15 April 2024

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

Final Results

ENGAGE XR Holdings Plc (AIM: EXR), a leading spatial computing and metaverse technology company, is pleased to announce its audited results for the 12 months ended 31 December 2023.

Financial Highlights:

- Total revenue for the Group was €3.7 million (2022: €3.9 million)
- ENGAGE platform revenue remained constant at €3.3 million (2022: €3.3 million)
- ENGAGE continued to take market share within the growing North American market with 60% of total ENGAGE revenue being generated in North America (2022: 35%)
- Gross profit increased by 5% to €3.3 million (2022: €3.2 million) from an improved gross profit margin of 90% (2022: 82%)
- EBITDA loss was reduced to €4.0 million (2022: loss of €5.8 million)
- The Group's cash position on 31 December 2023 was €7.9 million (2022: €2.2 million) with no debt
- Successful fundraise of €10.5 million (€9.9 million net of expenses) in February 2023

Operational Highlights:

- ENGAGE revenue from Education customers has grown in the period to €1.1 million from €0.8 million, including a 5,400 user K-12 education license deal signed with a US state and the year also saw a growth in revenues from two other existing educational clients, Optima Domi Academy and Victory XR.
- ENGAGE total licensed Education and Enterprise users grew to approximately 15,000 users at the period end (2022: 10,000 users)

Post period end Highlights:

- In the last nine months, ENGAGE has seen four of its largest contracts close, all within the education and training arena, from a mixture of new and existing customers
- This included the signing of the Group's first ever seven-figure deal early in 2024 with a large Middle East-based company in the education, training, and development sector
- Record revenue quarter in Q1 2024 of just over €2m contracted revenue booked in. Over 70% of this revenue is professional education
- Announced the launch of "School of AI" which an immersive learning environment, in which students can speak to notable figures of history, powered by conversational and generative AI. Full rollout planned in Q2, creating new revenue opportunities

David Whelan, CEO of ENGAGE XR, said: *"2023 was a year in which the Company successfully strengthened its balance sheet but was also a year that saw many ups and downs. We are now focused on the aspects of the business that have a long-term future, namely the education and training sectors within both the education and enterprise markets.*

2023 saw a number of enterprise customers deciding not to renew contracts or renewing at lower levels and revenue for remote events and collaboration also decreased, as many tech *companies mandated employees to return to the office. In contrast, 2023 also saw good growth in our education, training, and development client base. In the last nine months, we signed four of the largest contracts, within the Company's history, including the signature of the Group's first seven-figure deal in early 2024 with a large Middle East based company, all in the education, training, and development sector. We recently announced our School of AI initiative which is a new product offering for schools and universities to be released in Q2.*

2024 has started strongly, with Q1 being our biggest ever revenue quarter and we are therefore looking forward to continuing this momentum in the current financial year. We continue to strengthen our relationships with our partners and are very focused on our work with strong platform partners such as Meta and Lenovo on growing the market away from single pay entertainment purchases. Both of these partners are highly focused on recurring revenue generators with education, training and development sectors, which is key to our strategy.

Led by our Chairman, Richard Cooper, we are well advanced in making additional appointments to our non-executive board members with a specific focus on both technology and the US west coast knowledge and networks.

Having taken steps to reduce our cost base, and strengthen our balance sheet through a successful fundraise, we believe ENGAGE is in prime position to become the largest provider of such spatial computing services globally, combined with a growing client base."

Investor Communications

CEO David Whelan and CFO Séamus Larrissey will provide a live presentation relating to the results via Investor Meet Company on 15 April 2024, 09:00 BST.

The presentation is open to all existing and potential shareholders. Questions can be 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.

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About ENGAGE XR

ENGAGE XR Holdings plc (AIM: EXR) is an extended reality (XR) 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 https://youtu.be/2OHtimtFY3M?si=Ng0-mwgUpTgU4wtl

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)

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CHAIRMAN'S STATEMENT

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 legacy of the "tech crash" in Autumn 2022 and continued to impact us throughout 2023.

Revenue decreased by 5% to €3.7 million (2022: €3.9 million). A longer sales decision-making cycle in our customer base, due to economic uncertainties, together with some enterprise customers not renewing their contracts or renewing at lower levels meant we were disappointed not to deliver the revenue growth we were targeting. Gross profit however increased by 5% as the Company improved gross profit margin to 90% (2022: 82%). Staff and contractor costs fell to €6.2 million, down from €7.0 million in 2022, a 11% reduction, which was the result of an aggressive cost-cutting program.

The Company has seen increased interest from the education and training sectors. The Board continue to see meaningful opportunities to increase metaverse use within these sectors. The Board believes that the specific areas the Company is targeting, such as remote education, and the way in which organisations interact with staff, suppliers and customers will be transformed by the Metaverse. As a result, the Board remains focused on selling to and servicing universities and other education establishments whilst continuing its sales push to global enterprise customers.

We were delighted with the response to the ground-breaking concert hosted in ENGAGE early in 2023 by the renowned international musician, Norman Cook, aka Fatboy Slim. The concert demonstrated the versatility and capabilities of VR and how it enables corporations to creatives to build their own worlds within ENGAGE that can be used for entertainment, business engagements and so much more.

In February 2023, we successfully completed a €10.5m equity raise (before expenses) to bolster the Group's balance sheet and to help us deliver on our ambitious growth plans. At 31 December 2023, we had funds of €7.9 million and earned €0.2m of interest during the year.

I would like to thank Praveen Gupta for his service as a director from 6 July 2020 to 8 December 2023 when he retired from HTC, a leading shareholder and customer. Following his departure, we are looking to strengthen the Board and have been searching for candidates who can bring additional contacts, networks and technology experience to the Group. This process is well advanced, and we will be making an announcement soon.

We have seen a strong start to 2024 and therefore 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
15 April 2024

CHIEF EXECUTIVE'S REVIEW

Overview
2023 has been a year of clarity for the ENGAGE team in understanding our value proposition and revenue opportunities in a post lockdown world. Although ENGAGE revenue was impacted by delays in contracts being signed towards the year end, enterprise customers either not renewing contracts or renewing at lower levels and a decrease in revenues for one off remote events and collaboration, we have grown our education, training, and development client base to partially replace these revenue streams.

In the last nine months, we have signed four of the largest contracts, within the Company's history, including the signature of the Group's first seven-figure deal in early 2024 with a large Middle East based company, all in the education, training, and development sector.

Reorganisation
In early Q1 2023, management took the difficult decision to ensure the Company's cost base was reduced and as a result the executive and management teams undertook a companywide reshuffle. This reshuffle ensured growing areas of the business were staffed appropriately and spending was controlled in less active areas of the Group. This reshuffle resulted in significant savings with the reduction of contractor fees and a focus on greater operating efficiencies being delivered across the Company.

Capital Raise
In Q1 2023, the Company also successfully raised a total of €10.5 million in additional funding to capitalise on growing 2022 subscription figures and our newly formed partnership with Lenovo. This additional funding should see the ENGAGE group reach profitability in late 2025.

Reduction in Enterprise revenues
Two major themes throughout 2023 were the mandates for workers to return to the office and layoffs within the global tech sector. Many tech workers hired during lockdowns lived far from the office and used services such as ENGAGE daily for group meetings and collaboration. Many of these employees left their jobs as they could not work in the office, and coupled with extensive redundancies, saw ENGAGE Enterprise revenue, incorporating events and collaboration, fall by almost 34%. Whilst this was very disappointing, we are confident that the worst is over, and that we expect to see lower levels of churn and higher net revenue retention levels from our Enterprise client base.

Growth in Education and training
ENGAGE version 1.0 was officially launched on 18 December 2018, with an initial focus on education and training. In the period since its launch, whilst winning clients in the education and training space such as Stanford University, Commonwealth of Kentucky and Pearsons, the Company saw greater engagement from Enterprise customers who were seeking alternatives to video-based communication options and also in one off events. A strong example of these one off events was the popular Fatboy Slim immersive concert held in March 2023. The concert was designed to showcase what the ENGAGE platform has to offer in the events arena and received high praise and coverage globally.

However, during 2023, the ENGAGE platform started to grow significantly in areas it was originally designed for within the education, training and development sectors. This saw a revenue increase of 41% in this sector partially helping to mitigate the enterprise losses from non-renewals experienced throughout 2023. The result being that, although headline ENGAGE revenue was marginally down year on year, the customer profile within the Company changed from enterprise-led to education and training-led revenue with a smaller but faster revenue-generating client base. This has provided management with greater clarity on the ENGAGE platforms value proposition which is on employee onboarding services, professional training and development, university education and K12 education services[1]. Many of our smaller education clients grew their license numbers with us throughout 2023 and we also saw American-based banking and insurance companies use our platform to train employees using immersive technologies.

One of the bigger deals seen during 2023 was the largest ever single deployment of immersive technologies within education with 5,000 headsets purchased by the State of Kentucky education board along with ENGAGE licenses to use on those devices. This was a collaboration between Meta and the ENGAGE team and something we intend to replicate.

Positive Direction

Even with the turmoil and challenges that have been faced throughout 2023 the revenue metrics are clear. We continue to focus on growing renewing clients and sectors that have quantifiable ROI, be that with better test results for students within education or cost savings achieved within the training and development sectors for enterprise clients using the ENGAGE platform.

We are seeing this education and training base grow and mature quickly, and this is resulting in the Company successfully starting to win larger deals in this space. What is most encouraging is that many of the deals we are closing in the later part of 2023 are from existing clients growing their presence on the platform. This trend is continuing in 2024.

Confidence on Medium Term Prospects

2024 has started strongly with just over €2m contracted revenue booked in Q1. Over 70% of this revenue is professional education and the Board is hopeful that we should see a further expansion of revenues from these clients over the next 12 to 18 months.

We are still working closely with Lenovo on our partnership and are exploring opportunities with potential customers together. However we do not expect revenue to be generated from this relationship until near the end of 2024 or into 2025.

In March 2024, we announced our School of AI initiative which is a new product offering for schools and universities to be released in Q2. With the growth of our education sector clients, it is obvious to us that this should be a key focus point for the team going forward. Remote collaboration and events are still available, however, AI aided immersive education is where we are making strides.

Our development plan is to release AI features for the K12 market as a test bed before deploying them within the enterprise sector in H2 of 2024. Almost half of queries coming into our website are interested in our AI-aided education and experiences, and we are taking onboard these requests before publishing our findings and tools.

We are currently working with a small selection of enterprise clients on AI-enhanced training for bank and hospitality workers in the USA and the Middle East. We will be providing a broader rollout to the rest of our enterprise clients in the second half of 2024.

Summary

2023 has been a transformative year with many ups and downs. The year has brought a sharp focus to the team and allowed us to focus on the important aspects of the business that have a long-term future. We expect many of our competitors who only provided collaboration services in the past to fail this year making us a much bigger player in a small but fast-growing space.

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[1] K–12 refers to publicly supported primary and secondary education in the United States running from kindergarten to 12th grade

New hardware players are investing heavily in this space with Apple having recently released its Vision Pro device, and Samsung, Google and Sony all expected to join the immersive technology sector later this year.

We are looking forward to the second half of the year as we work with strong platform partners such as Meta and Lenovo on growing the market away from single pay entertainment purchases. Both partners are highly focused on recurring revenue generators with education, training and development is key this strategy.

We believe ENGAGE is in prime position to become the largest provider of such services globally, given our past performance and current growing client base.

David Whelan
Chief Executive Officer
15 April 2024

CHIEF FINANCIAL OFFICER'S REVIEW

Revenue was down 5% from €3.9 million in 2022 to €3.7 million, driven by a delay in closing some significant contracts in the final quarter of the year which subsequently closed in early 2024. ENGAGE platform revenue remained constant year on year at €3.3 million.

ENGAGE revenue from education customers has grown in the period to €1.1 million from €0.8 million. This was bolstered by a 5,400 user K-12 education license deal signed with a US state and the year also saw the growth of two other educational clients, Optima Domi Academy and Victory XR.

ENGAGE revenue from Professional Services also grew in the period to €1.1 million from €1.0 million driven by increased custom development work performed by the ENGAGE Studio team for both Enterprise and Education customers but offset by a reduction in one off VR events supported by the ENGAGE Event team whilst ENGAGE Revenue from Enterprise customers declined from €1.5 million to €1.0 million.

ENGAGE revenue continued to grow within the North American market with 60% of total ENGAGE revenue being generated in North America (2022: 35%). This is in line with our focus within the group to grow the sales team within North America.

ENGAGE total licensed Education and Enterprise users grew to approximately 15,000 users at the period end (2022: 10,000 users)

EBITDA loss was €4.0 million compared to a loss of €5.8 million in the prior year and loss before tax was €4.1 million compared to a loss in the prior year of €6.0 million. This reduced EBITDA loss is primarily driven by reduced headcount in the year, and strong cost control across the Group.

Operating cashflows were a net outflow of €4.5 million for the period. The current run-rate of staff costs and other ongoing costs is approximately €0.3 million per month.

At the balance sheet date, trade and other receivables were €1.2 million, ahead of trade and other payables at €0.6 million. Trade receivables represented an average of 59 debtor days (2022: 52 days).

The Group's cash position on 31 December 2023 was €7.9 million (2022: €2.2 million) with no debt. The cash balance was significantly improved during 2023 by a successful €10.5 million (€9.9 million net of expenses) fundraise.

Séamus Larrissey
Chief Financial Officer
15 April 2024

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
for the Year Ended 31 December 2023

Continuing Operations	Note	2023 €	2022 €
Revenue	3	3,690,697	3,868,574
Cost of Sales	5	(379,640)	(709,018)
Gross Profit		**3,311,057**	**3,159,556**
Administrative Expenses	5	(7,551,774)	(9,133,860)
Operating Loss		**(4,240,717)**	**(5,974,304)**
Finance Income	9	193,605	-
Finance Costs	8	(6,966)	(30,581)
Loss before Income Tax		**(4,054,078)**	**(6,004,885)**
Income Tax credit	10	-	-
Loss for the financial year		**(4,054,078)**	**(6,004,885)**
Other comprehensive income		-	-
Total comprehensive loss for the year attributable to owners of the parent		**(4,054,078)**	**(6,004,885)**
Earnings per Share (EPS) attributable to owners of the parent			
Basic earnings per share	11	(0.008)	(0.021)
Diluted earnings per share	11	(0.008)	(0.019)

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2023

	Note	2023 €	2022 €
Non-Current Assets			
Property, Plant & Equipment	12	123,728	96,085
Intangible Assets	13	-	39,492
		123,728	135,577
Current Assets			
Trade and other receivables	15	1,195,333	1,365,982
Cash and short-term deposits	16	7,911,079	2,209,169
		9,106,412	3,575,151
Total Assets		**9,230,140**	**3,710,728**
Equity and Liabilities			
Equity Attributable to Shareholders			
Issued share capital	17	524,826	290,451
Share premium	17	43,910,062	33,503,300
Other reserves	18	(12,292,523)	(11,752,741)
Retained earnings	19	(23,614,730)	(19,560,652)
Total Equity		**8,527,635**	**2,480,358**
Non-Current Liabilities			
Lease liabilities	21	34,540	-
Current Liabilities			
Trade and other payables	22	615,237	1,222,488
Lease liabilities	21	52,728	7,882
		667,965	1,230,370
Total Liabilities		**702,505**	**1,230,370**
Total Equity and Liabilities		**9,230,140**	**3,710,728**

COMPANY STATEMENT OF FINANCIAL POSITION
at 31 December 2023

	Note	2023 €	2022 €
Non-Current Assets			
Investment in subsidiaries	14	12,366,593	18,765,102
		12,366,593	18,765,102
Current Assets			
Trade and other receivables	15	25,424	3,492
Cash and short-term deposits	16	5,791,641	486,170
		5,817,065	489,662
Total Assets		**18,183,658**	**19,254,764**
Equity and Liabilities			
Equity Attributable to Shareholders			
Issued share capital	17	524,826	290,451
Share premium	17	43,910,062	33,503,300
Other reserves	18	(1,246,172)	(691,272)
Retained earnings	19	(25,081,249)	(14,001,259)
Total Equity		**18,107,467**	**19,101,220**
Current Liabilities			
Trade and other payables	22	76,191	153,544
Total Liabilities		**76,191**	**153,544**
Total Equity and Liabilities		**18,183,658**	**19,254,764**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the Year Ended 31 December 2023

	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

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

COMPANY STATEMENT OF CHANGES IN EQUITY
for the Year Ended 31 December 2023

	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**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the Year Ended 31 December 2023

Continuing Operations	**Note**	**2023 €**	**2022 €**
Loss before income tax		(4,054,078)	(6,004,885)
Adjustments to reconcile loss before tax to net cash flows:			
Depreciation of fixed assets	5	106,179	80,448
Amortisation of intangible assets	5	39,492	386,962
Finance Costs	8	6,966	30,581
Finance Income	9	(193,605)	-
Share Option Expense		61,579	22,733
Movement in trade & other receivables		170,649	(720,092)
Movement in trade & other payables		(607,251)	740,912
		(4,470,069)	(5,463,341)
Bank interest received		193,605	-
Bank interest & other charges paid		(6,966)	(30,581)
Net Cash used in Operating Activities		**(4,283,430)**	**(5,493,922)**
Cash Flows from Investing Activities			
Purchases of property, plant & equipment	12	(17,465)	(74,458)
Net cash used in investing activities		**(17,465)**	**(74,458)**
Cash Flows from Financing Activities			
Proceeds from issuance of ordinary shares		10,039,775	-
Payment of lease liabilities		(36,970)	(12,511)
Net cash generated from / (used in) financing activities		**10,002,805**	**(12,511)**
Net increase / (decrease) in cash and cash equivalents		**5,701,910**	**(5,580,891)**
Cash and cash equivalents at beginning of year	16	2,209,169	7,790,060
Cash and cash equivalents at end of year	16	**7,911,079**	**2,209,169**

COMPANY STATEMENT OF CASH FLOWS
for the Year Ended 31 December 2023

Continuing Operations	**Note**	**2023 €**	**2022 €**
Loss before income tax		(11,079,990)	(12,777,885)
Adjustments to reconcile loss before tax to net cash flows:			
Finance Costs		792	559
Finance Income		(192,971)	-
Share Option Expense		46,463	2,783
Impairment of Investment in Subsidiaries		10,157,911	11,602,935
Movement in trade & other receivables		(21,932)	(2,457)
Movement in trade & other payables		(77,354)	75,025
		(1,167,081)	(1,099,040)
Bank interest received		193,605	-
Bank interest & other charges paid		(792)	(559)
Net cash used in Operating Activities		**(974,902)**	**(1,099,599)**
Cash Flows from Investing Activities			
Capital contribution		(3,759,402)	109,025
Net cash (used) / generated in investing activities		**(3,759,402)**	**109,025**
Cash Flows from Financing Activities			
Proceeds from issuance of ordinary shares		10,039,775	-
Net cash generated from financing activities		**10,039,775**	**-**
Net increase / (decrease) in cash and cash equivalents		**5,305,471**	**(990,574)**
Cash and cash equivalents at beginning of year	16	486,170	1,476,744
Cash and cash equivalents at end of year	16	**5,791,641**	**486,170**

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

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

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

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

2. Summary of Significant Accounting Policies

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

Basis of Consolidation

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

All financial statements are made up to 31 December 2023. 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.

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.

<u>Showcase Experiences</u>
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.

<u>Other Revenue</u>
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

Property, Plant and Equipment (continued)
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 receivables have been grouped based on shared credit risk characteristics and the days past due. For other financial assets at amortised cost, the Group determines whether there has been a significant increase in credit risk since initial recognition. The Group recognises twelve month expected credit losses if there has not been a significant increase in credit risk and lifetime expected credit losses if there has been a significant increase in credit risk.

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

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

Financial Liabilities

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

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

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

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

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

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

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

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

New standards, amendments, and interpretations issued but not effective for the period ended 31 December 2023, 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 2023 and have not been applied in preparing these financial statements:

- Amendments to IAS 1
- Amendments to IAS 8
- Amendments to IAS 12
- Amendments to IFRS 17

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	2023 €	2022 €
ENGAGE revenue		
Education License Revenue	1,165,294	823,648
Enterprise License Revenue	1,007,204	1,527,700
Professional Services Revenue	1,133,483	981,870
Total ENGAGE Revenue	3,305,981	3,333,218
Showcase Experience Revenue	324,924	373,979
Other Revenue	59,792	161,377
Total Revenue	**3,690,697**	**3,868,574**

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

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

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

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

Other Revenue includes revenue from VR installations within museums.

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	**2023**	**2022**
	€	**€**
Lease liabilities	(87,268)	(7,882)
Trade and other payables	(615,237)	(1,222,488)
Less: cash and short-term deposits	7,911,079	2,209,169
Net Funds	**7,208,574**	**978,799**
Equity	8,527,635	2,480,358
Total Equity	**8,527,635**	**2,480,358**
Capital and net funds	**15,736,209**	**3,459,157**

5. a. Expenses by nature

	2023	**2022**
	€	**€**
Depreciation charges	106,179	80,448
Amortisation expense	39,492	386,962
Operating Lease Payments	26,848	38,833
Foreign Exchange Loss / (Gain)	103,229	(2,785)
Staff Costs	5,272,155	5,729,751
Contractor Costs	1,250,703	1,772,886
Research & Development Tax Credit Received	(435,954)	(267,039)
Other Expenses	1,568,762	2,103,822
Total cost of sales and administrative expenses	**7,931,414**	**9,842,878**
Disclosed as:		
Cost of sales	379,640	709,018
Administrative expenses	7,551,774	9,133,860
Total cost of sales and administrative expenses	**7,931,414**	**9,842,878**

b. Auditor Remuneration

Services provided by the Company's auditor

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

	2023	**2022**

	€	€
Fees payable to the Company's auditor for the audit of the financial statements	51,000	46,600

6. Employees

Employee Benefit Expense	**2023**	**2022**
	€	**€**
Wages and salaries	4,690,144	5,118,777
Social security costs	458,064	528,015
Defined contribution pension costs	62,368	60,226
Share option expense	61,579	22,733
Total Employee Benefit Expense	**5,272,155**	**5,729,751**

Average Number of People Employed	**2023**	**2022**
Average number of people (including executive Directors) employed:		
Operations	53	69
Administration	4	4
Sales, Marketing and Customer Support	10	12
Total Average Headcount	**67**	**85**

7. Directors remuneration

Below is the Directors' remuneration for the Year Ended 31 December 2023 and for the year ended 31 December 2022

	31 December 2023			
Group	**Salaries and fees**	**Pension benefits**	**Options / Warrants issued**	**Total**
	€	**€**	**€**	**€**
Executive Directors				
David Whelan	235,875	6,445	20,686	263,006
Sandra Whelan	183,792	5,870	20,686	210,348
Séamus Larrissey	157,750	6,380	5,092	169,222
Non-executive Directors				
Richard Cooper	90,981	-	-	90,981
Praveen Gupta	-	-	-	-
Kenny Jacobs	29,688	-	-	29,688
	698,085	18,695	46,464	763,245

	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
	839,567	18,988	2,783	861,338

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

8. Finance Costs

	2023 €	2022 €
Interest expense:		
- Lease interest	4,305	1,099
- Bank charges	2,661	29,482
Total finance costs	**6,966**	**30,581**

9. Finance Income

	2023 €	2022 €
Bank Interest Received	193,605	-
Total finance income	**193,605**	**-**

10. Income Tax

	2023 €	2022 €
Current tax:		
Current tax on loss for the year	-	-
Total current tax	-	**-**
Deferred tax (Note 23)	**-**	**-**
Income Tax	**-**	**-**

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

	2023 €	2022 €
Loss Before Tax	(4,054,078)	(6,004,885)
Tax calculated at domestic tax rates applicable to loss in Ireland of 12.5%	(506,760)	(750,611)
Tax effects of:		
- Depreciation in excess of capital allowances	7,166	4,110
- Expenses not deductible for tax purposes	(52,917)	18,113
- Tax losses for which no deferred tax asset was recognised	552,511	728,388
Total tax	-	-

11. Earnings per share (EPS)

Loss attributable to equity holders of the Group:	**2023** **€**	**2022** **€**
Continuing Operations	(4,054,078)	(6,004,885)
Weighted average number of shares for Basic EPS	484,149,493	290,451,146
Effects of dilution from share options and warrants	19,404,283	23,741,560
Weighted average number of ordinary shares adjusted for the effect of dilution	503,553,776	314,192,706
Basic loss per share from continuing operations	(0.008)	(0.021)
Diluted loss per share from continuing operations	(0.008)	(0.019)

12. Property, Plant & Equipment

Group	**Leasehold improvements** **€**	**Fixtures, fittings and equipment** **€**	**Office Equipment** **€**	**Right of use assets** **€**	**Total** **€**
Cost of Valuation					
At 1 January 2022	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
Additions	-	-	17,465	116,357	133,822
Disposals	-	-	-	(145,702)	(145,702)
At 31 December 2023	20,341	7,025	386,505	126,686	540,557
Depreciation					
At 1 January 2022	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
Charge (note 5)	-	-	69,207	36,972	106,179
Disposals	-	-	-	(145,702)	(145,702)
At 31 December 2023	20,341	7,025	350,045	39,418	416,829
Net Book Amount					
At 31 December 2022	-	-	88,202	7,883	96,085
At 31 December	**-**	**-**	**36,460**	**87,268**	**123,728**

2023	

Depreciation expense of €106,179 (2022: €80,448) has been charged in 'Administrative Expenses'.
Right of use asset relates to properties and vehicles held under lease.

13. Intangible Assets

Group	Software in development costs	Total
	€	€
Cost		
At 31 December 2022 and 31 December 2023	2,136,231	2,136,231
Amortisation		
At 1 January 2022	1,709,777	1,709,777
Charge	386,962	386,962
At 31 December 2022	2,096,739	2,096,739
Charge	39,492	39,492
At 31 December 2023	2,136,231	2,136,231
Net Book Value		
At 31 December 2022	39,492	39,492
At 31 December 2023	-	-

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 €39,492 (2022: €386,962) has been charged in 'Administrative Expenses'.

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

14. Investments in Subsidiaries

Company	€
At 1 January 2022	30,477,062
Additions	100,000
Repayment of Capital contributions	(209,025)
Impairment Adjustment	(11,602,935)
At 31 December 2022	**18,765,102**
Capital contributions	3,759,402
Impairment Adjustment	(10,157,911)
At 31 December 2023	**12,366,593**

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 €3,759,402 was forwarded during 2021 (2022: €209,025 repaid) to ENGAGE XR Limited to the Company during 2023. A repayment arises if ENGAGE XR Limited holds excess funds in a particular currency that is required by ENGAGE XR Holdings PLC to meet its liabilities as they fall due.

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

The Board have recognised an impairment adjustment of €10,157,911 (2022: €11,602,935) in the current year to reflect the market capitalisation of the group at 31 December 2023.

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.

15. Trade and Other Receivables

Current		**Group**		**Company**
	2023	**2022**	**2023**	**2022**
	€	**€**	**€**	**€**
Trade receivables	591,665	552,836	-	-
Less: provision for impairment of receivables	-	-	-	-
Trade receivables - net	591,665	552,836	-	-
Prepayments	156,820	325,413	24,603	2,258
Accrued income	432,029	446,102	-	-
Other debtors	3,100	3,100	-	-
VAT	11,719	38,531	821	1,234
	1,195,333	1,365,982	25,424	3,492

As at 31 December 2023, trade receivables of €591,665 (2022: €552,836) were fully performing and deemed fully recoverable. No bad debt provision charge was incurred during 2023 (2022: €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		**Company**
	2023	**2022**	**2023**	**2022**
	€	**€**	**€**	**€**
Euro - Neither past due nor impaired	186,075	335,635	-	-
Dollar - Neither past due nor impaired	405,590	217,201	-	-
	591,665	552,836	-	-

16. Cash and short-term deposits

	Group 2023 €	Group 2022 €	Company 2023 €	Company 2022 €
Cash at bank and on hand	7,911,079	2,209,169	5,791,641	486,170
	7,911,079	2,209,169	5,791,641	486,170

17. Issued Share Capital and Premium

	Number of shares	Ordinary shares €	Share premium €	Total €
At 1 January 2022 and At 31 December 2022	290,451,146	290,451	33,503,300	33,793,751
Ordinary Shares Issued	234,375,000	234,375	10,406,762	10,641,137
At 31 December 2023	524,826,146	524,826	43,910,062	44,434,888

As at 31 December 2023 the number of shares authorised for issue were 524,826,146 (2022: 290,451,146). The par value of the shares authorised for issue were €0.001 each (2022: €0.001 each).

On 6 March 2023 following a successful placing, an amount of €10.6 million was raised by the Group and 234,375,000 ordinary shares were issued at an issue price of €0.0454 per share (GBP £0.04 per share). Net proceeds after expenses were €10.0 million.

18. Other Reserves

	Group €	Company €
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)
At 1 January 2023	(11,752,741)	(691,272)
Share issue costs	(601,362)	(601,362)
Share option expense	61,580	46,462
At 31 December 2023	(12,292,523)	(1,246,172)

19. Retained Earnings

	Group €	Company €
At 1 January 2022	(13,555,767)	(1,223,374)
Loss for the year	(6,004,885)	(12,777,885)
At 31 December 2022	(19,560,652)	(14,001,259)
At 1 January 2023	(19,560,652)	(14,001,259)
Loss for the year	(4,054,078)	(11,079,990)
At 31 December 2023	(23,614,730)	(25,081,249)

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

20. Share Based Payments

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

New Scheme

Under this new option grant there were 38,493,393 employee options granted during 2023 at an exercise price of €0.046 per share. The Options were granted at a price of GBP£0.04 each (€0.046) and cannot be exercised for at least three years from the date of grant (other than on a change of control).

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

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

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

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

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

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

	2023	**2022**
At 1 January	-	-
Granted during period	38,493,393	-
Exercised during period	-	-
Forfeited during period	-	-
At 31 December	38,493,393	-
Options outstanding at 31 December		
Number of shares	38,493,393	-
Weighted average remaining contractual life	6.59	-
Weighted average exercise price per share	€0.046	-
Range of exercise price	€0.046	-
Exercisable at 31 December		
Number of shares	-	-
Weighted average exercise price per share	-	-

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

	Employee
Number of options	38,493,393
Grant date	3 August
Vesting period	3 years
Share price at date of grant	€0.037
Exercise price	€0.046
Option life	7 years
Dividend yield	0%
Staff Retention Rate	90%
Risk free investment rate	4.47%
Fair value per option at grant date	€0.0235
Weighted average remaining contractual life in years	6.59

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.

<u>Old Scheme</u>

No new options were granted in 2023 under the old scheme (2022: 285,714).

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

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

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

	2023	2022
At 1 January	4,404,127	4,118,413
Granted during period	-	285,714
Exercised during period	-	-
Forfeited during period	(819,047)	-
At 31 December	3,585,080	4,404,127
Options outstanding at 31 December		
Number of shares	3,585,080	4,404,127
Weighted average remaining contractual life	1.63	1.30
Weighted average exercise price per share	€0.022	€0.047
Range of exercise price	€0.0001 – €0.135	€0.0001 – €0.20
Exercisable at 31 December		
Number of shares	3,585,080	2,718,413
Weighted average exercise price per share	€0.022	€0.031

The total expense recognised in respect of all employee share-based payments and credited to the share-based payment reserve in equity was €61,579 (2022: €22,733).

21. Leases

Amounts recognised in the Statement Of Financial Position

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

		Group		Company
Right of Use Assets	**2023**	**2022**	**2023**	**2022**
	€	**€**	**€**	**€**
Buildings	62,741	-	-	-
Vehicles	24,527	7,883	-	-
	87,268	7,883	-	-

		Group		Company
Lease Liabilities	**2023**	**2022**	**2023**	**2022**
	€	**€**	**€**	**€**
Current	52,728	7,882	-	-
Non-current	34,540	-	-	-
	87,268	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	**2023**	**2022**
	€	**€**
Buildings	20,914	1,813
Vehicles	16,058	10,696
	36,972	12,509
Interest expense (included in finance cost)	4,305	1,099

22. Trade and Other Payables

		Group		**Company**
	2023	**2022**	**2023**	**2022**
	€	**€**	**€**	**€**
Trade Payables	113,622	323,684	5,107	6,362
Amounts Due to Related Parties	-	-	-	100,000
PAYE/PRSI	133,622	225,179	25,850	11,508
VAT	-	-	-	-
Deferred Income	115,902	259,111	-	-
Accrued Expenses	252,091	414,514	45,234	35,674
	615,237	1,222,488	76,191	153,544

Terms and conditions of the above financial liabilities:

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

23. Deferred Tax

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Company did not recognise deferred income tax assets of €2,647,206 (2022: €2,087,214) in respect of losses and depreciation in excess of capital allowances amounting to €21,177,648 (2022: €16,697,710) that can be carried forward against future taxable income.

24. Related Parties

During the year the Directors received the following emoluments:

		Group		Company
	2023	**2022**	**2023**	**2022**
Directors	**€**	**€**	**€**	**€**
Aggregate emoluments	716,781	839,567	716,781	839,567
Share option expense	46,463	2,783	46,463	2,783
	763,244	842,350	763,244	842,350

Included in the above is an amount of €90,981 (2022: €85,671) 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 2023 €Nil was outstanding.

25. Capital Management

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

26. Events after the reporting date

The Company has evaluated all events and transactions that occurred after 31 December 2023 up to the date of signing of the financial statements.

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

27. Contingent Liabilities

The company has indicated that it will guarantee the liabilities (as defined in Section 397 of the
Companies Act 2014) of €626,013 (2022: €1,176,828) its Irish subsidiary, ENGAGE XR Limited for the Year Ended 31 December 2023.

28. Ultimate controlling party

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