

# **IMMERSIVE VR EDUCATION LIMITED**

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

Registered Number: 551732



































































**IMMERSIVE VR EDUCATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

<b>9. Income Tax Expense</b>	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>
Current tax:		
Current tax on loss for the year	-	-
	<hr/>	<hr/>
<b>Total current tax</b>	<b>-</b>	<b>-</b>
	<hr/> <hr/>	<hr/> <hr/>
Deferred tax (Note 21)	-	-
	<hr/>	<hr/>
<b>Income Tax Expense</b>	<b>-</b>	<b>-</b>
	<hr/> <hr/>	<hr/> <hr/>

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:

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

## 10. Property, Plant and Equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS

11. Intangible Assets

	Software in development costs €	Total €
<b>Cost or Valuation</b>		
At 01 January 2016	-	-
Additions	65,277	65,277
	<hr/>	<hr/>
At 31 December 2016	65,277	65,277
	<hr/>	<hr/>
Additions	370,514	370,514
	<hr/>	<hr/>
<b>At 31 December 2017</b>	<b>435,791</b>	<b>435,791</b>
	<hr/>	<hr/>
<b>Amortisation</b>		
At 01 January 2016	-	-
Charge	-	-
	<hr/>	<hr/>
At 31 December 2016	-	-
	<hr/>	<hr/>
Charge	-	-
	<hr/>	<hr/>
<b>At 31 December 2017</b>	<b>-</b>	<b>-</b>
	<hr/>	<hr/>
<b>NET BOOK VALUE</b>		
At 31 December 2016	65,277	65,277
At 31 December 2017	435,791	435,791
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The software being developed relates to the creation of a virtual reality experience, Titanic VR, which will be available for sale across all major VR capable platforms once completed.

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

## IMMERSIVE VR EDUCATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

<b>12. Trade and Other Receivables</b>	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>
Trade receivables	49,709	33,870
Less: provision for impairment of receivables	-	-
	<hr/>	<hr/>
Trade receivables – net	49,709	33,870
Prepayments	107,778	-
Other debtors	60,821	2,735
VAT	1,257	-
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	219,565	36,605
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As at 31 December 2017, trade receivables of €49,709 (2016: €33,870) were deemed fully recoverable. No bad debt provision charge was incurred during 2017 (2016: €Nil)

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

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

<b>13. Cash and short-term deposits</b>	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>
Cash at bank and on hand	97,327	69,372
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	97,327	69,372

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

	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>
Cash at bank and on hand	97,327	69,372
	<hr/>	<hr/>
	97,327	69,372
	<hr/>	<hr/>
Bank overdrafts	-	-
	<hr/>	<hr/>
<b>Cash and cash equivalents</b>	97,327	69,372
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## NOTES TO THE FINANCIAL STATEMENTS

## 14. Issued Share Capital and Premium

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

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

## 15. Share Based Payments

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

## IMMERSIVE VR EDUCATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 15. Share Based Payments (continued)

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

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

No options were exercised during the year.

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

#### 2016 ESOP Scheme

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

NOTES TO THE FINANCIAL STATEMENTS

**15. Share Based Payments (continued)**

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

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

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

<b>16. Retained Earnings</b>	<b>€</b>
At 01 January 2016	(80,153)
Loss for the year	(117,992)
<b>At 31 December 2016</b>	<b>(198,145)</b>
At 01 January 2017	(198,145)
Loss for the year	(623,699)
<b>At 31 December 2017</b>	<b>(821,844)</b>

**17. Other Reserves**

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

NOTES TO THE FINANCIAL STATEMENTS

<b>18. Government Grants</b>	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>
At 1 January	-	-
Received during the year	-	15,750
Released to the statement of comprehensive income	-	-
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<b>At 31 December</b>	<b>-</b>	<b>15,750</b>
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Government grants have been received for the part payment of wages and salaries. There are no unfulfilled conditions or contingencies attached to these grants.

<b>19. Trade and Other Payables</b>	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>
Trade Payables	18,225	343
Amounts Due to Related Parties	-	380
PAYE/PRSI	45,983	7,695
VAT	-	1,914
Accrued Expenses	293,811	23,791
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	<b>358,019</b>	<b>34,123</b>
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Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-day terms
- Amounts due to related parties are non-interest bearing and are settled on demand
- PAYE/PRSI payables are non-interest bearing are normally settled on 30-day terms
- VAT payables are non-interest bearing are normally settled on 60-day terms
- Accrued expenses are non-interest bearing are settled over varying terms throughout the year

<b>20. Non-current Liabilities</b>	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>
<b>Borrowings</b>		
Redeemable convertible secured loan notes	776,155	142,856
Cumulative Convertible Redeemable Preference Shares	131,025	-
	<hr/>	<hr/>
<b>Total Borrowings</b>	<b>907,180</b>	<b>142,856</b>
	<hr/>	<hr/>
Derivative financial liabilities on conversion feature of redeemable secured loan notes and cumulative redeemable preference shares	209,348	-
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<b>Total Non-current Liabilities</b>	<b>1,116,528</b>	<b>-</b>
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NOTES TO THE FINANCIAL STATEMENTS

20. Borrowings (continued)

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

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

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

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

## 20. Borrowings (continued)

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

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

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

**Non-current interest-bearing loans and borrowings**

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

**Bank Overdraft**

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

## 21. Deferred Tax

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Company did not recognise deferred income tax assets of €79,597 (2016: €31,261) in respect of losses and depreciation in excess of capital allowances amounting to €636,773 (2016: €250,089) that can be carried forward against future taxable income.

## IMMERSIVE VR EDUCATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 22. Related Parties

<b>Directors</b>	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>
Aggregate emoluments	164,638	74,496
Share option expense	2,944	-
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	167,582	74,496
	<hr/>	<hr/>

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

<b>Year-end balances</b>	<b>€</b>	<b>€</b>
Payables from related parties (Note 19):		
- Directors Loan	-	380
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The payables balance of €Nil (2016: €380) is due to Sandra and David Whelan (Directors).

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

#### 23. Operating Leases

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

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

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

<b>Motor vehicles</b>	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>
Within one year	6,570	-
After one year but not more than five years	9,854	-
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	16,424	-
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NOTES TO THE FINANCIAL STATEMENTS

23. Operating Leases (continued)

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

24. Events after the Reporting Period

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

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

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