23 May 2023

ENGAGE XR Holdings Plc
("ENGAGE XR", the "Company", or the "Group")

Final Results

ENGAGE XR Holdings Plc (AIM: EXR), a leading metaverse technology company, is pleased to announce its audited results for the 12 months ended 31 December 2022.

Financial Highlights:

- Total revenue for the Group was up 62% to €3.9 million (2021: €2.4 million)
- ENGAGE platform revenue grew 86% to €3.3 million (2021: €1.8 million)
- December 2022 was the Company's biggest ever month with €0.6 million in deals closed
- Average contract values increased by 24% to €21k
- Gross margin increased to 82% from 79%
- EBITDA loss was €5.8 million (2021: loss of €2.8 million) primarily driven by increased headcount. Subsequent cost reduction exercise has reduced annualised payroll costs by 25%
- The Group's cash position on 31 December 2022 was €2.2 million with no debt and at 30 April 2023 was €10.3 million

Operational Highlights:

- Ended 2022 with more than 190 enterprise and education clients. This is now over 200 (as at 30 April 2023)
- More than 70 new customers signed, including Pfizer, MTN, HSBC, KIA, Pearson, Lenovo, Kuehne & Nagel, Adtalem Global Education and University of Miami
- Renewing clients included 3M, KPMG, Meta, HTC, BHP and Stanford University
- Successfully launched the Group's fully featured corporate metaverse ENGAGE Link in November 2022
- Group partner Victory XR launched 10 metaversities built on ENGAGE. This has grown with a new round of schools being announced in March 2023. Each student requires a full ENGAGE license to access the Victory XR content generating recurring revenue from the Group.
- In September 2022, ENGAGE and Lenovo™ announced a partnership. ENGAGE will be part of Lenovo's new all in one VRX Headset, expected to be available from H2 2023

Post period end Highlights:

- The cash balance was significantly strengthened post period end by a successful €10.5 million (€9.9 million net of expenses) fundraise.
- Ground-breaking concert hosted in ENGAGE in March 2023 by the renowned international musician, Norman Cook, *aka* Fatboy Slim
- The Group is gaining traction in the US market. 58% of revenue in Q1 2023 has been derived from North America compared to 30% for FY22, following deployment of the US sales team in mid-2022
- Q1 2023 reported revenue figures are 40% higher than the same period in 2022

David Whelan, CEO of ENGAGE XR, said: "2022 was an extremely busy year with many positives and most metrics going in the right direction despite turbulence hitting the global tech sector during the second half of the year. This had a consequential impact on the conversion of our pipeline of commercial opportunities. During the year, we launched new services on our platform, added more Fortune 500 companies to our client list, saw revenues grow throughout the year, and successfully launched ENGAGE Link in November 2022.

"2023 has started encouragingly. We have had some exciting client wins already, including two of the world's leading banks. How fast and how big our growth will be remains to be seen. However, the Company has a strong balance sheet and is now in the best position possible to capitalise on the clear market opportunity. We are seeing increasing engagement from potential customers with our technology and platform. Our Lenovo partnership opens up exciting opportunities, and we are confident that the momentum seen in 2022 will continue into the current financial year and beyond."

Investor Communications

CEO David Whelan and CFO Séamus Larrissey will provide a live presentation relating to the Group's interim results via the Investor Meet Company platform on 23 May 2023 at 10:00am (UK).

The presentation is open to all existing and potential shareholders. Questions can be submitted pre-event via your Investor Meet Company dashboard up until 9:00am the day before the meeting or at any time during the live presentation.

Investors can sign up to Investor Meet Company for free and add to meet ENGAGE XR Holdings Plc via: https://www.investormeetcompany.com/engage-xr-holdings-plc/register-investor

This announcement contains inside information for the purposes of the UK Market Abuse Regulation and the Directors of the Company are responsible for the release of this announcement.

- Ends -

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About ENGAGE XR

ENGAGE XR Holdings plc (AIM: EXR) is metaverse technology company focused on becoming a leading global provider of virtual communications solutions through its new fully featured corporate metaverse, ENGAGE Link. A demonstration of ENGAGE Link is here

The Company also has a proprietary software platform, ENGAGE. ENGAGE provides users with a platform for creating, sharing, and delivering VR content for education, training, and online events through its three solutions: Virtual Campus, Virtual Office, and Virtual Events.

For further information, please visit: www.engagexrholdings.com (LinkedIn: @Engage XR Holdings plc Twitter: @engage_xr)

CHAIRMAN'S STATEMENT

I am pleased to present the Annual Report and Financial Statements of ENGAGE XR Holdings PLC ("ENGAGE XR", "the Group" or "the Company") for the year ended 31 December 2022. Our aim is to become a leading global provider of virtual communications solutions through our proprietary software platform, ENGAGE. However, it has been a challenging year with an uncertain macro-economic backdrop which manifested itself most acutely in the "tech crash" in Autumn 2022.

Revenue in the year increased by 62% to €3.9 million. Gross profit increased by 67% as gross profit benefited from an improved gross profit margin of 82% (2021: 79%). A longer sales decision-making cycle in our customer base due to the economic uncertainty in the second half of 2022 meant we were disappointed not to break through the €4 million revenue barrier.

Earlier in the financial year, the Company made a decision to significantly increase its sales function and development capability as it sought to accelerate the market penetration of ENGAGE and expedite the development of its fully featured corporate metaverse, ENGAGE Link. Staff and contractor costs rose to €7.0 million, up from €3.7 million in 2021. At the time, this was the correct decision, but the tech crash meant slower than expected corporate sales. This led to a downgrading of our guidance for the year and a cost reduction exercise which reduced annualised payroll costs by 25%. Additionally, a placing was successfully competed after the year end in February 2023 to bolster the Group's balance sheet and to help us deliver our ambitious growth plans.

The Board continue to see meaningful opportunities to exploit metaverse use in companies in the corporate and education sectors. The Board believes that the specific areas the Company is targeting, such as remote education, remote events, and the way in which organisations interact with staff, suppliers and customers will be transformed by the Metaverse. As a result, the Board remains very focused on selling to and servicing universities, other education establishments and global enterprise customers. We now have over 200 Enterprise and Education customers on the ENGAGE platform. Some of the highlights in the year include the launch of ten Metaversites in the US, and our collaboration with Lenovo, which has developed into a commercial relationship.

Post period end, we successfully completed a €10.5 million equity raise (before expenses) in February 2023 and we have seen a strong start to 2023. We were also delighted with the response to the ground-breaking concert hosted in ENGAGE in March 2023 by the renowned international musician, Norman Cook, aka Fatboy Slim.

The management team and the Board are looking forward to the future with optimism. I would like to thank everyone at ENGAGE XR in delivering great progress in what has been a challenging environment. Furthermore, I want to thank our shareholders for their continued support.

Richard Cooper
Non-Executive Chairman
22 May 2023

CHIEF EXECUTIVE'S REVIEW

Overview

2022 was an extremely busy year with many positives and most metrics going in the right direction despite turbulence hitting the global tech sector during the second half of the year. This had a consequential impact on the conversion of our pipeline of commercial opportunities. During the year we launched new services on our platform, added more Fortune 500 companies to our client list, saw revenues grow throughout the year, and successfully launched ENGAGE Link in November 2022.

The market opportunity

The Board believes that the opportunities created by the metaverse are significant and that corporates are seeing how elements of the metaverse can be used to tremendous effect. Not just in terms of how a company interacts with its customers but also with suppliers and staff. The growth of metaversities and the use of VR in education is further evidence of the opportunities created by the metaverse. All these opportunities fit perfectly into ENGAGE's offering.

From the outset, the ENGAGE platform has been positioned as the metaverse platform focused on servicing the needs of enterprise customers and universities. We are targeting organisations looking for immersive corporate communications, remote collaboration, training and development, education and remote events. Our technology provides the platform which can help them to deliver their own metaverse strategies. So far, we have developed over 900 metaworlds for our clients.

2022 saw the continued evolution in the growth of the business. Our partner Victory XR launched 10 metaversities built on our software This has grown with a new round of schools being announced in March 2023. All students within the Victory XR ecosystem require an ENGAGE license which generates recurring revenue for the Group.

The main development in the period was the successful launch of ENGAGE Link in November 2022. ENGAGE Link is an evolution of our successful immersive communications platform. It was specifically developed as a metaverse platform for corporations, professionals, education organisations, and event organisers. ENGAGE Link allows the Group's wide-ranging customer base to use the metaverse to create their own virtual worlds to provide services directly to clients and engage with employees and suppliers.

Client Growth

Throughout 2022 we dealt with many new enterprise and educational clients. More than 70 new customers signed during the year, including Pfizer, MTN, HSBC, KIA, Pearson, Lenovo, Kuehne & Nagel, Adtalem Global Education and University of Miami.

Renewing clients included 3M, KPMG, Meta, HTC, BHP and Stanford University. The Company ended 2022 with more than 190 enterprise and education clients, which is now over 200. Many of our renewing clients now spend more with us and are purchasing additional services and licenses. There was an average increase of 24% to our average contract value in the year which is extremely positive. This is also a strong indication that ENGAGE is offering something unique in the marketplace and the strength of the names on our client roster demonstrates this.

We have also started to gain increased traction in the US market from the US sales team we deployed in mid-2022. 58% of revenue in Q1 2023 has been derived from North America compared to 30% for FY22, a strong indication that the team is performing well.

Results

To give more colour on how our year went financially, we achieved some important milestones which included:

- ENGAGE platform revenue grew 86% in 2022 from €1.8 to €3.3m
- Overall group revenue grew 62% to €3.9m outlining our total focus on platform growth
- December 2022 was our biggest ever month with €0.6m in deals closed
- Average contract values in the year increased by 24% to €21k
- Gross margin increased to 82% from 79%

2022 saw strong revenue growth during the year. There was an undeniably upward trend of our average monthly income through the year with that trend continuing so far during the first half of 2023. Q1 2023 reported figures are already 40% higher than the same period in 2022.

Growth in Services

As noted above, during 2022 we launched ENGAGE Link where clients can, for the first time, open a public space and interact directly with each other and directly with customers, suppliers, and employees. These spaces are akin to physical locations just like a business might have in a city.

One example of how ENGAGE Link has been successfully used is by major car manufacturer, Kia. Kia opened a virtual showroom for visitors to find out more about their products and services.

We expect many of our new and existing clients will progress onto ENGAGE Link for marketing, networking events, professional services, and recruitment drives. Enquiries as to how ENGAGE Link can be used are being brought to us each week.

Lenovo Partnership

In September 2022 we announced that ENGAGE and Lenovo™, one of the world's largest computer manufacturing and smartphone companies, had entered into a partnership. The partnership will see ENGAGE available on Lenovo’s new all in one VRX Headset. This is an enterprise-focused VR device.

The new headsets are expected to be available from H2 2023. We have been training and working with Lenovo’s sales team as they look to bundle ENGAGE software licenses with their new headset. It means ENGAGE software will be sold by hundreds of salespeople globally to Lenovo’s client base, not just a handful of ENGAGE employees.

The Board are confident that this new channel partner will enable us to grow our international reach and customer base. This should see further revenue growth during the second half of 2023 after the headsets arrive on the market. Lenovo have a large global market share in enterprise and education which is ENGAGE’s target market and should be a fruitful partnership for both parties.

Outlook
Despite 2022 being a year of growth, we believe our market capitalisation does not reflect the actual progress of the company.

There is growth in all our metrics, and we have reduced our cost base by approximately 25% in Q1 2023 (compared to Q4 2022). Our product offering has grown along with our client base. The partnerships we have put in place during 2022 should begin to bear fruit in the coming months.

Although times remain tough for many in the tech industry, we took decisive actions early. These actions have provided us with a solid foundation and the Company is poised for strong growth.

2023 has started encouragingly. We have had some exciting client wins already, including two of the world's leading banks. How fast and how big our growth will be remains to be seen. However, the Company has a strong balance sheet and is now in the best position possible to capitalise on the clear market opportunity. We are seeing increasing engagement from potential customers with our technology and platform. Our Lenovo partnership opens up exciting opportunities, and we are confident that the momentum seen in 2022 will continue into the current financial year and beyond.

David Whelan
Chief Executive Officer
22 May 2023

CHIEF FINANCIAL OFFICER'S REVIEW

I am pleased to report that revenue for the year was up 62% on the prior year from €2.4 million to €3.9 million, driven by a significant increase in demand for the ENGAGE platform. ENGAGE revenue was up 86% on the prior year from €1.8 million to €3.3 million.

EBITDA loss was €5.8 million compared to a loss of €2.8 million in the prior year and loss before tax was €6.0 million compared to a loss in the prior year of €3.1 million. This increased EBITDA loss is primarily driven by increased headcount in the year.

Operating cashflows were a net outflow of €5.5 million for the period. The current run-rate of staff costs and other ongoing costs is approximately €0.4m per month.

At the balance sheet date, trade and other receivables were €1.4m, ahead of trade and other payables at €1.2m. Trade receivables represented an average of 52 debtor days (2021: 58 days).

The Group's cash position on 31 December 2022 was €2.2 million with no debt. The cash balance was significantly strengthened post period end by a successful €10.5 million (€9.9 million net of expenses) fundraise. As at 30 April 2023, the Company's cash position was €10.3 million.

Séamus Larrissey
Chief Financial Officer
22 May 2023

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
for the year ended 31 December 2022

Continuing Operations	**Note**	**2022 €**	**2021 €**
Revenue	3	3,868,574	2,386,313
Cost of Sales	5	(709,018)	(492,396)
Gross Profit		**3,159,556**	**1,893,917**
Administrative Expenses	5	(9,133,860)	(5,007,421)
Operating Loss		**(5,974,304)**	**(3,113,504)**
Finance Costs	8	(30,581)	(16,767)
Loss before Income Tax		**(6,004,885)**	**(3,130,271)**
Income Tax credit	9	-	-
Loss for the financial year		**(6,004,885)**	**(3,130,271)**
Other comprehensive income		-	-
Total comprehensive loss for the year attributable to owners of the parent		**(6,004,885)**	**(3,130,271)**
Earnings per Share (EPS) attributable to owners of the parent			
Basic earnings per share	10	(0.021)	(0.011)
Diluted earnings per share	10	(0.019)	(0.010)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2022

	Note	2022 €	2021 €
Non-Current Assets			
Property, Plant & Equipment	11	96,085	102,075
Intangible Assets	12	39,492	426,454
		135,577	528,529
Current Assets			
Trade and other receivables	14	1,365,982	645,890
Cash and short-term deposits	15	2,209,169	7,790,060
		3,575,151	8,435,950
Total Assets		**3,710,728**	**8,964,479**
Equity and Liabilities			
Equity Attributable to Shareholders			
Issued share capital	16	290,451	290,451
Share premium	16	33,503,300	33,503,300
Other reserves	17	(11,752,741)	(11,775,474)
Retained earnings	18	(19,560,652)	(13,555,767)
Total Equity		**2,480,358**	**8,462,510**
Non-Current Liabilities			
Lease liabilities	20	-	7,883
Current Liabilities			
Trade and other payables	21	1,222,488	481,576
Lease liabilities	20	7,882	12,510
		1,230,370	494,086
Total Liabilities		**1,230,370**	**501,969**
Total Equity and Liabilities		**3,710,728**	**8,964,479**

COMPANY STATEMENT OF FINANCIAL POSITION
at 31 December 2022

	Note	2022 €	2021 €
Non-Current Assets			
Investment in subsidiaries	13	18,765,102	30,477,062
		18,765,102	30,477,062
Current Assets			
Trade and other receivables	14	3,492	1,035
Cash and short-term deposits	15	486,170	1,476,744
		489,662	1,477,779
Total Assets		**19,254,764**	**31,954,841**
Equity and Liabilities			
Equity Attributable to Shareholders			
Issued share capital	16	290,451	290,451
Share premium	16	33,503,300	33,503,300
Other reserves	17	(691,272)	(694,055)
Retained earnings	18	(14,001,259)	(1,223,374)
Total Equity		**19,101,220**	**31,876,322**
Current Liabilities			
Trade and other payables	20	153,544	78,519
Total Liabilities		**153,544**	**78,519**
Total Equity and Liabilities		**19,254,764**	**31,954,841**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022

	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total
	€	€	€	€	€
Balance at 1 January 2021	241,751	24,547,516	(11,337,058)	(10,429,815)	3,022,394
Total comprehensive income					
Other comprehensive income	-	-	-	-	-
Loss for the year	-	-	-	(3,130,271)	(3,130,271)
Total comprehensive income	241,751	24,547,516	(11,337,058)	(13,560,086)	(107,877)
Transactions with owners recognised directly in equity					
New shares issued	48,700	8,955,784	-	-	9,004,484
Share issue costs	-	-	(538,060)	-	(538,060)
Share option expense	-	-	99,644	4,319	103,963
Balance at 31 December 2021	**290,451**	**33,503,300**	**(11,775,474)**	**(13,555,767)**	**8,462,510**

	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total
	€	€	€	€	€
Balance at 1 January 2022	290,451	33,503,300	(11,775,474)	(13,555,767)	8,462,510
Total comprehensive income					
Other comprehensive income	-	-	-	-	-
Loss for the year	-	-	-	(6,004,885)	(6,004,885)
Total comprehensive income	290,451	33,503,300	(11,775,474)	(19,560,652)	2,457,625
Transactions with owners recognised directly in equity					
Share option expense	-	-	22,733	-	22,733
Balance at 31 December 2022	290,451	33,503,300	(11,752,741)	(19,560,652)	2,480,358

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total
	€	€	€	€	€
Balance at 1 January 2021	241,751	24,547,516	(247,188)	(791,234)	23,750,845
Total comprehensive income					
Other comprehensive income	-	-	-	-	-
Loss for the year	-	-	-	(432,140)	(432,140)
Total comprehensive income	241,751	24,547,516	(247,188)	(1,223,374)	23,318,705
Transactions with owners recognised directly in equity					
New shares issued	48,700	8,955,784	-	-	9,004,484
Share issue costs	-	-	(538,060)	-	(538,060)
Share option expense	-	-	91,193	-	91,193
Balance at 31 December 2021	**290,451**	**33,503,300**	**(694,055)**	**(1,223,374)**	**31,876,322**

	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total
	€	€	€	€	€
Balance at 1 January 2022	290,451	33,503,300	(694,055)	(1,223,374)	31,876,322
Total comprehensive income					
Other comprehensive income	-	-	-	-	- -
Loss for the year	-	-	-	(12,777,885)	(12,777,885)
Total comprehensive income	290,451	33,503,300	(694,055)	(14,001,259)	19,098,437
Transactions with owners recognised directly in equity					
Share option expense	-	-	2,783	-	2,783
Balance at 31 December 2022	**290,451**	**33,503,300**	**(691,272)**	**(14,001,259)**	**19,101,220**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2022

Continuing Operations	Note	2022 €	2021 €
Loss before income tax		(6,004,885)	(3,130,271)
Adjustments to reconcile loss before tax to net cash flows:			
Depreciation of fixed assets	5	80,448	97,458
Amortisation of intangible assets	5	386,962	537,672
Finance Costs	8	30,581	16,767
Share Option Expense		22,733	103,963
Movement in trade & other receivables		(720,092)	(287,613)
Movement in trade & other payables		740,912	124,155
		(5,463,341)	(2,537,869)
Bank interest & other charges paid		(30,581)	(16,767)
Net Cash used in Operating Activities		**(5,493,922)**	**(2,554,636)**
Cash Flows from Investing Activities			
Purchases of property, plant & equipment	11	(74,458)	(115,699)
Net cash used in investing activities		**(74,458)**	**(115,699)**
Cash Flows from Financing Activities			
Proceeds from issuance of ordinary shares		-	8,466,424
Payment of lease liabilities		(12,511)	(38,746)
Net cash generated from financing activities		**(12,511)**	**8,427,678**
Net (decrease) / increase in cash and cash equivalents		**(5,580,891)**	**5,757,343**
Cash and cash equivalents at beginning of year	15	7,790,060	2,032,717
Cash and cash equivalents at end of year	15	**2,209,169**	**7,790,060**

COMPANY STATEMENT OF CASH FLOWS
for the year ended 31 December 2022

Continuing Operations	Note	2022 €	2021 €
Loss before income tax		(12,777,885)	(432,140)
Adjustments to reconcile loss before tax to net cash flows:			
Finance Costs		559	629
Share Option Expense		2,783	91,193
Impairment of Investment in Subsidiaries		11,602,935	-
Movement in trade & other receivables		(2,457)	8,203,827
Movement in trade & other payables		75,025	17,273
		(1,099,040)	7,880,782
Bank interest & other charges paid		(559)	(629)
Net cash used in Operating Activities		**(1,099,599)**	7,880,153
Cash Flows from Investing Activities			
Capital contribution	12	109,025	(15,448,253)
Net cash generated / (used) in investing activities		**109,025**	**(15,448,253)**
Cash Flows from Financing Activities			
Proceeds from issuance of ordinary shares		-	8,466,424
Net cash generated from financing activities		**-**	**8,466,424**
Net (decrease) / increase in cash and cash equivalents		**(990,574)**	**898,324**
Cash and cash equivalents at beginning of year	15	1,476,744	578,420
Cash and cash equivalents at end of year	15	**486,170**	**1,476,744**

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 and on the Euronext Growth Market (“Euronext Growth”), a market regulated by Euronext Dublin. 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. On 12 March 2018 the Company acquired ENGAGE XR Limited and contemporaneously listed on London's AIM market and Dublin's Euronext Growth market.

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 subsidiary ENGAGE XR Limited.

All financial statements are made up to 31 December 2022. 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.

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.

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 are presented on a going concern basis. In forming this opinion, the Directors have considered all the information available to them. This includes management prepared forecasts, 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.

On 5 March 2023, the Company issued 234,375,000 ordinary shares at a £0.04 (€0.045) as a result of an oversubscribed placing raising €10,500,000 before costs are deducted. The proceeds will be primarily used for working capital and general corporate purposes and also on sales and marketing to convert pipeline and capitalise on market opportunity to be deployed over the next 12-18 months.

Based on their consideration of these matters and the successful fundraise post year end the Directors believe the Group and Company to be a going concern.

These financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the group not continue as a going concern. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

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.

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.

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:

<u>ENGAGE Revenue</u>
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.

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.

Impairment of non-financial assets
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.

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.

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.

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.

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 receivableshave 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.

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, interpretations and amendments adopted by the Group and Company
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 2022, and not early adopted
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2022 and have not been applied in preparing these financial statements:

- Amendments to IFRS 3: Business Combination
- Amendments to IAS 16: Property, Plant and Equipment
- Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets
- Amendments to IAS 1: Presentation of Financial Statements, Disclosure of Accounting Policies
- Amendments to IAS8: Definition of Accounting Estimates

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

3. Segment Reporting

Revenue by Type	**2022** **€**	**2021** **€**
ENGAGE revenue	3,333,218	1,791,416
Showcase experience revenue	373,979	469,467
Other revenue	161,377	125,430
Total Revenue	**3,868,574**	**2,386,313**

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	**2022 €**	**2021 €**
Lease liabilities	(7,882)	(20,393)
Trade and other payables	(1,222,488)	(481,576)
Less: cash and short-term deposits	2,209,169	7,790,060
Net Funds	**978,799**	**7,288,091**
Equity	2,480,358	8,462,510
Total Equity	**2,480,358**	**8,462,510**
Capital and net funds	**3,459,157**	**15,750,601**

5. a. Expenses by nature

	2022 €	**2021 €**
Depreciation charges	80,448	97,458
Amortisation expense	386,962	537,672
Operating Lease Payments	38,833	8,514
Foreign Exchange Gain	(2,785)	(85,789)
Staff Costs	5,242,101	3,356,152
Contractor Costs	1,772,886	359,729
Other Expenses	2,324,433	1,226,081
Total cost of sales and administrative expenses	**9,842,878**	**5,499,817**

Disclosed as:

Cost of sales	709,018	492,396
Administrative expenses	9,133,860	5,007,421
Total cost of sales and administrative expenses	**9,842,878**	**5,499,817**

b. Auditor Remuneration

Services provided by the Company's auditor

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

	2022 €	2021 €
Fees payable to the Company's auditor for the audit of the financial statements	46,600	46,600

6. Employees

Employee Benefit Expense	**2022 €**	**2021 €**
Wages and salaries	4,631,127	2,906,329
Social security costs	528,015	314,091
Defined contribution pension costs	60,226	31,769
Share option expense	22,733	103,963
Total Employee Benefit Expense	**5,242,101**	**3,356,152**

Average Number of People Employed	**2022**	**2021**
Average number of people (including executive Directors) employed:		
Operations	69	44
Administration	4	3
Sales, Marketing and Customer Support	12	2
Total Average Headcount	**85**	**49**

7. Directors remuneration

Below is the Directors' remuneration for the year ended 31 December 2022 and for the year ended 31 December 2021

	31 December 2022			
Group	**Salaries and fees**	**Pension benefits**	**Options / Warrants issued**	**Total**
	€	**€**	**€**	**€**
Executive Directors				
David Whelan	292,125	5,930	-	298,055
Sandra Whelan	234,208	5,870	-	240,078
Séamus Larrissey	200,250	7,188	-	207,438
Non-executive Directors				
Richard Cooper	85,671	-	2,783	88,454
Praveen Gupta	-	-	-	-
Kenny Jacobs	27,313	-	-	27,313
Frank Poore	-	-	-	-
	839,567	18,987	2,783	861,338

	31 December 2021			
Group	**Salaries and fees**	**Pension benefits**	**Options / Warrants issued**	**Total**
	€	**€**	**€**	**€**
Executive Directors				
David Whelan	176,917	4,824	-	181,741
Sandra Whelan	144,417	5,002	-	149,419
Séamus Larrissey	128,167	6,333	-	134,500
Non-executive Directors				
Richard Cooper	85,552	-	16,700	102,252
Praveen Gupta	-	-	-	-
Kenny Jacobs	3,033	-	-	3,033
Frank Poore	-	-	74,493	74,493
Harry Kloor	23,228	-	-	23,228
Tony Hanway	27,000	-	-	27,000
	588,314	16,159	91,193	695,666

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 19.

8. Finance Costs

	2022 €	2021 €
Interest expense:		
- Lease interest	1,099	2,863
- Bank charges	29,482	13,904
Total finance costs	**30,581**	**16,767**

9. Income Tax

	2022 €	2021 €
Current tax:		
Current tax on loss for the year	-	-
Total current tax	-	**-**
Deferred tax (Note 22)	**-**	**-**
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:

	2022 €	2020 €
Loss Before Tax	(6,004,885)	(3,130,271)
Tax calculated at domestic tax rates applicable to loss in Ireland of 12.5%	(750,611)	(391,284)
Tax effects of:		
- Depreciation in excess of capital allowances	4,110	7,400
- Expenses not deductible for tax purposes	18,113	39,780
- Tax losses for which no deferred tax asset was recognised	728,388	344,104
Total tax	-	-

10. Earnings per share (EPS)

Loss attributable to equity holders of the Group:	2022 €	2021 €
Continuing Operations	(6,004,885)	(3,130,271)
Weighted average number of shares for Basic EPS	290,451,146	290,451,146
Effects of dilution from share options and warrants	23,741,560	23,455,846
Weighted average number of ordinary shares adjusted for the effect of dilution	314,192,706	313,906,992
Basic loss per share from continuing operations	(0.021)	(0.011)
Diluted loss per share from continuing operations	(0.019)	(0.010)

11. Property, Plant & Equipment

Group	Leasehold improvements	Fixtures, fittings and equipment	Office Equipment	Right of use assets	Total
	€	€	€	€	€
Cost of Valuation					
At 1 January 2021	20,341	7,025	178,883	156,031	362,280
Additions	-	-	115,699	-	115,699
At 31 December 2021	20,341	7,025	294,582	156,031	477,979
Additions	-	-	74,458	-	74,458
At 31 December 2022	20,341	7,025	369,040	156,031	552,437
Depreciation					
At 1 January 2021	17,105	6,062	158,387	96,892	278,446
Charge (note 5)	3,236	694	54,781	38,747	97,458
At 31 December 2021	20,341	6,756	213,168	135,639	375,904
Charge (note 5)	-	269	67,670	12,509	80,448
At 31 December 2022	20,341	7,025	280,838	148,148	456,352
Net Book Amount					
At 31 December 2021	-	269	81,414	20,392	102,075
At 31 December 2022	-	-	88,202	7,883	96,085

Depreciation expense of €80,448 (2021: €97,458) has been charged in 'Administrative Expenses'.

Right of use asset relates to properties and vehicles held under lease.

12. Intangible Assets

Group	Software in development costs €	Total €
Cost		
At 31 December 2021 and 31 December 2021	2,136,231	2,136,231
Amortisation		
At 1 January 2021	1,172,105	1,172,105
Charge	537,672	537,672
At 31 December 2021	1,709,777	1,709,777
Charge	386,962	386,962
At 31 December 2022	2,096,739	2,096,739
Net Book Value		
At 31 December 2021	426,454	426,454
At 31 December 2022	**39,492**	**39,492**

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.

Amortisation expense of €386,962 (2021: €537,672) has been charged in ‘Administrative Expenses’.

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

13. Investments in Subsidiaries

Company	€
At 1 January 2021	15,028,809
Capital Contributions	15,448,253
At 31 December 2021	**30,477,062**
Additions	100,000
Repayment of Capital contributions	(209,025)
Impairment Adjustment	(11,602,935)
At 31 December 2022	**18,765,102**

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 €7,263,432 was forwarded during 2021 and €8,184,821 was converted from the termination of the intercompany loan agreement in force since 1 January 2020. An amount of €209,025 was repaid by ENGAGE XR Limited to the Company during 2022. 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 which was unpaid at the year end. This amount was subsequently paid in full post period end.

The Board have recognised an impairment adjustment of €11,602,935 (2021: €Nil) in the current year to reflect the market capitalisation of the group at 31 December 2022.

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.

14. Trade and Other Receivables

Current	Group 2022 €	Group 2021 €	Company 2022 €	Company 2021 €
Trade receivables	552,836	381,568	-	-
Less: provision for impairment of receivables	-	-	-	-
Trade receivables - net	552,836	381,568	-	-
Prepayments	325,413	110,640	2,258	768
Accrued income	446,102	139,512	-	
Other debtors	3,100	3,100	-	-
VAT	38,531	11,070	1,234	267
	1,365,982	645,890	3,492	1,035

As at 31 December 2022, trade receivables of €552,836 (2021: €381,568) were fully performing and deemed fully recoverable. No bad debt provision charge was incurred during 2022 (2021: €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:

	Group 2022 €	Group 2021 €	Company 2022 €	Company 2021 €
Euro - Neither past due nor impaired	335,635	330,287	-	-
Dollar - Neither past due nor impaired	217,201	51,282	-	-
	552,836	381,568	-	-

15. Cash and short-term deposits

	Group 2022 €	Group 2021 €	Company 2022 €	Company 2021 €
Cash at bank and on hand	2,209,169	7,790,060	486,170	1,476,744
	2,209,169	7,790,060	486,170	1,476,744

16. Issued Share Capital and Premium

	Number of shares	Ordinary shares €	Share premium €	Total €
At 1 January 2021	241,750,955	241,751	24,547,516	24,789,267
Ordinary Shares Issued	48,350,191	48,350	8,947,034	8,995,384
Exercise of Share Options	350,000	350	8,750	9,100
At 31 December 2021	290,451,146	290,451	33,503,300	33,793,751
At 1 January 2022 and At 31 December 2022	290,451,146	290,451	33,503,300	33,793,751

As at 31 December 2022 the number of shares authorised for issue were 290,451,146 (2021: 290,451,146). The par value of the shares authorised for issue were €0.001 each (2021: €0.001 each).

On 22 June 2021 following a successful placing, an amount of €9.0 million was raised by the Group and 48,350,191 ordinary shares were issued at an issue price of €0.186 per share. Net proceeds after expenses were €8.46 million.

On 5 November 2021, as a result of the exercise of share options, 350,000 ordinary shares in the Company at an exercise price of €0.026 per share providing the Company with gross proceeds of €9,100.

17. Other Reserves

	Group €	Company €
At 1 January 2021	(11,337,058)	(247,188)
Share issue costs	(538,060)	(538,060)
Share option expense	99,644	91,193
At 31 December 2021	(11,775,474)	(694,055)
At 1 January 2022	(11,775,474)	(694,055)
Share option expense	22,733	2,783
At 31 December 2022	(11,752,741)	(691,272)

18. Retained Earnings

	Group €	Company €
At 1 January 2021	(10,429,815)	(791,234)
(Loss)/profit for the year	(3,130,271)	(432,140)
Share option expense – transfer on exercise	4,319	-
At 31 December 2021	(13,555,767)	(1,223,374)
At 1 January 2022	(13,555,767)	(1,223,374)
Loss for the year	(6,004,885)	(12,777,885)
Share option expense – transfer on exercise		
At 31 December 2022	(19,560,652)	(14,001,259)

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

19. Share Based Payments

There were 285,714 (2021: 200,000) employee options granted during 2022 at an exercise price of €0.175 (2021: €0.20) per share and these 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 movement in employee share options and weighted average exercise prices are as follows for the reporting periods presented:

	2022	2021
At 1 January	4,118,413	4,298,042
Granted during period	285,714	200,000
Exercised during period	-	(350,000)
Forfeited during period	-	(29,629)
At 31 December	4,404,127	4,118,413
Options outstanding at 31 December		
Number of shares	4,404,127	4,118,413
Weighted average remaining contractual life	1.30	1.37 years
Weighted average exercise price per share	€0.047	€0.038
Range of exercise price	€0.0001 – €0.20	€0.0001 – €0.20
Exercisable at 31 December		
Number of shares	2,718,413	2,585,324
Weighted average exercise price per share	€0.031	€0.032

No options (2021: 350,000 options) were exercised during the period (2021: at a price of €0.026 per share). The weighted average exercise price of options granted during the period was €0.175 (2021: €0.20). The expense recognised in respect of employee share-based payment expense and credited to the share-based payment reserve in equity was €22,733 (2021: €25,151).

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 Black Scholes valuation model.

	Employee
Number of options	285,714
Grant date	27 March
Vesting period	3 years
Share price at date of grant	€0.21
Exercise price	€0.20
Volatility	57%
Option life	7 years
Dividend yield	0%
Risk free investment rate	0.14%
Fair value per option at grant date	€0.1102
Weighted average remaining contractual life in years	6.24

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.

On 1 October 2021, 17,406,069 share warrants were granted to Frank Poore upon his appointment as a non-executive Director, at an exercise price of €0.174 (GBP £0.15) per share. The warrants expire at the end of a period of 5 years from the grant date or on the date the employee leaves. The vesting conditions in relation to these options are set out in the table below.

	Tranche 1	**Tranche 2**	**Tranche 3**
Grant Date	1 October 2021	1 October 2021	1 October 2021
Number of Warrants	5,802,023	5,802,023	5,802,023
Vesting Criteria	By end 29 July 2023	By end 29 July 2024	By end 29 July 2025
Exercise Price	GBP £0.15	GBP £0.15	GBP £0.15
Trigger Price	GBP £0.30	GBP £0.60	GBP £0.90
Volatility	43%	43%	43%
Risk Free Rate of Return	0.62%	0.62%	0.62%
Dividend Yield	0%	0%	0%
Option Life	5 Years	5 Years	5 Years
Fair Value	€0.063	€0.031	€0.023
Expense	€365,070	€178,441	€134,452

The cumulative expense of €677,963 is recognised in line with the vesting conditions and on a straight line basis. An amount of €Nil (2021: €74,493) is included in administration expenses. Frank Poore ceased his employment with the company on 31 January 2022 and at 31 January 2023 no share warrants remain. As a result no expense was recognised in 2022.

20. Leases

<u>Amounts recognised in the Statement Of Financial Position</u>

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

Right of Use Assets	**Group 2022 €**	**Group 2021 €**	**Company 2022 €**	**Company 2021 €**
Buildings	-	1,813	-	-
Vehicles	7,883	18,579	-	-
	7,883	20,392	-	-

Lease Liabilities	**Group 2022 €**	**Group 2021 €**	**Company 2022 €**	**Company 2021 €**
Current	7,882	12,510	-	-
Non-current	-	7,883	-	-
	7,882	20,393	-	-

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	**2022**	**2021**
	€	**€**
Buildings	1,813	21,758
Vehicles	10,696	16,989
	12,509	38,747
Interest expense (included in finance cost)	1,099	2,863

21. Trade and Other Payables

		Group		**Company**
	2022	**2021**	**2022**	**2021**
	€	**€**	**€**	**€**
Trade Payables	323,684	23,763	6,362	3,653
Amounts Due to Related Parties	-	-	100,000	-
PAYE/PRSI	225,179	129,972	11,508	25,914
VAT	-	-	-	-
Deferred Income	259,111	108,901	-	-
Accrued Expenses	414,514	218,940	35,674	48,952
	1,222,488	481,576	153,544	78,519

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

22. 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 €2,087,214 (2021: €1,313,216) in respect of losses and depreciation in excess of capital allowances amounting to €16,697,710 (2021: €10,505,731) that can be carried forward against future taxable income.

23. Related Parties

During the year the Directors received the following emoluments:

		Group		**Company**
	2022	**2021**	**2022**	**2021**
Directors	**€**	**€**	**€**	**€**
Aggregate emoluments	839,567	588,313	839,567	588,313
Share option expense	2,783	91,193	2,783	91,193
	842,350	679,506	842,350	679,506

Included in the above is an amount of € 85,671 (2021: €85,552) 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 2022 €Nil was outstanding.

24. 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.

25. Events after the reporting date

The Company has evaluated all events and transactions that occurred after 31 December 2022 up to the date of signing of the financial statements.

On 5 March 2023, the Company issued 234,375,000 ordinary shares at a £0.04 (€0.045) as a result of an oversubscribed placing and the HTC subscription raising €10,500,000 before costs are deducted. The proceeds will be primarily used for working capital and general corporate purposes and also on sales and marketing to convert pipeline and capitalise on market opportunity to be deployed over the next 12-18 months.

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

26. Contingent Liabilities

The company has indicated that it will guarantee the liabilities (as defined in Section 397 of the
Companies Act 2014) of €1,176,828 (2021: €423,455) its Irish subsidiary, ENGAGE XR Limited for the year ended 31 December 2022.

27. Ultimate controlling party

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