IMMERSIVE VR EDUCATION LIMITED

Annual Report and Financial Statements
for the Year Ended 31 December 2017

Registered Number: 551732

IMMERSIVE VR EDUCATION LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the Year Ended 31 December 2017

Company INFORMATION

DIRECTORS	David Whelan Sandra Whelan Barry Downes (resigned 1 March 2018) Séamus Larrissey (appointed 9 October 2017)
SECRETARY	Sandra Whelan
REGISTERED OFFICE	Unit 9 Cleaboy Business Park Old Kilmeaden Road Waterford X91 AX83
REGISTERED NUMBER	551732
BANKERS	Allied Irish Banks Dunmore Road Waterford
AUDITOR	Ernst & Young Chartered Accountants The Atrium Maritana Gate Canada Street Waterford

DIRECTORS' REPORT
for the Year Ended 31 December 2017

The directors present herewith their annual report and audited financial statements for the year ended 31 December 2017.

Principal Activities and Review of the Business

The principal activity of the Company is the development of the educational Virtual Reality platform 'Engage'. The Company also develops and sells Virtual Reality experiences for the education market.

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Immersive VR Education is dedicated to transforming education globally by providing new tools to educators and corporate trainers allowing them to provide high quality, low cost content in a virtual networked social learning environment.

The Engage platform is a free to use social education and presentation platform. Engage allows you to hold meetings, classes, private lessons and presentations with people from all around the world in a safe virtual multi user environment. You can record and create your own lessons and presentations inside Engage using our recorder feature and you can add in immersive elements such as virtual objects for people to interact with or visit virtual environments such as the surface of Mars. Why teach marine biology in a class room when you can teach it on the sea bed? Why travel thousands of miles for a single meeting when you can do it virtually?

Immersive VR Education also produces award winning standalone content to showcase the potential of Virtual Reality / Augmented Reality ("VR/AR") as a tool for educational purposes. Our first release (Apollo 11 VR) has won multiple awards including a TimeWarner award and is one of virtual realities first big hits when it released on the Oculus Rift and HTC Vive. Our second release (Titanic VR) was released as an early access experience in November 2017. Immersive VR Education will continue to release standalone content to promote educational VR/AR and drive users to the Engage platform.

DIRECTORS' REPORT
for the Year Ended 31 December 2017

Principal Risks and Uncertainties

The Company'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 company face are detailed as follows:

Technology risk
The Company is a start-up business in an exciting market that is fast moving and subject to changing trends and technological advances. The Company aims to achieve 'first mover' advantage in the VR Educational sector to manage this risk.

Credit risk exposure to customers
Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Company policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures.

Business continuity risk
While there is a reliance on physical infrastructure the Company ensures that there is sufficient IT support available should an unforeseen event occur. Management are continually implementing and reviewing business continuity and IT disaster recovery plans to ensure any increase in risk arising from future activities is managed.

Business performance risk
Business performance risk is the risk that the Company may not perform as expected either due to internal factors or due to competitive pressures in the markets in which they operate. 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.

Managing development
Long-term growth of the business depends on the Company's ability to retain and attract personnel of high quality. This risk is managed through development plans which are regularly reviewed and updated. These are accompanied by specific policies in areas such as training, management development and performance management.

Financial and business control
Financial and business controls are necessary to ensure the integrity and reliability of financial and other information on which the Company relies for day-to-day operations, external reporting and for longer term planning. The Company exercises financial and business control through a combination of: qualified and experienced financial personnel; performance analysis; budgeting and cash flow forecasting; and clearly defined approval limits.

DIRECTORS' REPORT
for the Year Ended 31 December 2017

Financial instruments and financial risk management

The conversion feature of the convertible secured loan notes and cumulative redeemable preference shares is required to be treated as a derivative financial liability measured at fair value. The statutory financial statements for the year ended 31 December 2016 and the unaudited financial information included in the Initial Public Offering information for the period ended 30 September 2017 treated these instruments as compound financial instruments incorporating debt and equity components. These financial statements include reclassification in the current year to the existing loan notes in place in 2016 on the basis that the reclassification is not material to the overall financial statements.

The Company finances its activities with a combination of redeemable preference shares, convertible loan notes, cash and short term deposits, as disclosed in Note 13 and 20. An overdraft facility exists but has never been drawn down. Other financial assets and liabilities, such as trade and other receivables and trade and other payables, arise directly from the Company's operating activities.

Financial instruments give rise to foreign currency, credit and liquidity risk. Information on how these risks arise is set out below, as are the objectives, policies and processes for their management and the methods used to measure each risk.

Foreign currency risk
Foreign exchange risk arises from assets and liabilities denominated in foreign currencies. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities when revenue and expenditure is denominated in a foreign currency.

At 31 December 2017, the Company had no open forward foreign exchange contracts (2016 – nil).

Credit risk
Credit risk derives principally from third party receivables. Company policy is aimed at mitigating such risk, and requires that credit is only granted to customers with an appropriate payment record or who are deemed by the management to be credit-worthy.

Liquidity risk
The Company's liquidity risk is managed centrally through daily assessment of required cash levels.

Research and development

Being at the forefront of a competitive industry and in order to strengthen its market position the Company need to continue to break new ground by investing in the development and trial of new technologies. The Company 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.

DIRECTORS' REPORT
for the Year Ended 31 December 2017

Results and Dividends

The loss for the year after taxation amounted to €623,699. No dividends were paid during the year (2016: €Nil) and as such an amount of €623,699 was debited to reserves.

Directors
The present directors are as listed on page 3 and, unless otherwise indicated, have served throughout the year.

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 year were as follows:

	31/12/2017	31/12/2017	31/12/2016	31/12/2016
	Ordinary Shares	Share Options	Ordinary Shares	Share Options
David Whelan	52,250	-	52,250	-
Sandra Whelan	52,250	-	52,250	-
Barry Downes	16,280	-	16,280	-
Séamus Larrissey	-	1,231	-	-

Events after the Reporting Period

On 12 March 2018 the convertible debt and preference share holders converted their instruments into ordinary shares in line with their investment agreements. A fair value loss of €2.6m was recorded on the derivative liability reflecting the conversion feature of those instruments. The Company was immediately acquired in a common control share for share exchange by VR Education Holdings PLC.

VR Education Holdings PLC was then immediately admitted to the AIM and ESM public markets on 12 March 2018 raising €6.75m before fees and expenses.

DIRECTORS' REPORT
for the Year Ended 31 December 2017

Future Developments in the Business

The admission to the AIM and ESM public markets will assist the Group in its development by:

- granting access to funding to develop and market the ENGAGE platform as well as produce compelling content to sell on the platform;
- raising the Group's profile which the Directors believe will assist in attracting users to the ENGAGE platform and purchase of the Group's showcase VR experiences and attracting customers to both ENGAGE Education and ENGAGE Enterprise;
- providing funds through the Placing to accelerate development and growth of the Group and in particular to prepare for launch of the updated ENGAGE platform in H1 2018, as well as for working capital and general corporate purposes;
- providing potential access to future development capital to progress future pipeline projects;
- providing a market on which the Ordinary Shares of the Company can be traded, in order to provide increased liquidity and a market valuation for the Company's equity which, in conjunction with the employee option schemes, will assist the Company in attracting, retaining and incentivising high calibre employees; and
- allowing for expansion of the Group's development and executive team.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, its financial position and its exposures to risks are described above.

In March 2018 the Company's newly formed parent, VR Education Holdings plc completed an Initial Public Offering and listed on AIM / ESM raising €6.75m before fees and expenses.

The Directors of the Company have had management prepare budgets and forecasts that include assumptions that indicate growth in revenues based on their business plan. VR Education Holdings plc have indicated their willingness to provide financial support to the company for a period of not less than 12 months from the date of approval of the Financial Statements to enable it meet its liabilities as and when they fall due. These forecasts along with the availability of funding from its parent company indicate that the Company has sufficient resources to continue in operational existence for the foreseeable future, at least 12 months from the approval of the financial statements.

Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

DIRECTORS' REPORT
for the Year Ended 31 December 2017

Directors' Responsibilities Statement

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 the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). 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 company as at the financial year end and of the profit or loss of the company for the financial year and otherwise comply with Companies Act 2014.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company financial statements and then apply themconsistently;

- make judgments and 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 from those standards; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume thatthe 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 company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 accountingsystems.

The accounting records of the Company are held at their registered office at Unit 9, Cleaboy Business Park, Waterford, Ireland.

DIRECTORS' REPORT
for the Year Ended 31 December 2017

Disclosure of information to the Auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Auditor

The auditor, Ernst & Young, Chartered Accountants and Statutory Audit Firm, will continue in office in accordance with section 383(2) of the Companies Act 2014.

On behalf of the board

David Whelan Director	Sandra Whelan Director

28 June 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMMERSIVE VR EDUCATION LIMITED

Opinion

We have audited the financial statements of Immersive VR Education Limited ('the Company') for the 2017 year ended 31 December 2017, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union 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 assets, liabilities and financial position of the company as at 31 December 2017 and of its loss for the year then ended;

- have been properly prepared in accordance with IFRS as adopted by the European Union; and

- have been properly 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 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), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters, in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate: or

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMMERSIVE VR EDUCATION LIMITED

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

• in our opinion, the information given in the directors' report is consistent with the financial statements;and

• in our opinion, the directors' report has been prepared in accordance with the Companies Act2014.

We have obtained all the information and explanations which we consider necessary for the purposes 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 Company financial statements are in agreement with the accounting records.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMMERSIVE VR EDUCATION LIMITED

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 management either intends to liquidate the Company or to cease operations, or has 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.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-98202dc9c3a/Description_of_auditors _responsiblities_for_audit.pdf .

This description forms part of our auditor's report.

The purpose of our audit work and to whom we owe our responsibilities

Our 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.

Ian Venner
for and on behalf of
Ernst & Young Chartered Accountants and Statutory Audit Firm
Waterford
Date: 28 June 2018

- The maintenance and integrity of the VR Education Holdings plc website is the responsibility of the directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF COMPREHENSIVE INCOME
for the Year Ended 31 December 2017

Continuing Operations	Note	2017 €	2016 €
Revenue	3	624,487	482,085
Cost of Sales		(300,143)	(227,029)
Gross Profit		**324,344**	**255,056**
Administrative Expenses		(1,079,798)	(362,306)
Other Income	5	60,333	-
Operating Loss		(695,121)	(107,250)
Fair value gain arising on derivative financial liabilities	8	125,764	-
Finance Costs	8	(54,342)	(10,742)
Loss before Income Tax		(623,699)	(117,992)
Income Tax Credit	9	-	-
Loss for the Year from continuing operations		(623,699)	(117,992)

There are no items of other comprehensive income or expense in either year other than the loss attributable to the shareholders of the Company.

IMMERSIVE VR EDUCATION LIMITED

STATEMENT OF FINANCIAL POSITION
At 31 DECEMBER 2017

	Note	2017	2016
Non-Current Assets		**€**	**€**
Property, Plant & Equipment	10	57,300	37,595
Intangible Assets	11	435,791	65,277
		493,091	102,872
Current Assets			
Trade and other receivables	12	219,565	36,605
Cash and short term deposits	13	97,327	69,372
		316,892	105,977
Total Assets		**809,983**	**208,849**
Equity and Liabilities			
Equity Attributable to Shareholders			
Issued share capital	14	134	133
Share premium	14	136,966	124,967
Share options reserve	15	20,180	-
Other reserves	17	-	104,915
Retained earnings	16	(821,844)	(198,145)
Total Equity		**(664,564)**	**31,870**
Non-Current Liabilities			
Interest bearing loans and borrowings	20	907,180	142,856
Derivative financial liabilities	20	209,348	-
		1,116,528	142,856
Current Liabilities			
Trade and other payables	19	358,019	34,123
		358,019	34,123
Total Liabilities		**1,474,547**	**176,979**
Total Equity and Liabilities		**809,983**	**208,849**

On behalf of the board

David Whelan
Director
28 June 2018

Sandra Whelan
Director

STATEMENT OF CHANGES IN EQUITY
for the Year Ended 31 December 2017

	Attributable to Equity Shareholders					
	Share Capital €	**Share Premium €**	**Share Option Reserve €**	**Other Reserves €**	**Retained Earnings €**	**Total €**
Balance at 1 January 2016	129	64,971	-	-	(80,153)	(15,053)
Loss for the year	-	-	-	-	(117,992)	(117,992)
New shares issued (Note 14)	4	59,996	-	-	-	60,000
Convertible debt - equity component	-	-	-	104,915	-	104,915
Balance at 31 December 2016	133	124,967	-	104,915	(198,145)	31,870

	Attributable to Equity Shareholders					
	Share Capital €	**Share Premium €**	**Share Option Reserve €**	**Other Reserves €**	**Retained Earnings €**	**Total €**
Balance at 1 January 2017	133	124,967	-	104,915	(198,145)	31,870
Loss for the year	-	-	-	-	(623,699)	(623,699)
New shares issued (Note 14)	1	11,999	-	-	-	12,000
Transfer to derivative liabilities	-	-	-	(104,915)	-	(104,915)
Share option expense (Note 15)	-	-	20,180	-	-	20,180
Balance at 31 December 2017	134	136,966	20,180	-	(821,844)	(664,564)

STATEMENT OF CASH FLOWS
for the Year Ended 31 December 2017

	Note	2017	2016
Cash Flows from Operating Activities		**€**	**€**
Loss before income tax		(623,699)	(117,992)
Adjustments to reconcile loss before tax to net cash flows:			
Depreciation		36,621	9,978
Fair value gain arising on derivative financial liabilities		(125,764)	-
Finance Costs		54,342	10,742
Share Option Expense		20,180	-
Movement in Trade & Other Receivables		(182,960)	(19,384)
Movement in Trade & Other Payables		326,339	(26,740)
		(494,941)	(143,396)
Bank interest & other charges paid		(264)	(526)
Net cash used in operating activities		**(495,205)**	**(143,922)**
Cash Flows from Investing Activities			
Purchases of property, plant & equipment	10	(56,326)	(41,655)
Payments to develop Intangible Assets	11	(370,514)	(65,277)
Net cash used in investing activities		**(426,840)**	**(106,932)**
Cash Flows from Financing Activities			
Proceeds from issuance of ordinary shares	14	12,000	60,000
Proceeds from issuance of preference shares	20	250,000	-
Proceeds from issuance of convertible loans	20	688,000	240,000
Net cash generated from financing activities		**950,000**	**300,000**
Net increase in cash and cash equivalents		27,955	49,146
Cash and cash equivalents at beginning of year	13	69,372	20,226
Cash and cash equivalents at end of year	13	**97,327**	**69,372**

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The Company is a private limited Company 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 551732. The financial statements for the year ended 31 December 2017 were authorised by issue in accordance with a resolution of the directors on 28 June 2018.

The Company 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 otherwisestated.

Basis of Preparation

The Financial Statements of Immersive VR Education Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations (IFRS IC) as issued by the International Accounting Standards Board as adopted by the European Union and the Companies Act 2014 applicable to companies reporting under IFRS.

These financial statements are the first statutory financial statements prepared under IFRS, however financial statements have been prepared in conjunction with the admission documents in advance of the initial public offering in 2018. These unaudited accounts are determined to be the first set of Financial Statements prepared under IFRS and therefore IFRS 1 First Time Adoption is not applied to these financial statements.

The Financial Statements has been prepared under the historical cost convention, except for derivative financial instruments that have been measured at fair value.

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.

Judgments

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

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Capitalised development costs

In applying the requirements of IAS 38 Intangible Assets, the Company assessed various development projects against the criteria required for capitalisation. Certain projects that did not meet the criteria regarding the ability to determine 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.

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 Company 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 Company. Such changes are reflected in the assumptions when they occur.

Capitalised development costs impairment review

The Company'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.

Derivative financial instruments

The Company has assessed the fair value of the derivative financial liabilities arising on the conversion feature of convertible secured loan notes and the cumulative redeemable preference shares. This calculation includes assumptions on the expected period of exercise, risk free interest rate and share price volatility. The Company have engaged third party valuations experts to assist them in the selection of such assumptions.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, its financial position and its exposures to risks are described above.

In March 2018 the Company's newly formed parent VR Education Holdings plc completed an Initial Public Offering and listed on AIM / ESM raising €6.75m before fees and expenses.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Going Concern (continued)

The Directors of the Company have had management prepare budgets and forecasts that include assumptions that indicate growth in revenues based on their business plan. VR Education Holdings plc have indicated their willingness to provide financial support to the company for a period of not less than 12 months from the date of approval of the Financial Statements to enable it meet its liabilities as and when they fall due. These forecasts along with the availability of funding from its parent company indicate that the Company has sufficient resources to continue in operational existence for the foreseeable future, at least 12 months from the approval of the financial statements.

Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

Foreign Currency Translation

(a) Functional and Presentation Currency

Items included in the Financial Statements of the Company 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 Company'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.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Current versus non-current classification
The Company 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.

Fair value measurement

The Company measures financial instruments such as derivatives at fair value at each balance sheet date.

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 Company. 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 Company 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

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).

The Company 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 Company's activities, as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Where the Company makes sales relating to a future financial period, these are deferred and recognised under 'deferred revenue' on the Statement of Financial Position.

The Company currently has two revenue streams:

Firstly the Company is primarily focused on developing proprietary educational VR content which is sold through licences. 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 Company licenses their content. The gross amount of revenue is recognised in revenue with the corresponding commission portion recognised in cost of sales.

Secondly, the Company develops educational VR content on behalf of customers based on specific customer requirements. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. **Summary of Significant Accounting Policies (continued)**

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.

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 Company 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

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 Company 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Intangible Assets (continued)

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 are amortised over their estimated useful lives based on the pattern of consumption of the underlying economic benefits. Amortisation is included in cost of sales.

Impairment of non-financial assets

The Company 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 Company 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.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company'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 Company estimates the asset's or CGU's recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets (continued)
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-currentassets.

Trade receivables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Company provides for known bad debts and other accounts over a certain age in line with Company 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.

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.

Where the Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders, until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Share Based Payments

The Company 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 Company. 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 determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of comprehensive income in administrative expenses on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings, using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services, and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the income statement within finance costs in the period in which they are incurred.

Convertible Financial Instruments

Convertible financial instruments issued by the Company comprise convertible loan notes and convertible redeemable Preference Shares that can be converted to ordinary share capital at the option of the holder. The number of shares to be issued may vary with changes in their fair value.

The derivative component arising from the conversion option is recognised at fair value. The debt component is recognised initially as the difference between the fair value of the convertible financial instrument as a whole and the fair value of the derivative. Any directly attributable transaction costs are allocated against the liability.

Subsequent to initial recognition, the debt component of the convertible instrument is measured at amortised cost using the effective interest rate method. The derivative component is re-measured at fair value at each subsequent balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

2. **Summary of Significant Accounting Policies (continued)**

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 Company 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.

Research and development tax credit

The Company 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

New standards, interpretations and amendments adopted by the Company

The following standards and amendments have been adopted for the first time in these financial statements:

• IFRS 15 Revenue from Contracts with Customers.
• IAS 7 Disclosure Initiative (amendments)
• IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (amendments)

The Company has adopted IFRS 15 for the current year and applied it retrospectively for the preceding financial year in accordance with IFRS 15 C3(b) however no material adjustments were identified between the requirements of IFRS 15 and the methods applied by the Company in the application of IAS 18. There was no impact on the Company financial statements in respect of IAS 7 or IAS 12.

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of relevant standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective. The impact of these standards is currently under review.
• IFRS 9 – Financial Instruments 1 January 2018
• IFRS 16 – Leases 1 January 2019

3. Segment Reporting

Revenue by type	**2017**	**2016**
Showcase experience revenue	592,617	455,350
Other revenue	31,870	26,735
Total Revenue	**624,487**	**482,085**

NOTES TO THE FINANCIAL STATEMENTS

4. Capital Management

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

	2017	2016
	€	€
Interest bearing loans and borrowings	907,180	142,856
Derivative financial liabilities	209,348	-
Trade and other payables	358,019	34,123
Less: cash and short term deposits	(97,327)	(69,372)
Net Debt	**1,377,220**	**107,607**
Equity	(664,564)	31,870
Total Equity	**(664,564)**	**31,870**
Capital and net debt	**712,656**	**139,477**
Gearing Ratio	193%	77%

5. Other Income

	2017	2016
	€	€
Industry award proceeds	60,333	-

6. a Expenses by Nature

	2017	2016
	€	€
Depreciation charges	36,621	9,978
Operating Lease Payments	25,115	5,875
Foreign Exchange Loss	7,725	6,656
Other Expenses	1,680,994	632,103
	1,750,455	**654,612**
Wages and salaries capitalised	(313,501)	(43,180)
Other expenses capitalised	(57,013)	(22,097)
Total cost of sales and administrative expenses	**1,379,941**	**589,335**

NOTES TO THE FINANCIAL STATEMENTS

6. b Auditor Remuneration

Services provided by the Company's auditor

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

	2017 €	2016 €
Fees payable to the Company's auditor for the audit of the financial statements	56,000	6,000

7. Employees

Employee Benefit Expense	2017 €	2016 €
Wages and salaries	731,186	224,281
Social security costs	62,887	17,321
Share option expense	20,180	-
Capitalised employee costs	(313,501)	(43,180)
Total Employee Benefit Expense	**500,752**	**198,422**

Average Number of People Employed	2017	2016
Average number of people (including executive Directors) employed:		
Operations	15	5
Administration	2	1
Total Average Headcount	**17**	**6**

8. Finance Costs

	2017 €	2016 €
Interest expense:		
- Notional interest on non-current borrowings	34,472	7,772
- Interest payable on convertible loan notes	14,387	2,444
- Dividend on redeemable convertible preference shares	5,219	-
- Bank charges	264	526
Total finance costs	**54,342**	**10,742**
Fair value gain on derivative financial liability	**125,764**	**-**

NOTES TO THE FINANCIAL STATEMENTS

9. Income Tax Expense

	2017	2016
	€	€
Current tax:		
Current tax on loss for the year	-	-
Total current tax	-	-
Deferred tax (Note 21)	-	-
Income Tax Expense	-	-

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:

	2017	2016
	€	€
Loss Before Tax	(623,699)	(117,992)
Tax calculated at domestic tax rates applicable to loss in Ireland of 12.5%	(77,962)	(14,749)
Tax effects of:		
- Depreciation in excess of capital allowances	3,178	517
- Expenses not deductible for tax purposes	29,572	1,515
- Tax losses for which no deferred tax asset was recognised	45,212	12,717
Total tax expense	-	-

NOTES TO THE FINANCIAL STATEMENTS

10. Property, Plant and Equipment

	Leasehold Improvements €	Fixtures, fittings and equipment €	Office equipment €	Total €
Cost or Valuation				
At 01 January 2016	-	1,398	6,000	7,398
Additions	-	2,150	39,505	41,655
At 31 December 2016	-	3,548	45,505	49,053
Additions	15,601	2,062	38,663	56,326
At 31 December 2017	15,601	5,610	84,168	105,379
Depreciation				
At 01 January 2016	-	280	1,200	1,480
Charge (Note 6)	-	725	9,253	9,978
At 31 December 2016	-	1,005	10,453	11,458
Charge (Note 6)	3,284	1,122	32,215	36,621
At 31 December 2017	3,284	2,127	42,668	48,079
Net Book Amount				
At 31 December 2016	-	2,543	35,052	37,595
At 31 December 2017	12,317	3,483	41,500	57,300

Depreciation expense of €36,621 (2016: €9,978) has been charged in ‘Administrative Expenses’.

NOTES TO THE FINANCIAL STATEMENTS

11. Intangible Assets

	Software in development costs €	Total €
Cost or Valuation		
At 01 January 2016	-	-
Additions	65,277	65,277
At 31 December 2016	65,277	65,277
Additions	370,514	370,514
At 31 December 2017	435,791	435,791
Amortisation		
At 01 January 2016	-	-
Charge	-	-
At 31 December 2016	-	-
Charge	-	-
At 31 December 2017	-	-
NET BOOK VALUE		
At 31 December 2016	65,277	65,277
At 31 December 2017	435,791	435,791

The software being developed relates to the creation of a virtual reality experience, Titanic VR, which will be available for sale across all major VR capable platforms once completed.

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

NOTES TO THE FINANCIAL STATEMENTS

12. Trade and Other Receivables

	2017	2016
	€	€
Trade receivables	49,709	33,870
Less: provision for impairment of receivables	-	-
Trade receivables – net	49,709	33,870
Prepayments	107,778	-
Other debtors	60,821	2,735
VAT	1,257	-
	219,565	36,605

As at 31 December 2017, trade receivables of €49,709 (2016: €33,870) were deemed fully recoverable. No bad debt provision charge was incurred during 2017 (2016: €Nil)

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

	2017	2016
	€	€
Euro - Neither past due nor impaired	20,821	7,483
Dollar - Neither past due nor impaired	28,888	26,387
	49,709	33,870

13. Cash and short-term deposits

	2017	2016
	€	€
Cash at bank and on hand	97,327	69,372
	97,327	69,372

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	2017	2016
	€	€
Cash at bank and on hand	97,327	69,372
	97,327	69,372
Bank overdrafts	-	-
Cash and cash equivalents	97,327	69,372

NOTES TO THE FINANCIAL STATEMENTS

14. Issued Share Capital and Premium

	Number of shares	Ordinary Shares €	Share Premium €	Total €
At 01 January 2016	12,900	129	64,971	65,100
Share subdivision	116,100	-	-	-
Ordinary Shares Issued	4,960	4	59,996	60,000
At 31 December 2016	**133,960**	**133**	**124,967**	**125,100**
Ordinary Shares Issued	625	1	11,999	12,000
At 31 December 2017	**134,585**	**134**	**136,966**	**137,100**

The total authorised number of ordinary shares is 1,000,000,000 shares with a par value of €0.001 per share. All issued shares are fully paid. The total authorised number of cumulative convertible redeemable preference shares is 250,000 shares with a par value of €1.00 per share. The cumulative convertible redeemable preference shares are shown in financial liabilities.

15. Share Based Payments

As at 31 December 2017, the Company had a share-based payment schemes for employee remuneration. The scheme is classified as an equity settled share based payment plan. Recipients of the scheme are awarded options over ordinary shares of the Company. Those options vest in instalments over periods of up to 3 years. Options expire at the end of a period of 5 years from the Grant Date or on the date on which the option holder ceases to be an employee. The only vesting condition attaching to the shares is a continued service by the employee over the vesting period.

NOTES TO THE FINANCIAL STATEMENTS

15. Share Based Payments (continued)

Share options and weighted average exercise prices are as follows for the reporting periods presented:

	Number of shares	Weighted average exercise price per share €
Outstanding at 31 December 2016	-	
Granted	4,208	19.21
Forfeited	-	-
Exercised	-	-
Outstanding at 31 December 2017	4,208	19.21
Exercisable at 31 December 2016	-	-
Exercisable at 31 December 2017	893	19.21

No options were exercised during the year.

The fair values of options granted were determined using a Black Scholes model. The following principal assumptions were used in the valuation:

	2016 ESOP Scheme	
Grant Date	21-Aug-17	23-Mar-17
Vesting period ends	21-Aug-20	01-Sep-19
Share price at date of grant	€12.82	€12.82
Volatility	57%	57%
Option life	5 years	5 years
Dividend yield	0%	0%
Risk-free investment rate	0.432 - 0.377%	0.432 - 0.377%
Fair value per option at grant date	€8.92 - €7.68	€9.40 - €8.04
Exercise price at date of grant	€19.21	€19.21
Exercisable from/to	23-Mar-18 - 21-Aug-22	01-Apr-17 - 23-Mar-22
Weighted average remaining contractual life	4.5 years	4.3 years

NOTES TO THE FINANCIAL STATEMENTS

15. Share Based Payments (continued)

The share options can be exercised up to 2 years after the 3-year vesting period and therefore, the contractual term of each option granted is 5 years. There are no cash settlement alternatives. The Company does not have a past practice of cash settlement for these share options. The Company accounts for the scheme as an equity-settled plan.

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption 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.

In total, €20,180 of employee remuneration expense has been included in profit or loss and credited to share options reserve (2016: €Nil).

16. Retained Earnings

	€
At 01 January 2016	(80,153)
Loss for the year	(117,992)
At 31 December 2016	**(198,145)**
At 01 January 2017	(198,145)
Loss for the year	(623,699)
At 31 December 2017	**(821,844)**

17. Other Reserves

	Convertible loan notes €	Total €
At 01 January 2016	-	-
Convertible loan note - equity component (Note 20)	104,915	104,915
At 31 December 2016	**104,915**	**104,915**
At 01 January 2017	104,915	104,915
Transfer to derivative financial liability	(104,915)	(104,915)
At 31 December 2017	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

18. Government Grants

	2017	2016
	€	€
At 1 January	-	-
Received during the year	-	15,750
Released to the statement of comprehensive income	-	-
At 31 December	-	15,750

Government grants have been received for the part payment of wages and salaries. There are no unfulfilled conditions or contingencies attached to these grants.

19. Trade and Other Payables

	2017	2016
	€	€
Trade Payables	18,225	343
Amounts Due to Related Parties	-	380
PAYE/PRSI	45,983	7,695
VAT	-	1,914
Accrued Expenses	293,811	23,791
	358,019	34,123

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 on demand
• PAYE/PRSI payables are non-interest bearing are normally settled on 30-day terms
• VAT payables are non-interest bearing are normally settled on 60-day terms
• Accrued expenses are non-interest bearing are settled over varying terms throughout the year

20. Non-current Liabilities

	2017	2016
	€	€
Borrowings		
Redeemable convertible secured loan notes	776,155	142,856
Cumulative Convertible Redeemable Preference Shares	131,025	-
Total Borrowings	907,180	142,856
Derivative financial liabilities on conversion feature of redeemable secured loan notes and cumulative redeemable preference shares	209,348	-
Total Non-current Liabilities	1,116,528	-

NOTES TO THE FINANCIAL STATEMENTS

20. Borrowings (continued)

	2017	2016
	€	€
Balance as at beginning of period	142,856	-
Liability component of new notes on initial recognition	707,802	135,085
Interest expensed / accrued	56,522	7,771
Balance as at end of period	907,180	142,856

The Company issued two tranches of redeemable convertible secured loan notes during 2017; being €288,000 2% loan notes issued on 23 March 2017 and €400,000 2% loan notes issued on 2 June 2017.

The March 2017 loan notes mature five years from the issue date at their nominal value of €288,000, or can be converted into shares at the holder's option at a conversion rate of €19.21 per share or the lowest subscription price payable under subsequent share placements.

The June 2017 loan notes mature four years from the issue date at their nominal value of €400,000, or can be converted into shares at the holder's option at a conversion rate of €71.39 per share or the lowest subscription price payable under subsequent share placements.

The loan notes issued during the year become repayable after the fifth anniversary of issue or earlier in the event of certain liquidation, insolvency, and breach of agreement or other event where a controlling interest in the Company is acquired. Interest of 2% per annum is payable or a higher rate if certain conditions to the agreement are breached. The market interest rate is determined to be 15% per annum. The loan note is secured by way of a debenture over the assets of the Company. The loan notes may be converted into ordinary shares at any time at the request of the holder. The conversion factor is the maximum of €19.21 per share or lower subscription price per new security in the next financing if applicable. The conversion feature represents an embedded financial derivative and is measured at fair value. Accrued interest payable on the loan notes cannot be converted.

The Company issued 250,000 Cumulative Convertible Redeemable Preference Shares on 20 April 2017 at a price of €1 per share for a total consideration of €250,000. The preference shares are redeemable five years after the issue date at their nominal value of €250,000, or can be converted into shares at the holder's option at a conversion rate of €19.21 per share or the lowest subscription price payable under subsequent share placements. They entitle the holder to an 3% dividend, to be paid in priority of dividends in respect of any other class of shares. The conversion feature represents an embedded financial derivative and is measured at fair value. Accrued dividend payable on the preference shares cannot be converted.

NOTES TO THE FINANCIAL STATEMENTS

20. Borrowings (continued)

Derivative financial liabilities on conversion feature of redeemable secured loan notes and cumulative redeemable preference shares

	2017 €	2016 €
Balance as at beginning of period	-	-
Transfer from other reserves	104,915	-
Movement in current period	104,433	-
Balance as at end of period	209,348	-

The convertible loan notes were incorrectly treated as a compound financial instrument representing both an equity and liability component in the prior year financial statements. The error is corrected in the current year.

Non-current interest-bearing loans and borrowings

	Nominal Interest Rate %	Effective Interest Rate %	Maturity	2017 €	2016 €
Redeemable convertible secured loan notes	2%	15%	2021	776,155	142,856
Cumulative convertible redeemable preference shares	3%	15%	2022	131,025	-
Total interest-bearing loans and borrowings				907,180	142,856

Bank Overdraft

At 31 December 2017 the Company had an unutilised bank overdraft facility of €50,000 (2016: €30,000). The bank overdraft is secured by personal guarantees made by two of the Directors of the Company.

21. 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 €79,597 (2016: €31,261) in respect of losses and depreciation in excess of capital allowances amounting to €636,773 (2016: €250,089) that can be carried forward against future taxable income.

NOTES TO THE FINANCIAL STATEMENTS

22. Related Parties

Directors	**2017**	**2016**
	€	**€**
Aggregate emoluments	164,638	74,496
Share option expense	2,944	-
	167,582	74,496

The directors included above are considered to be the key management of the Company.

Year-end balances	**€**	**€**
Payables from related parties (Note 19):		
- Directors Loan	-	380

The payables balance of €Nil (2016: €380) is due to Sandra and David Whelan (Directors).

During the year the Company issued €288,000 2% convertible loan notes to Suir Valley Ventures, a venture capital fund in which Barry Downes is the managing partner. The Company also issued 625 ordinary shares to Suir Valley Ventures as part of this transaction for a total consideration of €12,000.

23. Operating Leases

The Company leases a motor vehicle and office space under non-cancellable operating lease agreements with lease terms between three years and four years nine months.

The lease expenditure charged to the income statement during the year is disclosed in Note 6.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

Motor vehicles	**2017**	**2016**
	€	**€**
Within one year	6,570	-
After one year but not more than five years	9,854	-
	16,424	-

NOTES TO THE FINANCIAL STATEMENTS

23. Operating Leases (continued)

Land and buildings	2017	2016
	€	€
Within one year	25,000	6,000
After one year but not more than five years	78,125	6,000
	103,125	12,000

24. Events after the Reporting Period

On 12 March 2018 the convertible debt and preference share holders converted their instruments into ordinary shares in line with their investment agreements. A fair value loss of €2.6m was recorded on the derivative liability reflecting the conversion feature of those instruments. The Company was immediately acquired in a common control share for share exchange by VR Education Holdings PLC.

VR Education Holdings PLC was then immediately admitted to the AIM and ESM public markets on 12 March 2018 raising €6.75m before fees and expenses.

The ESOP scheme in place within the Company was terminated on 12 March 2018 with the consent of both option holders. The ESOP scheme was replaced with a new scheme in VR Education Holdings PLC with existing option holders being restored to their original position on the same terms.