	Company 2019	2018
		£	£	£	£
Preference shares		18,355	18,355	18,355	18,355
		<u>18,355</u>	<u>18,355</u>	<u>18,355</u>	<u>18,355</u>
Payable after one year		18,355	18,355	18,355	18,355
		<u>18,355</u>	<u>18,355</u>	<u>18,355</u>	<u>18,355</u>

The preference shares relate to redeemable preference shares.

22 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

	Assets 2019	Assets 2018
Group	£	£
Tax losses	87,000	87,000
	<u>87,000</u>	<u>87,000</u>

VIRTALIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

22 Deferred taxation (Continued)

Company	Assets 2019 £	Assets 2018 £
Tax losses	87,000	87,000

There were no deferred tax movements in the year.

23 Deferred income

	Group 2019 £	2018 £	Company 2019 £	2018 £
Other deferred income	485,048	407,943	485,048	407,943

24 Retirement benefit schemes

Defined contribution schemes	2019 £	2018 £
Charge to profit or loss in respect of defined contribution schemes	88,353	119,576

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.

25 Share capital

	Group and company	
Ordinary share capital Issued and fully paid	2019 £	2018 £
60,000 Ordinary shares of £1 each	60,000	60,000
20,329 Ordinary "A" shares of £1 each	20,329	20,329
	<u>80,329</u>	<u>80,329</u>

There are £18,355 of redeemable preference shares classed as liabilities included in note 9.

VIRTALIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

26 Events after the reporting date

After the year end the company entered into a lease for a new office premises in Trafford Park. The duration of the new lease is 10 years with a 5 year break clause. The annual rent is £150,000 and there is also a rent holiday at the beginning of the lease.

27 Controlling party

The Ultimate Controlling Party is Virtualis Holdings Ltd, a company incorporated in England & Wales.

28 Related party transactions

There were no related party transactions outside the normal course of business during the year.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.