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OS AA01

Statement of details of parent law and other
information for an overseas company

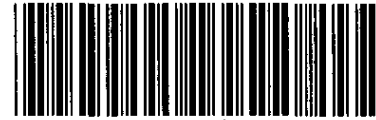


Companies House

☒ **What this form is for**
You may use this form to
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COMPANIES HOUSE

ase
uk

Part 1 Corporate company name

Corporate name of
overseas company ①

VR Education Holdings Plc

UK establishment
number

B R 0 2 0 2 6 6

→ **Filling in this form**
Please complete in typescript or in
bold black capitals.

All fields are mandatory unless
specified or indicated by *

① This is the name of the company in
its home state.

**Part 2 Statement of details of parent law and other
information for an overseas company**

A1 Legislation

Please give the legislation under which the accounts have been prepared and,
if applicable, the legislation under which the accounts have been audited.

Legislation ②

Companies Act 2014 (Ireland)

② This means the relevant rules or
legislation which regulates the
preparation and, if applicable, the
audit of accounts.

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted
accounting principles?

Please tick the appropriate box.

☐ **No.** Go to **Section A3**.

☒ **Yes.** Please enter the name of the organisation or other
body which issued those principles below, and then go to **Section A3**.

Name of organisation
or body ③

International Financial Reporting Standards (IFRSs)

③ Please insert the name of the
appropriate accounting organisation
or body.

A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box.

☐ **No.** Go to **Section A5**.

☒ **Yes.** Go to **Section A4**.

OS AA01

Statement of details of parent law and other information for an overseas company

A4

Audited accounts

Audited accounts

Have the accounts been audited in accordance with a set of generally accepted auditing standards?

Please tick the appropriate box.

☐ No. Go to **Part 3 'Signature'**.

☒ Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**.

1 Please insert the name of the appropriate accounting organisation or body.

Name of organisation or body **1**

PKF Littlejohn LLP

A5

Unaudited accounts

Unaudited accounts

Is the company required to have its accounts audited?

Please tick the appropriate box.

☐ No.

☒ Yes.

Part 3

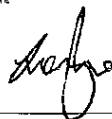
Signature

I am signing this form on behalf of the overseas company.

Signature

Signature

X




X



This form may be signed by:
Director, Secretary, Permanent representative.


OS AA01

Statement of details of parent law and other information for an overseas company

 Presenter information	
You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.	
Contact name	
Company name	ONE Advisory Group Limited
Address	201 Temple Chambers
	3-7 Temple Avenue
Post town	London
County/Region	
Postcode	E C 4 Y 0 D T
Country	United Kingdom
DX	
Telephone	020 7583 8304

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We may return forms completed incorrectly or with information missing.
Please make sure you have remembered the following:
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<input type="checkbox"/> You have completed all sections of the form, if appropriate.
<input type="checkbox"/> You have signed the form.

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Northern Ireland: The Registrar of Companies, Companies House, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, Northern Ireland, BT2 8BG. DX 481 N.R. Belfast 1.

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VR EDUCATION HOLDINGS PLC

Annual Report and Financial Statements
for the 15 month period ended 31 December 2018

Registered Number: 613330

VR EDUCATION HOLDINGS PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the 15 Month Period Ended 31 December 2018

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VR EDUCATION HOLDINGS PLC

COMPANY INFORMATION

DIRECTORS	Non-Executive Chairman - Richard Cooper Executive Director - David Whelan Executive Director - Sandra Whelan Executive Director – Séamus Larrisey Non-Executive Director - Michael Boyce Non-Executive Director - Tony Hanway	
SECRETARY	One Advisory Limited 201 Temple Chambers 3 - 7 Temple Avenue London EC4Y 0DT United Kingdom	
REGISTERED OFFICE	Unit 9 Cleaboy Business Park Old Kilmeaden Road Waterford X91 AX83	
REGISTERED NUMBER	613330	
BANKERS	Allied Irish Banks Dunmore Road Waterford	
AUDITOR	PKF Littlejohn LLP 1 Westferry Circus Canary Wharf London E14 4HD United Kingdom	
NOMINATED ADVISOR	Cairn Financial Advisors LLP Cheyne House, Cheyne Court 62-63 Cheapside London EC2V 6AX United Kingdom	J&E Davy Davy House 49 Dawson Street Dublin 2 Ireland
BROKERS	Stockdale Securities Limited 100 Wood Street London EC2V 7AN United Kingdom	J&E Davy Davy House 49 Dawson Street Dublin 2 Ireland

VR EDUCATION HOLDINGS PLC

CHAIRMAN'S STATEMENT

for the 15 month period ended 31 December 2018

I am pleased to present the annual report and financial statements of VR Education Holdings PLC for the 15 month period ended 31 December 2018.

Overview of the year

The Company's shares were admitted to AIM in the United Kingdom and to the Enterprise Securities Market (ESM, now called Euronext Growth), a market regulated by Euronext Dublin, of the Irish Stock Exchange in March 2018 and raised £6m gross of expenses for future expansion. Along with the listing, the board of three executive directors and myself as non-Executive Chairman, was complimented by the recruitment of two highly experienced business people, Tony Hanway and Michael Boyce. This strong board aims to support the executive team in driving the business forward.

Review of the business

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

The ENGAGE platform, the Group's proprietary VR Education platform, was commercially launched in December 2018 as version 1.0. It provides a platform for creating, sharing and delivering proprietary and third-party VR content for educational and corporate training purposes. ENGAGE version 1.0 follows comprehensive testing of ENGAGE Alpha during 2017 and 2018, which included multiple virtual locations, screen sharing capabilities, interactive lessons, virtual whiteboards and multiuser live 360 video playback via YouTube. A key feature of ENGAGE is the ability for educators and trainers to use the software to create their own VR lessons and presentations on ENGAGE using VR tools provided by the Group or third parties without the need for programming or animation skills.

The Group also produces award winning standalone content to showcase the potential of Virtual Reality / Augmented Reality ("VR/AR") as a tool for educational purposes. Our first release (Apollo 11 VR) has won multiple awards including a Time Warner award and was one of virtual reality's first big hits when it released on the Oculus Rift and HTC Vive. A High Definition version of this experience was launched in November 2018. Our second release (Titanic VR) was released as an early access experience in November 2017 and as a full experience in August 2018. This has also been very well received and won best PSVR experience in the 2018 UploadVR awards. The Group will continue to release standalone content to promote educational VR/AR and drive users to the Engage platform.

Future developments in the business

Since the full commercial release of ENGAGE, the Group's online virtual learning and corporate training platform, the Group has progressed with the onboarding of Shenandoah University and released additional learning content from Oxford University. In addition, ENGAGE users have held multiple live CPD events using the platform, one of which was part of the event known as 'MIT Hackathon Week' hosted by MIT. As stated in the Group's Admission Document at the time of its IPO, the Directors believe that a key feature of ENGAGE is the ability for educators and trainers to use the software to create their own VR lessons and presentations on ENGAGE using VR tools provided by the Group or third parties through ENGAGE.

VR EDUCATION HOLDINGS PLC

CHAIRMAN'S STATEMENT

for the 15 month period ended 31 December 2018

Demand for the Group's VR showcase experiences, comprising Apollo 11 VR and Titanic VR, remains in line with management's expectations with new experiences, including Raid on the Ruhr (Dambusters Experience) expected to launch in H1 2019 and Space Shuttle Commander (Working Title) expected in H2 2019.

Richard Cooper
Chairman

5 March 2019

VR EDUCATION HOLDINGS PLC

CHIEF EXECUTIVE'S REVIEW

for the year ended 31 December 2018

2018 was an important year for VR Education and one in which it successfully delivered on the operational milestones that were clearly set out at the time of the Group's IPO. During the period the Group was admitted to AIM and to the Enterprise Securities Market (now called Euronext Growth), released various new showcase experiences and also completed the full commercial release of ENGAGE, its online virtual learning and corporate training platform, with full payment capabilities. The Group has also expanded the development and marketing team, completed projects with the BBC and Oxford University and released Part 2 of Titanic VR.

The Group continues to execute on its strategy of focusing on the commercialisation of ENGAGE whilst launching further showcase experiences to drive awareness, add content to the ENGAGE platform and deliver incremental revenue.

VR Education has already started to raise brand awareness by showcasing the ENGAGE platform and its capabilities at high profile tradeshows and conferences around the world. The Group has recently attended the BETT Conference in London in January 2019 and GESS Dubai in February 2019, one of the largest educational events, held annually in the UAE, and will be attending a number of major education conferences in 2019.

ENGAGE

The Group successfully released the ENGAGE platform on 13 December 2018 via the Steam network and its own website www.engagevr.io. ENGAGE now supports Oculus Rift, HTC Vive, HTC Vive Pro, Windows Mixed Reality and standard PC display devices. With the launch of ENGAGE the Group also released new content provided by Oxford University and additional features such as enhanced web-based media streaming, desktop streaming, selfie avatar generations, Pro and Free licensing, cloud file sharing and a full web-based management system for creating events, quizzes, content and enhanced account management.

2019 is a pivotal year for ENGAGE with the majority of business development and marketing focused on the platform.

Showcase experiences

In addition to developing ENGAGE, the Group creates showcase experiences, not only to generate revenue but to also build up the Group's VR asset base. These can be reused by external educators on the ENGAGE platform, whilst also improving the Group's reputation and attracting developer talent.

At the end of the Period, the Group had built two paid-for downloadable showcase VR experiences, being the award-winning Apollo 11 VR experience and the Titanic VR experience.

Apollo 11 VR continued to sell well during the year. As at 31 December 2018, Apollo 11 VR had been downloaded a total of 160,000 times. Titanic VR has been very well received since its full launch in August 2018. As at 31 December 2018, Titanic VR had been downloaded a total of 20,000 times with the majority of downloads coming from its PlayStation version which was released towards the end of November 2018.

VR EDUCATION HOLDINGS PLC

CHIEF EXECUTIVE'S REVIEW (continued) for the year ended 31 December 2018

Current trading and outlook

2019 is going to be a busy year for the Group with continued focus on the promotion of ENGAGE and generation of sales on the platform, together with the release of two new showcase experiences. The first experience to be released in 2019 is titled "Raid on the Ruhr" and is based on the Dambusters mission from World War II, to be released in H1 2019. The second experience, a larger space-related project, is scheduled for release in H2 2019.

In summary, 2018 has been a solid year for VR Education with the team growing from 20 to 34 employees and the successful release of three new products. The focus for 2019 is the ENGAGE platform and with the release of second-generation VR hardware, such as the Oculus Quest, VR Education is well positioned to remain the leader of next generation educational content and tools.

I would like to thank our new and existing shareholders for their support and the Group looks forward to capitalising on significant market opportunities during the course of 2019 and beyond.

David Whelan
Chief Executive Officer

5 March 2019

VR EDUCATION HOLDINGS PLC

CHIEF FINANCIAL OFFICER'S REVIEW for the year ended 31 December 2018

Revenue for the year was up 15% on the prior year from €624k to €716k, driven by the continued success of the Apollo 11 VR experience, the release of the full version of Titanic VR and the completion of "1943: Berlin Blitz" for the BBC.

EBITDA loss was €1.5 million compared to a loss of €0.5 million in the prior year, in line with management expectations.

Loss before tax, after a non-cash convertible debt conversion fair value loss of €2.6 million and associated conversion costs of €0.3 million, was a loss of €4.9 million, in line with management expectations, compared to a loss in the prior year of €0.6 million.

Operating cashflows were a net outflow of €2.1 million for the period. The current run-rate of staff costs and other ongoing costs is approximately €250k per month.

The Group's cash position at 31 December 2018 was €3.5 million with no debt.

Séamus Larrissey
Chief Financial Officer

5 March 2019

VR EDUCATION HOLDINGS PLC

STRATEGIC REPORT

for the 15 month period ended 31 December 2018

The directors present herewith their strategic report for the 15 month period ended 31 December 2018.

Results and Dividends

The loss for the year after taxation amounted to €4,943,906 (2017: €623,699). No dividends were paid during the year (2017: €Nil) and as such an amount of €4,943,906 was debited to reserves.

Review of the business and future developments

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

Key Performance Indicators

Revenue

Revenue and revenue growth tracks the Groups performance against the strategic aim to grow the business.

Revenue for the year was €716k compared to €625k in 2017, an increase of 15%. The Group expect to see further growth in revenue in 2019 with the commercial release of ENGAGE and the full launch of Titanic VR occurring in Q4 2018.

Unit Downloads

Unit downloads tracks the number of downloads across the various sales platforms of the Groups VR experiences which allows monitoring of the performance of both the experiences and the platforms they are sold on.

Unit downloads for the year totalled approximately 80,000 compared to 65,000 in 2017, an increase of 23%. With additional VR experiences to be launched in 2019 we would expect to see further growth in unit downloads.

Cash & Cash Equivalents

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

Cash & cash equivalents at 31 December 2018 was €3.5m compared to €0.1m in 2017, an increase of 3265%. This arose from the oversubscribed IPO on 12 March 2018 where €6.75m, before expenses, was raised.

Principal Activity

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

VR EDUCATION HOLDINGS PLC

STRATEGIC REPORT

for the 15 month period ended 31 December 2018

Principal Risks and Uncertainties

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

Activity	Risk	Impact	Control(s)
Technology Risk	Fast moving market that is subject to changing trends and technological advances.	Being behind market leaders or the provision of non-standard material for which there is a limited target audience, consequently reducing potential for profit/revenue.	The Company regularly conducts market research to be aware of upcoming trends, and it aims to achieve 'first mover' advantage in the VR Educational sector to manage this risk.
Business performance	Company may not perform as expected.	Adverse consequences such as management distraction, disposal and reduced profit.	This risk is managed through a number of measures: authorisation of purchases and capital requirement; ensuring the appropriate management team is in place; budget and business planning; monthly reporting and variance analysis; financial controls; key performance indicators; and regular forecasting.
Financial Risk	Adequate financial and business controls.	Error or fraud, leading to a loss in reputation, business partners and customers.	The Company exercises financial and business control through a combination of: qualified and experienced financial personnel; dual signatories; performance analysis; budgeting and cash flow forecasting; local audit to international standards; and clearly defined approval limits.

VR EDUCATION HOLDINGS PLC

STRATEGIC REPORT (continued)

for the 15 month period ended 31 December 2018

Activity	Risk	Impact	Control(s)
Critical Person Risk	Loss of key management or development staff	Operational impact of loss of key staff could see a delay in product / service delivery	The nature and operation of the board ensures that issues are disseminated to all board members in a timely manner which would help address the loss of any key staff. Keyman insurance policy is also in place for the CEO.
Data Protection Risk	Loss of customer personal information	Loss of reputation, fines and potential litigation	Payment processing handled by reputable third party (Stripe); GDPR policies in place and made available to new and existing users; best practise policy and procedure in place for storing user personal data

Going Concern

The financial information is presented on the going concern basis.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. As such the Directors continue to adopt the going concern basis of accounting in preparing the Financial Information.

Sandra Whelan
Director

Séamus Larrisey
Director

5 March 2019

VR EDUCATION HOLDINGS PLC

DIRECTORS' REPORT

for the 15 month period ended 31 December 2018

The Directors present herewith their annual report and audited financial statements for the 15 month period ended 31 December 2018.

Results and Dividends

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

Directors

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

Directors' and Secretary's interests in shares

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

	31/12/2018		31/12/2017	
	Ordinary Shares	Share Options	Ordinary Shares	Share Options
Richard Cooper	1,000,000	1,000,000	-	-
David Whelan	38,665,000	-	-	-
Sandra Whelan	38,665,000	-	1	-
Séamus Larrisey	88,000	910,940	-	-
Michael Boyce	499,942	-	-	-
Tony Hanway	100,000	-	-	-

Substantial shareholdings

As at 28 February 2019, the following interests in 3% or more of the issued share capital appear in the register:

David Whelan	20.0%
Sandra Whelan	20.0%
Octopus Investments	10.7%
Enterprise Ireland	9.8%
Unicorn AIM VCT plc	8.2%
Sure Valley Funds ICAV	7.2%
Kernel Seed Fund 2009	6.8%
Barry Downes	6.8%

Transactions Involving Directors

Transactions involving Directors are disclosed within note 26.

VR EDUCATION HOLDINGS PLC

DIRECTORS' REPORT (continued)

for the 15 month period ended 31 December 2018

Events after the reporting period

The Company has evaluated all events and transactions that occurred after 31 December 2018 up to the date of signing of the financial statements.

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

Research and development

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

Accounting Records

The measures that the Directors have taken to secure compliance with the requirements of sections 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records, include the provision of appropriate resources to maintain adequate accounting records throughout the company, including the employment of appropriately qualified personnel and the maintenance of computerised accounting systems.

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

Branches outside the state

The Company has a branch established in the United Kingdom.

Political Donations

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

Disclosure of information to the Auditor

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

On behalf of the board

Sandra Whelan
Director

Séamus Larrisey
Director

5 March 2019

VR EDUCATION HOLDINGS PLC

DIRECTORS' RESPONSIBILITIES STATEMENT for the 15 month period ended 31 December 2018

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

Irish Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with accounting standards issued by the Financial Reporting Council including IFRS.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company as at the financial year end date and of the profit or loss of the Company for the financial year and otherwise comply with the Companies Act 2014.

In preparing these financial statements the Directors are required to:

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

The Directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy and enable them to ensure that the financial statements and Directors' Report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, www.vreducationholdings.com. Legislation in the Republic of Ireland governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

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

The Directors are responsible for ensuring that the company is compliant with AIM Rule 26 which is discussed further in the Corporate Governance Report on page 14 – 22.

On behalf of the board

Sandra Whelan
Director

Séamus Larrissey
Director

5 March 2019

VR EDUCATION HOLDINGS PLC

CORPORATE GOVERNANCE REPORT for the 15 month period ended 31 December 2018

As Chairman of VR Education Holdings I have overall responsibility for corporate governance and in promoting high standards throughout the Company. As well as leading and chairing the Board my responsibilities are to ensure:

- committees are properly structured and operate with appropriate terms of reference;
- the performance of individual directors, the Board and its committees are reviewed on a regular basis;
- the Company has a coherent strategy and sets objectives against this; and
- there is effective communication between the Company and its shareholders.

All the Directors of VR Education Holdings plc believe strongly in the importance of good corporate governance for the creation of shareholder value over the medium to long-term and to engender trust and support amongst the Company's wider stakeholders.

In March 2018, changes to the AIM rules required the formal adoption by all AIM companies of a recognised corporate governance code by 28 September 2018. On its admission to AIM in March 2018 the directors undertook to take account of the requirements of the QCA guidelines to the extent they consider it appropriate having regard to the Company's size, board structure, stage of development and resources.

In light of the new requirements under AIM rule 26, the Board have decided to formally adopt and adhere to the QCA code (revised in April 2018).

The QCA code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. The Directors have considered how they apply each principle to the extent the Board judges these to be appropriate in the circumstances and below we provide an explanation of the approach taken in relation to each. Any areas of non-compliance are explained in the text below. There were no key governance related matters that occurred during the year.

Richard Cooper
Chairman

5 March 2019

VR EDUCATION HOLDINGS PLC

CORPORATE GOVERNANCE REPORT (continued) for the 15 month period ended 31 December 2018

Principle	Application
Establish a strategy and business model which promotes long-term value for shareholders	<p>The Board has concluded that the highest medium and long-term value can be delivered to its shareholders by the adoption of a single strategy for the Company - to transform education globally by providing new tools to educators and corporate trainers, consequently allowing them to provide high quality, low cost content in a virtual networked social learning environment. To achieve this vision the Company's principal activity is to be active in the Virtual Reality Sector, and develop and sell Virtual Reality experiences for the education market.</p> <p>The Company intends to deliver shareholder returns through capital appreciation and, ultimately, distribution via dividends. The principal challenge to delivering capital appreciation is uncertainty in relation to the performance of Immersive VR Education Limited, although the Board takes steps to mitigate these risks. Further challenges to VR Education's strategy and long-term goals are highlighted in the Risk Management section below.</p>
Seek to understand and meet shareholder needs and expectations	<p>The Company places great importance on the need for effective communication and constructive dialogue with investors and the media. To ensure that existing and potential investors and contacts can track its progress and obtain news and updates as soon as available, it encourages registration to the Company's news alert service, as well as providing communications through Interim and Annual Reports.</p> <p>The Company's website, www.vreducationholdings.com, is used for both financial and general news relevant to shareholders.</p> <p>The Chair, Richard Cooper, acts as a liaison for shareholders, although queries through the Company's website are directed to the COO, Sandra Whelan, who monitors and liaises with shareholders on minor queries.</p> <p>The Executive Directors also meet shareholders and other investors/potential investors regularly within the results cycle, and the whole Board aims to participate at the AGM. The AGM will provide an opportunity to meet, listen and present to shareholders, and shareholders are encouraged to attend. In addition, the Company is open to receiving feedback from key stakeholders, and will take action where appropriate.</p>
Take into account wider stakeholder and social responsibilities and their implications for long-term success	<p>The Board recognises that the long-term success of the Company is reliant upon the efforts of employees, contractors, suppliers, regulators and many other stakeholders. The Board has put in place a range of processes and systems to ensure that there is close oversight and contact with its key resources and relationships. The Company aims to be very responsive to all stakeholder queries, monitoring message boards on various platforms (emails, social media) for all products on a daily basis, responding with technical assistance or product information as requested within 24 hours.</p>

VR EDUCATION HOLDINGS PLC

**CORPORATE GOVERNANCE REPORT (continued)
for the 15 month period ended 31 December 2018**

Principle	Application
Take into account wider stakeholder and social responsibilities and their implications for long-term success (continued)	<p>All employees within the Group are valued members of the team, and the Company seeks to implement provisions to retain and incentivise all its employees. The Group offers equal opportunities regardless of race, gender, gender identity or reassignment, age, disability, religion of sexual orientation. The Company has a policy to conduct annual employee reviews, seeking to understand any issues within the workforce. Employees are incentivised through team building days out and various employee wellness schemes and plans.</p> <p>The Company has close ongoing relationships with a broad range of its stakeholders and provides them with the opportunity to raise issues and provide feedback to the Company. The Company conducts customer reviews, which broaden communication and the opportunity for feedback, as well as holding weekly internal management meetings whereby all aspects of the business are discussed and any issues that arise are actioned by the following week. Furthermore, the Company holds weekly product meetings to ensure that all employee feedback regarding product creation, implementation and processes are taken on board, changed and/or improved, where necessary. The Company has adopted an agile method whereby products follow a two-week sprint process to ensure a smooth process.</p> <p>VR Education is looking at helping and contributing to the local community, and has sponsored a table at the 2018 Annual Gala Ball in aid of Crumlin Children's Hospital. Additionally, the COO, Sandra Whelan, has spoken behalf of the Company at the National Mind Over Matter initiative in aid of mental health awareness, where all proceeds went to AWARE.</p> <p>The Group also has no significant environmental impact, but will continue to monitor and will take action if this changes in the future.</p>
Embed effective risk management, considering both opportunities and threats, throughout the organisation	<p>The Board recognises the need for an effective and well-defined risk management process and it oversees and regularly reviews the current risk management and internal control mechanisms. The Strategic Report also outlines the key risks to the business, see page 8.</p> <p>The Company has a risk register which identifies risks, evaluates the risk level (level of impact and the probability of the risk materialising), and the principal person responsible for each risk.</p> <p>The Board has established appropriate reporting and control mechanisms to ensure the effectiveness of its control systems. The Audit Committee has delegated responsibility for ensuring that the financial performance of the Company is properly monitored and reported.</p> <p>The Board currently considers that there are no risk factors that are considered High Risk Areas.</p>

VR EDUCATION HOLDINGS PLC

CORPORATE GOVERNANCE REPORT (continued) for the 15 month period ended 31 December 2018

Principle	Application
Embed effective risk management, considering both opportunities and threats, throughout the organisation (continued)	<p>An internal audit function is not yet considered necessary or practical due to the size of the Company and the day to day control exercised by the Executive Directors. However, the Board will continue to monitor the need for an internal audit function. The Board has established appropriate reporting and control mechanisms to ensure the effectiveness of its control systems.</p> <p>The Board regularly reviews the mechanisms of internal control it has implemented, assessing for effectiveness.</p>
Maintain the Board as a well-functioning, balanced team led by the Chair	<p>The Board comprises:</p> <ul style="list-style-type: none"> - CEO - David Whelan - COO - Sandra Whelan - CFO - Séamus Larrissey - Independent Non-Executive director and Chairman - Richard Cooper - Independent Non-Executive director - Tony Hanway - Non-Executive director - Michael Boyce. Michael is currently providing sales consulting services to the Group under a six month consulting contract. <p>Richard Cooper and Séamus Larrissey were appointed to the Board on 1 and 29 November 2017, respectively.</p> <p>Both Michael Boyce and Tony Hanway were appointed on 16 February 2018.</p> <p>Biographical details of the Directors can be found here http://www.vreducationholdings.com/content/about-us/board.asp. The letters of appointment of all Directors are available for inspection at the Company's registered office during normal business hours. All the Non-Executive Directors are expected to dedicate at least 2 days per month to the Company.</p> <p>One third of Board are subject to re-election at each AGM.</p> <p>Meetings are open and constructive, with every Director participating fully. Senior management can also be invited to meetings, providing the Board with a thorough overview of the Company.</p> <p>The Board is satisfied it has a suitable balance between independence on the one hand, and knowledge of the Company on the other. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational, enabling the Board to discharge its duties and responsibilities effectively.</p> <p>The Board aims to meet six times in the year and a calendar of meetings and principal matters to be discussed is agreed at the beginning of each year. During the year the board meeting at 5 dedicated board meetings at which all Directors were present. No committee meetings were held but given the nature of the Company at an early stage all decisions were taken by the board as a whole. In order to be efficient, the Directors meet formally and informally both in person and by telephone.</p>

VR EDUCATION HOLDINGS PLC

**CORPORATE GOVERNANCE REPORT (continued)
for the 15 month period ended 31 December 2018**

Principle	Application
Maintain the Board as a well-functioning, balanced team led by the Chair (continued)	<p>Board and Committee document authors are made aware of proposed monthly deadlines through the calendar of meetings assembled at the beginning of the year. Board papers are collated, compiled into a Board Pack, and circulated at least one week before meetings, allowing time for full consideration and necessary clarifications before the meetings.</p> <p>The Company has Audit, Remuneration, and Compliance Committees. The Committees have the necessary skills and knowledge to discharge their duties effectively.</p> <p><u>Directors' conflict of interest</u></p> <p>The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.</p>
Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	<p>The Non-Executive Directors have both a breadth and depth of skills and experience to fulfil their roles. The Company believes that the current balance of skills across the Board as a whole reflects a very broad range of personal, commercial and professional skills, providing the ability to deliver the Company's strategy for the benefit of shareholders over the medium and long-term. The Non-Executive Directors meet without the presence of the Executive Directors during the year, and also maintain ongoing communications with Executives between formal Board meetings.</p> <p>Biographical details of the Directors can be found on the Company's website.</p> <p>In addition to their general Board responsibilities, the Directors, including the Non-Executives, are encouraged to be involved in specific workshops or meetings, in line with their individual areas of expertise. This allows skill-sets to be kept up to date.</p> <p>ONE Advisory Limited has been contracted by the Company to act as its Company Secretary, and has been given the responsibility for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations governing its operation, as well as helping the Chairman maintain excellent standards of corporate governance. If required, the Directors are entitled to take independent legal advice and if the Board is informed in advance, the cost of the advice will be reimbursed by the Company.</p> <p>The Board shall review annually the appropriateness and opportunity for continuing professional development whether formal or informal.</p>

VR EDUCATION HOLDINGS PLC

CORPORATE GOVERNANCE REPORT (continued)
for the 15 month period ended 31 December 2018

Principle	Application
Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	<p>At present, this aspect of the Code is not complied with as the Directors consider that the Company and Board are not yet of a sufficient size or suitably developed for a full Board evaluation to make commercial and practical sense, given the stage of the Company. In the frequent Board meetings/calls, Directors can discuss any areas where they feel a change would benefit the Company, and the Company Secretary and other Company advisers remain on hand to provide impartial advice. The Board will keep this under review as the Company develops.</p> <p>The Board has elected not to establish a Nominations Committee, preferring instead that the Board should, itself, deal with such matters, including succession planning and the balance of the Board. The Company operates on a retirement by rotation policy, and one third of Board are subject to re-election at each AGM.</p>
Promote a corporate culture that is based on ethical values and behaviours	<p>The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders, and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.</p> <p>A large part of the Company's activities are centred upon an open and respectful dialogue with employees, clients and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The Directors consider that at present the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge.</p> <p>All of the Company's policies are made available to all employees and are included in an employee handbook. These are 'Must Read Policies' which employees are required to read and acknowledge the policies and which Sandra Whelan, COO, monitors and updates where necessary. The Company also has an Anti-Bribery and Corruption Policy in place to ensure the highest standards of personal and professional ethical behaviour are adhered to. Additionally, as the Company conducts regular employee reviews and internal meetings and has a general close-knit working environment, the Directors are able to determine the extent to which ethical values and behaviours are recognised and respected.</p> <p>The Company has adopted, with effect from the date on which its shares were admitted to AIM, a code for Directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and ESM and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016. The Directors seek to align their interests with shareholders.</p>

CORPORATE GOVERNANCE REPORT (continued)

for the 15 month period ended 31 December 2018

Principle	Application
Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board (continued)	<p>The Board is committed to, and ultimately responsible for, high standards of corporate governance, and has chosen to adopt the QCA Code. We review our corporate governance arrangements regularly and expect to evolve these over time, in line with the Company's growth. The Board delegates responsibilities to Committees and individuals as it sees fit, with the Chair being responsible for the effectiveness of the Board, and the Executive Directors being accountable for the management of the Company's business and primary contact with shareholders, clients and partners.</p> <p>The Chair is responsible for shareholder communications, the leadership of the Board and ensuring its effectiveness in all aspects of its role, including creating the right Board dynamic and ensuring that all important matters, in particular strategic decisions and corporate governance arrangements, receive adequate time and attention at Board meetings.</p> <p>The Executive Directors are responsible for the day-to-day running of the business, the leadership of the management team and the development and execution of corporate strategy. The Non-Executive Directors are tasked with constructively challenging the decisions of executive management and satisfying themselves that the systems of business risk management and internal financial controls are robust.</p> <p>The Board has adopted appropriate delegations of authority which sets out matters which are reserved to the Board as set out below:</p> <ul style="list-style-type: none"> - Strategy and Management - Structure and Capital - Financial Reporting and Controls - Internal Controls - Finance - Contracts - Communications - Board Membership and other Appointments - Delegation of Authority - Corporate Governance Matters - Approval of Policies <p>The Board delegates authority to three Committees to assist in meeting its business objectives whilst ensuring a sound system of internal control and risk management. The Committees meet independently of Board meetings.</p> <p><u>Audit Committee</u></p> <p>The Audit Committee has 2 members, Richard Cooper (Chair) and Tony Hanway. The CFO and external auditors attend meetings by invitation. The Audit Committee is responsible for making recommendations on the appointment of auditors and the audit fee, and for ensuring that the financial performance of the Company is properly monitored and reported.</p>

VR EDUCATION HOLDINGS PLC

CORPORATE GOVERNANCE REPORT (continued)

for the 15 month period ended 31 December 2018

Principle	Application
Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board (continued)	<p><u>Audit Committee (continued)</u></p> <p>In addition, the Audit Committee will receive and review reports from management and the auditors relating to the interim report, the annual report and accounts and the internal control systems of the Company. The Audit Committee shall meet not less than twice each financial year.</p> <p>No separate Audit Committee report is presented to shareholders as the Board does not consider at present that this would improve the quality of communication with Shareholders given the simple structure of the Company. <i>The Board will continue to review this approach.</i></p> <p><u>Remuneration Committee</u></p> <p>The Remuneration Committee has 2 members, Tony Hanway (Chair) and Richard Cooper. The members are all Independent Non-Executive Directors. Other members of the Board may attend the Committee's meetings at the request of the Committee Chairman. The Remuneration Committee is responsible for the review and recommendation of the scale and structure of remuneration of the Executive Directors, the company secretary and such other members of the executive management as it is designated to consider, including any bonus arrangements or the award of share options with due regard to the interests of the Shareholders and the performance of the Company. The Remuneration Committee shall meet not less than twice a year.</p> <p>No separate Remuneration Committee report is presented to shareholders as the Board does not consider at present that this would improve the quality of communication with Shareholders given the simple structure of the Company. The Board will continue to review this approach. Further details of Directors Remuneration is included in Note 8 to the Financial Statements.</p> <p><u>Compliance Committee</u></p> <p>The Compliance Committee has three members, Richard Cooper (Chair), Tony Hanway and Michael Boyce. The Compliance Committee will have oversight of the Company's duties and satisfy itself that the Company has procedures in place to ensure compliance with applicable rules and regulations, including but not limited to the AIM Rules for Companies, the ESM Rules for Companies and the Market Abuse Regime. The Compliance Committee will meet at such times and frequency as necessary.</p> <p>The Board has elected not to establish a Nominations Committee, preferring instead that the Board should, itself, deal with such matters, including succession planning and the balance of the Board. Therefore, the Board will review Board composition.</p> <p>The Chair and the Board continue to monitor and evolve the Company's corporate governance structures and processes, and maintain that these will evolve over time, in line with the Company's growth and development.</p>

VR EDUCATION HOLDINGS PLC

CORPORATE GOVERNANCE REPORT (continued) for the 15 month period ended 31 December 2018

<i>Principle</i>	<i>Application</i>
Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	The Board is committed to maintaining effective communication and having constructive dialogue with its shareholders. The Company intends to have ongoing relationships with both its private and institutional shareholders as well as shareholder analysts, and for them to have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting. The Board maintains that, if there is a resolution passed at a GM with 20% votes against, the Company will seek to understand the reason for the result and, where appropriate, take suitable action.

VR EDUCATION HOLDINGS PLC

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

Opinion

We have audited the financial statements of VR Education Holdings Plc (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2014.

In our opinion:

- the Group financial statements give a true and fair view of the assets, liabilities and financial position of the group as at 31 December 2018 and its loss for the period then ended;
- the Company statement of financial position gives a true and fair view of assets, liabilities and financial position of the Company as at 31 December 2018;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2014; and
- the Group financial statements and Company financial statements have been prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applied to listed entities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

VR EDUCATION HOLDINGS PLC

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

Our application of materiality

Materiality for the Group and Company financial statements as a whole was set at €110,000. This has been calculated using a benchmark of 5% of adjusted loss before tax and 2% of gross assets, which we have determined, in our professional judgement, to be one of the principal benchmarks within the financial statements relevant to the members of the Group and Company in assessing financial performance.

We report to the Audit Committee all corrected and uncorrected misstatements we identified through our audit in excess of €5,500. We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

An overview of the scope of our audit

The Group and its one subsidiary are accounted for from a central location in Waterford, Ireland. We travelled to said location in order undertake the audit for the period ended 31 December 2018.

Key audit matters

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

Key Audit Matter	How the scope of our audit addressed the key audit matter
<p>The Group carries a material amount in relation to intangible assets capitalised for costs associated with development of virtual reality experiences. As a result, the following risks may arise:</p> <ul style="list-style-type: none">Intangible assets may have been incorrectly capitalised and not conform with the 6 step criteria detailed in IAS 38.The carrying value of the development cost may be overstated and therefore, irrecoverable.Inappropriate useful economic lives may have been attributed to assets recognised	<p>The work undertaken to mitigate the risk was as follows:</p> <ul style="list-style-type: none">We verified that the Group has capitalised development costs on VR projects on the basis that they meet the 6 step criteria detailed in IAS 38 for that given project.Additions in the period have been tested and agreed to supporting timesheet analysis as all costs capitalised in the year relate to time spent by developers and artists. This was corroborated through discussions with the CEO as to which employees spent time during the period working on developing intangibles

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

Key Audit Matter	How the scope of our audit addressed the key audit matter
<p>The Group carries a material amount in relation to intangible assets capitalised for costs associated with development of virtual reality experiences. As a result, the following risks may arise:</p> <ul style="list-style-type: none"> • <i>Intangible assets may have been incorrectly capitalised and not conform with the 6 step criteria detailed in IAS 38.</i> • The carrying value of the development cost may be overstated and therefore, irrecoverable. • Inappropriate useful economic lives may have been attributed to assets recognised 	<ul style="list-style-type: none"> ▪ We have reviewed management's impairment assessment and are satisfied that the intangible balance is free from impairment. This is supported by Titanic being the first product to launch and the amount capitalised has been compared to sales volumes in the subsequent 3 months from the launch date. ▪ The amortisation balance and accounting policy have been tested in reference to the market. The VR experiences are to be amortised over a 3 year period which is in line with competitors who typically amortise over 2-5 years. VREH has applied the amortisation charge on a consumption basis meaning that the charge is more heavily weighted in the first 6-12 months from the date of launch, when sales are expected to be at their highest. This prudent approach is deemed to be appropriate. ▪ See note 14 'Intangible assets' for valuation and disclosure of development costs.

Other information

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

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

We have nothing to report in this regard.

VR EDUCATION HOLDINGS PLC

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

Opinions on other matters prescribed by the Companies Act 2014

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

- In our opinion, the information given in the directors' report is consistent with the financial statements; and
- In our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

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

Matters on which we are required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report. The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made.

Responsibilities of directors

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

In preparing the group and parent company financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

This description forms part of our auditor's report.

VR EDUCATION HOLDINGS PLC

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alistair Roberts (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

5 March 2019

1 Westferry Circus
Canary Wharf
London E14 4HD

VR EDUCATION HOLDINGS PLC

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Note	2018 €	2017 €
Continuing Operations			
Revenue	3	716,345	624,487
Cost of Sales	6	(239,701)	(300,143)
Gross Profit		476,644	324,344
Administrative Expenses	6	(2,247,337)	(876,858)
Other Income	5	-	60,333
Operating Loss		(1,770,693)	(492,181)
Fair value (loss)/gain arising on derivative financial liabilities	11	(2,638,063)	125,764
Extinguishment Costs	9	(267,971)	-
IPO Transaction Costs	10	(237,202)	(202,940)
Finance Costs	11	(29,977)	(54,342)
Loss before Income Tax		(4,943,906)	(623,699)
Income Tax Credit	12	-	-
Total comprehensive loss for the year		(4,943,906)	(623,699)
Earnings per Share (EPS)			
Basic from continuing operations	13	(0.026)	-

The accompanying notes on pages 35-62 form an integral part of these financial statements.

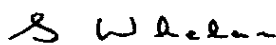
VR EDUCATION HOLDINGS PLC


**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2018**

	Note	2018 €	2017 €
Non-Current Assets			
Property, Plant & Equipment	14	59,541	57,300
Intangible Assets	15	956,550	435,791
		<u>1,016,091</u>	<u>493,091</u>
Current Assets			
Trade and other receivables	17	394,113	238,315
Cash and short term deposits	18	3,485,186	103,577
		<u>3,879,299</u>	<u>341,892</u>
Total Assets		<u>4,895,391</u>	<u>834,983</u>
Equity and Liabilities			
Equity Attributable to Shareholders			
Issued share capital	19	193,136	-
Share premium	19	21,587,539	-
Other reserves	20	(11,314,729)	157,280
Retained earnings	21	(5,765,750)	(821,844)
Total Equity		<u>4,700,196</u>	<u>(664,564)</u>
Non-Current Liabilities			
Interest bearing loans and borrowings	24	-	907,180
Derivative financial liabilities	24	-	209,348
		<u>-</u>	<u>1,116,528</u>
Current Liabilities			
Trade and other payables	23	195,195	383,019
		<u>195,195</u>	<u>383,019</u>
Total Liabilities		<u>195,195</u>	<u>1,499,547</u>
Total Equity and Liabilities		<u>4,895,391</u>	<u>834,983</u>

The accompanying notes on pages 35-62 form an integral part of these financial statements.

On behalf of the board


Sandra Whelan
Director


Séamus Larrisey
Director

5 March 2019

VR EDUCATION HOLDINGS PLC


COMPANY STATEMENT OF FINANCIAL POSITION
at 31 December 2018

	Note	2018 €
Non-Current Assets		
Investment in subsidiaries	16	15,028,809
		<hr/>
		15,028,809
Current Assets		
Trade and other receivables	17	5,136,849
Cash and short term deposits	18	753,090
		<hr/>
		5,889,939
		<hr/>
Total Assets		20,918,748
		<hr/>
Equity and Liabilities		
Equity Attributable to Shareholders		
Issued share capital	19	193,136
Share premium	19	21,587,539
Other reserves	20	(212,363)
Retained earnings	21	(687,587)
		<hr/>
Total Equity		20,880,725
		<hr/>
Current Liabilities		
Redeemable shares		-
Trade and other payables	23	38,023
		<hr/>
Total Liabilities		38,023
		<hr/>
Total Equity and Liabilities		20,918,748
		<hr/>

The accompanying notes on pages 35-62 form an integral part of these financial statements.

On behalf of the board


Sandra Whelan
Director


Séamus Larrisey
Director

5 March 2019

VR EDUCATION HOLDINGS PLC

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018**

	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total
	€	€	€	€	€
Balance at 1 January 2017	-	-	104,915	(198,145)	(93,230)
Total comprehensive income					
Loss for the year	-	-	-	(623,699)	(623,699)
Total comprehensive income	-	-	-	(623,699)	(623,699)
Transactions with owners recognised directly in equity					
Transfer to derivative liabilities	-	-	(104,915)	-	(104,915)
Transfer to other reserves arising from accounting treatment of acquisition of subsidiary	-	-	137,100	-	137,100
Share option expense	-	-	20,180	-	20,180
Balance at 31 December 2017	-	-	157,280	(821,844)	(664,564)

	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total
	€	€	€	€	€
Balance at 1 January 2018	-	-	157,280	(821,844)	(664,564)
Total comprehensive income					
Loss for the year	-	-	-	(4,943,906)	(4,943,906)
Total comprehensive income	-	-	-	(4,943,906)	(4,943,906)
Transactions with owners recognised directly in equity					
Issue of ordinary shares	193,136	21,587,539	-	-	21,780,675
Share Issue Costs	-	-	(596,212)	-	(596,212)
Acquisition of a subsidiary	-	-	(11,263,644)	-	(11,243,464)
Share option expense	-	-	387,847	-	367,667
Balance at 31 December 2018	193,136	21,587,539	(11,314,729)	(5,765,750)	4,700,196

The accompanying notes on pages 35-62 form an integral part of these financial statements.

VR EDUCATION HOLDINGS PLC

COMPANY STATEMENT OF CHANGES IN EQUITY
for the 15 month period ended 31 December 2018

	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total
	€	€	€	€	€
Balance at incorporation	-	-	-	-	-
Total comprehensive income					
Loss for the period	-	-	-	(687,587)	(687,587)
Total comprehensive income				(687,587)	(687,587)
Transactions with owners recognised directly in equity					
Issue of ordinary shares	193,136	21,587,539	-	-	21,780,675
Share Issue Costs	-	-	(596,212)	-	(596,212)
Share option expense	-	-	383,849	-	383,849
Balance at 31 December 2018	193,136	21,587,539	(212,363)	(687,587)	20,880,725

The accompanying notes on pages 35-62 form an integral part of these financial statements.

VR EDUCATION HOLDINGS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 December 2018

	Note	2018 €	2017 €
Continuing Operations			
Loss before income tax		(4,943,906)	(623,699)
Adjustments to reconcile loss before tax to net cash flows:			
Depreciation of fixed assets	6	49,984	36,621
Amortisation of intangible assets	6	175,300	-
Fair value loss/(gain) arising on derivative financial liabilities	11	2,638,063	(125,764)
Non-cash element of extinguishment costs		174,651	-
Non-cash element of advisor warrants		112,381	-
Other non-cash items		1,944	-
Finance Costs	11	29,977	54,342
Share Option Expense		30,145	20,180
Movement in trade & other receivables		(155,798)	(201,710)
Movement in trade & other payables		(187,824)	351,339
		(2,075,083)	(488,691)
Bank interest & other charges paid		(29,977)	(264)
Net Cash used in Operating Activities		(2,105,060)	(488,955)
Cash Flows from Investing Activities			
Purchases of property, plant & equipment	14	(52,225)	(56,326)
Payments to develop Intangible Assets	15	(696,059)	(370,514)
Net cash used in investing activities		(748,284)	(426,840)
Cash Flows from Financing Activities			
Proceeds from issuance of ordinary shares		6,234,953	12,000
Proceeds from issuance of preference shares		-	250,000
Proceeds from issuance of convertible loans		-	688,000
Net cash generated from financing activities		6,234,953	950,000
Net increase in cash and cash equivalents		3,381,609	34,205
Cash and cash equivalents at beginning of year	18	103,577	69,372
Cash and cash equivalents at end of year	18	3,485,186	103,577

The non-cash element of extinguishment costs and non-cash element of advisor warrants reflect the fact that the group issued warrants to loan note holders, cumulative redeemable preference shareholders and advisors as part of the acquisition of Immersive VR Education Limited and the subsequent IPO transaction.

The accompanying notes on pages 35-62 form an integral part of these financial statements.

VR EDUCATION HOLDINGS PLC

COMPANY STATEMENT OF CASH FLOWS

for the 15 month period ended 31 December 2018

	Note	2018 €
Continuing Operations		
Loss before income tax		(687,587)
Adjustments to reconcile loss before tax to net cash flows:		
Non-cash element of extinguishment costs		174,651
Non-cash element of advisor warrants		112,381
Finance Costs		276
Share Option Expense		17,518
Movement in trade & other receivables		(5,136,849)
Movement in trade & other payables		38,023
		<hr/> (5,481,587)
Bank interest & other charges paid		(276)
Net Cash used in Operating Activities		<hr/> (5,481,863) <hr/>
Cash Flows from Investing Activities		-
Cash Flows from Financing Activities		
Proceeds from issuance of redeemable shares		6,250
Redemption of redeemable shares		(6,250)
Proceeds from issuance of ordinary shares		<hr/> 6,234,953
Net cash generated from financing activities		<hr/> 6,234,953 <hr/>
Net increase in cash and cash equivalents		753,090
Cash and cash equivalents at beginning of period	18	0
Cash and cash equivalents at end of period	18	<hr/> 753,090 <hr/>

The non-cash element of extinguishment costs and non-cash element of advisor warrants reflect the fact that the group issued warrants to loan note holders, cumulative redeemable preference shareholders and advisors as part of the acquisition of Immersive VR Education Limited and the subsequent IPO transaction.

The accompanying notes on pages 35-62 form an integral part of these financial statements.

VR EDUCATION HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

VR Education Holdings plc ("the Company") is publicly traded on the Alternative Investment Market ("AIM") of the London Stock Exchange and on the Enterprise Securities Market ("ESM"), 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 is the parent company of Immersive VR Education Limited ("IVRE"). IVRE is incorporated and domiciled in the Republic of Ireland with the same registered office as the Company. On 12 March 2018 the Company acquired Immersive VR Education Limited and contemporaneously listed on London's AIM market and Dublin's ESM market. As part of the Admission process, the Group raised £6 million before expenses, through an oversubscribed placing of 60,000,000 new ordinary shares at a placing price of 10p each.

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.

Basis of Consolidation

The consolidated financial statements incorporate those of VR Education Holdings plc and its subsidiary Immersive VR Education Limited.

All financial statements are made up to 31 December 2018. 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.

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

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Business Combination

Acquisition of Immersive VR Education Limited

The company was incorporated on 13 October 2017 and entered into an agreement to acquire the entire issued share capital of Immersive VR Education Limited on 12 March 2018. The acquisition was effected by way of issue of shares. Due to the relative size of the companies, Immersive VR Education'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 VR Education 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.

The comparative information presented for the Group is that of Immersive VR Education Limited.

Significant accounting judgements, estimates and assumptions

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

Judgments

In the process of applying the 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 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.*

VR EDUCATION HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Estimates and assumptions

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

Capitalised development costs impairment review

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

Derivative financial instruments

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

Going Concern

The financial statements are presented on a going concern basis. In forming this opinion, the Directors have considered all of 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 dual listing on the Alternative Investments Market on the London Stock Exchange and on the Enterprise Securities Market, a market regulated by Euronext Dublin and the timing as to when such funds will be received. Based on their consideration of these matters 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.

2. Summary of Significant Accounting Policies (continued)

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.

VR EDUCATION HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each balance sheet date. The Company has adopted IFRS 9 for the current year and applied it retrospectively for the preceding financial year however no material adjustments were identified between the requirements of IFRS 9 and the methods applied by the Company in the application of IAS 39.

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:

Firstly the Group is primarily focused on developing 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.

VR EDUCATION HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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.

Secondly, 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

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.

2. Summary of Significant Accounting Policies (continued)

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 are amortised over their estimated useful lives based on the pattern of consumption of the underlying economic benefits. 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.

2. Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets (continued)

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 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.

VR EDUCATION HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Share Capital

Ordinary shares are classified as equity.

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

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

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.

2. Summary of Significant Accounting Policies (continued)

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

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

Borrowings

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

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

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

Borrowing costs

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

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

Convertible Financial Instruments

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

2. Summary of Significant Accounting Policies (continued)

Convertible Financial Instruments (continued)

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

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

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.

VR EDUCATION HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

New standards, interpretations and amendments adopted by the Company

On 1 January 2018 the company adopted IFRS 9 – Financial Instruments. No other new standards were adopted in the year.

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Reference	Title	Summary	Application Date of Standard (Periods Commencing on or after)
IFRS 16	Leases	Principles for the recognition, measurement, presentation and disclosure of leases	1 January 2019

The adoption of these Standards and Interpretations is not expected to have a material impact on the financial information of the Company in the period of initial application when they come into effect.

3. Segment Reporting

Revenue by Type	2018 €	2017 €
Showcase experience revenue	592,362	592,617
Other revenue	123,983	31,870
Total Revenue	716,345	624,487

VR EDUCATION HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

4. Capital Management

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

Group	2018 €	2017 €
Interest bearing loans and borrowings	-	907,180
Derivative financial liabilities	-	209,348
Trade and other payables	195,194	383,019
Less: cash and short term deposits	(3,485,186)	(103,577)
Net Debt	(3,289,992)	1,395,970
Equity	4,296,872	(664,564)
Total Equity	4,296,872	(664,564)
Capital and net debt	1,006,880	731,406

5. Other Income

	2018 €	2017 €
Industry awards proceeds	-	60,333

6. a. Expenses by nature

	2018 €	2017 €
Depreciation charges	49,984	36,621
Amortisation expense	175,300	-
Operating Lease Payments	36,839	25,115
Foreign Exchange (Gain) / Loss	(35,027)	7,725
Other Expenses	2,956,001	1,478,054
	3,183,097	1,547,515
Wages and salaries capitalised	(586,937)	(313,501)
Other expenses capitalised	(109,122)	(57,013)
Total cost of sales and administrative expenses	2,487,038	1,177,001

VR EDUCATION HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

6. a. Expenses by nature (continued)

Disclosed as:

Cost of sales	239,701	300,143
Administrative expenses	2,247,337	876,858
Total cost of sales and administrative expenses	2,487,038	1,177,001

b. Auditor Remuneration

Services provided by the Company's auditor

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

	2018 €	2017 €
Fees payable to the Company's auditor for the audit of the financial statements	42,173	56,000
Tax	11,688	-
Other	40,776	-

7. Employees

Employee Benefit Expense	2018 €	2017 €
Wages and salaries	1,380,687	731,186
Social security costs	136,910	62,887
Defined contribution pension costs	8,961	-
Share option expense	30,145	20,180
Capitalised employee costs	(586,937)	(313,501)

Total Employee Benefit Expense	969,766	500,752
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Average Number of People Employed	2018	2017
Average number of people (including executive Directors) employed:		
Operations	22	15
Administration	3	2
Marketing	2	-

Total Average Headcount	27	17
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VR EDUCATION HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

8. Directors remuneration

Below is the directors remuneration for the year ended 31 December 2018 and for the year ended 31 December 2017

Group	31 December 2018			Total €
	Directors' fees paid €	Pension benefits paid €	Options issued €	
Executive Directors				
David Whelan	114,181	2,017	-	116,198
Sandra Whelan	85,807	2,100	-	87,907
Séamus Larrisey	86,500	2,833	4,779	94,112
Non-executive Directors				
Richard Cooper	96,077	-	13,917	109,994
Michael Boyce	37,143	-	-	37,143
Tony Hanway	23,807	-	-	23,807
	443,515	6,950	18,696	469,191

Group	31 December 2017			Total €
	Directors' fees €	Pension benefits €	Options issued €	
Executive Directors				
David Whelan	70,000	-	-	70,000
Sandra Whelan	60,000	-	-	60,000
Séamus Larrisey	34,638	-	2,944	37,582
Non-executive Directors				
Richard Cooper	-	-	-	-
Michael Boyce	-	-	-	-
Tony Hanway	-	-	-	-
At 31 December 2018	164,638	-	2,944	167,582

The options issued are a non-cash amount and are accounted for in line the treatment of the other share options issued to employees under IFRS 2. Further notes on Share Based Payments are included in Note 22.

During the year ended 31 December 2018, Richard Cooper received a fee in relation to the IPO transaction of £50,000.

During the year ended 31 December 2018, Michael Boyce received a fee in relation to consultancy services provided to the company, separate to his role as a Non-Executive Director of £12,031.

VR EDUCATION HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

9. Extinguishment Costs

	2018 €	2017 €
Legal and professional fees paid on behalf of redeemable secured loan note holders and cumulative redeemable preference shares holders	51,500	-
Monitoring fee and interest paid post conversion	41,820	-
Warrant Costs	174,651	-
Total Extinguishment Costs	267,971	-

As part of the reorganisation process which occurred prior to the IPO all loan note holders and cumulative redeemable preference share note holders converted their holdings into ordinary shares. During this process the Group agreed to pay:

- all interest that would have accrued on these loan notes for the 12 month period from the date of Admission had such loan notes remained in issue.
- all monitoring fees that would have accrued for the 12 months period from the date of Admission had such agreements not been terminated.

The group also issued warrants to the loan note holders and cumulative redeemable preference shareholders over such number of new Ordinary Shares in the Company as is equal to 3 per cent. of the issued Ordinary Shares at Admission, exercisable at a 50 per cent. premium to the Issue Price expiring 36 months from Admission.

10. IPO Transaction Costs

	2018 €	2017 €
Legal and professional fees	237,202	202,940
Total IPO Transaction Costs	237,202	202,940
Included in Other Reserves	596,212	-

The transaction costs relate to the admission of the Group to the AIM market of the London Stock Exchange and the ESM market of the Irish Stock Exchange on 12 March 2018.

VR EDUCATION HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

11. Finance Costs

	2018 €	2017 €
Interest expense:		
- Notional interest on non-current borrowings	-	34,472
- Interest payable on convertible loan notes	27,105	14,387
- Dividend on redeemable convertible preference shares	1,356	5,219
- Bank charges	1,516	264
Total finance costs	29,977	54,342
Fair value (loss) / gain on derivative financial liability	(2,638,063)	125,764

The fair value loss on derivative financial liabilities arose in 2018 from the conversion of convertible debt and preference shares to ordinary equity in Immersive VR Education Limited prior to its acquisition by the Group.

12. Income Tax Expense

	2018 €	2017 €
Current tax:	-	-
Current tax on loss for the year	-	-
Total current tax	-	-
Deferred tax (Note 25)	-	-
Income Tax Expense	-	-

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

	2018 €	2017 €
Loss Before Tax	(4,943,906)	(623,699)
Tax calculated at domestic tax rates applicable to loss in Ireland of 12.5%	(617,988)	(77,962)
Tax effects of:		
- Depreciation in excess of capital allowances	4,033	3,178
- Expenses not deductible for tax purposes	406,488	29,572
- Tax losses for which no deferred tax asset was recognised	207,467	45,212
Total tax expense	-	-

VR EDUCATION HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

13. Earnings per share (EPS)

	2018 €	2017 €
Loss attributable to equity holders of the Group:		
Continuing Operations	(4,943,906)	(623,699)
Weighted average number of shares for Basic EPS	193,136,406	1
Basic loss per share from continuing operations	(0.026)	-

14. Property, Plant & Equipment

Group	Leasehold improvements €	Fixtures, fittings and equipment €	Office Equipment €	Total €
Cost of Valuation				
At 1 January 2017	-	3,548	45,505	49,053
Additions	15,601	2,062	38,663	56,326
At 31 December 2017	15,601	5,610	84,168	105,379
Additions	4,740	1,415	46,070	52,225
At 31 December 2018	20,341	7,025	130,238	157,604
Depreciation				
At 1 January 2017	-	1,005	10,453	11,458
Charge (note 6)	3,284	1,122	32,215	36,621
At 31 December 2017	3,284	2,127	42,668	48,079
Charge (note 6)	4,607	1,405	43,972	49,984
At 31 December 2018	7,891	3,532	86,640	98,063
Net Book Amount				
At 31 December 2017	12,317	3,483	41,500	57,300
At 31 December 2018	12,450	3,493	43,598	59,541

Depreciation expense of €49,984 (2017: €36,621) has been charged in 'Administrative Expenses'.

VR EDUCATION HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

15. Intangible Assets

Group	Software in development costs €	Total €
Cost of Valuation		
At 1 January 2017	65,277	65,277
Additions	370,514	370,514
	<hr/>	<hr/>
At 31 December 2017	435,791	435,791
	<hr/>	<hr/>
Additions	696,059	696,059
	<hr/>	<hr/>
At 31 December 2018	1,131,850	1,131,850
	<hr/>	<hr/>
Amortisation		
At 1 January 2017	-	-
Charge	-	-
	<hr/>	<hr/>
At 31 December 2017	-	-
	<hr/>	<hr/>
Charge	175,300	175,300
	<hr/>	<hr/>
At 31 December 2018	175,300	175,300
	<hr/>	<hr/>
Net Book Value		
At 31 December 2017	435,791	435,791
At 31 December 2018	956,550	956,550
	<hr/>	<hr/>

The software being developed relates to the creation of three 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 a mobile version is expected in H1 2019. Amortisation will commence once the mobile version is 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 and *a Space Shuttle experience* are currently in development with expected release during 2019. They are currently not being amortised.

Amortisation expense of €175,300 (2017: €Nil) has been charged in 'Administrative Expenses'.

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

VR EDUCATION HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

16. Investments in Subsidiaries

Company	€
At Incorporation – 13 October 2017	-
Additions	15,028,809
At 31 December 2018	15,028,809

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

On 12 March 2018 the Company has acquired all of the issued capital of Immersive VR Education 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.

Name	Country of incorporation and residence	Nature of business	Proportion of equity shares held by the company
Immersive VR Education Limited	Ireland	Virtual Reality Technology	100%

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

17. Trade and Other Receivables

	2018 €	Group 2017 €	Company 2018 €
Trade receivables	180,129	105,450	-
Less: provision for impairment of receivables	-	-	-
Trade receivables - net	<u>180,129</u>	<u>105,450</u>	<u>-</u>
Amounts due from related parties	-	-	5,058,589
Prepayments	178,650	107,778	53,062
Other debtors	4,991	23,830	-
VAT	30,343	1,257	25,198
	<u>394,113</u>	<u>238,315</u>	<u>5,136,849</u>

As at 31 December 2018, trade receivables of €180,129 (2017: €105,450) were deemed fully recoverable. No bad debt provision charge was incurred during 2018 (2017: €Nil)

VR EDUCATION HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

17. Trade and Other Receivables (continued)

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

	2018 €	Group 2017 €	Company 2018 €
Euro - Neither past due nor impaired	53,028	20,821	-
Dollar - Neither past due nor impaired	127,101	84,629	-
	<u>180,129</u>	<u>105,450</u>	<u>-</u>

18. Cash and short-term deposits

	2018 €	Group 2017 €	Company 2018 €
Cash at bank and on hand	3,485,186	103,577	753,090
	<u>3,485,186</u>	<u>103,577</u>	<u>753,090</u>

19. Issued Share Capital and Premium

	Number of shares	Ordinary shares €	Share premium €	Total €
At 01 January 2017	-	-	-	-
Ordinary Shares Issued	1	-	-	-
At 31 December 2017	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>
Shares issued as consideration for reverse merger	133,089,739	133,090	14,866,910	15,000,000
Ordinary Shares Issued	60,046,666	60,046	6,720,629	6,780,675
At 31 December 2018	<u>193,136,406</u>	<u>193,136</u>	<u>21,587,539</u>	<u>21,780,675</u>

On 12 March 2018 the Company acquired Immersive VR Education Ltd for a purchase price of €15 million through the issue 133,089,739 new ordinary shares of €0.001 and became the legal parent of the Group. On 12 March 2018 the Company listed on London's AIM market and Dublin's ESM market. As part of the Admission process, the Group raised £6 million (€6,772,773) before expenses, through an oversubscribed placing of 60,000,000 new ordinary shares at a placing price of €0.10 (€0.1127) per share.

VR EDUCATION HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

20. Other Reserves

	Group €	Company €
At 1 January 2017	104,915	-
Transfer to derivative liabilities	(104,915)	-
Transfer to other reserves arising from accounting treatment of acquisition of subsidiary	137,100	-
Share option expense	20,180	-
At 31 December 2017	157,280	-
At 1 January 2018	157,280	-
Share issue costs	(596,212)	(596,212)
Acquisition of a subsidiary	(11,263,644)	-
Share option expense	387,847	383,849
At 31 December 2017	(11,314,729)	(212,363)

21. Retained Earnings

	Group €	Company €
At 1 January 2017	(198,145)	-
Loss for the year	(623,699)	-
At 31 December 2017	(821,844)	-
At 1 January 2018	(821,844)	-
Loss for the year	(4,943,906)	(687,587)
At 31 December 2017	(5,765,750)	(687,587)

22. Share Based Payments

During the year ended 31 December 2018, VR Education Holdings plc introduced a share-based payment scheme for employee remuneration ("the 2018 Scheme") to replace the scheme previously in operation within Immersive VR Education Limited ("the 2016 Scheme"). The 2018 Scheme and the 2016 schemes are classified equity settled share based payment plans. Recipients under the scheme are awarded options over ordinary shares of the Company.

On the 12 March 2018, the options under the 2016 Scheme were cancelled as part of the Capital Restructure and Listing process and replaced with options under the 2018 Scheme under the equivalent terms and conditions as the 2016 scheme, and a stock split which gave rise to the issue of 740 shares for every 1 share held. The options granted under the 2016 Scheme had vesting periods of up to 36 months. The replacement of the options did not give rise to any additional income statement expense in 2018.

VR EDUCATION HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

22. Share Based Payments (continued)

There were 311,108 employee options granted during 2018 at an exercise price of €0.135 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.

Share-based payment expense with Director

On 12 March 2018, VR Education Holdings plc granted options to purchase 1m ordinary shares to Richard Cooper, the Chairman of the Company. The options vest if the market capitalisation of the Company equals 2.5 times the market capitalisation on admission to listing for a consecutive period of 30 days. Except in the event of a change in control (see below) the options, which are exercisable at a price of €0.0001, cannot be exercised for a period of two years and expire on 12 March 2023. The market capitalisation requirement is a "market condition" under IFRS 2 and the valuation of the option, which amounted to €0.668, takes this market condition into account.

In the event of a change in control, in the two years after admission to listing, the options are exercisable at prices ranging from €0.0001 to €0.10. The change in control scenarios gave rise to option values of €0.018 - €0.112.

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

	2018 Scheme 2018	2016 Scheme 2018	2017
At 1 January	-	4,208	-
Capital restructure and Listing process	3,113,920	(4,208)	-
Granted during period	1,311,108	-	4,208
At 31 December	4,425,028	-	4,208
Options outstanding at 31 December			
Number of shares	4,425,028	-	4,208
Weighted average remaining contractual life	3.75 years		4.3 years
Weighted average exercise price per share	€0.028		€19.21
Range of exercise price	€0.0001 - €0.135		€19.21
Exercisable at 31 December			
Number of shares	1,997,556		893
Weighted average exercise price per share	€0.026		€19.21

No options were exercised during the period. The weighted average exercise price of options granted during the period was €0.032 (2017: €19.21). The expense recognised in respect of employee share based payment expense and credited to the share based payment reserve in equity was €30,144 (2017: €20,180).

VR EDUCATION HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

22. Share Based Payments (continued)

Advisor Warrants

As part of the listing process and as set out in the admission document, the Company issued warrants over 5,018,328 shares at an exercise price of £0.15, subject to expiry on various dates up to 12 March 2023. The warrants were valued under the Black Scholes model. The expense recognised during the period was €162,871 of which €112,381 was recognised in the income statement and €50,490 in equity.

Investor Warrants

As part of the arrangements for the listing process and as set out in the admission document, the Company issued warrants over 5,794,092 shares at an exercise price of £0.15, subject to expiry on 12 March 2023. The warrants were valued under the Black Scholes model. The expense of €174,651 was recognised in the income statement during the period.

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 valuation.

	Employee	Director	Advisor	Investor
Number of options / warrants	311,108	1,000,000	5,018,328	5,794,092
Grant date	26 Apr 18	12 Mar 18	12 Mar 18	12 Mar 18
Vesting period	3 years	2 years	-	-
Share price at date of grant	£0.11	£0.10	£0.10	£0.10
Exercise price	€0.135	£0.001-£0.10	£0.15	£0.15
Volatility	57%	54.4-59.2%	54.4-57.3%	57.3%
Option life	7 years	5 years	22 months – 5 years	3 years
Dividend yield	0%	0%	0%	0%
Risk free investment rate	0.14%	0.5-1.16%	0.8-1.16%	0.87%
Fair value per option at grant date	€0.058	€0.018-€0.112	€0.018-€0.030	€0.030
Weighted average remaining contractual life in years	6.3	4.2	2.7	2.2

VR EDUCATION HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

23. Trade and Other Payables

	2018	Group 2017	Company 2018
	€	€	€
Trade Payables	28,263	18,225	9,169
PAYE/PRSI	46,923	45,983	16,362
Redeemable shares	-	25,000	-
Accrued Expenses	120,009	293,811	12,492
	<u>195,195</u>	<u>383,019</u>	<u>38,023</u>

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-day terms
- PAYE/PRSI payables are non-interest bearing and are normally settled on 30-day terms
- Accrued expenses are non-interest bearing are settled over varying terms throughout the year

24. Non-current Liabilities

	2018	Group 2017	Company 2018
	€	€	€
Borrowings			
<i>Redeemable convertible</i>			
secured loan notes	-	776,155	-
<i>Cumulative Convertible</i>			
Redeemable Preference Shares	-	131,025	-
	<u>-</u>	<u>907,180</u>	<u>-</u>
Total Borrowings	<u>-</u>	<u>907,180</u>	<u>-</u>

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

	-	209,348	-
Total Non-current Liabilities	<u>-</u>	<u>1,116,528</u>	<u>-</u>

VR EDUCATION HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

24. Non-current Liabilities

Immediately prior to the acquisition of Immersive VR Education Limited ("IVRE") by the Company on 12 March 2018 the existing redeemable secured loan notes and cumulative redeemable preference shares with IVRE were redeemed for Ordinary Equity of IVRE.

The 2016 Kernel Loan Agreement which resulted in Kernel holding €240,000 in redeemable secured loan notes was redeemed at €19.21 for 12,493 ordinary shares in IVRE. As part of the acquisition of IVRE by the Company, Kernel were issued 9,244,820 ordinary shares in the Company, using a share swap ratio of 740 to 1.

The 2017 Kernel Loan Agreement which resulted in Kernel holding €400,000 in redeemable secured loan notes was redeemed at €83.916 for 4,767 ordinary shares in IVRE. As part of the acquisition of IVRE by the Company, Kernel were issued 3,527,580 ordinary shares in the Company, using a share swap ratio of 740 to 1.

The 2017 Suir Valley Ventures Loan Agreement which resulted in Suir Valley Ventures holding €288,000 in redeemable secured loan notes was redeemed at €19.21 for 14,992 ordinary shares in IVRE. As part of the acquisition of IVRE by the Company, Suir Valley Ventures were issued 11,094,080 ordinary shares in the Company, using a share swap ratio of 740 to 1.

The 2017 Enterprise Ireland Agreement which resulted in Enterprise Ireland holding €250,000 in Cumulative Convertible Redeemable Preference Shares was redeemed at €19.21 for 13,014 ordinary shares in IVRE. As part of the acquisition of IVRE by the Company, Enterprise Ireland were issued 9,630,360 ordinary shares in the Company, using a share swap ratio of 740 to 1.

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

	2018 €	Group 2017 €	Company 2018 €
Balance as at beginning of period	209,348	-	-
Transfer from other reserves		104,915	-
Movement in current period	2,638,063	104,433	-
Redemption of loan notes and preference shares	(2,847,411)	-	-
Balance as at end of period	-	209,348	-

VR EDUCATION HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

25. 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 €410,683 (2017: €79,597) in respect of losses and depreciation in excess of capital allowances amounting to €3,285,467 (2016: €636,773) that can be carried forward against future taxable income.

26. Related Parties

During the year the Directors received the following emoluments:

Directors	2018 €	Group 2017 €	Company 2018 €
Aggregate emoluments	450,465	164,638	406,787
Share option expense	18,696	2,944	18,696
	<u>469,161</u>	<u>167,582</u>	<u>425,483</u>

Included in the above is an amount of €96,077 (2017: €Nil) 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 2018 €Nil was outstanding.

27. Operating Leases

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

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

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

Motor Vehicles	2018 €	Group 2017 €	Company 2018 €
Within one year	6,570	6,570	-
After one year but not more than five years	3,285	9,854	-
	<u>9,855</u>	<u>16,424</u>	<u>-</u>

VR EDUCATION HOLDINGS PLC**NOTES TO THE FINANCIAL STATEMENTS****27. Operating Leases (continued)**

	2018	Group	Company
	€	2017	2018
Land and buildings		€	€
Within one year	25,000	25,000	-
After one year but not more than five years	53,125	78,125	-
	<u>78,125</u>	<u>103,125</u>	<u>-</u>

28. Ultimate controlling party

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