

Company registration number: 04362105

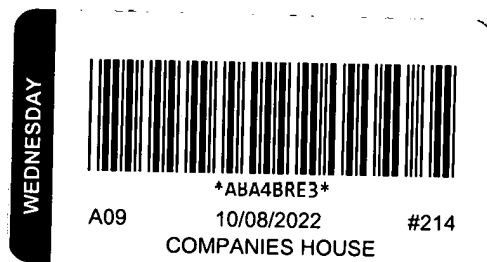
**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED

31 MARCH 2022

NDREAMS LIMITED

MENZIES
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NDREAMS LIMITED

COMPANY INFORMATION

Directors	P G O'Luanaigh T P O'Luanaigh Mercia Fund Management (Nominees) Limited D Nord T Gillo J Parmenter P Schempp (appointed 28 March 2022) F T Sagnier (appointed 2 August 2021)
Registered number	04362105
Registered office	Spectrum Point 279 Farnborough Road Farnborough Hampshire GU14 7LS
Auditors	Menzies LLP Chartered Accountants & Statutory Auditor Victoria House 50-58 Victoria Road Farnborough Hampshire GU14 7PG

NDREAMS LIMITED

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NDREAMS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2022

Principal activity and business review

The principal activity of the Group continued to be the development and publishing of Virtual Reality (VR) games. nDreams continued to grow in FY22 and we now believe we are one of the world's top VR game developers and publishers.

The Group headcount has increased from 101 at the start of the year to 125 at the end of March. Turnover has continued to grow, up 7%, to £5.6m in the year ended March 2022. The operating loss for the year ended March 22 was £4.4m which, after excluding exceptional costs of £0.9m, is in line with the business plan, reflecting the continued investment in growth of the Group.

nDreams celebrated several successes in this financial year, including the release of Far Cry VR: Dive Into Insanity in June 21 and Fracked in August 21. We also continued development of a number of games, both utilising our own original IP and major entertainment IPs, including the recently announced, Ghostbusters game. The Group launched two new Studios in the year and set up a new third party publishing division. The first game from this division, Little Cities, was released in May 22, and has already received excellent reviews.

On 28 March 22, nDreams secured a significant investment from the Aonic Group, to fund future growth and allow nDreams to continue to push the boundaries of the evolving VR market. As a result, the 31 March 22 balance sheet shows a particularly strong financial position, with net assets totalling £23.2m.

Looking ahead to the 2023 financial year, we anticipate significant headcount and revenue growth as we invest heavily in scaling our development capacity, building our 3rd party publishing pipeline and gearing up for the launch of new VR headsets such as the PlayStation VR2.

Principal risks and uncertainties

Competition Risk

As a leading developer in this industry, there is a threat of competition from other companies. The directors regularly identify, monitor and ensure appropriate processes are in place to mitigate potential risks and uncertainties.

Financial Risk

The investment secured in March has reduced the financial risk faced by the Group. All external debt has been repaid, and the Group is confident that day to day operations can be funded with no issues. Therefore it is considered that the group's exposure to risk in terms of credit, liquidity, interest rates and cash flow is not material to the financial statements.

Economic Risk

The Group has some reliance upon the economy and there is always the possibility that an economic downturn will negatively impact the result of the business. The directors regularly identify, monitor and ensure appropriate processes are in place to mitigate potential risks and uncertainties caused by economic downturns.

Future developments

For the foreseeable future, the Group will continue to develop its business along similar lines to those followed in previous years.

The Group continues to enjoy a strong presence in the UK market and the number of opportunities for the new financial year continues to be strong.

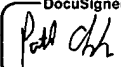
Financial key performance indicators

	2022 £'000	2021 £'000
Revenue	5,599	5,250
Net assets	23,286	(917)
Headcount (average)	107	100

NDREAMS LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

This report was approved by the board and signed on its behalf.

DocuSigned by:

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P G O'Lunaigh
Director

Date: 21-Jun-2022

NDREAMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2022

The Directors present their report and the financial statements for the year ended 31 March 2022.

Directors' responsibilities statement

The Directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

The Group ended the year with £18.5m of cash and a net current asset position of £21.0m. We have the continued financial and operational support of our shareholders who remain committed to the long-term success of the Group. Based on this, the Group has sufficient resources to continue in operational existence for the foreseeable future and for this reason the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Results and dividends

The loss for the year, after taxation, amounted to £3,280,934 (2021 - loss £1,880,187).

Directors

The Directors who served during the year were:

P G O'Lunaigh
T P O'Lunaigh
P G Burley (resigned 28 March 2022)
Mercia Fund Management (Nominees) Limited
D Nord
T Gillo
J Parmenter
P Schempp (appointed 28 March 2022)
F T Sagnier (appointed 2 August 2021)

NDREAMS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

Matters covered in the strategic report

The Company has chosen in accordance with Section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out within the company's Strategic Report the company's Strategic Report Information Required by Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008. This includes information that would have been included in the business review and details of the principal risk and uncertainties.

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

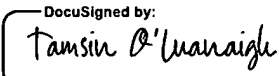
Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditors

Under section 487(2) of the Companies Act 2006, Menzies LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf.

DocuSigned by:

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T P O'Luanaigh
Director

Date: 21-Jun-2022

NDREAMS LIMITED

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NDREAMS LIMITED

Opinion

We have audited the financial statements of nDreams Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2022, which comprise the Group Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2022 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard 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 Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 or the parent 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.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

NDREAMS LIMITED

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NDREAMS LIMITED (CONTINUED)

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the Directors are responsible for the preparation of the 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 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.

NDREAMS LIMITED

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NDREAMS LIMITED (CONTINUED)

Auditors' 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 Auditors' 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 (UK) 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 Group 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation. We determined that the following laws and regulations were most significant including The Companies Act and Health and Safety regulations. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
- We understood how the Group is complying with those legal and regulatory frameworks by, making inquiries to management, those responsible for legal and compliance procedures and the company secretary. We corroborated our inquiries through our review of board minutes.
- The engagement partner assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognize non-compliance with laws and regulations. The assessment did not identify any issues in this area.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur. We identified the risk of override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed by the engagement team included:
 - Identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
 - Understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
 - Challenging assumptions and judgements made by management in its significant accounting estimates; and identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

NDREAMS LIMITED

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NDREAMS LIMITED (CONTINUED)

Use of our report

This report is made solely to the Group's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an Auditors' 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 Group and the Group's members, as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Roberto Lobue

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Roberto Lobue FCA (Senior Statutory Auditor)

for and on behalf of
Menzies LLP
Chartered Accountants
Statutory Auditor
Victoria House
50-58 Victoria Road
Farnborough
Hampshire
GU14 7PG

Date: 23-Jun-2022

NDREAMS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

		2022 £	2021 £
Turnover	3	5,599,114	5,250,066
Cost of sales		(4,232,298)	(4,968,928)
Gross profit		1,366,816	281,138
Administrative expenses		(4,888,625)	(3,722,707)
Exceptional items	5	(908,139)	-
Other operating income	4	34,829	-
Operating loss		(4,395,119)	(3,441,569)
Interest receivable and similar income		101	605
Interest payable and similar expenses	10	(482,166)	(427,431)
Loss before tax		(4,877,184)	(3,868,395)
Tax on loss	11	1,596,250	1,988,208
Loss for the financial year		(3,280,934)	(1,880,187)
Total comprehensive income for the year		(3,280,934)	(1,880,187)
Profit for the year attributable to:			
Owners of the parent company		3,280,934	1,880,187
		3,280,934	1,880,187

There were no recognised gains and losses for 2022 or 2021 other than those included in the consolidated statement of comprehensive income.

The notes on pages 16 to 30 form part of these financial statements.

NDREAMS LIMITED
REGISTERED NUMBER:04362105

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	12	1,417,294	899,455
Tangible assets	13	699,071	452,836
		<u>2,116,365</u>	<u>1,352,291</u>
Current assets			
Debtors: amounts falling due within one year	15	4,748,225	4,729,556
Cash at bank and in hand		18,524,142	1,620,161
		<u>23,272,367</u>	<u>6,349,717</u>
Creditors: amounts falling due within one year	16	(2,087,868)	(1,652,238)
Net current assets		<u>21,184,499</u>	<u>4,697,479</u>
Total assets less current liabilities		<u>23,300,864</u>	<u>6,049,770</u>
Creditors: amounts falling due after more than one year	17	-	(6,967,133)
Provisions for liabilities			
Other provisions	21	(15,000)	-
		<u>(15,000)</u>	<u>-</u>
Net assets/(liabilities)		<u><u>23,285,864</u></u>	<u><u>(917,363)</u></u>
Capital and reserves			
Allotted, called up and fully paid share capital	22	2,930	2,692
Share premium account	24	37,548,611	10,064,688
Profit and loss account	24	(14,265,677)	(10,984,743)
		<u>23,285,864</u>	<u>(917,363)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:

Julie PARMENTER

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J Parmenter
 Director

Date: 21-Jun-2022

The notes on pages 16 to 30 form part of these financial statements.

NDREAMS LIMITED

REGISTERED NUMBER:04362105

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	12	1,417,294	899,455
Tangible assets	13	699,071	452,836
Investments	14	2	4
		<u>2,116,367</u>	<u>1,352,295</u>
Current assets			
Debtors: amounts falling due within one year	15	4,067,983	4,478,911
Cash at bank and in hand		18,492,888	1,465,273
		<u>22,560,871</u>	<u>5,944,184</u>
Creditors: amounts falling due within one year	16	(2,079,568)	(1,539,429)
Net current assets		<u>20,481,303</u>	<u>4,404,755</u>
Total assets less current liabilities		<u>22,597,670</u>	<u>5,757,050</u>
Creditors: amounts falling due after more than one year	17	-	(6,967,133)
Provisions for liabilities			
Other provisions	21	(15,000)	-
		<u>(15,000)</u>	<u>-</u>
Net assets/(liabilities)		<u><u>22,582,670</u></u>	<u><u>(1,210,083)</u></u>
Capital and reserves			
Called up share capital	22	2,930	2,692
Share premium account	24	37,548,611	10,064,688
Profit and loss account	24	(14,968,871)	(11,277,463)
		<u>22,582,670</u>	<u>(1,210,083)</u>

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Income and Retained Earnings in these financial statements. The loss after tax of the parent Company for the year was £3,691,405 (2021 - loss £1,969,441).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

DocuSigned by:

Julie PARMENTER
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21-Jun-2022

J Parmenter
Director

The notes on pages 16 to 30 form part of these financial statements.

NDREAMS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Called up share capital £	Share premium account £	Profit and Loss account £	Equity attributable to owners of parent Company £	Total equity £
At 1 April 2020 (as previously stated)	2,585	9,000,631	(9,645,627)	(642,411)	(642,411)
Prior year adjustment	-	-	541,071	541,071	541,071
At 1 April 2020 (as restated)	2,585	9,000,631	(9,104,556)	(101,340)	(101,340)
Loss for the year	-	-	(1,880,187)	(1,880,187)	(1,880,187)
Shares issued during the year	107	1,064,057	-	1,064,164	1,064,164
At 1 April 2021	2,692	10,064,688	(10,984,743)	(917,363)	(917,363)
Loss for the year	-	-	(3,280,934)	(3,280,934)	(3,280,934)
Shares issued during the year	238	27,483,923	-	27,484,161	27,484,161
At 31 March 2022	2,930	37,548,611	(14,265,677)	23,285,864	23,285,864

The notes on pages 16 to 30 form part of these financial statements.

NDREAMS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2020 (as previously stated)	2,585	9,000,631	(9,849,093)	(845,877)
Prior year adjustment	-	-	541,071	541,071
	<u>2,585</u>	<u>9,000,631</u>	<u>(9,308,022)</u>	<u>(304,806)</u>
At 1 April 2020 (as restated)				
Loss for the year	-	-	(1,969,441)	(1,969,441)
Shares issued during the year	107	1,064,057	-	1,064,164
	<u>2,692</u>	<u>10,064,688</u>	<u>(11,277,463)</u>	<u>(1,210,083)</u>
At 1 April 2021				
Loss for the year	-	-	(3,691,408)	(3,691,408)
Shares issued during the year	238	27,483,923	-	27,484,161
	<u>2,930</u>	<u>37,548,611</u>	<u>(14,968,871)</u>	<u>22,582,670</u>
At 31 March 2022	<u>2,930</u>	<u>37,548,611</u>	<u>(14,968,871)</u>	<u>22,582,670</u>

The notes on pages 16 to 30 form part of these financial statements.

NDREAMS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

	2022 £	2021 £
Cash flows from operating activities		
Loss for the financial year	(3,280,934)	(1,880,187)
Adjustments for:		
Amortisation of intangible assets	599,423	463,026
Depreciation of tangible assets	199,285	86,515
Loss on disposal of tangible assets	478	9,012
Interest payable	482,166	427,431
Interest receivable	(101)	(605)
Taxation charge	(1,596,250)	(1,988,208)
(Increase) in debtors	(555,543)	(979,486)
Increase in creditors	435,630	978,288
Increase/(decrease) in provisions	15,000	(100,000)
Corporation tax received	2,133,124	1,068,814
Interest received	101	605
Net cash generated from operating activities	(1,567,621)	(1,914,795)
Cash flows from investing activities		
Purchase of intangible fixed assets	(1,117,262)	(696,838)
Purchase of tangible fixed assets	(445,998)	(383,451)
Sale of tangible fixed assets	-	5,178
Net cash from investing activities	(1,563,260)	(1,075,111)
Cash flows from financing activities		
Issue of ordinary shares	27,484,161	1,064,164
(Repayment of)/new other loans	(6,967,133)	2,421,506
Interest paid	(482,166)	(427,431)
Net cash used in financing activities	20,034,862	3,058,239
Net increase in cash and cash equivalents	16,903,981	68,333
Cash and cash equivalents at beginning of year	1,620,161	1,551,828
Cash and cash equivalents at the end of year	18,524,142	1,620,161
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	18,524,142	1,620,161
	18,524,142	1,620,161

The notes on pages 16 to 30 form part of these financial statements.

NDREAMS LIMITED

CONSOLIDATED ANALYSIS OF NET DEBT FOR THE YEAR ENDED 31 MARCH 2022

	At 1 April 2021 £	Cash flows £	At 31 March 2022 £
Cash at bank and in hand	1,620,161	16,903,981	18,524,142
Debt due after 1 year	(6,967,133)	6,967,133	-
	<u>(5,346,972)</u>	<u>23,871,114</u>	<u>18,524,142</u>

The notes on pages 16 to 30 form part of these financial statements.

NDREAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1. General information

nDreams Limited is a private Company limited by shares and incorporated in England and Wales. The address of its registered office and principal place of business is disclosed on the company information page.

2. Accounting policies

2.1 Basis of accounting

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Turnover

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.3 Disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" in relation to its own company accounts:

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

nDreams Limited has utilised the exemption relating to the audit of individual accounts under s479A to s479C of the Companies Act in respect of its direct subsidiaries, Virtual Black Limited (company number 12159599), Virtual Chroma Limited (company number 13286236), Virtual Cyan Limited (company number 12576694) and Virtual Spectrum Limited (company number 10263055).

NDREAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.4 Consolidation

The financial statements consolidate the financial statements of nDreams Limited and all of its subsidiary undertakings.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Income and Retained Earnings in these financial statements.

2.5 Fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- 10% straight line
Office furniture & equipment	- 20% straight line
Computer equipment	- 33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.6 Operating lease agreements

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

2.7 Pension costs

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

NDREAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.8 Deferred taxation

The tax credit for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.9 Foreign currency translation

Functional and presentation currency

The Group's functional and presentational currency is GBP, rounded to the nearest pound sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

NDREAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.10 Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

2.11 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the group assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following bases:

Development expenditure	-	65 % Reducing balance method
Third party publishing	-	65 % Reducing balance method

The assets' residual values and amortisation methods are reviewed and adjusted prospectively if appropriate or if there is an indication of a significant change since the last reporting date.

2.12 Government grants

Grants are accounted under the accruals model as permitted by FRS 102.

Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

The Group made no claims under the government's Coronavirus Job Retention Scheme during the period.

2.13 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

NDREAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.14 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The group did not make any significant judgements (apart from those involving estimations which are detailed below) that have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

The annual depreciation and amortisation charges for tangible and intangible assets are sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

There were no other key sources of estimation uncertainty.

3. Turnover

An analysis of turnover by class of business is as follows:

	2022 £	2021 £
Games revenue	1,385,513	2,352,845
Funded projects revenue	4,135,340	2,778,793
Other revenue	78,261	118,428
	<u>5,599,114</u>	<u>5,250,066</u>

Analysis of turnover by geographical location:

	2022 £	2021 £
United Kingdom	1,549,977	1,084,938
United States of America	3,735,890	2,818,275
Rest of the world	313,247	1,346,853
	<u>5,599,114</u>	<u>5,250,066</u>

NDREAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

4. Other operating income

	2022 £	2021 £
Other operating income	10,787	-
Government grants receivable	24,042	-
	<u>34,829</u>	<u>-</u>

5. Exceptional items

	2022 £	2021 £
Exceptional items	908,139	-
	<u>908,139</u>	<u>-</u>

Exceptional costs incurred in the year relate to fundraising activities, as detailed in the Strategic report.

6. Operating loss

The operating loss is stated after charging:

	2022 £	2021 £
Depreciation of tangible fixed assets	199,285	86,515
Amortisation of intangible fixed assets	599,423	463,026
Other operating lease rentals	328,516	200,508
Defined contribution pension costs	385,205	252,798
Foreign exchange differences	73,321	34,509
	<u>1,585,750</u>	<u>1,037,556</u>

7. Auditors' remuneration

	2022 £	2021 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	11,535	10,900
	<u>11,535</u>	<u>10,900</u>

Fees payable to the Group's auditor and its associates in respect of:

Taxation compliance services	7,695	7,395
Preparation of financial statements	9,850	2,900
	<u>17,545</u>	<u>10,295</u>

NDREAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

8. Employees

Staff costs, including Directors' remuneration, were as follows:

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Wages and salaries	4,189,371	3,767,701	4,189,371	3,767,701
Social security costs	479,639	521,034	479,639	521,034
Cost of defined contribution scheme	385,205	252,798	385,205	252,798
	<u>5,054,215</u>	<u>4,541,533</u>	<u>5,054,215</u>	<u>4,541,533</u>

The above costs exclude amounts capitalised as development expenditure of £1,101,929 (2021: £1,039,736).

The average monthly number of employees, including the Directors, during the year was as follows:

	Group 2022 No.	Group 2021 No.	Company 2022 No.	Company 2021 No.
Development	76	77	76	77
Administration	24	17	24	17
Directors	7	6	7	6
	<u>107</u>	<u>100</u>	<u>107</u>	<u>100</u>

9. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	741,432	628,953
Group contributions to defined contribution pension schemes	27,827	24,749
	<u>769,259</u>	<u>653,702</u>

During the year retirement benefits were accruing to 4 Directors (2021 - 4) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £223,055 (2021 - £193,786).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £8,525 (2021 - £8,422).

NDREAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

10. Interest payable and similar expenses

	2022 £	2021 £
Interest payable	482,166	427,431
	<u>482,166</u>	<u>427,431</u>

11. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	(1,596,250)	(1,863,636)
Total current tax	<u>(1,596,250)</u>	<u>(1,863,636)</u>
Deferred tax		
Origination and reversal of timing differences	-	(124,572)
Taxation on loss on ordinary activities	<u>(1,596,250)</u>	<u>(1,988,208)</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Loss on ordinary activities before tax	<u>(4,877,184)</u>	<u>(3,868,395)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(926,665)	(734,995)
Effects of:		
Expenses not deductible for tax purposes	190,119	37,322
Depreciation of assets ineligible for capital allowances	667	-
Utilised tax losses not recognised	578,429	-
Effects of claims made under R&D tax credit and VGTR tax credit schemes	(1,438,800)	(1,290,535)
Total tax charge for the year	<u>(1,596,250)</u>	<u>(1,988,208)</u>

NDREAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

12. Intangible assets

Group and Company

	Development expenditure £	Third party publishing £	Total £
Cost			
At 1 April 2021	1,362,481	-	1,362,481
Additions	1,335,921	138,187	1,474,108
Impairment	(356,846)	-	(356,846)
At 31 March 2022	<u>2,341,556</u>	<u>138,187</u>	<u>2,479,743</u>
Amortisation			
At 1 April 2021	463,026	-	463,026
Charge for the year	599,423	-	599,423
At 31 March 2022	<u>1,062,449</u>	<u>-</u>	<u>1,062,449</u>
Net book value			
At 31 March 2022	<u>1,279,107</u>	<u>138,187</u>	<u>1,417,294</u>
At 31 March 2021	<u>899,455</u>	<u>-</u>	<u>899,455</u>

NDREAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

13. Tangible fixed assets

Group and Company

	Leasehold improvements £	Office equipment £	Computer equipment £	Assets under construction £	Total £
Cost or valuation					
At 1 April 2021	2,970	8,456	464,115	301,732	777,273
Additions	53,598	162,695	229,705	-	445,998
Disposals	-	-	(5,913)	-	(5,913)
Transfers between classes	253,440	26,384	21,908	(301,732)	-
At 31 March 2022	<u>310,008</u>	<u>197,535</u>	<u>709,815</u>	<u>-</u>	<u>1,217,358</u>
Depreciation					
At 1 April 2021	919	4,273	319,245	-	324,437
Charge for the year	30,105	37,130	132,050	-	199,285
Disposals	-	-	(5,435)	-	(5,435)
At 31 March 2022	<u>31,024</u>	<u>41,403</u>	<u>445,860</u>	<u>-</u>	<u>518,287</u>
Net book value					
At 31 March 2022	<u>278,984</u>	<u>156,132</u>	<u>263,955</u>	<u>-</u>	<u>699,071</u>
At 31 March 2021	<u>2,051</u>	<u>4,183</u>	<u>144,870</u>	<u>301,732</u>	<u>452,836</u>

14. Investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 April 2021	4
Disposals	(2)
At 31 March 2022	<u>2</u>

NDREAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

14. Investments (continued)

Subsidiary undertaking (continued)

nDreams Limited owns 100% of the issued ordinary shares of Virtual Spectrum Limited, Virtual Black Limited, Virtual Cyan Limited, and Virtual Chroma Limited.

During the year Virtual Spectrum Limited and Virtual Black Limited have applied to be dissolved and therefore nDreams Limited's investment in each company was written off.

Prior to their dissolution Virtual Spectrum Limited and Virtual Black Limited prepared financial statements to 30 September 2021 which are included within the consolidated financial statements.

Virtual Cyan Limited and Virtual Chroma Limited prepared financial statements to 31 March 2022 which are included within the consolidated financial statements.

The registered office of all subsidiaries is Spectrum Point, 279 Farnborough Road, Farnborough, Hampshire, GU14 7LS. The principal activities of all subsidiaries is the development and publishing of virtual reality games.

15. Debtors

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Trade debtors	933,214	849,716	933,214	849,716
Amounts owed by group undertakings	-	-	382,357	1,454,500
Other debtors	79,776	137,972	79,351	119,008
Prepayments and accrued income	802,941	272,700	802,941	272,700
Tax recoverable	1,326,762	1,863,636	264,588	177,455
Deferred taxation	1,605,532	1,605,532	1,605,532	1,605,532
	<u>4,748,225</u>	<u>4,729,556</u>	<u>4,067,983</u>	<u>4,478,911</u>

16. Creditors: Amounts falling due within one year

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Trade creditors	198,005	323,403	198,005	229,803
Other taxation and social security	253,759	176,752	253,759	176,752
Other creditors	149,318	51,457	149,318	51,457
Accruals and deferred income	1,486,786	1,100,626	1,478,486	1,081,417
	<u>2,087,868</u>	<u>1,652,238</u>	<u>2,079,568</u>	<u>1,539,429</u>

NDREAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

17. Creditors: Amounts falling due after more than one year

	Group 2022 £	<i>Group 2021 £</i>	Company 2022 £	<i>Company 2021 £</i>
Other loans	-	6,967,133	-	6,967,133
	<u>-</u>	<u>6,967,133</u>	<u>-</u>	<u>6,967,133</u>

18. Deferred taxation

Group

	2022 £	<i>2021 £</i>
At beginning of year	1,605,532	<i>1,480,960</i>
Charged to profit or loss	-	<i>124,572</i>
At end of year	<u>1,605,532</u>	<i><u>1,605,532</u></i>

	Group 2022 £	<i>Group 2021 £</i>	Company 2022 £	<i>Company 2021 £</i>
Tax losses carried forward	1,605,532	<i>1,605,532</i>	1,605,532	<i>1,605,532</i>
	<u>1,605,532</u>	<u><i>1,605,532</i></u>	<u>1,605,532</u>	<u><i>1,605,532</i></u>

19. Pension commitments

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £385,205 (2021 - £252,748). Contributions totalling £35,062 (2021 - £30,521) were payable to the fund at the reporting date and are included in other creditors.

NDREAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

20. Commitments under operating leases

At 31 March 2022 the group and the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Not later than 1 year	322,649	964	322,649	964
Later than 1 year and not later than 5 years	1,403,333	1,707,394	1,403,333	1,707,394
	<u>1,725,982</u>	<u>1,708,358</u>	<u>1,725,982</u>	<u>1,708,358</u>

21. Provisions

Group

	Dilapidations provision £
Charged to profit or loss	15,000
At 31 March 2022	<u>15,000</u>

Company

	Dilapidations provision £	Total £
Charged to profit or loss	15,000	15,000
At 31 March 2022	<u>15,000</u>	<u>15,000</u>

22. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
168,491 (2021 - 168,491) Ordinary shares of £0.010 each	1,685	1,685
96,555 (2021 - 96,555) A Ordinary shares of £0.010 each	965	965
41,629 (2021 - 41,629) B Ordinary shares of £0.001 each	42	42
237,857 (2021 - Nil) C Ordinary shares of £0.001 each	238	-
	<u>2,930</u>	<u>2,692</u>

NDREAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

22. Share capital (continued)

On 29 March 2022 the Company issued 237,857 C Ordinary Shares of £0.001 each for a total premium of £27,483,923. The share premium is reflected in the Statement of Changes in Equity in these financial statements.

Each Ordinary Share carries the right to vote and receive dividends. On a distribution of assets on a liquidation or a return of capital, holders of Ordinary Shares are entitled to receive the balance of the proceeds pro rata ranking alongside the A Ordinary and B Ordinary Shares.

A Ordinary shares are entitled to receive the balance of the proceeds pro rata ranking alongside the Ordinary and B Ordinary Shares. B Ordinary shares are entitled to receive the balance of the proceeds pro rata ranking alongside the Ordinary and A Ordinary Shares. C Ordinary shares are entitled to receive the balance of the proceeds pro rata ranking alongside the Ordinary, A Ordinary Shares and B Ordinary Shares.

On a private sale the holders of Ordinary Shares are entitled to the proceeds only following payment to the holders of the A Ordinary and B Ordinary shares, any arrears owed to them by the company and the issue price paid for the A Ordinary and B Ordinary Shares.

On a private sale the holders of C Ordinary Shares are entitled to the proceeds; First in paying any arrears owed to the holders of the A Ordinary, B Ordinary shares and C Ordinary shares; second in paying the aggregate issue price paid for the A Ordinary, B Ordinary shares and C Ordinary shares; third in paying the remaining balance pro rata to the holders of the Ordinary, A Ordinary, B Ordinary shares and C Ordinary shares.

23. Share based payments

The Group has a share option scheme for selected employees of the group. Options are only exercisable in the event of a successful exit event.

Options are exercisable at a price equal to the estimate fair value of the Company's shares on the date of grant. The vesting period is 10 years. If the option remains unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the group before the options vest.

	Weighted average exercise price (pence) 2022	Number 2022	<i>Weighted average exercise price (pence) 2021</i>	<i>Number 2021</i>
Outstanding at the beginning of the year	35.12	29,029	35.12	26,071
Granted during the year	35.12	19,634	35.12	2,958
Outstanding at the end of the year	35.12	48,663	35.12	29,029

Since there has been no successful exit event and there is none currently planned, the group recognise total expenses of £Nil (2021 - £Nil) related to equity-settled share-based payment transactions in the year.

NDREAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

24. Reserves

Share premium account

This represents the difference between the par value of shares issued and the consideration received.

Profit and loss account

This reserve records retained earnings and accumulated losses.

25. Controlling party

There is not considered to be one ultimate controlling party of the company.