In accordance with Regulation 32 of the Overseas Companies Regulations 2009.

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DON'T STAPLE

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 accompany your accounts disclosed under parent law.

X **What this form is N[O]**
You cannot use this fo[rm] an alteration of mann[er] with accounting requi[rements]

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COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of overseas company ❶	ENGAGE XR 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 *

❶ 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 audited.

Legislation ❷	Companies Act 2014 (Republic of Ireland)

❷ This means the relevant rules or legislation which regulates the preparation 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 ❸	International Financial Reporting Standards

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

OS AA01
Statement of details of parent law and other information for an overseas company

A3 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'**.	❶ Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body ❶	International Standards on Auditing	

Part 3 Signature

	I am signing this form on behalf of the overseas company.
Signature	Signature X S. Lauriey 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 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	

Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.

Important information

Please note that all this information will appear on the public record.

Where to send

You may return this form to any Companies House address:

England and Wales:
The Registrar of Companies, Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

Scotland:
The Registrar of Companies, Companies House, Fourth floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1

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.

Further information

For further information, please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse

Annual Report and Financial Statements

for the Year Ended 31 December 2021

Registered Number: 613330

ENGAGE XR
HOLDINGS PLC

ENGAGEXR
HOLDINGS PLC

Annual report and financial statements
For the year ended 31 December 2021

Table of contents

Chairman's statement

for the year ended 31 December 2021

I am pleased to present the Annual Report and Financial Statements of ENGAGE XR Holdings PLC ("ENGAGE XR", "the Group" or "the Company") for the year ended 31 December 2021. On 1 November 2021, the Group changed its name from VR Education Holdings PLC to ENGAGE XR to reflect better the strategic focus of the Group. Our aim is to become a leading global provider of virtual communications solutions through our proprietary software platform, ENGAGE.

From a financial perspective, I am delighted to report increased revenue and a strong balance sheet. In June 2021, we raised new funds via a placing with institutional shareholders to support the Group's growth plans and continued product development, including the development of our own Metaverse launching in H2 2022 under the name ENGAGE Oasis. In the past, our standalone VR experiences created for museums and galleries contributed a great deal to the Group, whereas our ENGAGE solution is now the primary focus of the Group. We want ENGAGE to replace Microsoft Teams and Zoom as a business communication tool, and to be used for large virtual events, such as conferences.

We are delighted to witness the growing interest in ENGAGE, including from some of the world's best-known companies A number of additional milestones were achieved during the year:

- Over 130 corporate customers became users of our platform
- The award of ISO27001 certification. ISO27001 is an internationally recognised information management security standard. The certification will speed up the process of procurement that larger companies and organisations are required to undertake before adopting ENGAGE;
- In Asia, we expanded our partnership with HTC Corporation ("HTC"). HTC is a global leader in VR technology and equipment and a strategic partner of the Group, holding a c.17% stake. Through HTC, ENGAGE is sold as VIVE Sessions in China. VIVE Sessions has been included in the software bundle of HTC's new headset, the VIVE Focus 3 XR. HTC also has a partnership with HP to roll out "VIVE Sessions" on new HP ProBook laptops sold inside China.

To support our expansion, we added sales and marketing experience to the Board with the appointment of Kenny Jacobs as an Independent Non-Executive Director. Kenny has extensive expertise in sales, marketing and customer insight. He spent more than six years at Ryanair as Chief Marketing Officer, where he championed many successful customer service improvements. During his 20-year career, he has gained valuable experience working for major companies, including Accenture, Metro Cash & Carry, MoneySuperMarket, Procter & Gamble, and Tesco (Ireland), where he led the sales and marketing division. During the year, Non-Executive Directors Harry Kloor, Frank Poore and Tony Hanway resigned from the Board, and I would like to thank them for their hard work and support.

The management team and I are looking forward to the future with optimism. I would like to thank everyone at ENGAGE XR in delivering great progress in what has been a challenging environment as a result of Covid-19. Furthermore, I want to thank our shareholders for their continued support.

Richard Cooper
Chairman

7 March 2022

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HOLDINGS PLC

Chief Executive's review

for the year ended 31 December 2021

Overview

2021 has been a busy year with many changes to our organisation. One of the biggest changes was the rebranding of the Group to ENGAGE XR from VR Education Holdings Plc as we moved away from building one-off education based products to a much broader immersive platform under the brand ENGAGE.

Although these education-based products were profitable, the real growth opportunity is providing Metaverse services via ENGAGE to major enterprise clients. During the year, we have added great names to our client list including BMW, 3M, Abbott, Unilever, and Facebook (now META) to name just a few. We also work with globally recognised international accountancy and professional services firms and each month, we have seen our client base grow.

ENGAGE

We have seen a marked increase in demand for ENGAGE services, with more than 60% of our revenue coming through enterprise clients. To better target enterprise clients, we have completely rebranded our website (www.engagevr.io) to showcase our offer to them. Furthermore, our marketing and business development teams have been refocused on this area. To support them, we have hired a Director of Revenue, Richard Allin, and a new Head of Marketing, Kyle Horner who will start before the end of March 2022.

For enterprise customers, security is paramount. One area we believe that makes ENGAGE stand out compared to its competition is its data security and hosting abilities. For enterprise clients to adopt metaverse services they require extensive security clearance to know exactly how their data is handled and where it is stored. In October 2021, ENGAGE was granted ISO 27001 certification and as of today, ENGAGE is the only multi-user VR platform to have ISO 27001 certification. This certification makes it much easier for blue-chip companies to work with us, and move their employees and clients away from traditional video-based communications into the immersive spatial environments ENGAGE provides.

Expansion

In mid-2021 we closed a placing of €8.5 million (net of expenses) to help scale the business due to increased client demand. Our team has grown to serve our expanding client base, with many new hires in our after-sales and virtual event support teams. Our newly appointed Director of Revenue will have a sizable budget to build our sales, lead generation and client onboarding teams. The primary focus will be the US, and secondly, Asia.

To support our sales efforts in the US, we have engaged 5W Public Relations ("5WPR"), one of the larger US PR companies. With guidance from our new Non-Executive Director, Kenny Jacobs (former Chief Marketing Officer of Ryanair) and a new US-based Director of Marketing, 5WPR will be tasked with making ENGAGE a widely recognised brand name in the US before the year end. The 5WPR contract starts in March 2022, and we expect to see significant growth in our brand awareness in the following months.

The Metaverse

With Facebook changing its name to Meta, and Mark Zuckerberg outlining his Metaverse vision, there has been increased interest in what we have been building. In terms of the Metaverse, our plans for ENGAGE are very different to Meta's Horizons, Microsoft's AltSpace or Roblox. All of these platforms are focused on massive user growth with the majority being aimed at a young demographic to socialise and play games. Therefore, entertainment companies will engage with these platforms to increase brand awareness. However, enterprise clients seeking a metaverse solution to enable real business dealings and host professional virtual events will choose ENGAGE.

History tends to repeat itself. The technological awakening we see in relation to the Metaverse is following a similar path to what we saw with the emergence of the internet in the late 1990s. Then, AOL tried to dominate the internet as a single platform for everything and failed. Companies and individuals wanted more control, security, and freedom to build what they needed with no constraints. They ended up building out services on platforms such as .java, .net and other web technologies which were then self-hosted. We believe that the same trend will happen with the Metaverse.

In the end, the Metaverse is simply an evolution of the internet. Our current 2D web screens will evolve into full 3D virtual worlds. Virtual interaction will become as personal and as social as the physical world. We believe ENGAGE is well positioned as the enterprise solution for companies in a variety of industries seeking to enter the Metaverse to host meetings, events, product launches, and conduct training content.

Outlook

2021 was a pivotal year for the Group with strong client and revenue growth. In the past six months, we have put in the foundations for future growth and expect 2022 to far eclipse the achievements of previous years. As a business we continue to see increase in client numbers and the interest in and awareness of ENGAGE continue to grow. With a strong balance sheet and excellent opportunities before us, we look forward to 2022 with confidence.

David Whelan
Chief Executive Officer

7 March 2022

Chief Financial Officer's review

for the year ended 31 December 2021

I am pleased to report that revenue for the year was up 68% on the prior year from €1.4 million to €2.4 million, driven by a significant increase in demand for the ENGAGE platform. ENGAGE revenue was up 200% on the prior year from €0.6 million to €1.8 million.

EBITDA loss was €2.8 million compared to a loss of €2.1 million in the prior year and loss before tax was €3.1 million compared to a loss in the prior year of €2.7 million. This increased EBITDA loss is primarily driven by increased headcount in the year.

Operating cashflows were a net outflow of €2.6 million for the period. The current run-rate of staff costs and other ongoing costs is approximately €0.25m per month.

At the balance sheet date, trade and other receivables were €646k, ahead of trade and other payables at €482k. Trade receivables represented an average of 58 debtor days (2020: 42 days). This increase is driven by some large invoices near the year end.

The Group's cash position on 31 December 2021 was €7.8 million with no debt. The cash balance was significantly strengthened during the year by a successful €9.0 million (€8.5 million net of expenses) fundraise.

Séamus Larrissey
Chief Financial Officer

7 March 2022

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HOLDINGS PLC

Strategic report

for the year ended 31 December 2021

The Directors present herewith their strategic report for the year ended 31 December 2021.

Results and Dividends

The loss for the year after taxation amounted to €3,130,271 (2020: €2,728,442). No dividends were paid during the year (2020: €Nil) and as such an amount of €3,130,271 was debited to reserves.

Review of the business and future developments

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

Key Performance Indicators

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

Revenue for the year was €2,386k compared to €1,417k in 2020, an increase of 68%. The Group expects to see further growth in revenue in 2022 with commercial contracts expected with numerous customers on ENGAGE.

Medium-term outlook target of €10 million ENGAGE revenue during the period FY-2023 to FY-2025 still on track.

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

Gross margin for the year was 79% compared to 72% in 2020, an increase of 7%.

Medium-term outlook target of gross margin in excess of 80% once ENGAGE revenue is between €5 million – €10 million.

Average Contract Value
Average Contract Value is calculated as the average non-trial recurring licence revenue from customers, while including 25% of associated professional services value based on the expectation of required additional support / custom content creation.

Average contract value for 2021 was approximately €16,000 (2020: €14,000). The expectation is that average contract value will grow year on year as ENGAGE deals become larger in size.

Medium-term outlook target of average contract value in excess of €20,000.

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

Cash and cash equivalents at 31 December 2021 was €7.8 million compared to €2.0 million at 31 December 2020, an increase of 283%.

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.

Principal Risks and Uncertainties

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

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

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
7 March 2022

Séamus Larrissey
Director
7 March 2022

Directors' report

for the Year Ended 31 December 2021

The Directors present herewith their annual report and audited financial statements for the year ended 31 December 2021.

Results and Dividends

The results for the period are set out in the Strategic Report on page 5-6. The Directors do not propose to declare a dividend.

Directors

The present Directors are as listed on page 1 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:

	31/12/2021		31/12/2020	
	Ordinary Shares	Share Options	Ordinary Shares	Share Options
Richard Cooper	1,070,400	1,000,000	1,070,400	1,000,000
David Whelan	38,665,000	-	38,665,000	-
Sandra Whelan	38,665,000	-	38,665,000	-
Séamus Larrissey	88,000	910,940	88,000	910,940
Praveen Gupta	-	-	-	-
Kenny Jacobs	-	-	-	-
Frank Poore	-	17,406,069	-	-
Tony Hanway	-	-	100,000	-

Significant shareholdings

As at 7 March 2022, the following interests in 3% or more of the issued share capital appear in the register:

HTC Corporation	16.62%
Octopus Investments	15.02%
David Whelan	13.31%
Sandra Whelan	13.31%
Enterprise Ireland	6.54%
Unicorn AIM VCT plc	6.53%
Barry Downes	4.49%
Canaccord	4.30%
Suir Valley Funds ICAV	3.64%
Aviva plc	3.38%

Transactions Involving Directors

Transactions involving Directors are disclosed within note 22.

Directors' Report (continued)

Events after the reporting period

The Company has evaluated all events and transactions that occurred after 31 December 2021 up to the date of signing of the financial statements.

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

Research and development

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

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

7 March 2022

Séamus Larrissey
Director

7 March 2022

Directors' responsibilities statement

for the Year Ended 31 December 2021

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

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

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

In preparing these financial statements the Directors are required to:

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

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

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

The Directors are responsible for ensuring that the Company is compliant with AIM Rule 26 which is discussed further in the Corporate Governance Report on page 10-14.

On behalf of the board

Sandra Whelan
Director

7 March 2022

Séamus Larrissey
Director

7 March 2022

Corporate governance report

for the Year Ended 31 December 2021

As the Chairman of the Board of Directors of Engage XR Holdings plc (Engage XR, EXR, We, or the Company/Group as the context requires), it is my responsibility to ensure that Engage XR has both sound corporate governance and an effective Board. The responsibilities of the Chairman of Engage XR include leading the Board effectively, overseeing the Company's corporate governance model, and ensuring that good information flows freely between Executives and Non-Executives in a timely manner. All the Directors of Engage XR 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.

Engage XR has adopted the Quoted Companies Alliance Corporate Governance (QCA Code) in line with the London Stock Exchange's changes to the AIM Rules, requiring all AIM-listed companies to adopt and comply or explain non-compliance with a recognised corporate governance code. This report follows the structure of these guidelines and explains how we have applied the guidance. We will continue to provide annual updates on our compliance with the QCA Code. The Board considers that the Group complies with the QCA Code so far as it is practicable having regard to the size, nature and current stage of development of the Company, and discloses any areas of non-compliance in the text below. The Company understands that application of the QCA Code supports the Company's medium to long-term success whilst managing risks, as well as providing an underlying framework of commitment and transparent communications with stakeholders.

The following key governance matters occurred during this year:

- Frank Poore was appointed as Non-Executive Director of the Company and subsequently stepped down from the Board;
- Kenny Jacobs was appointed as Non-Executive Director of the Company;
- Tony Hanway, Non-Executive Director stepped down from the Board;
- Harry Kloor, Non-Executive Director stepped down from the Board; and
- Shareholders approved a resolution to change the Company's name to Engage XR Holdings plc.

Richard Cooper
Chairman

7 March 2022

Corporate governance report (continued)

for the Year Ended 31 December 2021

Principle	Application
Establish a strategy and business model which promotes long-term value for shareholders	The Board has concluded that the highest medium and long-term value can be delivered to its shareholders by the adoption of a single strategy for the Company to establish ENGAGE as the world's leading digital education and corporate training platform. This core objective aims to provide students, educators and corporate trainers globally with an alternative to attending brick and mortar institutes or expensive onsite simulated training. Further details can be found on the Focus & Strategy page on the Company's website. 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 ENGAGE XR Limited, although the Board takes steps to mitigate these risks. Further challenges to our strategy and long-term goals are highlighted in the Risk Management section below and can also be found in the Principal Risks and Uncertainties section, pages 6.
Seek to understand and meet shareholder needs and expectations	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. The Company's website is used for both financial and general news relevant to shareholders. 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. The Executive Directors also meet shareholders and other investors/potential investors regularly within the results cycle, and the whole Board aims to attend the AGM. The AGM provides an opportunity to meet, listen and present to shareholders, and shareholders are encouraged to attend. All 2021 AGM resolutions were passed comfortably. Although shareholder attendance was restricted at the 2021 AGM due to Covid-19, shareholders were given the opportunity to submit questions to the Board via email so that engagement between the Board and its stakeholders was not impeded. Shareholders were encouraged to appoint the Chair of the AGM as proxy to enable them to exercise their voting rights. The Company also held an Extraordinary General Meeting (EGM) in October 2021, with the view to changing the Company's name to Engage XR Holdings plc. Major shareholders were consulted prior to the EGM to discuss the reasons for the name change and the strategic drive behind it. All shareholders were provided with this information in the notice of EGM, and shareholders were again encouraged to submit any questions to the Board in advance of the meeting. In addition, the Company is open to receiving feedback from key stakeholders at any point during the year and will take action where appropriate.
Take into account wider stakeholder and social responsibilities and their implications for long-term success	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. 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 such as the flexible hours scheme.

Principle	Application
Take into account wider stakeholder and social responsibilities and their implications for long-term success (continued)	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. Engage XR is looking at helping and contributing to the local community. In 2021 the Company sponsored a local basketball team struggling for funding due to a reduction in fundraising activities arising from the impact of Covid-19 and also donated to a local wildlife sanctuary. The Group also has no significant environmental impact but will continue to monitor and will take action if this changes in the future.
Embed effective risk management, considering both opportunities and threats, throughout the organisation	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 pages 5-6. 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. 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. The Board currently considers that there are no risk factors that are considered High Risk Areas. 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. The Board regularly reviews the mechanisms of internal control it has implemented, assessing for effectiveness.
Maintain the Board as a well-functioning, balanced team led by the Chair	The Board comprises: - CEO - David Whelan - COO - Sandra Whelan - CFO - Séamus Larrissey - Independent Non-Executive Director and Chairman - Richard Cooper - Non-Executive Director - Praveen Gupta - Independent Non-Executive Director – Kenny Jacobs Praveen Gupta is not considered to be independent as a representative of a major shareholder in the Company, HTC. Frank Poore was also not considered to be independent as he was issued with warrants to subscribe for 17,406,069 new ordinary shares in the Company when he was appointed to the Board. These warrants are to be exercisable in annual tranches based on share price performance. 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. One third of the Board are subject to re-election at each AGM.

Corporate governance report (continued)

for the Year Ended 31 December 2021

Principle	Application
Maintain the Board as a well-functioning, balanced team led by the Chair (continued)	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. 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. As at 31 December 2021, Richard Cooper had an interest in 1,070,400 shares. He, nor the other Directors, believe that his shareholding is significant on assessment of the impact upon his independence. The Board aims to meet six times in the year and a calendar of meetings and principal matters to be discussed is agreed and circulated at the beginning of each year. During the year the Board met six times, and a schedule of attendance is set out below: Director — Attendance Richard Cooper — 6/6 David Whelan — 6/6 Sandra Whelan — 6/6 Séamus Larrissey — 6/6 Praveen Gupta — 6/6 Frank Poore* — 2/6 Kenny Jacobs* — 1/6 Tony Hanway* — 4/6 Harry Kloor* — 5/6 * Frank Poore joined the Company in October 2021 * Kenny Jacobs joined the Company in November 2021 * Tony Hanway left the Company in October 2021 * Harry Kloor left the Company in November 2021 In order to be efficient, the Directors meet formally and informally both in person and by telephone. 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. The Company has Audit and Remuneration Committees. The Board believes that the Committees have the necessary skills and knowledge to discharge their duties effectively. **Directors' conflict of interest** 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.

Principle	Application
Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	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. Biographical details of the Directors can be found on the Company's website: www.engagevr.io/about-us/board-of-directors/ 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. Seamus Larrissey is the Company's registered Company Secretary and ONE Advisory Limited is engaged by the Company to ensure 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. The Company's Nomad is consulted on all matters and all Directors have access to independent professional advice, if required. Neither the Board nor its Committees have sought external advice on a significant matter. The Board shall review annually the appropriateness and opportunity for continuing professional development whether formal or informal.
Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	At present, this aspect of the Code is not complied with as the Board has undergone a period of substantial change and growth in 2021 and the Board been focused on rebranding and aligning its strategy. The Company aims to undertake a full evaluation of the Board and its Committees in the next financial year. 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. 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.

ENGAGEXR
HOLDINGS PLC

Audit committee report

Dear Shareholder

I present my Audit Committee (Committee) Report for the year ended 31 December 2021, which has been prepared by the Committee and approved by the Board.

The Audit Committee has 2 members, Richard Cooper (Chair), and Praveen Gupta and aims to meet at least two times each financial year. The CFO and external auditors attend meetings by invitation. The Committee and the Board believe that I have sufficient relevant financial experience to fulfil my duties as Committee Chair because I have 25 years' experience in both publicly traded and privately-owned companies in a variety of service industries including gaming, insurance, and financial services. Praveen Gupta is current VP of HTC Investments and Partnerships. Praveen has a wealth of experience in corporate business development and M&A with previous roles such as VP.corporate and business development at SK Telecom, Director at Lucent/Nokia and executive director and partner at CDIB Ventures and management positions at Fujitsu-ICL Systems.

Due to 2021 being a period of transition and change for the Board, some decisions in relation to the audit and the appointment of auditors were deferred to the Board for discussion and approval. The Audit Committee is scheduled to meet at least two times in the financial year ended 31 December 2022.

Responsibilities

The Audit Committee has the following responsibilities:

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

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

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

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

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

Significant issues considered by the Audit Committee during the year

During the year, the Committee concluded that the Annual Report and financial statements, taken as a whole, were fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's and the Group's financial position, performance, business model and strategy.

During the year, the Committee's primary activity involved considering material issues within the Group, liaising with the external auditor, considering areas of judgement, and reviewing and approving the interim and year end results and accounts.

Due to changes required following Brexit, the Company was required to engage with auditors based in Ireland. As such, the Committee reviewed its engagement with auditors, PKF and, in October 2021, determined that the Company appoint PKF O'Connor, Leddy & Holmes Limited as its auditors for the audit of the Annual Report and Financial Statements for the year ended 31 December 2021.

The Committee reviewed the full-year and half-year results announcements and considered matters raised by the external auditors identifying certain issues requiring its attention. The Committee also reviewed the Strategic Report and concluded that it presented a useful and fair, balanced and understandable review of the business.

Auditor's Independence

The Committee approves the external auditor's terms of engagement and the level of their remuneration, scope of work, the process for the interim review and the annual audit. It has primary responsibility for making recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor. The Committee is responsible for reviewing and monitoring external auditor's independence and objectivity as well as their qualifications, expertise and resources and the effectiveness of the audit process, taking into consideration relevant Irish, UK and other relevant professional and regulatory requirements.

Richard Cooper
Chairman of the Audit Committee

7 March 2022

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Remuneration committee report

Dear Shareholder

I present my Remuneration Committee (Committee) Report for the year ended 31 December 2021, which has been prepared by the Committee and approved by the Board.

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

Responsibilities

The Committee's principal responsibilities include:

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

The Non-Executive Directors, whose remuneration is determined by the Board as a whole, receive fees in connection with their services provided to the Group, to the Board and to Board Committees.
Certain senior staff and Executive Directors receive basic salaries, annual bonuses according to performance against defined targets, and certain benefits in kind.

Directors' remuneration

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

A) Directors' Salaries and fees:

	2021 Total €	**2021 Total €**
David Whelan	176,917	146,255
Sandra Whelan	144,417	110,115
Séamus Larrissey	128,167	110,635
Non-executive Directors		
Richard Cooper	85,552	68,295
Praveen Gupta	-	-
Michael Boyce*	-	18,071
Harry Kloor**	23,228	8,974
Tony Hanway***	27,000	31,715
Frank Poore****	-	-
Kenny Jacobs*****	3,033	-
Total	**588,314**	**494,060**

Remuneration committee report (continued)

A) Directors' Salaries and fees (continued):

*Michael Boyce resigned as a Director in August 2020
**Harry Kloor resigned as a Director in November 2021
***Tony Hanway resigned as a Director in October 2021
****Frank Poore was appointed as a Director in October 2021 and resigned in January 2022
*****Kenny Jacobs was appointed as a Director in November 2021

B) Directors' Share Options:

Name	No. of options	Date of Grant	Exercisable	Exercise price (€)
Séamus Larrissey	910,940	21/08/2017	910,940	0.026
Richard Cooper	1,000,000	12/03/2018	1,000,000	0.0001

C) Directors' warrants

Name	No. of warrants	Date of Grant	Exercisable	Exercise price (€)
Frank Poore	17,406,069	01/10/2021	-	0.174

On 1 October 2021, 17,406,069 share warrants were granted to Frank Poore upon his appointment as a non-executive Director, at an exercise price of €0.174 (GBP £0.15) per share. The warrants expire at the end of a period of 5 years from the grant date or on the date the employee leaves. The vesting conditions in relation to these options are set out in Note 19 to the Financial Statements on Page 53.

Directors' interests

The interests and beneficial interests of the Directors in the shares of the Company at 31 December 2021 are set out below:

	No of Shares
Executive Directors	
David Whelan	38,665,000
Sandra Whelan	38,665,000
Séamus Larrissey	88,183
Non-Executive Directors	
Richard Cooper	1,070,400

Richard Cooper
Chairman of the Audit Committee

Independent auditor's report to the members of ENGAGE XR holdings plc

Opinion

We have audited the financial statements of Engage XR Holdings Plc formerly 'VR Education Holdings Plc' (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2014.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent assets, liabilities and financial position as at 31 December 2021 and of the group's and parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2014; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue..

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

Our application of materiality

The materiality applied to the group financial statements was €103,000. This has been calculated using Revenue and Loss Before Tax benchmarks which we have determined, in our professional judgement, to be the most appropriate benchmarks within the financial statements relevant to the members of the Group in assessing financial performance. The materiality applied to the parent company financial statements was €13,000 based upon 3% of the Loss Before Tax. Performance materiality was 75% of overall materiality for the group and parent company.

We report to the Audit Committee all corrected and uncorrected misstatements we identified through our audit in excess of €3,900 for the group and parent company. We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Independent auditor's report to the members of ENGAGE XR holdings plc (continued)

An overview of the scope of our audit

In designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgement by the directors and considered future events that are inherently uncertain. We also addressed the risk of management override of controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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

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
Revenue recognition (Refer to notes 2 and 3) We assessed revenue recognition as a key risk as revenue forms the basis for certain of the Group's key performance indicators, including EBITDA. As the Group is entering into new and evolving revenue streams, which require further judgement around the recognition and measurement principles, presenting the risk that revenue is recognised incorrectly. Manual journal entries are required to ensure that revenue is recognised appropriately and in the correct period. However, owing to the manual nature of these adjustments, there may be a higher risk of error or potential management override	• The work undertaken to mitigate the risks were as follows: • We performed walkthroughs of significant classes of revenue transactions to understand significant processes and to identify and assess the design effectiveness of key financial controls • We have inspected the terms of key contracts held by the Group in relation to revenue recognition, and have given consideration to these contracts against the relevant accounting standard, IFRS 15, to ensure appropriate accounting treatment has been made. • We have selected a representative sample of current year revenue transactions and sought appropriate, corroborating, evidence (internal and third-party) to test the completeness, occurrence and existence of the revenue recognised. • We have performed detailed testing procedures on deferred revenue. We have assessed and recalculated management's calculations for this balance, in line with relevant accounting guidance. • We have tested a sample of journal entries in relation to revenue through applying criteria in regard to both quantum and risk profile, such as significantly sized manual journal postings.

Independent auditor's report to the members of ENGAGE XR holdings plc (continued)

Key Audit Matter	**How the scope of our audit addressed the key audit matter**
Valuation and recoverability of intangible assets (refer note 12)	
The group carries a material amount of intangible assets in relation to capitalised costs associated with the development of virtual reality experiences. As a result, the following risks arise: • Costs may have been incorrectly capitalised and not conform with all the 6 step criteria detailed in IAS 38. • The carrying value of the development cost may be overstated and not fully recoverable. • The amortisation period may not represent the useful economic lives of each developed product.	The work undertaken to mitigate the risks were as follows: • Verified the capitalised development costs meet the eligibility criteria detailed in IAS 38 for that given project. • Substantively tested additions in the year back to supporting documentation to include timesheet analysis and payroll records. • Recalculated amortisation charged in the year on a sample basis and confirmed in accordance with the disclosed accounting policy • Reviewed and challenged management's assessment of impairment for projects under development and, for those products which are commercially available, considered whether there are any indicators of impairment. We found the judgements used by management in their impairment assessment were reasonable.
Going concern (refer note 2)	
The group and parent company are currently loss making. Additional funds may need to be raised during the going concern period in excess of those forecast from trading to enable product and business development to continue as planned.	The work undertaken to mitigate this risk was as follows: • Obtained and reviewed cash flow forecasts prepared for the period ending December 2025. We have tested and challenged management on the key assumptions underlying those forecasts, including sensitivity analysis and stress testing for the potential ongoing effects of COVID-19 and any shortfall in revenue, including mitigating actions. • Considered the accuracy of previous forecasts to actual results, particularly regarding development costs and revenue. • Checked and agreed the going concern disclosures in the financial statements.
The parent company has a material carrying value of its investment in subsidiary undertaking, including the intercompany receivable. There is a risk that these balances are not fully recoverable and should be impaired.	The work undertaken to mitigate this risk was as follows: • Assessed the carrying values by reference to the subsidiary's underlying net assets and trading performance. • Assessed credit losses in accordance with IFRS 9 criteria and agreed payment terms. • Assessed recoverability with reference to the budgets and cash flow forecasts prepared for going concern purposes.

Independent auditor's report to the members of ENGAGE XR holdings plc (continued)

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2014

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Companies Act 2014.

We have obtained all the information and explanations which we consider necessary for the purpose of our audit.

In our opinion, the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

Matters on which we are required to report by exception

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

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

Responsibilities of directors

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

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

Independent auditor's report to the members of ENGAGE XR holdings plc (continued)

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to those directly impacting the preparation of the financial statements, such as the Companies Act 2014 and the AIM Rules. There are no significant laws and regulations currently impacting the trading activities of the group other than compliance with normal business contractual terms.

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

Our audit procedures performed included:

- Discussions with and inquiry of management and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of minutes from board and other committee meetings;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Testing the appropriateness of journal entries and other adjustments, and evaluating the business rationale of any significant transactions that are unusual or outside the normal terms of business.

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

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

This description forms part of our auditor's report.

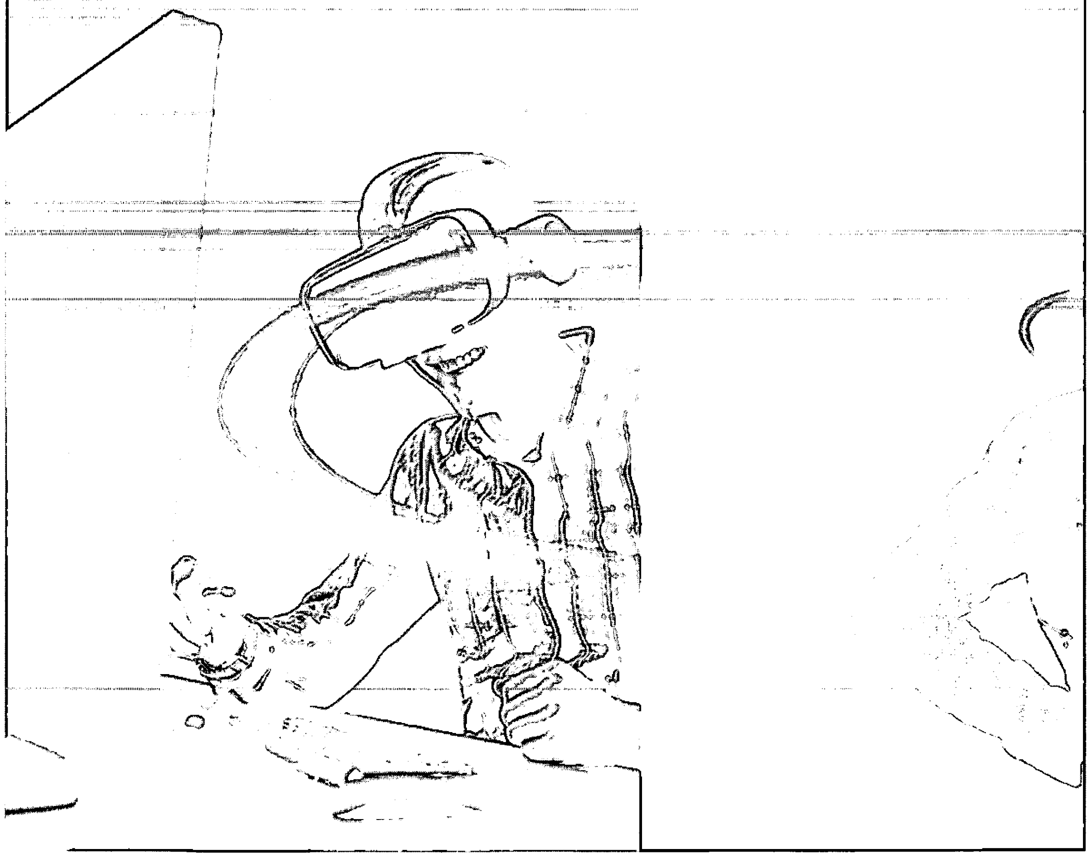
Use of our report

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

David McGarry
For and on behalf of PKF O'Connor, Leddy & Holmes Limited
Statutory Auditor
2022

Century House
Harold's Cross Road
Dublin 6W

Communicate



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Financial Statements

Consolidated statement of total comprehensive income

for the Year Ended 31 December 2021

	Note	2021	2020
Continuing Operations		**€**	**€**
Revenue	3	2,386,313	1,416,567
Cost of Sales	5	(492,396)	(403,622)
Gross Profit		**1,893,917**	**1,012,945**
Administrative Expenses	5	(5,007,421)	(3,734,071)
Operating Loss		**(3,113,504)**	**(2,721,126)**
Finance Costs	8	(16,767)	(7,316)
Loss before Income Tax		**(3,130,271)**	**(2,728,442)**
Income Tax credit	9	-	-
Loss for the financial year		**(3,130,271)**	**(2,728,442)**
Other comprehensive income		-	-
Total comprehensive loss for the year attributable to owners of the parent		**(3,130,271)**	**(2,728,442)**
Earnings per Share (EPS) attributable to owners of the parent			
Basic earnings per share	10	(0.011)	(0.011)
Diluted earnings per share	10	(0.010)	(0.011)

The accompanying notes on pages 35-57 form an integral part of these financial statements.

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Consolidated statement of financial position

for the Year Ended 31 December 2021

	Note	2021	2020
		€	€
Non-Current Assets			
Property, Plant & Equipment	11	102,075	83,834
Intangible Assets	12	426,454	964,126
		528,529	1,047,960
Current Assets			
Trade and other receivables	14	645,890	358,277
Cash and short-term deposits	15	7,790,060	2,032,717
		8,435,950	2,390,994
Total Assets		**8,964,479**	**3,438,954**
Equity and Liabilities			
Equity Attributable to Shareholders			
Issued share capital	16	290,451	241,751
Share premium	16	33,503,300	24,547,516
Other reserves	17	(11,775,474)	(11,337,058)
Retained earnings	18	(13,555,767)	(10,429,815)
Total Equity		**8,462,510**	**3,022,394**
Non-Current Liabilities			
Lease liabilities	20	7,883	20,392
Current Liabilities			
Trade and other payables	21	481,576	357,421
Lease liabilities	20	12,510	38,747
		494,086	396,168
Total Liabilities		**501,969**	**416,560**
Total Equity and Liabilities		**8,964,479**	**3,438,954**

The accompanying notes on pages 35-57 form an integral part of these financial statements.

On behalf of the board

Sandra Whelan
Director

7 March 2022

Séamus Larrissey
Director

7 March 2022

Company statement of financial position

for the Year Ended 31 December 2021

	Note	2021	2020
		€	€
Non-Current Assets			
Investment in subsidiaries	13	30,477,062	15,028,809
Other receivables	14	-	8,184,821
		30,477,062	23,213,630
Current Assets			
Trade and other receivables	14	1,035	20,041
Cash and short-term deposits	15	1,476,744	578,420
		1,477,779	598,461
Total Assets		**31,954,841**	**23,812,091**
Equity and Liabilities			
Equity Attributable to Shareholders			
Issued share capital	16	290,451	241,751
Share premium	16	33,503,300	24,547,516
Other reserves	17	(694,055)	(247,188)
Retained earnings	18	(1,223,374)	(791,234)
Total Equity		**31,876,322**	**23,750,845**
Current Liabilities			
Trade and other payables	20	78,519	61,246
Total Liabilities		**78,519**	**61,246**
Total Equity and Liabilities		**31,954,841**	**23,812,091**

The accompanying notes on pages 35-57 form an integral part of these financial statements.

On behalf of the board

Sandra Whelan
Director

7 March 2022

Séamus Larrissey
Director

7 March 2022

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Consolidated statement of changes in equity

for the Year Ended 31 December 2021

	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total
	€	€	€	€	€
Balance at 1 January 2020	193,136	21,587,539	(11,287,395)	(7,705,536)	2,787,744
Total comprehensive income					
Other comprehensive income	-	-	-	-	-
Loss for the year	-	-	-	(2,728,442)	(2,728,442)
Total comprehensive income	-	-	-	(2,728,442)	(2,728,442)
Transactions with owners recognised directly in equity					
New shares issued	48,615	2,959,977	-	-	3,008,592
Share issue costs	-	-	(70,720)	-	(70,720)
Share option expense	-	-	21,057	4,163	25,220
Balance at 31 December 2020	**241,751**	**24,547,516**	**(11,337,058)**	**(10,429,815)**	**3,022,394**

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

The accompanying notes on pages 35-57 form an integral part of these financial statements.

Company statement of changes in equity

for the Year Ended 31 December 2021

	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total
	€	€	€	€	€
Balance at 1 January 2020	193,136	21,587,539	(194,087)	(1,173,957)	20,412,631
Total comprehensive income					
Other comprehensive income	-	-	-	-	-
Profit for the year	-	-	-	382,723	382,723
Total comprehensive income	-	-	-	382,723	382,723
Transactions with owners recognised directly in equity					
New shares issued	48,615	2,959,977	-	-	3,008,592
Share issue costs	-	-	(70,720)	-	(70,720)
Share option expense	-	-	17,619	-	17,619
Balance at 31 December 2020	**241,751**	**24,547,516**	**(247,188)**	**(791,234)**	**23,750,845**

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

The accompanying notes on pages 35-57 form an integral part of these financial statements.

ENGAGEXR
HOLDINGS PLC

Consolidated statement of cash flows

for the Year Ended 31 December 2021

	Note	2021	2020
Continuing Operations		**€**	**€**
Loss before income tax		(3,130,271)	(2,728,442)
Adjustments to reconcile loss before tax to net cash flows:			
Depreciation of fixed assets	5	97,458	70,747
Amortisation of intangible assets	5	537,672	583,829
Finance Costs	8	16,767	7,316
Share Option Expense		103,963	25,222
Movement in trade & other receivables		(287,613)	(153,373)
Movement in trade & other payables		124,155	164,528
		(2,537,869)	(2,030,173)
Bank interest & other charges paid		(16,767)	(7,316)
Net Cash used in Operating Activities		**(2,554,636)**	**(2,037,489)**
Cash Flows from Investing Activities			
Purchases of property, plant & equipment	11	(115,699)	(12,852)
Payments to develop Intangible Assets	12	-	(114,222)
Net cash used in investing activities		**(115,699)**	**(127,074)**
Cash Flows from Financing Activities			
Proceeds from issuance of ordinary shares		8,466,424	2,937,872
Payment of lease liabilities		(38,746)	(33,444)
Net cash generated from financing activities		**8,427,678**	**2,904,428**
Net increase in cash and cash equivalents		**5,757,343**	**739,865**
Cash and cash equivalents at beginning of year	15	2,032,717	1,292,852
Cash and cash equivalents at end of year	15	**7,790,060**	**2,032,717**

The accompanying notes on pages 35-57 form an integral part of these financial statements.

Company statement of cash flows

for the Year Ended 31 December 2021

	Note	2020	2019
Continuing Operations		**€**	**€**
(Loss)/profit before income tax		(432,140)	382,723
Adjustments to reconcile loss before tax to net cash flows:			
Finance Costs		629	521
Share Option Expense		91,193	17,619
Movement in trade & other receivables		8,203,827	(2,851,429)
Movement in trade & other payables		17,273	(74,776)
		(304,039)	(2,525,342)
Bank interest & other charges paid		(629)	(521)
Net Cash used in Operating Activities		**(304,668)**	**(2,525,863)**
Cash Flows from Investing Activities			
Capital contribution	12	(15,448,253)	-
Net cash used in investing activities		**(15,448,253)**	**-**
Cash Flows from Financing Activities			
Proceeds from issuance of ordinary shares		8,466,424	2,937,872
Net cash generated from financing activities		**8,466,424**	**2,937,872**
Net increase in cash and cash equivalents		**898,324**	**412,009**
Cash and cash equivalents at beginning of year	15	578,420	166,411
Cash and cash equivalents at end of year	15	**1,476,744**	**578,420**

The accompanying notes on pages 35-57 form an integral part of these financial statements.

Notes to the financial statements

Notes to the financial statements

1. General Information

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

The Company is the parent company of ENGAGE XR Limited, previously known as Immersive VR Education Limited. ENGAGE XR Limited is incorporated and domiciled in the Republic of Ireland with the same registered office as the Company. On 12 March 2018 the Company acquired ENGAGE XR Limited and contemporaneously listed on London's AIM market and Dublin's Euronext Growth market. 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. On 12 June 2020 HTC Corporation invested €3.0 million in the Group and were issued 48,284,102 ordinary shares at an issue price of €0.062 per share. Net proceeds after expenses were €2.94 million.

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

2. Summary of Significant Accounting Policies

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

Basis of Consolidation
The consolidated financial statements incorporate those of ENGAGE XR Holdings plc and its subsidiary ENGAGE XR Limited.

All financial statements are made up to 31 December 2021. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

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

Business Combination

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

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

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

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

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

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

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

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

Going Concern
The financial statements are presented on a going concern basis. In forming this opinion, the Directors have considered all the information available to them. This includes management prepared forecasts, due consideration of the ability to raise funds on the open market in respect of the dual listing on the Alternative Investment 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.

In response to the significant impact that the coronavirus pandemic is having on the global economy, the Group has reviewed the potential impact upon on its business and revenue generation. The Directors anticipate experience sales will be relatively unaffected both during and immediately after the lockdown period, however there is scope to adjust levels of expenditure in the longer term, if required.

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

Foreign Currency Translation

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

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

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

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

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

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

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

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

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

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

Under IFRS 15, Revenue from Contracts with Customers, five key points to recognise revenue have been assessed:
Step 1: Identify the contract(s) with a customer;
Step 2: Identify the performance obligations in the contract;
Step 3: Determine the transaction price;
Step 4:Allocate the transaction price to the performance obligations in the contract; and
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

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

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

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

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

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

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

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

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

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

Office equipment - 3 - 5 years
Furniture, fittings and equipment - 5 years
Leasehold improvements – over the life of the leased asset

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Share Capital
Ordinary shares are classified as equity.

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

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

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

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

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

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

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

- Fixed payments less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease.
- Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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

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

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

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

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

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

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

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

Financial Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

New standards, interpretations and amendments adopted by the Group and Company
The Group and Company have applied the following standards and amendments for the first time from 1 January 2021:

- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Classification of Liabilities as Current or Noncurrent - Amendments to IAS 1
- Definition of Accounting Estimates - Amendments to IAS 8

There has been no material impact on the financial statements as a result of the adoption of the new and amended standards.

There are no new and revised IFRSs that have been issued but are not yet effective that the Directors believe are expected to have a material impact on the Group and Company.

3. Segment Reporting

	2021	2020
Revenue by Type	**€**	**€**
ENGAGE revenue	1,791,416	599,362
Showcase experience revenue	469,467	750,235
Other revenue	125,430	66,970
Total Revenue	**2,386,313**	**1,416,567**

4. Capital Management

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

Group	**2021**	**2020**
	€	**€**
Lease liabilities	(20,393)	(59,139)
Trade and other payables	(481,576)	(357,421)
Less: cash and short-term deposits	7,790,060	2,032,717
Net Funds	**7,288,091**	**1,616,157**
Equity	8,462,510	3,022,394
Total Equity	**8,462,510**	**3,022,394**
Capital and net funds	**15,750,601**	**4,638,551**

5.a Expenses by nature

	2021	2020
	€	**€**
Depreciation charges	97,458	70,747
Amortisation expense	537,672	583,829
Operating Lease Payments	8,514	11,275
Foreign Exchange (Gain) / Loss	(85,789)	24,412
Staff Costs	3,356,152	2,371,432
Other Expenses	1,585,810	1,190,225
	5,499,817	**4,251,915**
Wages and salaries capitalised	-	(115,138)
Other expenses capitalised	-	916
Total cost of sales and administrative expenses	**5,499,817**	**4,137,693**

5.a Expenses by nature (continued)

	2021	2020
	€	€
Disclosed as:		
Cost of sales	492,396	403,622
Administrative expenses	5,007,421	3,734,071
Total cost of sales and administrative expenses	**5,499,817**	**4,137,693**

5.b Auditor Remuneration

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

	2021	2020
	€	€
Fees payable to the Company's auditor for the audit of the *financial statements*	46,600	44,444

6. Employees

Employee Benefit Expense	2021	2020
	€	€
Wages and salaries	2,906,329	2,111,980
Social security costs	314,091	214,326
Defined contribution pension costs	31,769	19,904
Share option expense	103,963	25,222
Capitalised employee costs	-	(115,138)
Total Employee Benefit Expense	**3,356,152**	**2,256,294**

Average Number of People Employed	2021	2020
Average number of people (including executive Directors)		
employed:		
Operations	44	34
Administration	3	3
Marketing	2	2
Total Average Headcount	**49**	**39**

7. Directors remuneration

Below is the Directors' remuneration for the year ended 31 December 2021 and for the year ended 31 December 2020

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

	31 December 2020			
Group	**Salaries and fees**	**Pension benefits**	**Options issued**	**Total**
	€	**€**	**€**	**€**
Executive Directors				
David Whelan	146,255	3,437	-	149,692
Sandra Whelan	110,115	3,675	-	113,790
Séamus Larrissey	110,635	4,875	919	116,429
Non-executive Directors				
Richard Cooper	68,295	-	16,700	84,995
Michael Boyce	18,071	-	-	18,071
Tony Hanway	31,715	-	-	31,715
Praveen Gupta	-	-	-	-
Harry Kloor	8,974	-	-	8,974
	494,060	**11,987**	**17,619**	**523,666**

The options issued are a non-cash amount and are accounted for in line with the treatment of the other share options issued to employees under IFRS 2. Further notes on Share Based Payments are included in Note 19.

8. Finance Costs

	2021	2020
	€	€
Interest expense:		
- Lease interest	2,863	3,445
- Bank charges	13,904	3,871
Total finance costs	**16,767**	**7,316**

9. Income Tax

	2021	2020
	€	€
Current tax:		
Current tax on loss for the year	-	-
Total current tax	-	-
Deferred tax (Note 21)	-	-
Income Tax	-	-

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

	2021	2020
	€	€
Loss Before Tax	(3,130,271)	(2,728,442)
Tax calculated at domestic tax rates applicable to loss in Ireland of 12.5%	(391,284)	(341,055)
Tax effects of:		
- Depreciation in excess of capital allowances	7,400	5,868
- Expenses not deductible for tax purposes	39,780	66,642
- Tax losses for which no deferred tax asset was recognised	344,104	268,545
Total tax	-	-

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10. Earnings per share (EPS)

	2021	2020
Loss attributable to equity holders of the Group:	**€**	**€**
Continuing Operations	(3,130,271)	(2,728,442)
Weighted average number of shares for Basic EPS	290,451,146	241,750,955
Effects of dilution from share options and warrants	23,455,846	13,954,862
Weighted average number of ordinary shares adjusted for the effect of dilution	313,906,992	255,705,817

Basic loss per share from continuing operations	(0.011)	(0.011)
Diluted loss per share from continuing operations	(0.010)	(0.011)

11. Property, Plant & Equipment

Group	Leasehold improvements	Fixtures, fittings and equipment	Office Equipment	Right of use assets	Total
	€	€	€	€	
Cost of Valuation					
At 1 January 2020	20,341	7,025	166,031	145,702	339,099
Additions	-	-	12,852	25,799	38,651
Disposals	-	-	-	(15,470)	(15,470)
At 31 December 2020	20,341	7,025	178,883	156,031	362,280
Additions	-	-	115,699	-	115,699
At 31 December 2021	**20,341**	**7,025**	**294,582**	**156,031**	**477,979**
Depreciation					
At 1 January 2020	12,498	4,937	126,815	78,919	223,169
Charge (note 5)	4,607	1,125	31,572	33,443	70,747
Disposals	-	-	-	(15,470)	(15,470)
At 31 December 2020	17,105	6,062	158,387	96,892	278,446
Charge (note 5)	3,236	694	54,781	38,747	97,458
At 31 December 2021	**20,341**	**6,756**	**213,168**	**135,639**	**375,904**
Net Book Amount					
At 31 December 2020	3,236	963	20,496	59,139	83,834
At 31 December 2021	**-**	**269**	**81,414**	**20,392**	**102,075**

Depreciation expense of €97,458 (2020: €70,747) has been charged in 'Administrative Expenses'.

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

12. Intangible Assets

Group	Software in development costs	Total
	€	€
Cost		
At 1 January 2020	2,022,009	2,022,009
Additions	114,222	114,222
At 31 December 2020	2,136,231	2,136,231
Additions	-	-
At 31 December 2021	**2,136,231**	**2,136,231**
Amortisation		
At 1 January 2020	588,276	588,276
Charge	583,829	583,829
At 31 December 2020	1,172,105	1,172,105
Charge	537,672	537,672
At 31 December 2021	**1,709,777**	**1,709,777**
Net Book Value		
At 31 December 2020	964,126	964,126
At 31 December 2021	**426,454**	**426,454**

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

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

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

Amortisation expense of €537,672 (2020: €583,829) has been charged in 'Administrative Expenses'.

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

13. Investments in Subsidiaries

Company	€
At 1 January 2020	15,028,809
Additions	-
At 31 December 2020	**15,028,809**
Capital contributions	15,448,253
At 31 December 2021	**30,477,062**

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

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

On 31 December 2021 the Company resolved to enter into a capital contribution agreement with ENGAGE XR Limited to facilitate the funding of the wholly owned subsidiary. An amount of €7,263,432 was forwarded during 2021 and €8,184,821 was converted from the termination of the intercompany loan agreement in force since 1 January 2020.

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

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.

14. Trade and Other Receivables

Non-Current		Group		Company
	2021	2020	2021	2020
	€	€	€	€
Amounts due from related parties	-	-	-	8,184,821
	-	-	-	**8,184,821**

Amounts due from related parties relates to an intercompany loan agreement entered into on 1 January 2020 between the parent company and the subsidiary undertaking. The interest rate on this agreement is 14% per annum and the loan is due for repayment no later than the date falling 10 years from the date of the agreement. At 31 December 2021 the company resolved to terminate the intercompany loan agreement and waive the interest charged for 2021. A capital contribution agreement was put in place effective from 31 December 2021 to replace the intercompany loan agreement.

14. Trade and Other Receivables (continued)

		Group		Company
Current	**2021**	**2020**	**2021**	**2020**
	€	**€**	**€**	**€**
Trade receivables	381,568	163,355	-	-
Less: provision for impairment of receivables	-	-	-	-
Trade receivables - net	**381,568**	**163,355**	**-**	**-**
Prepayments	110,640	68,708	768	19,994
Accrued income	139,512	123,114	-	-
Other debtors	3,100	3,100	-	-
VAT	11,070	-	267	47
	645,890	**358,277**	**1,035**	**20,041**

As at 31 December 2021, trade receivables of €381,568 (2020: €163,355) were fully performing and deemed fully recoverable. No bad debt provision charge was incurred during 2021 (2020: €Nil).

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

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

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

		Group		Company
Current	**2021**	**2020**	**2021**	**2020**
	€	**€**	**€**	**€**
Euro - Neither past due nor impaired	330,287	90,801	-	-
Dollar - Neither past due nor impaired	51,282	72,554	-	-
	381,568	**163,355**	**-**	**-**

15. Cash and short-term deposits

	Group		Company	
Current	**2021**	**2020**	**2021**	**2020**
	€	**€**	**€**	**€**
Cash at bank and on hand	7,790,060	2,032,717	1,476,744	578,420
	7,790,060	**2,032,717**	**1,476,744**	**578,420**

16. Issued Share Capital and Premium

	Number of shares	Ordinary shares	Share premium	Total
		€	€	€
At 1 January 2020	193,136,406	193,136	21,587,539	21,780,675
Ordinary Shares Issued	48,284,102	48,285	2,951,715	3,000,000
Exercise of Share Options	330,447	330	8,262	8,592
At 31 December 2020	**241,750,955**	**241,751**	**24,547,516**	**24,789,267**
At 1 January 2021	241,750,955	241,751	24,547,516	24,789,267
Ordinary Shares Issued	48,350,191	48,350	8,947,034	8,995,384
Exercise of Share Options	350,000	350	8,750	9,100
At 31 December 2021	**290,451,146**	**290,451**	**33,503,300**	**33,793,751**

As at 31 December 2021 the number of shares authorised for issue were 290,451,146 (2020: 241,750,955). The par value of the shares authorised for issue were €0.001 each (2020: €0.001 each).

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

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

17. Other Reserves

	Group	Company
	€	€
At 1 January 2020	(11,287,395)	(194,087)
Share issue costs	(70,720)	(70,720)
Share option expense	21,057	17,619
At 31 December 2020	**(11,337,058)**	**(247,188)**
At 1 January 2021	(11,337,058)	(247,188)
Share issue costs	(538,060)	(538,060)
Share option expense	99,644	91,193
At 31 December 2021	**(11,775,474)**	**(694,055)**

18. Retained Earnings

	Group	Company
	€	€
At 1 January 2020	(7,705,536)	(1,173,957)
Loss/(profit) for the year	(2,728,442)	382,723
Share option expense – transfer on exercise	4,163	-
At 31 December 2020	**(10,429,815)**	**(791,234)**
At 1 January 2021	(10,429,815)	(791,234)
Loss for the year	(3,130,271)	(432,140)
Share option expense – transfer on exercise	4,319	-
At 31 December 2021	**(13,555,767)**	**(1,223,374)**

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

19. Share Based Payments

There were 200,000 (2020: 200,000) employee options granted during 2021 at an exercise price of €0.20 (2020: €0.10) per share and these vest subject to continued service by the employee over a period of 3 years. Options expire at the end of a period of 7 years from the Grant Date or on the date on which the option holder ceases to be an employee.

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

	2021	2020
At 1 January	4,298,042	4,465,526
Granted during period	200,000	200,000
Exercised during period	(350,000)	(330,447)
Forfeited during period	(29,629)	(37,037)
At 31 December	**4,118,413**	**4,298,042**

Options outstanding at 31 December		
Number of shares	4,118,413	4,298,042
Weighted average remaining contractual life	1.37 years	2.05 years
Weighted average exercise price per share	€0.038	€0.031
Range of exercise price	€0.0001 – €0.20	€0.0001 – €0.135

Exercisable at 31 December		
Number of shares	2,585,324	2,783,473
Weighted average exercise price per share	**€0.032**	**€0.026**

350,000 options (2020: 330,447) options were exercised during the period at a price of €0.026 per share. The weighted average exercise price of options granted during the period was €0.20 (2020: €0.10). The expense recognised in respect of employee share-based payment expense and credited to the share-based payment reserve in equity was €25,151 (2020: €21,057).

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

19. Share Based Payments (continued)

	Employee	Employee
Number of options	100,000	100,000
Grant date	7 July	7 July
Vesting period	3 years	3 years
Share price at date of grant	£0.175	£0.175
Exercise price	€0.20	€0.20
Volatility	57%	57%
Option life	7 years	7 years
Dividend yield	0%	0%
Risk free investment rate	0.14%	0.14%
Fair value per option at grant date	€0.0989	€0.0989
Weighted average remaining contractual life in years	6.52	6.52

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

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

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

The cumulative expense of €677,963 is recognised in line with the vesting conditions and on a straight line basis. An amount of €74,493 is included in administration expenses.

20. Leases

Amounts recognised in the Statement Of Financial Position

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

		Group		Company
Right of Use Assets	**2021**	**2020**	**2021**	**2020**
	€	**€**	**€**	**€**
Buildings	1,813	23,571	-	-
Vehicles	18,579	35,568	-	-
	20,392	**59,139**	**-**	**-**

		Group		Company
Lease Liabilities	**2021**	**2020**	**2021**	**2020**
	€	**€**	**€**	**€**
Current	12,510	38,747	-	-
Non-current	7,883	20,392	-	-
	20,393	**59,139**	**-**	**-**

Amounts recognised in the Consolidated Statement Of Total Comprehensive Income

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

Depreciation charge of right-of-use assets	**2021**	**2020**
	€	**€**
Buildings	21,758	21,758
Vehicles	16,989	11,685
	38,747	**33,443**

Interest expense (included in finance cost)	**2,863**	**3,445**

21. Trade and Other Payables

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Trade Payables	23,763	24,156	3,653	9,022
PAYE/PRSI	129,972	70,106	25,914	18,150
VAT	-	2,004	-	-
Deferred Income	108,901	80,000	-	-
Accrued Expenses	218,940	181,155	48,952	34,074
	481,576	**357,421**	**78,519**	**61,246**

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
- VAT payables are non-interest bearing and are normally settled on 60-day terms
- Deferred income is non-interest bearing and are settled over varying terms throughout the year
- Accrued expenses are non-interest bearing are settled over varying terms throughout the year

22. Deferred Tax

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Company did not recognise deferred income tax assets of €1,313,216 (2020: €899,370) in respect of losses and depreciation in excess of capital allowances amounting to €10,505,731 (2019: €7,194,960) that can be carried forward against future taxable income.

23. Related Parties

During the year the Directors received the following emoluments:

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Directors				
Aggregate emoluments	588,313	494,059	588,313	494,059
Share option expense	91,193	17,619	91,193	17,619
	679,506	**511,678**	**679,506**	**511,678**

Included in the above is an amount of €85,552 (2020: €68,295) 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 2021 €Nil was outstanding.

24. Capital Management

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

25. Events after the reporting date

The Company has evaluated all events and transactions that occurred after 31 December 2021 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.

26. Contingent Liabilities

The company has indicated that it will guarantee the liabilities (as defined in Section 397 of the Companies Act 2014) of €17,496,026 (2020: €8,540,183) its Irish subsidiary, ENGAGE XR Limited for the year ended 31 December 2021.

26. Ultimate controlling party

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

ENGAGE XR Holdings PLC

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