

ENGAGE XR HOLDINGS PLC

(formerly VR Education Holdings PLC)

Annual Report and Financial Statements
for the Year Ended 31 December 2024

ENGAGE XR HOLDINGS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the Year Ended 31 December 2024

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ENGAGE XR HOLDINGS PLC

COMPANY INFORMATION

DIRECTORS	Non-Executive Chairman - Karthik Manimozhi – appointed 1 July 2024 Chief Executive Officer - David Whelan Chief Operating Officer - Sandra Whelan Chief Financial Officer - Séamus Larrisey Non-Executive Director – Richard Cooper Non-Executive Director – Kenny Jacobs Non-Executive Director – Marc Metis – appointed 1 July 2024
SECRETARY	Séamus Larrisey
REGISTERED OFFICE	Unit 9 Cleaboy Business Park Old Kilmeaden Road Waterford X91 AX83
REGISTERED NUMBER	613330
BANKERS	Allied Irish Bank Dunmore Road Waterford X91 XHP0
AUDITOR	Azets Audit Services Ireland Limited 3rd Floor 40 Mespil Road D04 C2N4
NOMINATED ADVISER & BROKER	Cavendish Capital Markets Ltd 1 Bartholomew Close London EC1A 7BL United Kingdom

CHAIRMAN'S STATEMENT

for the Year Ended 31 December 2024

As your Chairman since July 2024, I am pleased to present the Annual Report for the year ended 31 December 2024. This has been a year of significant challenge and transformation for Engage XR Holdings plc as we navigated macroeconomic volatility and adapted to changes in enterprise demand.

2024 Performance and Strategic Progress

Revenue declined by 8% to €3.4 million, with 2024 seeing continued reduction in enterprise spending and renewals and reduced one-off event activity. Furthermore, a significant contract was also expected to be finalised pre year end in the Middle East which would have led to the Group's revenue target being comfortably achieved but unfortunately this has now been delayed into H2 FY25. While this delay resulted in the Group's headline revenue being behind market expectations, the Group's EBITDA and Cash are broadly in-line for FY24. While enterprise revenue declined due in part to post-pandemic workplace shifts as more people returned to the office, we believe churn has stabilised. However, the revenue decline masks a pivotal shift in the business mix. Revenue from the education and corporate training sectors rose 60%, driven by partnerships with institutions such as PWC in the Middle East and leading private education organisations in the US and UK. This aligns with our strategic pivot toward sectors offering sustainable, recurring revenues and measurable ROI. Our presence in the Middle East and expanding AI-led education offerings will drive revenue in the future.

Gross margin held firm at 86% (2023: 90%), and cost discipline reduced our EBITDA loss slightly to €3.9 million (2023: €4.0m). We closed the year with €3.6 million in cash and remain debt-free, and have taken the necessary steps to reduce our cost base to enable us to focus on delivering against the pipeline and our growth strategy.

Outlook and Board Confidence

During the first five months of the current financial year, the Company has made solid progress in expanding its pipeline of opportunities in the Middle East and in North America. However, it continues to be impacted by delays in converting pipeline prospects into signed contracts. As a result, revenues in the period were below the corresponding period in FY24. In response, the Board has implemented measures to better align the Company's cost base with its current revenue profile. These measures will ensure the Company has the cash to ensure it can capitalise on the opportunities in progress.

We continue to develop opportunities through our strategic partnerships with Lenovo, Meta and other key partners in the Education and Corporate Training space, with contributions expected by year-end. The launch of our School of AI initiative and forthcoming AI-based enterprise training tools reinforces our position at the intersection of immersive technology and scalable learning. The Board is confident that this focus will drive long-term, recurring revenue growth and value creation.

Looking forwards, the Board continues to see significant growth opportunities for the Group through working with partners in the Middle East throughout the remainder of 2025 and beyond in both education and training verticals. The Group's strong pipeline is evidence of the progress being made with partners in the Middle East and in the USA. This pipeline gives the Board continued confidence in the market opportunity for the Group and delivering results that benefit not just ENGAGE XR but also its partners and stakeholders. The key focus for the Board is to capitalise on the strength of the pipeline by converting more of its opportunities into contracts with the Board remaining confident in its strategic objective to become cash flow breakeven, which it now expects to occur in FY26.

ENGAGE XR HOLDINGS PLC

CHAIRMAN'S STATEMENT (continued) for the Year Ended 31 December 2024

Board Governance and Acknowledgments

We were pleased to welcome Marc Metis to the Board as a Non-Executive Director in May 2024. As permitted by the shareholder agreement, Marc joined the Board as the representative of HTC which owns 11.96% of the total issued share capital of ENGAGE XR. Marc replaced Praveen Gupta who retired from HTC. Marc brings extensive global experience in immersive tech and strategic growth, including leadership roles at HTC.

I joined the Board as the Group's new non-Executive Chairman on 1 July 2024, replacing Richard Cooper, who had led the Board since the Group's IPO. Richard remains on the board as Senior Independent Director, Chair of the Audit Committee, a member of the Remuneration Committee. Non-executive director, Kenny Jacobs, replaced Richard as Chair of the Remuneration Committee.

I thank my fellow Directors for their guidance and the management team for their resilience and execution. To our shareholders, thank you for your continued confidence and support as we advance our vision for Engage XR.

Karthik Manimozhi
Non-Executive Chairman

2 June 2025

ENGAGE XR HOLDINGS PLC

CHIEF EXECUTIVE'S REVIEW

for the Year Ended 31 December 2024

Overview

2024 has been a challenging year. While revenue declined, our revenue mix showed that our one-off project-based enterprise revenue streams were being replaced by recurring educational sector license-based revenue streams. We have signed up with several global resellers in partnership with Meta and Lenovo to go head-to-head with the market leaders in the immersive hardware and software education space.

ENGAGE was originally founded with a focus on the education sector and operated under the name Immersive VR Education. The company rebranded during the COVID lockdowns to better reflect the growing split between enterprise and education revenue, as we saw increased demand from corporations supporting remote teams. However, towards the end of 2023 and into the first half of 2024, I made the strategic decision to refocus the company on education and training services. This was driven by consistently strong renewal rates in that area, in contrast to declining demand in other segments of the business, such as one-off event services and remote collaboration post pandemic.

This is a key reason we have partnered with Meta and Lenovo, who are working together as a strategic collective, to sell Meta Quest 3 and 3S headsets into the education and enterprise space, via resellers such as TD Synnex, SHI, Insight, Mace Virtual Labs and others. Since the start of the year, we have secured distribution agreements in preparation for the busy mid-summer to mid-autumn educational buying season.

Middle East Growth

Last year, we announced a significant initial agreement with a major client in the Middle East, secured through our partners at PwC. I'm proud to share that, following some delays, we have successfully delivered the project creating a fully immersive learning environment for professional students. Client acceptance was received earlier this month, and we hope to see strong future growth in licenses once results from the first student cohort are available.

Education Partners

During 2024, many of our key educational partners not only renewed their agreements with us but a number also expanded their user bases. Two standout partnerships delivered in the year were with Florida-based OptimaED and UK-based InspiredED, both of which have renewed and increased their license commitments.

Our partnership with OptimaED has shown significant growth, increasing its licenses sixfold from 500 at the start of 2023 to over 3,000 licenses currently, with plans to double again this year. OptimaED has developed over 200 educational modules on ENGAGE tailored to the United States curriculum. While their primary focus has been the homeschool market, they have begun expanding into traditional brick-and-mortar schools. This summer, ENGAGE and OptimaED are teaming up to offer bundled pricing options for resellers.

The AI Effect

Over the past year, one of the most significant trends in the enterprise landscape has been the rapid acceleration of AI adoption, particularly in roles traditionally filled by human workers. This has been especially evident across major tech companies we've historically supported through onboarding and professional development services. As AI becomes more prevalent, the tech industry has experienced widespread layoffs, directly affecting enterprise investment in the XR space.

**CHIEF EXECUTIVE'S REVIEW (continued)
for the Year Ended 31 December 2024**

This shift has led to a decreased demand for ENGAGE XR's independent studio development team, which had focused on delivering custom onboarding experiences and enterprise events. In response, we've streamlined the team and implemented a series of cost-saving measures across the organisation. At the same time, we are integrating AI-driven processes to maintain consistent service delivery.

While enterprise clients once relied heavily on us for content creation, most of our educational partners now use the platform's built-in tools to develop their own content. This is precisely the goal these tools were designed to support. To scale effectively, it's essential to empower clients to become self-sufficient. We are now reaching a pivotal point in this transition, as we continue to shift our focus toward Annual Recurring Revenue from license sales.

AI Integration in the Platform

Last year, we introduced the School of AI within the platform, an initiative that enables students to engage with virtual representations of historical figures and create personalised AI tutors. This feature has been well received and is now being used by thousands of students daily. With the United States government mandating AI education in schools, we see this as a major driver of future sales. We are expanding our AI capabilities in collaboration with Meta, integrating them into our broader reseller offerings.

Current trading and outlook

The first five months of the current financial year has seen the Company make good progress in broadening its opportunities but with the company still being impacted by delays in the pipeline converting into signed contracts. As noted above, we have exciting opportunities in the education space, especially in the Middle East but the delivery of revenues from these opportunities still require work, from both the Company and our customers. The delivery of the pipeline will prove crucial to the Company as the Board seeks to meet its expectations for the year. The Board has taken measures to ensure that the Company's cost base is more aligned to the current revenue profile of the Group.

Conclusion

2024 was a challenging year for enterprise sales, however we still landed our largest ever deal in the Middle East and renewed contracts with Bank of America, KPMG, and PWC. We continue to work with several US based insurance companies building out onboarding experiences for their clients.

The refocus on education and professional training has taken several months and we expect progress in the sales pipeline throughout 2025 and 2026 as we work closely with Meta, Lenovo and a host of global resellers who already have a large potential client base to sell to.

David Whelan
Chief Executive Officer

2 June 2025

ENGAGE XR HOLDINGS PLC

CHIEF FINANCIAL OFFICER'S REVIEW for the Year Ended 31 December 2024

I am pleased to present Chief Financial Officer's review for the Year Ended 31 December 2024.

Revenue was down 8% on the prior year from €3.7 million to €3.4 million, driven by a delay in closing some significant contracts in the final quarter of the year which are expected to close in 2025. ENGAGE platform revenue was down 3% on the prior year from €3.3 million to €3.2 million.

ENGAGE revenue from education customers was €1.3 million up from €1.1 million in FY23. This was bolstered by significant growth of two long term partners of the company, OptimaED in the USA and InspiredED in the United Kingdom.

ENGAGE revenue from Professional Services declined to €0.7 million from €1.1 million driven by a reduction in one off VR events supported by the ENGAGE Event team while ENGAGE revenue from Enterprise customers increased from €1.0 million to €1.2 million, bolstered by the significant education/training related deal signed in partnership with PWC in Saudi Arabia in early 2024.

ENGAGE revenue declined in the North American market with 35% of total ENGAGE revenue being generated in North America (2023: 60%). This is due to a shift in focus towards the Middle East where significant opportunities have appeared which the Company is seeking to capitalise on. Revenue from the Middle East was 28% of total ENGAGE revenue (2023: 0%).

EBITDA loss was €3.9 million compared to a loss of €4.0 million in the prior year and loss before tax was €4.0 million compared to a loss in 2024 of €4.1 million. This reduced EBITDA loss is primarily driven by reductions in headcount and a disciplined approach to cost control across the Group, offsetting the reduction in revenue in the period.

Operating cashflows resulted in a net outflow of €4.3 million for the period. Following recently undertaken cost reductions in Q2 2025, the current run-rate of staff costs and other ongoing costs is expected to be approximately €0.2 million per month for the remainder of 2025 into 2026.

At the balance sheet date, trade and other receivables were €1.8 million, ahead of trade and other payables at €0.7 million. Trade receivables represented an average of 57 debtor days (2023: 59 days).

The Group's cash position on 31 December 2024 was €3.6 million (2023: €7.9 million) with no debt.

Séamus Larrissey
Chief Financial Officer

2 June 2025

ENGAGE XR HOLDINGS PLC

STRATEGIC REPORT

for the Year Ended 31 December 2024

The Directors present herewith their strategic report for the Year Ended 31 December 2024.

Results and Dividends

The loss for the year after taxation amounted to €3,974,496 (2023: €4,054,078). No dividends were paid during the year (2023: €Nil) and as such an amount of €3,974,496 was debited to reserves.

Review of the business and future developments

The review of the business and future developments are set out in the Chairman's Statement.

Key Performance Indicators

Revenue

Revenue and revenue growth tracks the Group's performance against the strategic aim to grow the business.

Revenue for the year was €3.40m compared to €3.69m in 2023, a decrease of 8%.

Gross Margin

Gross margin tracks the margin earned on revenue after the deduction of cost of sales.

Gross margin for the year was 86% compared to 90% in 2023, a decrease of 4%.

Average Contract Value

Average Contract Value is calculated as the average non-trial recurring licence revenue from customers.

Average contract value for 2024 was approximately €26,000 (2023: €25,000). The expectation is that average contract value will grow year on year as ENGAGE deals become larger in size.

Medium-term outlook target of average contract value in excess of €25,000.

Cash and Cash Equivalents

Tracking the cash balance monitors the conversion of revenue into cash ensuring that cash is available for reinvestment.

Cash and cash equivalents at 31 December 2024 was €3.6 million compared to €7.9 million at 31 December 2023, a decrease of 54%.

ENGAGE XR HOLDINGS PLC

STRATEGIC REPORT (continued)

for the Year Ended 31 December 2024

Principal Activity

The principal activity of the Group is the development of the Virtual Reality platform 'ENGAGE'. The Group also develops and sells Virtual Reality experiences.

Principal Risks and Uncertainties

The Group's strategy is to follow an appropriate risk policy, which effectively manages exposures related to the achievement of business objectives. The key risks which the Group face are detailed as follows:

Activity	Risk	Impact	Control(s)
Technology Risk	Fast moving market that is subject to changing trends and technological advances.	Being behind market leaders or the provision of non-standard material for which there is a limited target audience, consequently reducing potential for profit/revenue.	The Company regularly conducts market research to be aware of upcoming trends, and it aims to achieve 'first mover' advantage in the VR Educational sector to manage this risk.
Business performance	Company may not perform as expected.	Adverse consequences such as management distraction, disposal and reduced profit.	This risk is managed through a number of measures: authorisation of purchases and capital requirement; ensuring the appropriate management team is in place; budget and business planning; monthly reporting and variance analysis; financial controls; key performance indicators; and regular forecasting.
Financial Risk	Adequate financial and business controls.	Error or fraud, leading to a loss in reputation, business partners and customers.	The Company exercises financial and business control through a combination of: qualified and experienced financial personnel; dual signatories; performance analysis; budgeting and cash flow forecasting; local audit to international standards; and clearly defined approval limits.
Critical Person Risk	Loss of key management or development staff	Operational impact of loss of key staff could see a delay in product / service delivery	The nature and operation of the board ensures that issues are disseminated to all board members in a timely manner which would help address the loss of any key staff. Keyman insurance policy is also in place for the CEO.
Data Protection Risk	Loss of customer personal information	Loss of reputation, fines and potential litigation	Payment processing handled by reputable third party (Stripe); GDPR policies in place and made available to new and existing users; best practise policy and procedure in place for storing user personal data

ENGAGE XR HOLDINGS PLC

STRATEGIC REPORT (continued)

for the Year Ended 31 December 2024

Going Concern

The financial statements have been prepared on a going concern basis which assumes that the group will continue in operational existence for at least one year from the date of approval of these financial statements.

At 31 December 2024 the group had a loss for the year of €3,974,496 and at that date net assets amounted to €4,716,872.

The group's ability to continue as a going concern is dependent on its ability to trade profitably in the future.

In forming this opinion, the Directors have considered all the information available to them. This includes management prepared forecasts, cost saving exercises, finalisation of significant contracts, due consideration of the ability to raise funds on the open market in respect of the listing on the Alternative Investment Market on the London Stock Exchange and the timing as to when such funds will be received. However, the Directors acknowledge that, in the current climate, assumptions used in financial forecasting are highly dependent on unpredictable future events.

Throughout 2025 the Group has continued to work on several significant opportunities in both the Middle East and North America. However, the timing for concluding these deals remains uncertain.

As a result of this uncertainty, during May 2025, the Group undertook a restructuring which resulted in a reduction in the size of the team. Together with other costs being eliminated this has resulted in significant savings for the Group. With these cost savings we expect that the Group has sufficient funding for at least 12 months from the date of signing the financial statements and until one or more of the significant opportunities close which will further bolster the cash position of the Group.

However, notwithstanding the foregoing, the directors believe that the above circumstances still represent significant challenges and uncertainties which may cast doubt on the company and group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business for a period of at least one year from the date of the approval of these financial statements. However, the Board remain optimistic that all actions that have been and continue to be taken will mitigate against these uncertainties.

While the directors believe that it is appropriate for the financial statements to be prepared on the going concern basis, the financial statements do not include any adjustments that would result from a situation where the company failed to achieve the projected financial results.

Sandra Whelan
Director

2 June 2025

Séamus Larrissey
Director

2 June 2025

ENGAGE XR HOLDINGS PLC

DIRECTORS' REPORT

for the Year Ended 31 December 2024

The Directors present herewith their annual report and audited financial statements for the Year Ended 31 December 2024.

Results and Dividends

The results for the period are set out in the Strategic Report on page 8-10. The Directors do not propose to declare a dividend.

Directors

The present Directors are as listed on page 2 and, unless otherwise indicated, have served throughout the period.

Directors' and Secretary's interests in shares

The direct and indirect interests of the Directors and secretary in the share capital of the Company at the beginning and the end of the period were as follows:

	31/12/2024		31/12/2023	
	Ordinary Shares	Share Options	Ordinary Shares	Share Options
Karthik Manimozhi	-	2,500,000	-	-
David Whelan	39,370,000	13,000,000	38,665,000	13,000,000
Sandra Whelan	39,213,000	13,000,000	38,665,000	13,000,000
Séamus Larrisey	407,500	4,110,940	88,000	4,110,940
Richard Cooper	1,070,400	1,000,000	1,070,400	1,000,000
Kenny Jacobs	-	-	-	-
Marc Metis	-	-	-	-

Significant shareholdings

As at 2 June 2025, the following interests in 3% or more of the issued share capital appear in the register:

Canaccord	16.45%
Octopus Investment Limited	12.14%
HTC	11.96%
David Whelan	7.50%
Sandra Whelan	7.47%
Seneca	4.11%
Enterprise Ireland	3.62%
Unicorn AIM VCT Plc	3.62%
Premier Miton	3.55%

Transactions Involving Directors

Transactions involving Directors are disclosed within note 24.

**DIRECTORS' REPORT (continued)
for the Year Ended 31 December 2024**

Events after the reporting period

The Company has evaluated all events and transactions that occurred after 31 December 2024 up to the date of signing of the financial statements. No material subsequent events have occurred that would require adjustment to or disclosure in the financial statements.

Research and development

Being at the forefront of a competitive industry and in order to strengthen its market position the Group needs to continue to break new ground by investing in the development and trial of new technologies. The Group aims to provide educators the tools they need to create their own content in virtual classrooms or virtual training environments and thus improving Customer experience.

The aggregate amount of research and development expenditure recognised as an expense within cost of sales and administrative expenses was €2,041,049 (2023: €1,583,220)

Accounting Records

The measures that the Directors have taken to secure compliance with the requirements of sections 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records, include the provision of appropriate resources to maintain adequate accounting records throughout the company, including the employment of appropriately qualified personnel and the maintenance of computerised accounting systems. The accounting records of the Company are held at their registered office at Unit 9, Cleaboy Business Park, Waterford, Ireland.

Branches outside the state

The Company has a branch established in the United Kingdom.

Political Donations

There were no political donations made during the current or prior year.

Disclosure of information to the Auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Auditors

The auditors, Azets Audit Services Ireland Limited, continue in office in accordance with section 383(2) of the Companies Act 2014.

On behalf of the board

Sandra Whelan
Director

2 June 2025

Séamus Larrissey
Director

2 June 2025

ENGAGE XR HOLDINGS PLC

DIRECTORS' RESPONSIBILITIES STATEMENT for the Year Ended 31 December 2024

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

Irish Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and Parent Company financial statements in accordance with accounting standards issued by the Financial Reporting Council including International Financial Reporting Standards as adopted by the European Union (IFRSs).

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 assets, liabilities and financial position of the Group and Parent Company as at the financial year end date and of the profit or loss of the Group and Parent Company for the financial year and otherwise comply with the Companies Act 2014.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Group and Parent Company, enable at any time the assets, liabilities, financial position and profit or loss of the Group and Parent Company to be determined with reasonable accuracy and enable them to ensure that the financial statements and Directors' Report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and Parent Company and to prevent and detect 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, www.engagexr.co. Legislation in the Republic of Ireland governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

The Company is compliant with AIM Rule 26 regarding the Company's website.

The Directors are responsible for ensuring that the Company is compliant with AIM Rule 26 which is discussed further in the Corporate Governance Report on page 14 – 21.

On behalf of the board

Sandra Whelan
Director

2 June 2025

Séamus Larrissey
Director

2 June 2025

ENGAGE XR HOLDINGS PLC

CORPORATE GOVERNANCE REPORT for the Year Ended 31 December 2024

As Chairman of the Board of Directors of Engage XR Holdings plc (Engage XR, EXR, we, or the Company/Group as the context requires), it is my responsibility to ensure that Engage XR has both sound corporate governance and an effective Board. My responsibilities include ensuring that the Board performs its role effectively and constructively and developing the Board's relationships and engagement with the Group's stakeholders. All the Directors of Engage XR believe strongly in the importance of good corporate governance for the creation of shareholder value over the medium to long-term and to engender trust and support amongst the Company's wider stakeholders.

Part of my role also requires the promotion and pursuit of a healthy corporate culture, where the Board provides both appropriate support and effective challenge to the Executive, and the Executive are empowered to pursue the agreed strategy within the Company's risk tolerance and report openly to the Board on challenges facing the business.

This culture of openness, supportive challenge, adaptability and dynamic problem solving which we have collectively sought to establish as a Board and throughout the wider Company, continues to be invaluable in enabling the Board and the Company to react appropriately to external circumstances, and adapt, restructure and refocus with a view to maximising the Company's potential over the medium to long term. This is particularly important given the continued macroeconomic uncertainties and the incredibly fast pace of change in digital technologies, including VR, we have seen over 2024 and into 2025.

Engage XR has adopted the Quoted Companies Alliance Corporate Governance Code (QCA Code). The report that follows explains how we have applied the guidance of the QCA Code. The Board considers that the Group complies with the QCA Code so far as it is practicable having regard to the size, nature and current stage of development of the Company, and discloses any areas of non-compliance in the text below. The Company considers that adherence to the principles of the QCA Code will contribute to the Company's medium to long-term success whilst managing risks, as well as providing an underlying framework of commitment and transparent communications with stakeholders.

Karthik Manimozhi
Chairman

2 June 2025

CORPORATE GOVERNANCE REPORT (continued)
for the Year Ended 31 December 2024

<i>Principle</i>	<i>Application</i>
Establish a strategy and business model which promotes long-term value for shareholders	<p>The Board has concluded that the highest medium and long-term value can be delivered to its shareholders by the adoption of a single strategy for the Company to establish ENGAGE as the metaverse platform of choice for corporations, professionals, education organisations, and event organisers to create their own virtual worlds, provide services directly to their clients and allow them to engage with employees, customers, and suppliers.</p> <p>As a growing tech company, the Company aims to deliver shareholder returns through capital appreciation. The Company's methodology is to secure partnerships with leading hardware suppliers and corporates / educators who are adopters of the metaverse technology and opportunity, to demonstrate the attractiveness and application of the metaverse generally and the Company's products. The directors believe that this, together with the work of other companies in the space, is generating a critical mass environment in preparation for a substantial growth phase both for the Company and the metaverse market. The directors also believe that the ongoing developments in other emerging technologies, including artificial intelligence, present a number of opportunities that the Company is well positioned to capitalise upon.</p> <p>Our business model and strategy are set out in greater detail in the Strategic Report on pages 8 to 10.</p> <p>Challenges and risks to our strategy and long-term goals are highlighted in the Risk Management section below and can also be found in the Principal Risks and Uncertainties section, page 9.</p>
Seek to understand and meet shareholder needs and expectations	<p>The Company places great importance on the need for effective communication and constructive dialogue with investors and the media and retains the services of a financial PR company to help ensure that key information reaches the right audience.</p> <p>The Company communicates with shareholders through a variety of platforms including:</p> <ul style="list-style-type: none"> • Regular financial reports, including the Group's full-year and interim results, alongside periodic trading updates; and • RNS announcements regarding noteworthy developments in the business. • results presentations to institutional shareholders which provide an opportunity for the executive to receive feedback from institutional shareholders. • results presentations via the Investor Meet Company platform which are open to all interested parties to attend or view on demand and which provide an opportunity for all shareholders to put questions to the executive. • the Company's website.

CORPORATE GOVERNANCE REPORT (continued)
for the Year Ended 31 December 2024

<i>Principle</i>	<i>Application</i>
Seek to understand and meet shareholder needs and expectations (continued)	<ul style="list-style-type: none"> the Annual General Meeting where shareholders have the opportunity to meet the Board and ask questions about the business. our financial PR firm, which receives queries on the Company's behalf. <p>Shareholder views are also represented in the Boardroom. In addition, the Chair, Karthik Manimozhi, acts as a liaison for shareholders where required. The Board is confident that the range of methods that the Board and the Company has in place to engage with shareholders is effective.</p> <p>All 2024 AGM resolutions were passed comfortably, with all resolutions passing by more than 85% of those votes cast. The results of voting at AGMs are disclosed on the Company's website.</p>
Take into account wider stakeholder and social responsibilities and their implications for long-term success	<p>The Board recognises that the long-term success of the Company is reliant upon the efforts of employees, contractors, suppliers, regulators and many other stakeholders on the supply side of the business. The Board has put in place a range of processes and systems to ensure that there is close oversight and contact with its key resources and relationships. We set out below our key stakeholder groups and the methods we have in place to receive and act on such feedback.</p> <p>For further information on how we meet our wider stakeholder and social responsibilities, please see our ESG Report on pages 22 to 27.</p> <p><u>Environment</u></p> <p>The Directors consider that, while the Group continues to have no significant environmental impact, there is a social responsibility upon businesses to continue to carefully consider and implement mitigating actions to further reduce such impact. Our actions on environmental and social impact are set out in greater detail in our ESG Report on pages 22 to 27.</p> <p><u>Employees</u></p> <p>The Directors recognises the importance of its employees being appropriately valued, incentivised, and supported. The Group offers equal opportunities regardless of race, gender, gender identity or reassignment, age, disability, religion, or sexual orientation. The Company has a policy to conduct annual employee reviews, seeking to understand any issues within the team. The Company also conducts team building exercises and provides various employee wellness schemes and plans such as a flexible hours scheme.</p> <p><u>Customers</u></p> <p>The Board also recognises customers and users of the Company's products as key stakeholders and understands that the customer and user experiences are a determining factor in the success of the business. Accordingly, the business engages extensively with customers and users to ensure the products deliver on customer expectations and that projects are managed in line with agreed service levels. The business actively seeks feedback from customers through a customer review process.</p>

CORPORATE GOVERNANCE REPORT (continued)
for the Year Ended 31 December 2024

Principle	Application
Take into account wider stakeholder and social responsibilities and their implications for long-term success (continued)	<p>The Company also aims to be very responsive to all customer and user queries, monitoring message boards on various platforms (emails, social media) for all products on a daily basis, responding with technical assistance or product information as requested within 24 hours. Furthermore, the Company holds weekly product meetings to ensure that all employee feedback regarding product creation, implementation and processes are taken on board, changed and/or improved, where necessary. The Company has adopted an agile method whereby products follow a two-week sprint process to ensure a smooth process.</p> <p><u>Suppliers</u> The Board recognises that our suppliers expect to be kept informed about the business and its future direction and that suppliers want Engage to honour its contractual obligations in a timely and efficient manner. While the Board is not directly engaged with suppliers, the Board receives feedback and insight from the executive directors on the Board, including on supplier interactions and on the Company's supplier payment practices.</p>
Embed effective risk management, considering both opportunities and threats, throughout the organisation	<p>The Board recognises the need for an effective and well-defined risk management process, and it oversees and regularly reviews the current risk management and internal control mechanisms. While the Board retains ultimate responsibility for the integrity of financial reporting, the Audit Committee has delegated responsibility for ensuring that the financial performance of the Company is properly monitored and reported.</p> <p>The Principal Risks and Uncertainties section of this Report on page 9 set out the key risks and opportunities that the Board consider to be facing the business.</p> <p>The Company has an ongoing process to identify, evaluate, manage and mitigate the significant risks the Company faces and review the effectiveness of related controls. The Company has a risk register which identifies risks, evaluates the risk level (level of impact and the probability of the risk materialising), and the principal person responsible for each risk. This is reviewed regularly by the Audit Committee and the Board, with the nature, extent and mitigation of such risks considered.</p> <p>The Audit Committee, on behalf of the Board, and the Board regularly review the mechanisms of internal control it has implemented, assessing for effectiveness, including taking into account views expressed by our external auditor. On the basis of such review, the Board is confident that the reporting and control mechanisms remain appropriate in assessing the effectiveness of our control systems.</p> <p>An internal audit function is not yet considered necessary or practical due to the size of the Company and the day-to-day control exercised by the Executive Directors. However, the Board will continue to monitor the need for an internal audit function.</p>

CORPORATE GOVERNANCE REPORT (continued)

for the Year Ended 31 December 2024

Principle	Application																
Maintain the Board as a well-functioning, balanced team led by the Chair	<p>Over the course of the reporting period, the Board comprised:</p> <ul style="list-style-type: none"> - Chairman (until 1 July 2024) and Independent Non-Executive Director - Richard Cooper - Non-Executive Chairman (from 1 July 2024) – Karthik Manimozhi - CEO - David Whelan - COO - Sandra Whelan - CFO - Séamus Larrissey - Independent Non-Executive Director – Kenny Jacobs - Non-Executive Director (from 1 July 2024) – Marc Metis <p>Over the course of the reporting period, Marc Metis was not considered to be independent as a representative of a major shareholder in the Company, HTC.</p> <p>As at 31 December 2024, Richard Cooper had an interest in 1,070,400 shares. As at 31 December 2024, Mr Manimozhi holds options over 2,625,000 ordinary shares of €0.001 each in the capital of the Company. The Board continues to be of the view that the size of Mr Manimozhi's and Mr Cooper's shareholdings are, respectively, not sufficiently significant to compromise their independence, and that there are no other factors that might be held to impinge their independence. The Board continues to keep this position under review.</p> <p>All the Non-Executive Directors are expected to dedicate at least two days per month to the Company. Under the Company's Articles of Association, one third of the Board are subject to re-election at each AGM; however, in line with good corporate governance practice, all directors submit themselves for re-election at each AGM.</p> <p>The Board is satisfied it has a suitable balance between independence on the one hand, and knowledge of the Company on the other. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational, enabling the Board to discharge its duties and responsibilities effectively.</p> <p>The Board aims to meet at least four times in the year and a calendar of meetings and principal matters to be discussed is agreed and circulated at the beginning of each year. During the year the Board met formally five times, and a schedule of attendance is set out below:</p> <table data-bbox="568 1720 1275 2033"> <tr> <th>Director</th><th>Attendance</th></tr> <tr> <td>Richard Cooper</td><td>5/5</td></tr> <tr> <td>Karthik Manimozhi*</td><td>3/3</td></tr> <tr> <td>David Whelan</td><td>5/5</td></tr> <tr> <td>Sandra Whelan</td><td>5/5</td></tr> <tr> <td>Séamus Larrissey</td><td>5/5</td></tr> <tr> <td>Marc Metis*</td><td>3/3</td></tr> <tr> <td>Kenny Jacobs</td><td>5/5</td></tr> </table> <p><i>*from 1 July 2024</i></p>	Director	Attendance	Richard Cooper	5/5	Karthik Manimozhi*	3/3	David Whelan	5/5	Sandra Whelan	5/5	Séamus Larrissey	5/5	Marc Metis*	3/3	Kenny Jacobs	5/5
Director	Attendance																
Richard Cooper	5/5																
Karthik Manimozhi*	3/3																
David Whelan	5/5																
Sandra Whelan	5/5																
Séamus Larrissey	5/5																
Marc Metis*	3/3																
Kenny Jacobs	5/5																

CORPORATE GOVERNANCE REPORT (continued)
for the Year Ended 31 December 2024

<i>Principle</i>	<i>Application</i>
Maintain the Board as a well-functioning, balanced team led by the Chair (continued)	<p>Board meetings are typically hybrid meetings with a mixture of in person and videoconference attendance. Board and Committee document authors are made aware of proposed monthly deadlines through the calendar of meetings assembled at the beginning of the year.</p> <p>Board papers are collated, compiled into a Board Pack, and circulated several days before meetings, allowing time for full consideration and necessary clarifications before the meetings. Meetings are open and constructive, with every Director participating fully. Senior management may also be invited to meetings, providing the Board with a thorough overview of the Company.</p> <p>The Company has Audit and Remuneration Committees with defined terms of reference. The Board believes that the Committees have the necessary skills and knowledge to discharge their duties effectively.</p> <p>The Board has elected not to establish a Nominations Committee, preferring instead that the Board should deal with such matters, including succession planning and the balance of the Board itself.</p> <p><u>Directors' conflict of interest</u></p> <p>The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.</p>
Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	<p>The Non-Executive Directors have both a breadth and depth of skills and experience to fulfil their roles. The Company believes that the current balance of skills across the Board as a whole reflects a very broad range of personal, commercial and professional skills, supporting the Company to deliver its strategy for the benefit of shareholders over the medium and long-term. The Non-Executive Directors meet without the presence of the Executive Directors during the year, and also maintain ongoing communications with Executives between formal Board meetings.</p> <p>Biographical details of the Directors can be found on the Company's website: www.engagevr.io/about-us/board-of-directors/</p> <p>In addition to their general Board responsibilities, the Directors, including the Non-Executives, are encouraged to participate in development opportunities where that would be beneficial to either the Board or the Company. All the Non-Executives Directors hold other roles which also serve to enhance and develop their skills and knowledge base and keep them up to date.</p> <p>Seamus Larrissey is the Company's registered Company Secretary. One Advisory Limited is engaged by the Company to support the Chairman in ensuring effective administration of board processes. The Company's nominated adviser is consulted on all relevant matters. If required, the Directors are entitled to take independent legal advice and, if the Board is informed in advance, the cost of the advice will be reimbursed by the Company.</p>

CORPORATE GOVERNANCE REPORT (continued)
for the Year Ended 31 December 2024

<i>Principle</i>	<i>Application</i>
Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	<p>Neither the Board nor its Committees have sought external advice on a significant matter during the year under review.</p> <p>The Board shall review annually the appropriateness and opportunity for continuing professional development whether formal or informal.</p>
Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	<p>At present, this aspect of the Code is not fully complied with.</p> <p>The Board did not implement a formal performance review over the course of 2024; however, the Directors are supportive of the principle of regular review and will consider the most effective time to implement such a review.</p> <p>Each member of the Board is invited to openly share their views on all aspects of the Board's performance and effectiveness with the Chairman of the Board, who acts upon such views as required. The Directors remain confident that each Director contributes actively to the Board and that the Board, as a whole, performs its role effectively.</p>
Promote a corporate culture that is based on ethical values and behaviours	<p>The Directors fully recognise the significance of fostering a healthy corporate culture, which includes maintaining open and respectful communication with employees, clients, and other stakeholders. In light of continued rapid advancements in the metaverse and other emerging technologies, it is essential for Engage to embody dynamism and innovation. Our commitment to openness and transparency underpins this innovative spirit. Furthermore, the Directors understand that adhering to sound ethical values and behaviours is fundamental to achieving the Company's objectives and meeting stakeholder expectations.</p> <p>We have in place a number of policies that support ethical values and behaviours in the Company, all of which are made available to all employees and are included in an employee handbook. These are 'Must Read Policies' which employees are required to read and acknowledge the policies and which management monitor and update where necessary. The Company also has an Anti-Bribery and Corruption Policy in place to ensure the highest standards of personal and professional ethical behaviour are adhered to.</p> <p>The Company has adopted, with effect from the date on which its shares were admitted to AIM, a code for Directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and ESM and is in accordance with the requirements of the Market Abuse Regulation.</p> <p>In assessing the current corporate culture, the Directors have access to a range of inputs, including regular employee surveys, the most recent of which indicated strong staff satisfaction with Engage as a place to work. Additionally, as the Company conducts regular employee reviews and internal meetings and has a general close-knit working environment, the Directors are able to determine the extent to which ethical values and behaviours are recognised and respected. The Directors consider that at present the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge.</p>

CORPORATE GOVERNANCE REPORT (continued)
for the Year Ended 31 December 2024

<i>Principle</i>	<i>Application</i>
Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	<p>The Board is committed to, and ultimately responsible for, high standards of corporate governance, and has adopted the QCA Code. We review our corporate governance arrangements regularly and expect to evolve these processes over time, in line with the Company's growth. The Board delegates responsibilities to Committees and individuals as it sees fit, with the Chairman being responsible for the effectiveness of the Board, and the Executive Directors being accountable for the management of the Company's business and primary contact with shareholders, clients and partners.</p> <p>The Chairman is responsible for shareholder communications, the leadership of the Board and ensuring its effectiveness in all aspects of its role, including creating the right Board dynamic and ensuring that all important matters, in particular strategic decisions and corporate governance arrangements, receive adequate time and attention at Board meetings.</p> <p>The Executive Directors are responsible for the day-to-day running of the business, the leadership of the management team and the development and execution of corporate strategy. The Non-Executive Directors are tasked with constructively challenging the decisions of executive management and satisfying themselves that the systems of business risk management and internal financial controls are robust.</p> <p>The Board delegates authority to two Committees to assist in meeting its business objectives whilst ensuring a sound system of internal control and risk management. The Committees meet independently of Board meetings.</p> <p>The Board has elected not to establish a Nominations Committee, preferring instead that the Board should, itself, deal with such matters, including succession planning and the balance of the Board. Therefore, the Board will review Board composition.</p> <p>The Chairman and the Board continue to monitor and evolve the Company's corporate governance structures and processes, and maintain that these will evolve over time, in line with the Company's growth and development.</p>
Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	<p>As noted earlier in this statement, the Board has put in place a range of methods for engaging with shareholders and other stakeholders and is confident that these methods allow the Board to understand the views of these groups.</p> <p>The Board discloses the result of general meetings by way of announcement and discloses the proxy voting numbers to those attending the meetings as well as posting them on the website. The Board will take measures to ensure that, if there is a resolution passed at an AGM with at least 20% of votes cast being against the resolution, the Company will seek to understand the reason for the result and, where appropriate, take suitable action.</p> <p>For further details of the work of the Board committees, please see our Audit Committee report and Remuneration Committee report on pages 28-29 and pages 30 to 32 respectively.</p>

ENGAGE XR HOLDINGS PLC

ESG REPORT

This report provides stakeholders with a guide to the way in which the Group deals with the three core tenets of ESG, namely:

1. Environmental
2. Social
3. Governance

This Annual Report has already dealt with governance in detail in its report on Corporate Governance on pages 14 to 21, however there are some other aspects which are reported in the sections below.

The Board has ultimate responsibility for ENGAGE's ESG commitments and ESG was a distinct agenda point during the year. Our Senior Management Team is responsible for overseeing the management of ENGAGE as a whole and for cascading key business messages clearly throughout their departments, including messages about ESG matters. The highest management position responsible for oversight of ESG is Sandra Whelan, Chief Operating Officer

1. ESG – The Environmental Dimension

The Group has one physical office based in Waterford City, Ireland.

The Waterford office is managed in accordance with the landlord. It has a secure bicycle store and staff are encouraged to cycle to work through the promotion of the Company's Bike to Work Scheme.

The Company commenced a paper free initiative in 2021. Where paper may be needed, it is minimal and printer paper ordering is modest.

Responsible Procurement

The environmental impact of the Company's supply chain is a consideration for all new vendors. Since 2021, all new vendors are required to complete a Vendor Risk Management Assessment to ensure that their environmental and sustainability goals align with that of the Company. These vendors are then added to our Approved Supplier list and are audited and reviewed periodically throughout the year.

2. ESG – The Social Dimension

Engaging with our stakeholders helps the continued success of our business; stakeholders provide different perspectives and expertise that can drive innovation and support our strategic direction and financial performance. We engage regularly with our stakeholders, through both direct communications and our reporting, which we ensure accurately reflect the performance of the business. We also appreciate that each stakeholder group has different interests and concerns, and we therefore tailor our method of engagement with each appropriately.

ESG REPORT (continued)

2. ESG – The Social Dimension (continued)

Employees

We are passionate on making ENGAGE XR a rewarding place to work and to foster attraction and retention of employees by developing our recruitment practices and offering more opportunities for growth and progression to ensure we are accessing the broadest pools of talent.

Initiatives by the Company include:

- The Company has a referral program which allows employees (below the level of executive) to financially benefit from direct employee introductions and hence avoid paying recruitment fees externally.
- Training and Development Programme
- Flexible working
- Mental health support
- Financial health support
- Healthcare schemes

Employee Communication

The Company has a strong ethos of employee communication with internal company meetings being held monthly with a presentation from the CEO via the use of our internal communications platform.

EDI

Ensuring that equality, diversity and inclusion considerations are embedded within all facets of our business is a key priority.

We have a policy in place, the aim of which, in terms of employment, is to ensure that no job applicant or employee receives less favourable treatment on any grounds which cannot be shown to be justified. This applies to Recruitment and Selection, Training, Promotion, Pay and Employee Benefits, Employee Grievances and Discipline Procedures and all Terms and Conditions of Employment.

The table below provides as summary of the number of staff within the Group based on reporting period end dates:

EMPLOYEES	31 December 2024	30 June 2024	31 December 2023
<i>Employees by employment type</i>			
Number of full-time employees	51	62	64
Number of part-time employees	-	-	-
Number of temporary employees	-	-	-

ESG REPORT (continued)

2. ESG – The Social Dimension (continued)

EDI (continued)

EMPLOYEES	31 December 2024	30 June 2024	31 December 2023
<i>Diversity</i>			
Number of women at Board level	1	1	1
Number of women in workforce	10	12	12
Percentage of women in workforce	20%	19%	19%
Number of people from ethnic minorities at Board level	1	-	-
Employees paid a national living wage (%)	100%	100%	100%

Customers

The Company prides itself on providing a high level of customer service.

At the heart of this is our initial on ongoing engagement with our customers. Our customers enable us to understand their requirements and maintain clear and transparent communication with them. To this end, we have adopted the following approach.

- Created one centralised customer identity system (Pipedrive)
- Logging of dissatisfaction to drive improvements
- Responding to customer feedback and implementing quick fixes where appropriate
- Two channels for customer service
- Ongoing training for staff

The integration of our online training platform, Meta Compliance, increases accessibility to the staff training modules and enables us to monitor rates of completion and send reminders to employees when necessary.

Suppliers

The key issues for us with suppliers are:

- Their integrity
- Their reliability
- Their governance and business ethics

For all new significant suppliers, we ask them to complete a due-diligence questionnaire and periodically review the supplier. Many of our suppliers have been with us for a number of years and we have built up a good understanding of them and their values.

ESG REPORT (continued)

2. ESG – The Social Dimension (continued)

Shareholders and the Analyst Community

Shares in ENGAGE XR are publicly traded on London's AIM (Ticker: EXR). Under AIM rules we are obliged to have a Nominated Advisor ("NOMAD") and broker with whom we work closely on all AIM and MAR (Market Abuse Regulations) matters.

The broker is the prime interface with our shareholders.

In 2024, in addition to the Annual and Interim results, ENGAGE XR released two trading updates. At the final and interim results, the Executive directors present the results to investors and handle regular analyst calls. Our investor presentations are included in our Investor Relations website, the link to which is here; <https://engagevr.io/presentations/>

Giving back to the community

In considering societal impact, the Group wishes to give employees the opportunity to get involved and support is provided to employees in their endeavours. A number of charitable donations have been made by the Company to select charities.

3. ESG - The Governance Dimension

To execute our strategy flawlessly we maintain strong governance practices. These practices are streamlined and harmonised across the Group. Our full Report on Corporate Governance is on pages 14 to 21.

IT and data security

The Company recognises that security is critical to our customers. We aim to continually improve our cybersecurity procedures and have focussed on increasing security awareness among our colleagues.

In 2021 the Company achieved ISO27001 certification. This certification reflects the emphasis we place on ensuring the highest standards of security and safety. Verification of ISO27001 certification can be viewed here <https://certcheck.ukas.com/> using our trading company name ENGAGE XR Limited.

Central to cybersecurity for the business is having robust oversight and effective governance. The importance of IT and data security is driven from the very top of the business with CEO and COO recognition, the latter having direct involvement in cybersecurity matters.

There are strong lines of communication between the Executive Team and the Technical Architects and Security Performance Engineers within the Company. There is ever present Executive and Senior Management participation in all technical and risk assessment meetings. To support the secure operation of our systems, there are a comprehensive series of security policies and procedures in place, and external penetration tests performed yearly.

There are two main committees that meet weekly/monthly. Information Security Forum (ISF) and Change Advisory Board (CAB).

ESG REPORT (continued)

3. ESG - The Governance Dimension (continued)

Information Security Forum (ISF)

Chair: Chief Operating Officer

Purpose:

- Evaluate security threats to the Company
- Sign off new technical decisions or system changes which flow through CAB
- Sign off new third-party integrations which flow through CAB
- Ensure compliance with relevant regulations

Change Advisory Board (CAB)

Chair: Chief Operating Officer

Purpose:

- Whitelisting of approved software
- Verify that changes to projects align with Company goals,
- To review change requests and the impact of proposed changes,
- To review the risks associated with change requests and decide whether to approve or reject.

We conduct an annual audit of our existing technology suppliers to ensure that they are still meeting the required standards

Continuous improvement

In 2021, we achieved ISO 27001 certification. The Chief Operating Officer (COO) is the Executive Sponsor of the initiative, and it is being driven by executive and middle management.

As internal employee actions can pose the greatest risk to IT and data security, the overarching objective is to raise awareness for cybersecurity across the Company. We run targeted phishing campaigns on our own staff to improve awareness and reduce the risk of employees clicking through on suspicious emails.

Data security and IT practices are constantly improved, as we react to developments and implement adjustments to existing systems and procedures.

All employees must complete continuous security awareness, general cyber and data security and GDPR training. With the integration of our online training platform, Meta Compliance, we can monitor levels of training completion, and push out reminders via email and our internal communications platform. We have introduced security awareness training as part of our onboarding process for new employees.

ESG REPORT (continued)

3. ESG - The Governance Dimension (continued)

Privacy of customer data

Our data privacy practices are of extreme importance, and we approach all data security scenarios from the perspective that no employee is necessarily secure. We have two-factor authentication for all systems that contain customer data. Where an employee must use a personal device for work, we require all employees to adhere to the Bring Your Own Device (BYOD) Policy.

Under the Data Protection Act 2018 and the General Data Protection Regulation (EU 2016/679), Information Subjects have rights with regards to the Personal Information where ENGAGE XR is the Controller. To ensure that all employees are aware of their obligations we have implemented a Handling of Personal Information Processing Request Procedure which is available to all employees within the Company's Information Security Management System (ISMS) and is part of the compulsory onboarding process for all new employees.

Risk management

We increased the capabilities within the risk management side of the business. We have a Security and Performance Engineer who assesses any perceived security risks to the business by monitoring anti-virus health, patch compliance and other IT security controls. We have a Risk Assessment and Treatment Process in place along with, Threat and Vulnerability Management Policy and Security Incident Management Procedures.

Governance and business ethics

We continue to strengthen our internal governance and ensure we are conducting business correctly. We have created a conduct policy, rolled-out in 2022. Using our online training platform, Meta Compliance, we are also able to deliver compliance and ethics training easily.

We are committed to the highest possible standards of openness, probity and accountability. In line with that commitment the organisation expects employees, and others that we deal with, who have serious concerns about any aspect of ENGAGE XR's work to come forward and voice those concerns. We have distributed our Whistle Blowing Policy which is intended to cover major concerns that fall outside the scope of other procedures.

As a result of our continued harmonisation efforts, we are now better placed as a business for innovation and improvement of the customer experience.

OUR GOVERNANCE	2024	2023	2022
<i>Employees by employment type</i>			
Number of data breaches	0	0	0
Employees completed Meta Compliance Security Awareness training (%)	98.00%	98.25%	96.67%

ENGAGE XR HOLDINGS PLC

AUDIT COMMITTEE REPORT

Dear Shareholder

I present my Audit Committee (**Committee**) Report for the Year Ended 31 December 2024, which has been prepared by the Committee and approved by the Board.

Committee Composition and Meetings

As at 31 December 2024, the Audit Committee has two members, Richard Cooper (**Chair**), and Kenny Jacobs and aims to meet at least two times each financial year. During 2024, the Audit Committee met two times. The CFO and external auditors attend meetings by invitation.

The Committee and the Board believe that I have sufficient relevant financial experience to fulfil my duties as Committee Chair because I have 25 years' experience in both publicly traded and privately-owned companies in a variety of service industries including gaming, insurance, and financial services. In respect of the overall composition of the Committee in 2024, the Board believes that Kenny's wealth of experience in corporate business development and related financial matters augmented the Committee with the requisite skills and capabilities and supported the Committee to perform its role effectively.

Responsibilities

The Audit Committee has the following responsibilities:

Financial Reporting

As stated in the Committee's terms of reference, the Committee is responsible for monitoring the integrity of the financial statements of the Company, including its annual and interim accounts and reports, preliminary results announcements, and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements contained in them having regard to the matters communicated to it by the auditor. The Committee is required to review and challenge where necessary the methods used to account for significant or unusual transactions where different approaches are possible. The Committee is also responsible for reviewing summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of price sensitive information. The Audit Committee is required to compile a report to Shareholders on its role and activities to be included in the Company's Corporate Governance Report, in addition to reporting formally to the Board on the Committee's proceedings after each meeting on all matters.

External Audit

The Committee expects to meet with the auditor at least twice a year, once at the planning stage, where the nature and scope of the audit will be considered, and once post-audit at the reporting stage. The Committee is responsible for reviewing and approving the annual audit plan with the auditor and ensuring that it is consistent with the scope of the audit engagement and the effectiveness of the audit. In addition, the Committee is responsible for reviewing the findings of the audit with the external auditor which shall include but not be limited to discussing major issues which arose on the audit, any accounting and audit judgements, levels of errors identified during the audit and the effectiveness of the audit.

AUDIT COMMITTEE REPORT (continued)

The Committee liaises with the auditor regarding fees, internal controls and such issues as compliance with accounting standards and any proposals which the external auditor has made regarding the Company's internal auditing standards.

Risk Management and Internal Controls

The Committee keeps under review the adequacy and effectiveness of the Company's internal financial controls and risk management systems including monitoring the proper implementation of such controls and will review and approve the statements to be included in the annual report concerning internal controls and risk management. The Committee will also consider annually whether there is a need for an internal audit function and make a recommendation to the Board.

The Committee also has a responsibility to review the adequacy of the Company's arrangements for its employees and contractors to confidentially raise any concerns about possible wrongdoings regarding financial reporting or other matters. The Audit Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action. In addition, the Committee shall review the Company's procedures for detecting fraud and the Company's systems and controls for the prevention of bribery and receive reports on non-compliance. The Committee will also monitor and ensure the Company's adherence to its AIM Rules compliance policy.

Significant Issues Considered by the Audit Committee During the Year

The Committee considered the following significant issues in relation to the Annual Report and Accounts:

- Revenue Recognition
- Going Concern
- Carrying value of subsidiary investments

Auditor's Independence, Appointment and Remuneration

The current auditor has held office since 2021. The audit was last put out to tender in 2021. There are no current plans to retender the audit.

The Committee approves the external auditor's terms of engagement and the level of their remuneration, scope of work, the process for the interim review and the annual audit. It has primary responsibility for making recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor.

The Committee is responsible for reviewing and monitoring the external auditor's independence and objectivity as well as their qualifications, expertise and resources and the effectiveness of the audit process, taking into consideration relevant Irish, UK and other relevant professional and regulatory requirements. The Committee receives the auditor's recommendations on improvements in the control environment and tracks progress on these to resolution where necessary. During the year under review the auditor did not perform any material non-audit services for the Company.

Richard Cooper
Chairman of the Audit Committee
2 June 2025

ENGAGE XR HOLDINGS PLC

REMUNERATION COMMITTEE REPORT

Dear Shareholder

I present my Remuneration Committee (**Committee**) Report for the Year Ended 31 December 2024, which has been prepared by the Committee and approved by the Board.

The Committee has 2 members, Kenny Jacobs (**Chair**) and Richard Cooper and aims to meet at least twice annually. The Committee invites recommendations as to remuneration levels, incentive arrangements for senior executives and proposals regarding share option awards. Kenny Jacobs was appointed as Non-Executive Director of the Company in November 2021 and has joined the Committee since his appointment.

Responsibilities

The Committee's principal responsibilities include:

- Determining and agreeing with the Board the framework or broad policy for the remuneration of Executive Management;
- Reviewing and having regard to pay and employment conditions across the Company when setting remuneration policy for Executive Management and especially when determining salary increases;
- Approving the design of and determining targets for any performance-related pay schemes operated by the Company;
- Overseeing the design and application of share options and any other such reward plan in conjunction with the Board; and
- Determining the policy for and scope of pension arrangements for Executive Management.

The Non-Executive Directors, whose remuneration is determined by the Board as a whole, receive fees in connection with their services provided to the Group, to the Board and to Board Committees.

Certain senior staff and Executive Directors receive basic salaries, annual bonuses according to performance against defined targets, and certain benefits in kind.

Directors' remuneration

The Directors' remuneration during the year is set out below:

a) Directors' Salaries and fees:

	2024 Total €	2023 Total €
<i>Executive Directors</i>		
David Whelan	215,250	235,875
Sandra Whelan	167,750	183,792
Séamus Larrisey	162,750	157,750

REMUNERATION COMMITTEE REPORT (continued)

a) Directors' Salaries (continued):

Non-executive Directors		
Karthik Manimozhi	83,868	-
Richard Cooper	97,711	90,981
Kenny Jacobs	28,500	29,688
Marc Metis	-	-
Total	755,329	698,086

b) Directors' Share Options:

Name	No. of options	Date of Grant	Exercisable	Exercise price (€)
David Whelan	13,000,000	03/08/2023	-	0.046 (£0.04)
Sandra Whelan	13,000,000	03/08/2023	-	0.046 (£0.04)
Séamus Larrissey	3,200,000	03/08/2023	-	0.046 (£0.04)
Séamus Larrissey	910,940	21/08/2017	910,940	0.026
Richard Cooper	1,000,000	12/03/2018	1,000,000	0.0001
Karthik Manimozhi	2,500,000	01/07/2024	-	0.046 (£0.04)

On 3 August 2023 the Company issued a grant of options of 38,700,000 new ordinary shares of €0.001 each in the capital of the Company. Options were granted to David Whelan, Chief Executive Officer, Sandra Whelan, Chief Operating Officer and Séamus Larrissey, Chief Financial Officer, as well as to many of the Group's employees. No share options were issued to the Executive Directors during 2024 (2023: 29,200,000).

Following the successful completion of the equity placing in 2023, the Remuneration Committee evaluated appropriate solutions to put in place suitable longer-term incentives aimed at aligning the interests of employees and shareholders. The option grant also assists with the retention and motivation of key employees of the Company as the Company looks to deliver against the strategic opportunity outlined at the time of the placing. The Options will provide the potential for rewards only if shareholders benefit from sustained growth in shareholder value over the coming years.

On 1 July 2024 the company issued a grant of options of 2,500,000 new ordinary shares of €0.001 each in the capital of the Company to new non-executive chairman Karthik Manimozhi.

REMUNERATION COMMITTEE REPORT (continued)

The Options have been granted at a price of 4 pence each and cannot be exercised for at least three years from the date of grant (other than on a change of control). The Options have performance criteria linked to the future share price performance of the Company with:

- One third of the Options being capable of exercise if the five day volume-weighted average price preceding the date of such exercise was 12 pence or higher; and
- One third of the Options being capable of exercise if the five day volume-weighted average price preceding the date of such exercise was 16 pence or higher; and
- One third of the Options being capable of exercise if the five day volume-weighted average price preceding the date of such exercise was 20 pence or higher.

The Options will vest in full on a change of control provided a minimum price threshold of 10 pence per share is met.

Directors' interests

The interests and beneficial interests of the Directors in the shares of the Company at 31 December 2024 are set out below:

	No of Shares
<i>Executive Directors</i>	
David Whelan	39,370,000
Sandra Whelan	39,213,000
Seamus Larrissey	407,500
<i>Non-Executive Directors</i>	
Richard Cooper	1,070,400

Richard Cooper
Chairman of the Audit Committee

ENGAGE XR HOLDINGS PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENGAGE XR HOLDINGS PLC

Opinion

We have audited the financial statements of Engage XR Holdings Plc formerly 'VR Education Holdings Plc' (the 'parent company') and its subsidiaries (the 'group') for the Year Ended 31 December 2024 which comprise the Consolidated Statement of Total Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements 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 Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2014.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent assets, liabilities and financial position as at 31 December 2024 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2014; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) 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 parent company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the director's assessment of the entity's ability to continue to adopt the going concern basis is included in the key audit matters section of our report.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Material Uncertainty Related to Going Concern

In forming our opinion on the financial statements, we have considered the adequacy of the disclosure made in Note 2 "Going Concern" to the financial statements concerning the group's ability to continue as a going concern. At 31 December 2024 the company had a loss for the year of €3,974,496 and at that date remaining net assets amounted to €4,716,872. These conditions together with the other matters explained in Note 2, indicates the existence of a material uncertainty which may cast doubt over the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern. Our opinion is not modified in respect of this matter.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in the evaluation of the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements in forming the opinion in the auditor's report.

We define materiality as the magnitude of misstatement in the financial statements that, individually or in aggregate could reasonably be expected to influence the economic decisions of the users of the financial statements. We use materiality in determining the nature, timing and extent of our audit work.

The materiality applied to the group financial statements was €119,000 (2023: €135,000). This has been calculated using Revenue and Loss Before Tax benchmarks which we have determined, in our professional judgement, to be the most appropriate benchmarks within the financial statements relevant to the members of the Group in assessing financial performance. The materiality applied to the parent company financial statements was €22,000 (2023: €28,000) based upon 3% of the Loss Before Tax.

We calculated materiality during the planning stage of the audit, and then during our audit, we re-assessed our initial materiality based on actual results for the Year Ended 31 December 2024 and adjusted our audit procedures accordingly. We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Our performance materiality for the group is €89,300 (2023: €101,000), which is 75% of overall materiality. Our performance materiality for the Parent Company is €16,500 (2023: €21,000) which is 75% of the overall materiality. We calculated performance materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial performance materiality based on actual results and adjusted our audit procedures accordingly.

We report to the Audit Committee all corrected and uncorrected misstatements we identified through our audit in excess of €4,500 for the group and parent company. We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

An overview of the scope of our audit

Our audit is risk based and designed to focus our efforts on the areas of greatest risk and material misstatement, aspects subject to significant management judgement as well as greatest complexity, risk and size.

ENGAGE XR HOLDINGS PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENGAGE XR HOLDINGS PLC (continued)

An overview of the scope of our audit (continued)

In designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgement by the directors and considered future events that are inherently uncertain. In particular, we looked at areas involving significant accounting estimates and judgement by the directors and considered future events that are inherently uncertain.

These areas of estimation and judgement included:

- The fair value of share based payment transactions in the year;
- Revenue recognition
- Going concern;
- The carrying value of the subsidiary investments; and
- The treatment of research and development tax credits.

We also addressed the risk of management override of controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

The group and its two subsidiaries are accounted for from a central location in Waterford, Ireland.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENGAGE XR HOLDINGS PLC (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit addressed the key audit matter
<p>Revenue recognition (Refer to notes 2 and 3)</p> <p>We assessed revenue recognition as a key risk as revenue forms the basis for certain of the Group's key performance indicators, including EBITDA.</p> <p>As the Group is entering into new and evolving revenue streams, which require further judgement around the recognition and measurement principles, there is a risk that revenue could be recognised incorrectly.</p> <p>Manual journal entries are required to ensure that revenue is recognised appropriately and in the correct period. However, owing to the manual nature of these adjustments, there may be a higher risk of error or potential management override</p>	<p>The work undertaken to mitigate the risks were as follows:</p> <p>We have reviewed the technical accounting papers and policies prepared by management in relation to revenue recognition for the Group.</p> <p>We performed walkthroughs of significant classes of revenue transactions to understand significant processes and to identify and assess the design effectiveness of key financial controls.</p> <p>We have inspected the terms of key contracts held by the Group in relation to revenue recognition, and have given consideration to these contracts against the relevant accounting standard, IFRS 15, to ensure appropriate accounting treatment has been made.</p> <p>We have selected a representative sample of current year revenue transactions and sought appropriate, corroborating, evidence (internal and third-party) to test the completeness, occurrence and existence of the revenue recognised.</p> <p>We have performed detailed testing procedures on deferred revenue. We have assessed and recalculated management's calculations for this balance, in line with relevant accounting guidance.</p> <p>We have tested a sample of journal entries in relation to revenue through applying criteria in regard to both quantum and risk profile, such as significantly sized manual journal postings.</p> <p>Based on our audit work, we did not identify any material misstatement in respect of revenue recognition.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENGAGE XR HOLDINGS PLC (continued)

Key Audit Matter	How the scope of our audit addressed the key audit matter
<p>Going concern (refer note 2)</p> <p>The group and parent company are currently loss making. Additional funds may need to be raised during the going concern period in excess of those forecast from trading to enable product and business development to continue as planned.</p>	<p>The work undertaken to mitigate this risk was as follows:</p> <ul style="list-style-type: none"> • Obtained and reviewed cash flow forecasts prepared for the period ending December 2026 which underpins the Directors Assessment of Going Concern. We have tested and challenged management on the key assumptions underlying those forecasts, including sensitivity analysis and stress testing and any shortfall in revenue, including mitigating actions. • Comparison of actual results to date against forecasted figures to assess the forecasting ability/ accuracy of management. • Considered the accuracy of previous forecasts to actual results, particularly regarding costs and revenue. • Review of the financial statements disclosures for the year ended 31 December 2024 and its supporting documents. • Assessment of the risks faced by the Group and the parent Company, which include: <ul style="list-style-type: none"> - operational resilience and business continuity plans; - ability to continually provide services to customers; • We have concluded that it was needed to include a "Material Uncertainty Related to Going Concern" paragraph in the Audit Report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENGAGE XR HOLDINGS PLC (continued)

Key Audit Matter	How the scope of our audit addressed the key audit matter
<p>Carrying value of subsidiary investments (refer note 14)</p> <p>The parent company has a material carrying value of its investment in subsidiary undertaking, including the intercompany receivable. There is a risk that these balances are not fully recoverable and should be impaired.</p>	<p>The work undertaken to mitigate this risk was as follows:</p> <ul style="list-style-type: none"> Assessed the carrying values by reference to the subsidiary's underlying net assets and trading performance. Assessed recoverability with reference to the budgets and cash flow forecasts prepared for going concern purposes. Considered impairment adjustments prepared by management for reasonableness <p>Based on our audit work, we did not identify any material misstatement in respect of the carrying value of subsidiary investments.</p>

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the group and parent company 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.

Opinions on other matters prescribed by the Companies Act 2014

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

- 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 the Companies Act 2014.

We have obtained all the information and explanations which we consider necessary for the purpose of our audit. In our opinion, the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VR EDUCATION HOLDINGS PLC (continued)

Matters on which we are required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the group and parent company 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 group and parent company 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 (Ireland) 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.

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

- We obtained an understanding of the Group and Parent Company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management and the application of our audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the Group and Parent Company in this regard to be those arising from IFRS, Companies Act 2014, AIM rules and the relevant tax compliance regulations in the jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to employee matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VR EDUCATION HOLDINGS PLC (continued)

- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the Group and Parent Company with those laws and regulations. These procedures included, but were not limited to:
 - We obtained an understanding of the effectiveness of the Group's overall control environment and policies to monitor these controls, and it appears that the controls are designed appropriately to identify irregularities.
 - In addition, we completed audit procedures to conclude on the compliance of disclosures in the Annual Report and financial statements with applicable reporting requirements. We communicated relevant laws and regulations risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
 - Reviewing RNS announcements.
 - Reviewing legal and professional fees ledger accounts.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements and determined that the principal risks related to management bias through judgements and assumptions in significant accounting estimates, and to posting inappropriate journal entries. The key audit matters section of our report explains the specific procedures performed in respect of revenue recognition and the carrying value of subsidiary investments.

Our audit procedures performed included:

- Discussions with and inquiry of management and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of minutes from board and other committee meetings;
- In addition, we completed audit procedures to conclude on the compliance of disclosures in the Annual Report and financial statements with applicable reporting requirements.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- We also identified the risks of material misstatement of the financial statements due to fraud.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

ENGAGE XR HOLDINGS PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VR EDUCATION HOLDINGS PLC (continued)

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: <https://www.iaasa.ie/Publications/Auditing-standards/> This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. 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.

David McGarry
For and on behalf of Azets Audit Services Ireland Limited
Statutory Auditor
2 June 2025

3rd Floor
40 Mespil Road
Dublin 4

ENGAGE XR HOLDINGS PLC

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME for the Year Ended 31 December 2024

	Note	2024 €	2023 €
Continuing Operations			
Revenue	3	3,397,251	3,690,697
Cost of Sales	5	(476,728)	(379,640)
		<hr/>	<hr/>
Gross Profit		2,920,523	3,311,057
Administrative Expenses	5	(7,104,692)	(7,551,774)
		<hr/>	<hr/>
Operating Loss		(4,184,169)	(4,240,717)
Finance Income	9	216,122	193,605
Finance Costs	8	(6,449)	(6,966)
		<hr/>	<hr/>
Loss before Income Tax		(3,974,496)	(4,054,078)
Income Tax credit	10	-	-
		<hr/>	<hr/>
Loss for the financial year		(3,974,496)	(4,054,078)
Other comprehensive income		-	-
		<hr/>	<hr/>
Total comprehensive loss for the year attributable to owners of the parent		(3,974,496)	(4,054,078)
		<hr/>	<hr/>
Earnings per Share (EPS) attributable to owners of the parent			
Basic earnings per share	11	(0.008)	(0.008)
Diluted earnings per share	11	(0.007)	(0.008)

The accompanying notes on pages 49-76 form an integral part of these financial statements.

ENGAGE XR HOLDINGS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION at 31 December 2024

	Note	2024 €	2023 €
Non-Current Assets			
Property, Plant & Equipment	12	56,417	123,728
Intangible Assets	13	-	-
		<hr/> 56,417	<hr/> 123,728
Current Assets			
Trade and other receivables	15	1,786,684	1,195,333
Cash and short-term deposits	16	3,566,927	7,911,079
		<hr/> 5,353,611	<hr/> 9,106,412
Total Assets		<hr/> 5,410,028	<hr/> 9,230,140
Equity and Liabilities			
Equity Attributable to Shareholders			
Issued share capital	17	524,826	524,826
Share premium	17	43,910,062	43,910,062
Other reserves	18	(12,128,790)	(12,292,523)
Retained earnings	19	(27,589,226)	(23,614,730)
		<hr/> 4,716,872	<hr/> 8,527,635
Total Equity		<hr/> 4,716,872	<hr/> 8,527,635
Non-Current Liabilities			
Lease liabilities	21	-	34,540
		<hr/> -	<hr/> 34,540
Current Liabilities			
Trade and other payables	22	658,616	615,237
Lease liabilities	21	34,540	52,728
		<hr/> 693,156	<hr/> 667,965
Total Liabilities		<hr/> 693,156	<hr/> 702,505
Total Equity and Liabilities		<hr/> 5,410,028	<hr/> 9,230,140

The accompanying notes on pages 49-76 form an integral part of these financial statements.

On behalf of the board

Sandra Whelan
Director

2 June 2025

Séamus Larrissey
Director

2 June 2025

ENGAGE XR HOLDINGS PLC

COMPANY STATEMENT OF FINANCIAL POSITION at 31 December 2024

	Note	2024 €	2023 €
Non-Current Assets			
Investment in subsidiaries	14	3,635,844	12,366,593
		<u>3,635,844</u>	<u>12,366,593</u>
Current Assets			
Trade and other receivables	15	12,930	25,424
Cash and short-term deposits	16	3,226,157	5,791,641
		<u>3,239,087</u>	<u>5,817,065</u>
Total Assets		<u>6,874,931</u>	<u>18,183,658</u>
Equity and Liabilities			
Equity Attributable to Shareholders			
Issued share capital	17	524,826	524,826
Share premium	17	43,910,062	43,910,062
Other reserves	18	(1,119,279)	(1,246,172)
Retained earnings	19	(36,503,224)	(25,081,249)
Total Equity		<u>6,812,385</u>	<u>18,107,467</u>
Current Liabilities			
Trade and other payables	22	62,546	76,191
Total Liabilities		<u>62,546</u>	<u>76,191</u>
Total Equity and Liabilities		<u>6,874,931</u>	<u>18,183,658</u>

The accompanying notes on pages 49-76 form an integral part of these financial statements.

On behalf of the board

Sandra Whelan
Director

2 June 2025

Séamus Larrissey
Director

2 June 2025

ENGAGE XR HOLDINGS PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the Year Ended 31 December 2024

	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total
	€	€	€	€	€
Balance at 1 January 2023	290,451	33,503,300	(11,752,741)	(19,560,652)	2,480,358
Total comprehensive income					
Other comprehensive income	-	-	-	-	-
Loss for the year	-	-	-	(4,054,078)	(4,054,078)
Total comprehensive income	290,451	33,503,300	(11,752,741)	(23,614,730)	(1,573,720)
Transactions with owners recognised directly in equity					
New Shares Issued	234,375	10,406,762	-	-	10,641,137
Share Issue Costs	-	-	(601,362)	-	(601,362)
Share option expense	-	-	61,580	-	61,580
Balance at 31 December 2023	524,826	43,910,062	(12,292,523)	(23,614,730)	8,527,635
	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total
	€	€	€	€	€
Balance at 1 January 2024	524,826	43,910,062	(12,292,523)	(23,614,730)	8,527,635
Total comprehensive income					
Other comprehensive income	-	-	-	-	-
Loss for the year	-	-	-	(3,974,496)	(3,974,496)
Total comprehensive income	524,826	43,910,062	(12,292,523)	(27,589,226)	4,553,139
Transactions with owners recognised directly in equity					
Share option expense	-	-	163,733	-	163,733
Balance at 31 December 2024	524,826	43,910,062	(12,128,790)	(27,589,226)	4,716,872

The accompanying notes on pages 49-76 form an integral part of these financial statements.

ENGAGE XR HOLDINGS PLC
**COMPANY STATEMENT OF CHANGES IN EQUITY
for the Year Ended 31 December 2024**

	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total
	€	€	€	€	€
Balance at 1 January 2023	290,451	33,503,300	(691,272)	(14,001,259)	19,101,220
Total comprehensive income					
Other comprehensive income	-	-	-	-	-
Loss for the year	-	-	-	(11,079,990)	(11,079,990)
Total comprehensive income	290,451	33,503,300	(691,272)	(25,081,249)	8,021,230
Transactions with owners recognised directly in equity					
New Shares Issued	234,375	10,406,762	-	-	10,641,137
Share Issue Costs	-	-	(601,362)	-	(601,362)
Share option expense	-	-	46,462	-	46,462
Balance at 31 December 2023	524,826	43,910,062	(1,246,172)	(25,081,249)	18,107,467
	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total
	€	€	€	€	€
Balance at 1 January 2024	524,826	43,910,062	(1,246,172)	(25,081,249)	18,107,467
Total comprehensive income					
Other comprehensive income	-	-	-	-	-
Loss for the year	-	-	-	(11,421,975)	(11,421,975)
Total comprehensive income	524,826	43,910,062	(1,246,172)	(36,503,224)	6,685,492
Transactions with owners recognised directly in equity					
Share option expense	-	-	126,893	-	126,893
Balance at 31 December 2024	524,826	43,910,062	(1,119,279)	(36,503,224)	6,812,385

The accompanying notes on pages 49-76 form an integral part of these financial statements.

ENGAGE XR HOLDINGS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS for the Year Ended 31 December 2024

	Note	2024 €	2023 €
Continuing Operations			
Loss before income tax		(3,974,496)	(4,054,078)
Adjustments to reconcile loss before tax to net cash flows:			
Depreciation of fixed assets	5	91,398	106,179
Amortisation of intangible assets	5	-	39,492
Finance Costs	8	6,449	6,966
Finance Income	9	(216,122)	(193,605)
Share Option Expense		163,733	61,579
Movement in trade & other receivables		(591,351)	170,649
Movement in trade & other payables		43,379	(607,251)
		<u>(4,477,010)</u>	<u>(4,470,069)</u>
Bank interest received		216,122	193,605
Bank interest & other charges paid		<u>(6,449)</u>	<u>(6,966)</u>
Net Cash used in Operating Activities		<u>(4,267,337)</u>	<u>(4,283,430)</u>
Cash Flows from Investing Activities			
Purchases of property, plant & equipment	12	<u>(24,087)</u>	<u>(17,465)</u>
Net cash used in investing activities		<u>(24,087)</u>	<u>(17,465)</u>
Cash Flows from Financing Activities			
Proceeds from issuance of ordinary shares		-	10,039,775
Payment of lease liabilities	21	<u>(52,728)</u>	<u>(36,970)</u>
Net cash generated from / (used in) financing activities		<u>(52,728)</u>	<u>10,002,805</u>
Net increase / (decrease) in cash and cash equivalents		<u>(4,344,152)</u>	<u>5,701,910</u>
Cash and cash equivalents at beginning of year	16	<u>7,911,079</u>	<u>2,209,169</u>
Cash and cash equivalents at end of year	16	<u>3,566,927</u>	<u>7,911,079</u>

The accompanying notes on pages 49-76 form an integral part of these financial statements.

ENGAGE XR HOLDINGS PLC

COMPANY STATEMENT OF CASH FLOWS for the Year Ended 31 December 2024

	Note	2024 €	2023 €
Continuing Operations			
Loss before income tax		(11,421,975)	(11,079,990)
Adjustments to reconcile loss before tax to net cash flows:			
Finance Costs		722	792
Finance Income		(212,386)	(192,971)
Share Option Expense		126,893	46,463
Impairment of Investment in Subsidiaries		10,698,215	10,157,911
Movement in trade & other receivables		12,494	(21,932)
Movement in trade & other payables		(13,645)	(77,354)
		<u>(809,682)</u>	<u>(1,167,081)</u>
Bank interest received		212,386	192,971
Bank interest & other charges paid		<u>(722)</u>	<u>(792)</u>
Net cash used in Operating Activities		<u>(598,018)</u>	<u>(974,902)</u>
Cash Flows from Investing Activities			
Capital contribution		<u>(1,967,466)</u>	<u>(3,759,402)</u>
Net cash (used) / generated in investing activities		<u>(1,967,466)</u>	<u>(3,759,402)</u>
Cash Flows from Financing Activities			
Proceeds from issuance of ordinary shares		<u>-</u>	<u>10,039,775</u>
Net cash generated from financing activities		<u>-</u>	<u>10,039,775</u>
Net increase / (decrease) in cash and cash equivalents		<u>(2,565,484)</u>	<u>5,305,471</u>
Cash and cash equivalents at beginning of year	16	<u>5,791,641</u>	<u>486,170</u>
Cash and cash equivalents at end of year	16	<u>3,226,157</u>	<u>5,791,641</u>

The accompanying notes on pages 49-76 form an integral part of these financial statements.

ENGAGE XR HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

ENGAGE XR Holdings plc (“the Company”) is publicly traded on the Alternative Investment Market (“AIM”) of the London Stock Exchange. The Company is incorporated and domiciled in the Republic of Ireland. The registered office is Unit 9, Cleaboy Business Park, Old Kilmeaden Road, Waterford and the registered number is 613330. The company was previously known as VR Education Holdings plc.

The Company is the parent company of ENGAGE XR Limited, previously known as Immersive VR Education Limited. ENGAGE XR Limited is incorporated and domiciled in the Republic of Ireland with the same registered office as the Company.

The Company is also the parent company of ENGAGE XR LLC. ENGAGE XR LLC is incorporated and domiciled in USA with a registered office of 251 Little Falls Drive, Wilmington, Delaware, 19808-1674, USA.

The Group is principally engaged in the development of the educational Virtual Reality platform ENGAGE. The Company also develops and sells Virtual Reality experiences for the education market.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union issued by the International Accounting Standards Board (“IASB”) including related interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of Consolidation

The consolidated financial statements incorporate those of ENGAGE XR Holdings plc and its subsidiaries ENGAGE XR Limited and ENGAGE XR LLC.

All financial statements are made up to 31 December 2024. 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.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date on which control ceases. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Business Combination

Acquisition of ENGAGE XR Limited

The Company entered into an agreement to acquire the entire issued share capital of ENGAGE XR Limited on 12 March 2018. The acquisition was effected by way of issue of shares. Due to the relative size of the companies, ENGAGE XR's shareholders became the majority shareholders in the enlarged capital of the Company. The transaction fell outside of IFRS 3 ("Business Combinations") and as such has been treated as a group reconstruction.

Therefore, although the Group reconstruction did not become unconditional until 12 March 2018, these consolidated financial statements are presented as if the Group structure has always been in place, including the activity from incorporation of the Group's subsidiaries.

Furthermore, as ENGAGE XR Holdings plc was incorporated on 13 October 2017, while the enlarged group began trading on 12 March 2018, the Statement of Comprehensive Income and consolidated Statement of Changes in Equity and consolidated Cash Flow Statements are presented as though the Group was in existence for the whole year. On this basis, the Directors have decided that it is appropriate to reflect the combination using merger accounting principles as the transaction falls outside the scope of IFRS 3 and as such has been treated as a Group reconstruction. No fair value adjustments have been made as a result of the combination.

Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Capitalised development costs

In applying the requirements of IAS 38 Intangible Assets, the Group assessed various development projects against the criteria required for capitalisation. Certain projects that did not meet the criteria regarding the ability to determine whether those projects would generate sufficient future economic benefits were expensed. The judgements reflect the early stage of the VR/AR market and will change over time.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Capitalised development costs impairment review

The Group's impairment review undertaken to assess the carrying value of capitalised development costs includes certain assumptions on future revenues and costs associated with the underlying technology. Those cashflows are discounted at an appropriate discount rate. These estimates and assumptions are reviewed on an on-going basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based or as a result of new information or more experience. Such changes are recognised in the period in which the estimate is revised.

Going Concern

The financial statements have been prepared on a going concern basis which assumes that the group will continue in operational existence for at least one year from the date of approval of these financial statements.

At 31 December 2024 the group had a loss for the year of €3,974,496 and at that date net assets amounted to €4,716,872.

The group's ability to continue as a going concern is dependent on its ability to trade profitably in the future.

In forming this opinion, the Directors have considered all the information available to them. This includes management prepared forecasts, cost saving exercises, finalisation of significant contracts, due consideration of the ability to raise funds on the open market in respect of the listing on the Alternative Investment Market on the London Stock Exchange and the timing as to when such funds will be received.

However, the Directors acknowledge that, in the current climate, assumptions used in financial forecasting are highly dependent on unpredictable future events.

Throughout 2025 the Group has continued to work on several significant opportunities in both the Middle East and North America. However, the timing for concluding these deals remains uncertain.

As a result of this uncertainty, during May 2025, the Group undertook a restructuring which resulted in a reduction in the size of the team. Together with other costs being eliminated this has resulted in significant savings for the Group. With these cost savings we expect that the Group has sufficient funding for at least 12 months from the date of signing the financial statements and until one or more of the significant opportunities close which will further bolster the cash position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Going Concern (continued)

However, notwithstanding the foregoing, the directors believe that the above circumstances still represent significant challenges and uncertainties which may cast doubt on the company and group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business for a period of at least one year from the date of the approval of these financial statements. However, the Board remain optimistic that all actions that have been and continue to be taken will mitigate against these uncertainties.

While the directors believe that it is appropriate for the financial statements to be prepared on the going concern basis, the financial statements do not include any adjustments that would result from a situation where the company failed to achieve the projected financial results.

Foreign Currency Translation

(a) Functional and Presentation Currency

Items included in the Financial Statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency").

The Financial Statements are presented in euro (€), which is the Group's functional and presentation currency.

(b) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within Administrative Expenses.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

2. Summary of Significant Accounting Policies (continued)

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each balance sheet date. The Company has applied IFRS 9 for all periods presented.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of discounts, returns and Value-Added Taxes (VAT).

Under IFRS 15, Revenue from Contracts with Customers, five key points to recognise revenue have been assessed:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Where the Group makes sales relating to a future financial period, these are deferred and recognised under 'deferred revenue' on the Statement of Financial Position. The Group currently has two revenue streams:

ENGAGE Revenue

The Group is primarily focused on developing a proprietary VR platform which is sold through licences and professional services revenue. This is considered "ENGAGE Revenue" for reporting purposes. Revenue is recognised when the license is delivered to the customer, or when all performance obligations have been achieved.

Showcase Experiences

The Group also develops proprietary educational VR content which is sold through licences. This is considered "Showcase Experience Revenue" for reporting purposes. Revenue is recognised when the license key is delivered to the customer, or when all performance obligations have been achieved.

Revenue is received net of commission from the platforms where the Group licenses their content. The gross amount of revenue is recognised in revenue with the corresponding commission portion recognised in cost of sales.

Other Revenue

The Group develops educational VR content on behalf of customers based on specific customer requirements. This is considered "Other Revenue" for reporting purposes. Such revenue is recognised on a percentage completion basis unless there are significant performance obligations that would require deferral until such obligations are delivered. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered. This is generally during the early stages of development where the specifications need to pass through the customer's approval as part of the development.

The disaggregation of revenue, required under IFRS 15, has been prepared on the basis of the two revenue streams outlined above and is included in Note 3.

Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Property, Plant and Equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost less residual value over their estimated useful lives, as follows:

Office equipment - 3 - 5 years

Furniture, fittings and equipment - 5 years

Leasehold improvements – over the life of the leased asset

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and are recognised in the income statement.

Intangible Assets

Research costs are expensed as they are incurred. Development costs that are directly attributable to the design and testing of identifiable and unique commercial software controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use and sale;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate future economic benefits;
- adequate technical, financial and other resources to complete the development and use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and subcontracted development costs.

Other development expenditure that does not meet these criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed 3 years and commences after the development is complete and the asset is available for use. Intangible assets in relation to Showcase Experiences are amortised over their estimated useful lives based on the pattern of consumption of the underlying economic benefits. The ENGAGE platform is amortised on a straight line basis over 3 years. Amortisation is included in Administrative Expenses.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets (continued)

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Trade Receivables

Trade receivables are amounts due from customers for licenses sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not they are presented as non-current assets.

Trade receivables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Group holds the trade receivables with the objective of collecting the contractual cash flows.

The Group provides for known bad debts and other accounts over a certain age in line with Group policy. The realisation of the asset may differ from the provision estimated by management.

Cash and Cash Equivalents

In the Statement of Cash Flows, cash and cash equivalents comprise cash in hand and short-term deposits. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

Capital Contributions

A capital contribution represents irrevocable, non-repayable amounts contributed from connected parties. Capital contributions are accounted for as a contribution when they are approved, through the profit and loss account reserve.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where the issuance of the new shares or options occurs in a subsequent period from when the incremental costs are incurred these costs are prepaid until the issuance takes place.

Share Based Payments

The Group has an equity settled employee incentive plan. The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Group. No expense is recognised for awards that do not ultimately vest.

At each reporting date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous reporting date is recognised in the profit and loss within administration expenses, with a corresponding entry in the balance sheet in share options reserve.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the Statement of Comprehensive Income for the award is expensed immediately.

Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

Leases

The Group leases office premises and motor vehicles under rental contracts for fixed periods but may contain extension options. Lease terms are negotiated on an individual basis and contain different terms and conditions. The lease agreements entered into by the Group do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Leases (continued)

From 1 January 2019 leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined the lessee's incremental borrowing rate is used. Lease payments are allocated between principal and finance cost. The finance charge is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments associated with short-term leases (12 months or less) and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case the tax is also recognised directly in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantially enacted, by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Research and development tax credit

The Group undertakes certain research and development activities that qualify for the receipt of a research and development (R&D) tax credit from the Irish tax authorities. Such grants are recognised as a credit against related costs on a cash receipts basis.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Initial Recognition and Measurement

In accordance with IFRS9, 'Financial Instruments' the Group has classified its financial assets as 'Financial assets at amortised cost'. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through the Statement of Comprehensive Income, transaction costs that are attributable to the acquisition of the financial asset and expected credit losses based on historical collection experience of similar assets.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial Assets Carried at Amortised Cost

This category applies to trade and other receivables due from customers in the normal course of business. All amounts which are not interest bearing are stated at their recoverable amount, being invoice value less provision for any expected credit losses. These assets are held at amortised cost. The group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- I. the asset is held within a business model with the objective of collecting the contractual cash flows; and
- II. the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets at amortised cost comprise current trade and other receivables due from customers in the normal course of business and cash and cash equivalents. The Group does not hold any material financial assets at fair value through other comprehensive income or at fair value through the Statement of Comprehensive Income. The Group does not hold any derivatives and does not undertake any hedging activities.

Trade receivables are initially recognised at their transaction price. The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money. Other financial assets are recognised initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Trade and other receivables are subsequently measured at amortised cost less provision for expected credit losses.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Impairment of Financial Assets

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets measured at amortised cost. The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. For other financial assets at amortised cost, the Group determines whether there has been a significant increase in credit risk since initial recognition. The Group recognises twelve month expected credit losses if there has not been a significant increase in credit risk and lifetime expected credit losses if there has been a significant increase in credit risk.

Expected credit losses incorporate forward looking information, take into account the time value of money when there is a significant financing component and are based on days past due; the external credit ratings of its customers; and significant changes in the expected performance and behaviour of the borrower.

Financial assets are written off when there is no reasonable expectation of recovery. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the Statement of Comprehensive Income.

Financial Liabilities

Initial Recognition and Measurement

All financial liabilities are recognised initially at fair value net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised as well as through the (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of Comprehensive Income. This category generally applies to interest-bearing loans and borrowings.

Derecognition of Financial Assets and Liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when: (1) The rights to receive cash flows from the asset have expired, or (2) The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)**Derecognition of Financial Assets and Liabilities (continued)**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

New Standards, amendments, and interpretations not adopted by the group

The group did not adopt any new standards, amendments or interpretations in year as they did not have a material impact on the financial statements.

New standards, amendments, and interpretations issued but not effective for the period ended 31 December 2024, and not early adopted

There are several amendments to IFRS Accounting Standards that became applicable from 1 January 2024:

- Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants – Amendments to IAS1;
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16;
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7.

None of these is expected to have a significant effect on the financial statements of the Group or Parent Company.

3. Segment Reporting

	2024	2023
Revenue by Type	€	€
<u>ENGAGE revenue</u>		
Education License Revenue	1,256,165	1,165,294
Enterprise License Revenue	1,202,819	1,007,204
Professional Services Revenue	735,228	1,133,483
Total ENGAGE Revenue	3,194,212	3,305,981
Showcase experience revenue	203,039	324,924
Other revenue	-	59,792
Total Revenue	3,397,251	3,690,697

Education License Revenue is comprised of license revenue derived from customers with an education focus.

Enterprise License Revenue is comprised of licence revenue derived from customers with an enterprise focus.

NOTES TO THE FINANCIAL STATEMENTS

3. Segment Reporting (continued)

Professional Services Revenue includes revenue from custom development work performed by the ENGAGE Studio team and also revenue generated from one off VR events.

Showcase Experience Revenue includes revenue from the sale of our showcase experiences including Apollo 11 VR, Titanic VR and Shuttle Commander on the Oculus, Steam and PlayStation Stores.

Other Revenue includes revenue from VR installations within museums.

Total revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods was €432,029 (2023: €446,103)

4. Capital Management

For the purpose of the Company's capital management, capital includes issued capital, share premium and all other equity reserves. The primary objective of the Group's capital management is to maximise the shareholder value.

Group	2024	2023
	€	€
Lease liabilities	(34,540)	(87,268)
Trade and other payables	(658,616)	(615,237)
Less: cash and short-term deposits	3,566,927	7,911,079
Net Funds	2,873,771	7,208,574
Equity	4,716,872	8,527,635
Total Equity	4,716,872	8,527,635
Capital and net funds	7,590,643	15,736,209

5. a. Expenses by nature

	2024	2023
	€	€
Depreciation charges	91,398	106,179
Amortisation expense	-	39,492
Operating Lease Payments	15,926	26,848
Foreign Exchange Loss / (Gain)	(153,556)	103,229
Staff Costs	5,066,103	5,272,155
Contractor Costs	1,128,931	1,250,703
Research & Development Tax Credit Received	-	(435,954)
Other Expenses	1,432,618	1,568,762
Total cost of sales and administrative expenses	7,581,420	7,931,414

NOTES TO THE FINANCIAL STATEMENTS

5. a. Expenses by nature (continued)

Disclosed as:

Cost of sales	476,728	379,640
Administrative expenses	7,104,692	7,551,774
Total cost of sales and administrative expenses	7,581,420	7,931,414

The aggregate amount of research and development expenditure recognised as an expense within cost of sales and administrative expenses was €2,041,049 (2023: €1,583,220)

b. Auditor Remuneration

Services provided by the Company's auditor

During the year, the Company obtained the following services from the Company's auditor:

	2024 €	2023 €
Fees payable to the Company's auditor for the audit of the financial statements	53,000	51,000

6. Employees

Employee Benefit Expense	2024 €	2023 €
Wages and salaries	4,425,136	4,690,144
Social security costs	409,515	458,064
Defined contribution pension costs	67,719	62,368
Share option expense	163,733	61,579
Total Employee Benefit Expense	5,066,103	5,272,155

Average Number of People Employed	2024	2023
Average number of people (including executive Directors) employed:		
Operations	48	53
Administration	4	4
Sales, Marketing and Customer Support	6	10
Total Average Headcount	58	67

NOTES TO THE FINANCIAL STATEMENTS

7. Directors remuneration

Below is the Directors' remuneration for the Year Ended 31 December 2024 and for the year ended 31 December 2023

Group	31 December 2024			
	Salaries and fees	Pension benefits	Options / Warrants issued	Total
	€	€	€	€
Executive Directors				
David Whelan	215,250	4,641	52,038	271,929
Sandra Whelan	167,750	4,594	52,038	224,382
Séamus Larrisey	162,250	6,563	12,809	181,622
Non-executive Directors				
Richard Cooper	97,711	-	-	97,711
Kenny Jacobs	28,500	-	-	28,500
Karthik Manimozhi	83,868	-	10,007	93,875
Marc Metis	-	-	-	-
	755,329	15,798	126,892	898,019

Group	31 December 2023			
	Salaries and fees	Pension benefits	Options / Warrants issued	Total
	€	€	€	€
Executive Directors				
David Whelan	235,875	6,445	20,686	263,006
Sandra Whelan	183,792	5,870	20,686	210,348
Séamus Larrisey	157,750	6,380	5,092	169,222
Non-executive Directors				
Richard Cooper	90,981	-	-	90,981
Praveen Gupta	-	-	-	-
Kenny Jacobs	29,688	-	-	29,688
	698,086	18,695	46,464	763,245

The options issued are a non-cash amount and are accounted for in line with the treatment of the other share options issued to employees under IFRS 2. Further notes on Share Based Payments are included in Note 20.

ENGAGE XR HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

8. Finance Costs

	2024 €	2023 €
Interest expense:		
- Lease interest	3,950	4,305
- Bank charges	2,499	2,661
Total finance costs	6,449	6,966

9. Finance Income

	2024 €	2023 €
Bank Interest Received	216,122	193,605
Total finance income	216,122	193,605

10. Income Tax

	2024 €	2023 €
Current tax:		
Current tax on loss for the year	-	-
Total current tax	-	-
Deferred tax (Note 23)	-	-
Income Tax	-	-

The tax assessed for the year differs from that calculated using the standard rate of corporation tax in Ireland (12.5%). The differences are explained below:

	2024 €	2023 €
Loss Before Tax	(3,974,496)	(4,054,078)
Tax calculated at domestic tax rates applicable to loss in Ireland of 12.5%	(496,812)	(506,760)
Tax effects of:		
- Depreciation in excess of capital allowances	5,595	7,166
- Expenses not deductible for tax purposes	65,779	(52,917)
- Tax losses for which no deferred tax asset was recognised	425,438	552,511
Total tax	-	-

NOTES TO THE FINANCIAL STATEMENTS

11. Earnings per share (EPS)

	2024 €	2023 €
Loss attributable to equity holders of the Group:		
Continuing Operations	(3,974,496)	(4,054,078)
Weighted average number of shares for Basic EPS	524,826,146	484,149,493
Effects of dilution from share options and warrants	43,241,898	19,404,283
Weighted average number of ordinary shares adjusted for the effect of dilution	568,068,044	503,553,776
Basic loss per share from continuing operations	(0.008)	(0.008)
Diluted loss per share from continuing operations	(0.007)	(0.008)

12. Property, Plant & Equipment

Group	Leasehold improvements €	Fixtures, fittings and equipment €	Office Equipment €	Right of use assets €	Total €
Cost of Valuation					
At 1 January 2023	20,341	7,025	369,040	156,031	552,437
Additions	-	-	17,465	116,357	133,822
Disposals	-	-	-	(145,702)	(145,702)
At 31 December 2023	20,341	7,025	386,505	126,686	540,557
Additions	-	-	24,087	-	24,087
At 31 December 2024	20,341	7,025	410,592	126,686	564,644
Depreciation					
At 1 January 2023	20,341	7,025	280,838	148,148	456,352
Charge (note 5)	-	-	69,207	36,972	106,179
Disposals	-	-	-	(145,702)	(145,702)
At 31 December 2023	20,341	7,025	350,045	39,418	416,829
Charge (note 5)	-	-	38,670	52,728	91,398
At 31 December 2024	20,341	7,025	388,715	92,146	508,227
Net Book Amount					
At 31 December 2023	-	-	36,460	87,268	123,728
At 31 December 2024	-	-	21,877	34,540	56,417

Depreciation expense of €91,398 (2023: €106,179) has been charged in 'Administrative Expenses'.
Right of use asset relates to properties and vehicles held under lease.

13. Intangible Assets

Group	Software in development costs €	Total €
Cost		
At 31 December 2023 and 31 December 2024	2,136,231	2,136,231
Amortisation		
At 31 December 2023 and 31 December 2024	2,136,231	2,136,231
Net Book Value		
At 31 December 2023 and 31 December 2024	-	-

The software being developed relates to the creation of virtual reality experiences and an online virtual learning and corporate training platform.

ENGAGE is an online virtual learning and corporate training platform currently in development by the Company. A desktop version was released in December 2018 and the mobile version was released in December 2019. Amortisation commenced when the mobile version launched.

Titanic VR which is available for sale across all major VR capable platforms since November 2018 has commenced being amortised in the period. Raid on the Ruhr launched during 2019 and amortisation commenced during the period. Space Shuttle launched during 2020 and amortisation commenced during the period.

An impairment review was carried out at the balance sheet date. No impairment arose.

ENGAGE XR HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

14. Investments in Subsidiaries

Company	€
At 1 January 2023	18,765,102
Capital contributions	3,759,402
Impairment Adjustment	(10,157,911)
At 31 December 2023	12,366,593
Capital contributions	1,967,466
Impairment Adjustment	(10,698,215)
At 31 December 2024	3,635,844

Investments in subsidiaries are recorded at cost, which is the fair value of the consideration paid.

On 12 March 2018, the Company acquired all of the issued capital of ENGAGE XR Limited for a consideration of €15,000,000 which was settled by issuing 133,089,739 Ordinary Shares in the Company. The Company incurred expenses totalling €28,809 as part of the transaction.

On 31 December 2021 the Company resolved to enter into a capital contribution agreement with ENGAGE XR Limited to facilitate the funding of the wholly owned subsidiary. An amount of €1,967,466 was forwarded (2023: €3,759,402) to ENGAGE XR Limited to the Company during 2024. A repayment arises if ENGAGE XR Limited holds excess funds in a particular currency that is required by ENGAGE XR Holdings PLC to meet its liabilities as they fall due.

On 14 July 2022 the Company acquired all of the issued share capital of ENGAGE XR LLC for a consideration of \$100,000.

The Board have recognised an impairment adjustment of €10,698,215 (2023: €10,157,911) in the current year to reflect the market capitalisation of the group at 31 December 2024.

Name	Country of incorporation and residence	Nature of business	Proportion of equity shares held by the company
ENGAGE XR Limited	Ireland	Virtual Reality Technology	100%
ENGAGE XR LLC	USA	Virtual Reality Technology	100%

This subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the Parent Company does not differ from the proportion of ordinary shares held.

NOTES TO THE FINANCIAL STATEMENTS

15. Trade and Other Receivables

Current	2024 €	Group 2023 €	2024 €	Company 2023 €
Trade receivables	531,100	591,665	-	-
Less: provision for impairment of receivables	-	-	-	-
Trade receivables - net	531,100	591,665	-	-
Prepayments	197,089	156,820	12,494	24,603
Accrued income	1,045,282	432,029	-	-
Other debtors	937	3,100	-	-
VAT	12,276	11,719	436	821
	1,786,684	1,195,333	12,930	25,424

As at 31 December 2024, trade receivables of €531,100 (2023: €591,665) were fully performing and deemed fully recoverable. No bad debt provision charge was incurred during 2024 (2023: €Nil).

The Group assesses exposure to credit risk arising from outstanding receivables on an annual basis. The maximum exposure to credit risk at the reporting date is the carrying value of each of the receivables above. The Group does not consider the credit risk of any receivable has increased post recognition.

The Group does not expect any losses from outstanding receivables in the current year.

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

	2024 €	Group 2023 €	2024 €	Company 2023 €
Euro - Neither past due nor impaired	110,205	186,075	-	-
Pound Sterling – Neither past due nor impaired	41,793	-	-	-
Dollar - Neither past due nor impaired	379,102	405,590	-	-
	531,100	591,665	-	-

NOTES TO THE FINANCIAL STATEMENTS

16. Cash and short-term deposits

	2024 €	Group 2023 €	2024 €	Company 2023 €
Cash at bank and on hand	3,566,927	7,911,079	3,226,157	5,791,641
	3,566,927	7,911,079	3,226,157	5,791,641

17. Issued Share Capital and Premium

	Number of shares	Ordinary shares €	Share premium €	Total €
At 1 January 2024 and at 31 December 2024	524,826,146	524,826	43,910,062	44,434,888

As at 31 December 2024 the number of shares authorised for issue were 524,826,146 (2023: 524,826,146). The par value of the shares authorised for issue were €0.001 each (2023: €0.001 each).

NOTES TO THE FINANCIAL STATEMENTS

18. Other Reserves

	Group €	Company €
At 1 January 2023	(11,752,741)	(691,272)
Share issue costs	(601,362)	(601,362)
Share option expense	61,580	46,462
At 31 December 2023	<u>(12,292,523)</u>	<u>(1,246,172)</u>
At 1 January 2024	(12,292,523)	(1,246,172)
Share option expense	163,733	126,893
At 31 December 2024	<u>12,128,790</u>	<u>1,119,279</u>

19. Retained Earnings

	Group €	Company €
At 1 January 2023	(19,560,652)	(14,001,259)
Loss for the year	(4,054,078)	(11,079,990)
At 31 December 2023	<u>(23,614,730)</u>	<u>(25,081,249)</u>
At 1 January 2024	(23,614,730)	(25,081,249)
Loss for the year	(3,974,496)	(11,421,975)
At 31 December 2024	<u>(27,589,226)</u>	<u>(36,503,224)</u>

Capital contributions represent irrevocable, non-repayable amounts contributed from connected parties.

20. Share Based Payments

Following the successful completion of the equity placing in 2023, the Remuneration Committee evaluated appropriate solutions to put in place suitable longer-term incentives aimed at aligning the interests of employees and shareholders. The option grant was also to assist with the retention and motivation of key employees of the Company as the Company looks to deliver against the strategic opportunity outlined at the time of the placing. The Options provided the potential for rewards only if shareholders benefit from sustained growth in shareholder value over the coming years.

New Scheme

Under this new option grant there were 2,700,000 (2023: 38,493,393) employee options granted during 2024 at an exercise price of €0.046 per share.

The Options were granted at a price of GBP£0.04 each (€0.046) and cannot be exercised for at least three years from the date of grant (other than on a change of control).

NOTES TO THE FINANCIAL STATEMENTS

20. Share Based Payments (continued)

The Options have performance criteria linked to the future share price performance of the Company with:

- One third of the Options being capable of exercise if the five day volume-weighted average price preceding the date of such exercise was 12 pence or higher; and
- One third of the Options being capable of exercise if the five day volume-weighted average price preceding the date of such exercise was 16 pence or higher; and
- One third of the Options being capable of exercise if the five day volume-weighted average price preceding the date of such exercise was 20 pence or higher.

The Options will vest in full on a change of control provided a minimum price threshold of 10 pence per share is met. Options expire at the end of a period of 7 years from the Grant Date or on the date on which the option holder ceases to be an employee.

The movement in employee share options under the new option grant and weighted average exercise prices are as follows for the reporting periods presented:

	2024	2023
At 1 January	38,493,393	-
Granted during period	2,700,000	38,493,393
Exercised during period	-	-
Forfeited during period	(290,000)	-
At 31 December	<u>40,903,393</u>	<u>38,493,393</u>
Options outstanding at 31 December		
Number of shares	40,903,393	38,493,393
Weighted average remaining contractual life	5.65	6.59
Weighted average exercise price per share	€0.046	€0.046
Range of exercise price	€0.046	€0.046
Exercisable at 31 December		
Number of shares	-	-
Weighted average exercise price per share	-	-

20. Share Based Payments (continued)

The Company has measured the fair value of the services received as consideration for equity instruments of the Company, indirectly by reference to the fair value of the equity instruments. The table below sets out the options and warrants that were issued during the period and the principal assumptions used in the Monte Carlo valuation model.

	Employee	Non-Executive Director
Number of options	200,000	2,500,000
Grant date	1 January	1 July
Vesting period	3 years	3 years
Share price at date of grant	€0.024	€0.015
Exercise price	€0.046	€0.046
Option life	7 years	7 years
Dividend yield	0%	0%
Staff Retention Rate	90%	90%
Risk free investment rate	4.47%	4.47%
Fair value per option at grant date	€0.0235	€0.0235
Weighted average remaining contractual life in years	6.01	6.50

The expected life is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumptions that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Old Scheme

No new options were granted in 2024 under the old scheme (2023: Nil).

The existing options from the old scheme vest subject to continued service by the employee over a period of 3 years. Options expire at the end of a period of 7 years from the Grant Date or on the date on which the option holder ceases to be an employee.

The Company has measured the fair value of the services received as consideration for equity instruments of the Company, indirectly by reference to the fair value of the equity instruments using the Black Scholes valuation model.

NOTES TO THE FINANCIAL STATEMENTS

20. Share Based Payments (continued)

The movement in employee share options and weighted average exercise prices are as follows for the reporting periods presented:

	2024	2023
At 1 January	3,585,080	4,404,127
Granted during period	-	-
Exercised during period	-	-
Forfeited during period	-	(819,047)
At 31 December	<u>3,585,080</u>	<u>3,585,080</u>
Options outstanding at 31 December		
Number of shares	3,585,080	3,585,080
Weighted average remaining contractual life	0.35	1.63
Weighted average exercise price per share	€0.022	€0.022
Range of exercise price	€0.0001 – €0.135	€0.0001 – €0.135
Exercisable at 31 December		
Number of shares	3,585,080	3,585,080
Weighted average exercise price per share	€0.022	€0.022

The total expense recognised in respect of all employee share-based payments and credited to the share-based payment reserve in equity was €163,733 (2023: €61,579).

21. Leases

Amounts recognised in the Statement Of Financial Position

The Statement Of Financial Position shows the following amounts relating to leases:

		Group		Company
Right of Use Assets	2024	2023	2024	2023
	€	€	€	€
Buildings	20,913	62,741	-	-
Vehicles	13,627	24,527	-	-
	<u>34,540</u>	<u>87,268</u>	<u>-</u>	<u>-</u>
Lease Liabilities	2024	Group	2024	Company
	€	2023	€	2023
		€		€
Current	34,540	52,728	-	-
Non-current	-	34,540	-	-
	<u>34,540</u>	<u>87,268</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

21. Leases (continued)

Amounts recognised in the Consolidated Statement Of Total Comprehensive Income

The Consolidated Statement Of Total Comprehensive Income shows the following amounts relating to leases:

Depreciation charge of right-of-use assets	2024 €	2023 €
Buildings	41,828	20,914
Vehicles	10,900	16,058
	<hr/> 52,728	<hr/> 36,972
Interest expense (included in finance cost)	<hr/> 3,950	<hr/> 4,305

22. Trade and Other Payables

	2024 €	Group 2023 €	2024 €	Company 2023 €
Trade Payables	107,454	113,622	6,960	5,107
Amounts Due to Related Parties	-	-	-	-
PAYE/PRSI	106,700	133,622	12,482	25,850
VAT	-	-	-	-
Deferred Income	152,060	115,902	-	-
Accrued Expenses	292,402	252,091	43,104	45,234
	<hr/> 658,616	<hr/> 615,237	<hr/> 62,546	<hr/> 76,191

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-day terms
- Amounts Due to Related Parties are non-interest bearing and are settled over varying terms throughout the year
- PAYE/PRSI payables are non-interest bearing and are normally settled on 30-day terms
- VAT payables are non-interest bearing and are normally settled on 60-day terms
- Deferred income is non-interest bearing and are settled over varying terms throughout the year
- Accrued expenses are non-interest bearing are settled over varying terms throughout the year

23. Deferred Tax

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Company did not recognise deferred income tax assets of €2,924,257 (2023: €2,525,356) in respect of losses and depreciation in excess of capital allowances amounting to €23,394,055 (2023: €20,202,845) that can be carried forward against future taxable income.

24. Related Parties

During the year the Directors received the following emoluments:

	2024	Group 2023	2024	Company 2023
Directors	€	€	€	€
Aggregate emoluments	771,127	716,781	771,127	716,781
Share option expense	126,893	46,463	126,893	46,463
	<u>898,020</u>	<u>763,244</u>	<u>898,020</u>	<u>763,244</u>

Included in the above is an amount of €97,711 (2023: €90,981) paid to Luclem Estates and Advisory Limited, a company in which Richard Cooper, a director of the Company, is also a director. These fees relate to Richard Cooper's consultancy services to the Company. As at 31 December 2024 €Nil was outstanding.

25. Capital Management

The capital of the company is managed as part of the capital of the group as a whole. Full details, are contained in note 4 to the consolidated financial statements.

26. Events after the reporting date

The Company has evaluated all events and transactions that occurred after 31 December 2024 up to the date of signing of the financial statements.

No material subsequent events have occurred that would require adjustment to or disclosure in the financial statements.

27. Contingent Liabilities

The company has indicated that it will guarantee the liabilities (as defined in Section 397 of the Companies Act 2014) of €590,915 (2023: €681,023) its Irish subsidiary, ENGAGE XR Limited for the Year Ended 31 December 2024.

28. Ultimate controlling party

The Directors believe that there is no ultimate controlling party as no one shareholder has control of the Company.