

Registered number: 04362105

NDREAMS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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NDREAMS LIMITED

COMPANY INFORMATION

Directors

P G O'Lunaigh
T P O'Lunaigh
Mercia Fund Management (Nominees) Limited
D Nord
T Gillo (resigned 1 May 2023)
J Parmenter
P Schempp
F T Sagnier

Registered number

04362105

Registered office

Spectrum Point
279 Farnborough Road
Farnborough
Hampshire
GU14 7LS

Independent 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 2023

Principal activity and business review

Throughout the year ended March 2023, the principal activity of the nDreams Group remained as the development and publishing of Virtual Reality (VR) games. nDreams continued its strong growth in FY23 and has successfully established itself as one of the world's best VR game developers and publishers.

Group headcount increased in the year, and the business had encompassed a team of 207 as at the end of March. Turnover has grown rapidly, up 61%, to £9m in the year ended March 2023 thanks to an 80% increase in funded project revenue. The operating loss for the year ended March 23 was £3.1m which included exceptional costs of £0.3m relating to a written off project. This position is in line with the business plan and reflects the continued investment in the longer-term growth of the Group.

nDreams celebrated several successes in the year. The focus for the past 12 months has been on high quality development, and establishing new partnerships, and although no new games were released, the business has made exciting announcements on its upcoming Ghostbusters and Synapse releases, planned for later in FY24. During FY23, nDreams continued to embed and develop the operations of its two new studios – Orbital and Elevation. Both of these studios have greenlit new projects that are now in development – Project Atlas for Elevation, and Project Zeus for Orbital. In December 22, nDreams acquired 100% ownership of Near Light Limited, a studio in Brighton with a turnover of £733k. Near Light is currently being integrated into the Group's operations and this studio is now working on the as-yet-unannounced Project Eider. The Group's third party publishing division continued to grow in the year and saw many successes, including two new projects being signed – Nakatomi and Stuttgart - plus further well-received content updates to its Little Cities brand which was first released last year.

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. There have been no further movements in the Group's equity in FY23. The March 23 balance sheet therefore continues to show a strong financial position, with net assets totalling £18.4m.

Looking ahead to FY24, we anticipate further significant headcount and revenue growth for the Group as we invest heavily in scaling our development capacity, further building our 3rd party publishing pipeline and gearing up for the launch of new VR headsets such as the PlayStation VR2 and the recently announced partnership with Pico.

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 22 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.

NDREAMS LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023**

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

DocuSigned by:

Patrick O'Lunaigh

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P G O'Lunaigh
Director

Date: 10/11/2023

NDREAMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2023

The Directors present their report and the financial statements for the year ended 31 March 2023.

Directors' responsibilities statement

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

Company law requires the Directors to prepare consolidated financial statements for each financial year. Under that law they have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the UK and the parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

Under company law the Directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing each of the consolidated and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the consolidated financial statements, state whether they have been prepared in accordance with IFRS as adopted by the UK, subject to any material departures disclosed and explained in the financial statements;
- for the parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Principal activity

The principal activity of the Group continued to be the development and publishing of Virtual Reality (VR).

Results and dividends

The loss for the year, after taxation, amounted to £698,178 (2022 -loss £3,386,694).

Directors

The Directors who served during the year were:

P G O'Lunaigh
T P O'Lunaigh
Mercia Fund Management (Nominees) Limited
D Nord
T Gillo (resigned 1 May 2023)
J Parmenter
P Schempp
F T Sagnier

NDREAMS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

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.

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:

Julie PARMENTER

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J Parmenter
Director

Date: 10/11/2023

NDREAMS LIMITED

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 2023 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies set out on pages 20 - 23. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (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 the parent Company's affairs as at 31 March 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the United Kingdom;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 and the parent Company 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. Our evaluation of the Directors' assessment of the Group's and the parent Company's ability to continue to adopt the going concern basis of accounting included:

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.

NDREAMS LIMITED

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

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.

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.

NDREAMS LIMITED

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

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 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.

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 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:

NDREAMS LIMITED

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

- 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.

DocuSigned by:

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Charlotte Langdon (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: 10/11/2023

NDREAMS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 £	2022 £
Revenue	8	9,021,613	5,599,114
Cost of sales		(6,764,071)	(4,831,721)
Gross profit		2,257,542	767,393
Other operating income	9	-	34,829
Administrative expenses		(5,883,736)	(5,201,285)
Loss from operations		(3,626,194)	(4,399,063)
Finance income		201,281	101
Finance expense		(105,645)	(583,982)
Loss before tax		(3,530,558)	(4,982,944)
Tax credit	14	2,832,380	1,596,250
Loss for the year		(698,178)	(3,386,694)
Total comprehensive income		(698,178)	(3,386,694)
Loss for the year attributable to:			
Owners of the parent		(698,178)	(3,386,694)
		(698,178)	(3,386,694)
Total comprehensive income attributable to:			
Owners of the parent		(698,178)	(3,386,694)
		(698,178)	(3,386,694)

The notes on pages 18 to 48 form part of these financial statements.

NDREAMS LIMITED
REGISTERED NUMBER: 04362105

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Note	31 March 2023 £	31 March 2022 £	1 April 2021 £
Assets				
Non-current assets				
Property, plant and equipment	15	3,707,777	3,772,952	3,869,848
Intangible assets	16	10,093,376	1,417,294	899,455
Deferred tax assets	14	1,605,532	1,605,532	1,605,532
		15,406,685	6,795,778	6,374,835
Current assets				
Trade and other receivables	19	8,170,330	3,142,693	3,124,024
Cash and cash equivalents		8,356,668	18,524,142	1,620,161
		16,526,998	21,666,835	4,744,185
Total assets		31,933,683	28,462,613	11,119,020
Liabilities				
Non-current liabilities				
Trade and other liabilities	20	3,006,436	-	-
Loans and borrowings	21	3,049,684	3,431,487	10,602,799
Deferred tax liability	14	7,278	-	-
		6,063,398	3,431,487	10,602,799
Current liabilities				
Trade and other liabilities	20	3,009,994	1,544,136	1,437,022
Loans and borrowings	21	381,803	310,324	-
		3,391,797	1,854,460	1,437,022
Total liabilities		9,455,195	5,285,947	12,039,821
Net assets		22,478,488	23,176,666	(920,801)

NDREAMS LIMITED
REGISTERED NUMBER: 04362105

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MARCH 2023

	Note	31 March 2023 £	31 March 2022 £	1 April 2021 £
Issued capital and reserves attributable to owners of the parent				
Share capital	22	2,930	2,930	2,692
Share premium reserve		37,548,611	37,548,611	10,064,688
Retained earnings		(15,073,053)	(14,374,875)	(10,988,181)
TOTAL EQUITY		22,478,488	23,176,666	(920,801)

The financial statements on pages 9 to 48 were approved and authorised for issue by the board of Directors and were signed on its behalf by:

DocuSigned by:

Julie PARMENTER

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J Parmenter
 Director

Date: 10/11/2023

The notes on pages 18 to 48 form part of these financial statements.

NDREAMS LIMITED

REGISTERED NUMBER: 04362105

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

	Note	31 March 2023 £	31 March 2022 £	1 April 2021 £
Assets				
Non-current assets				
Property, plant and equipment	15	3,678,665	3,772,952	3,869,848
Intangible assets	16	4,638,328	1,417,294	899,455
Other non-current investments	18	7,948,788	2	4
Deferred tax assets	14	1,605,532	1,605,532	1,605,532
		17,871,313	6,795,780	6,374,839
Current assets				
Trade and other receivables	19	5,315,107	2,080,094	1,418,879
Cash and cash equivalents		7,784,776	18,492,888	1,465,273
		13,099,883	20,572,982	2,884,152
Total assets		30,971,196	27,368,762	9,258,991
Liabilities				
Non-current liabilities				
Trade and other liabilities	20	3,006,436	-	-
Loans and borrowings	21	3,049,684	3,431,487	10,602,799
		6,056,120	3,431,487	10,602,799
Current liabilities				
Trade and other liabilities	20	3,044,653	1,153,479	(130,287)
Loans and borrowings	21	381,803	310,324	-
		3,426,456	1,463,803	(130,287)
Total liabilities		9,482,576	4,895,290	10,472,512
Net assets		21,488,620	22,473,472	(1,213,521)

NDREAMS LIMITED
REGISTERED NUMBER: 04362105

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MARCH 2023

	Note	31 March 2023 £	31 March 2022 £	1 April 2021 £
Issued capital and reserves attributable to owners of the parent				
Share capital	22	2,930	2,930	2,692
Share premium reserve		37,548,611	37,548,611	10,064,688
Retained earnings		(16,062,921)	(15,078,069)	(11,280,901)
TOTAL EQUITY		21,488,620	22,473,472	(1,213,521)

The Company's loss for the year was £984,852 (2022 - £3,797,168).

The financial statements on pages 9 to 48 were approved and authorised for issue by the board of Directors and were signed on its behalf by:

DocuSigned by:

Julie PARMENTER

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J Parmenter

Director

Date: 10/11/2023

The notes on pages 18 to 48 form part of these financial statements.

NDREAMS LIMITED

FOR THE YEAR ENDED 31 MARCH 2023

	Share capital £	Share premium £	Retained earnings £	Total attributable to equity holders of parent £	Total equity £
At 1 April 2021	2,692	10,064,688	(10,988,181)	(920,801)	(920,801)
Comprehensive income for the year					
Loss for the year	-	-	(3,386,694)	(3,386,694)	(3,386,694)
Total comprehensive income for the year	-	-	(3,386,694)	(3,386,694)	(3,386,694)
Contributions by and distributions to owners					
Issue of share capital	238	27,483,923	-	27,484,161	27,484,161
Total contributions by and distributions to owners	238	27,483,923	-	27,484,161	27,484,161
At 31 March 2022	2,930	37,548,611	(14,374,875)	23,176,666	23,176,666
At 1 April 2022	2,930	37,548,611	(14,374,875)	23,176,666	23,176,666
Comprehensive income for the year					
Loss for the year	-	-	(698,178)	(698,178)	(698,178)
Total comprehensive income for the year	-	-	(698,178)	(698,178)	(698,178)
At 31 March 2023	- 2,930	37,548,611	(15,073,053)	22,478,488	22,478,488

The notes on pages 18 to 48 form part of these financial statements.

NDREAMS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2023

	Share capital	Share premium	Retained earnings	Total equity
	£	£	£	£
At 1 April 2021	2,692	10,064,688	(11,280,901)	(1,213,521)
Loss for the year	-	-	(3,797,168)	(3,797,168)
Total comprehensive income for the year	-	-	(3,797,168)	(3,797,168)
Issue of share capital	238	27,483,923	-	27,484,161
Total contributions by and distributions to owners	238	27,483,923	-	27,484,161
At 31 March 2022	2,930	37,548,611	(15,078,069)	22,473,472
At 1 April 2022	2,930	37,548,611	(15,078,069)	22,473,472
Loss for the year	-	-	(984,852)	(984,852)
Total comprehensive income for the year	-	-	(984,852)	(984,852)
At 31 March 2023	2,930	37,548,611	(16,062,921)	21,488,620

The notes on pages 18 to 48 form part of these financial statements.

NDREAMS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 £	2022 £
Cash flows from operating activities			
Loss for the year		(698,178)	(3,386,694)
Adjustments for			
Depreciation of property, plant and equipment	15	653,195	542,416
Net fair value losses/(gains) recognised in P&L	15	-	356,846
Amortisation of intangible fixed assets	16	404,920	599,423
Finance income		(201,281)	(101)
Finance expense		105,645	583,982
Loss on sale of fixed assets		153	478
Income tax expense	14	(2,832,380)	(1,596,250)
		<u>(2,567,926)</u>	<u>(2,899,900)</u>
Movements in working capital:			
Increase in trade and other receivables		(3,131,241)	(555,543)
(Decrease)/increase in trade and other payables		(274,903)	107,114
		<u>(5,974,070)</u>	<u>(3,348,329)</u>
Cash generated from operations			
Income taxes paid		1,088,797	2,133,124
		<u>(4,885,273)</u>	<u>(1,215,205)</u>
Net cash used in operating activities			
Cash flows from investing activities			
Purchases of property, plant and equipment		(581,868)	(445,998)
Proceeds from disposal of property, plant and equipment		326	-
Purchase of intangibles	16	(3,625,954)	(1,474,108)
Purchase of fixed asset investments		(860,017)	-
Interest received		201,281	101
Finance lease interest		(105,645)	(106,145)
		<u>(4,971,877)</u>	<u>(2,026,150)</u>
Net cash used in investing activities			

NDREAMS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

	2023 £	2022 £
Cash flows from financing activities		
Issue of ordinary shares	-	27,484,161
Repayment of other new loans	-	(6,967,133)
Payments of finance lease creditors	(310,324)	106,145
Interest paid	-	(477,837)
Net cash (used in)/from financing activities	(310,324)	20,145,336
Net (decrease)/increase in cash and cash equivalents	(10,167,474)	16,903,981
Cash and cash equivalents at the beginning of year	18,524,142	1,620,161
Cash and cash equivalents at the end of the year	8,356,668	18,524,142

The notes on pages 18 to 48 form part of these financial statements.

NDREAMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1. Basis of preparation

nDreams Limited (the 'Company') is a private company, limited by shares, registered in England and Wales. The company's registered office is disclosed on the company information page.

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations as adopted by the UK (collectively IFRSs). The Company's individual financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

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

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas where judgements and estimates have been made in preparing the consolidated financial statements and their effects are disclosed in note 6.

1.1 Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value at the end of each reporting period.

1.2 Changes in accounting policies

i) New standards, interpretations and amendments effective from 1 April 2022

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period.

IFRS 1 - First-time adoption of International Financial Reporting Standards - Amendments - 1 January 2022

IFRS 3 - Conceptual Framework - Amendments - 1 January 2022

IFRS 9 - Financial Instruments - Amendments - 1 January 2022

IAS 16 - Property, Plant and Equipment - Amendments - 1 January 2022

IAS 37 - Provisions, Contingent Liabilities and Contingent Assets - Amendments - 1 January 2022

NDREAMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

2. Adoption of International Financial Reporting Standards (IFRS)

For all periods up to 31 March 2022, nDreams Limited has prepared its financial statements in accordance with the Financial Reporting Standard 102. The directors have taken the decision to prepare the annual financial statements of nDreams Limited for the period ended 31 March 2023 in accordance with International Financial Reporting Standards (IFRS).

Accordingly, these financial statements have been prepared for the first time in accordance with IFRS and are covered by IFRS 1, First-time adoption of IFRS. The transition date to IFRS was 1 April 2021.

In preparing these financial statements the comparative figures previously reported under FRS102 have been restated for the transition to IFRS. The disclosures required by IFRS 1 regarding the transition are given in note 29.

NDREAMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

3. Accounting policies

3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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, Near Light Limited (company number 10287794), Virtual Chroma Limited (company number 13286236), Virtual Cyan Limited (company number 12576694), Virtual Zeus Limited (company number 14164302), Virtual Eider Limited (company number 14158858), Virtual Atlas Limited (company number 14164314) and Virtual Hades Limited (company number 14164331).

3.2 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

NDREAMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

3. Accounting policies (continued)

3.3 Revenue

The Group's principal activity is the development and publishing of Virtual Reality games. This gives rise to a number of types of arrangements with customers.

The company has adopted IFRS 15's 'five-step' model to assess revenue recognition. The 'five-step' model is summarised as follows:

- 1) Identify the contract
- 2) Identify the performance obligations in the contract
- 3) Determine the transaction price
- 4) Allocate the transaction price to the performance obligations
- 5) Recognise revenue as performance obligations are satisfied

In consideration of the business' three primary revenue streams, the company's approach to recognition of revenue is as follows:

1) Games Sales Revenue

This relates to games developed by the Group that are released as downloadable content on online stores. Typically, the Group will receive income for each game sold, resulting in a monthly remittance from each platform, received in the month following the sales, and net of refunds and discounts. The performance obligation is to provide the content/game to the end user at the point of download. The end user pays a fixed, pre-determined price for the game, and then separately for any further downloadable content. The price is easily allocated as each download carries a specific price. The price is easily allocated as each download carries a specific price. Each sale is recognised at the point in time that the game is sold (or content is downloaded). This results in a 'point in time' recognition of revenue.

2) Funded Projects / Development Work

The Group will work with a client to develop a specific game or games. These will typically result in a contract with milestone-based payments, with the work spanning a period of up to two years. The services to be provided are listed in the contract and may comprise a large number of individual tasks/milestones. With various tasks being listed there may be a number of different performance obligations. In practice the different services will be delivered to the customer in an order and manner decided by the company. In practice the delivery of the obligations is not separated by either the company or the customer in determining overall progress under the contract. The services are delivered over a period of time. The determination of progress under the contract is critical to revenue recognition. The company maintains detailed spreadsheets that record the work undertaken on the development. Revenue is then recognised on the basis of the work performed as a proportion of the expected total costs to be incurred. This is the most appropriate method, as the milestones will not necessarily be a reliable reflection of the work performed to date under the contract.

3) Porting Contracts

The Group has certain projects in place where the customer will pay 'up front'. An example of this is where an existing game is ported to a new platform, with the customer purchasing a number of licences. On the basis that there is a single performance obligation, the price is allocated at that point in time and therefore the revenue is recognised on the date of the contract.

Management regularly assess the effectiveness of the business' revenue recognition policies and adapts these for new contracts within the IFRS15 framework where necessary.

NDREAMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

3. Accounting policies (continued)

3.4 Leasing

For all leases in which the company is a lessee (other than those meeting the criteria detailed below), the company recognises a right of use asset and corresponding lease liability at commencement of lease. The right of use asset is recognised within Property, plant and equipment, whilst the lease liability is included within Loan and other borrowings, both current and non-current.

The lease liability is the present value of future lease payments discounted at the rate implicit in the lease, if available, or the applicable incremental borrowing rate. The incremental borrowing rate is determined at lease inception based on a number of factors including asset type, lease currency and lease term. Lease payments include fixed payments and variable lease payments dependent on an index or rate, initially measured using the index or rate at the commencement date. The lease term reflects any extension or termination options that the company is reasonably certain to exercise.

The lease liability is subsequently measured at amortised cost using the effective interest rate method, with interest on the lease liability being recognised as a finance expense in the income statement. The lease liability is remeasured, with a corresponding adjustment to the right of use asset, if there is a change in the future lease payments, for example resulting from a rent review, change in a rate/index or change in the company's assessment of whether it is reasonably certain to exercise an extension, termination or purchase option.

The right of use asset is initially recorded at cost, being equal to the lease liability, adjusted for any initial direct costs, lease payments made prior to commencement date, lease incentives received and any dilapidation costs. Depreciation of right of use assets is recognised as an expense in the income statement on a straight line basis over the shorter of the asset's useful life or expected term of the lease.

Right of use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, with the impairment expenses being recognised in the income statement. Where a lease is terminated early, any termination fees or gain or loss relating to the release of right of use assets and lease obligation are recognised as a gain or loss through the income statement.

Payments in respect of short-term leases not exceeding 12 months in duration or low-value leases are expensed straight line to the income statement as permitted by IFRS 16, 'Leases'. These have been included within 'Other operating lease rentals' disclosed in note 7.

3.5 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

NDREAMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

3. Accounting policies (continued)

3.6 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Short-term leasehold property	10% straight line
Office equipment	20% straight line
Computer equipment	33% straight line

3.7 Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Development expenditure	65% Reducing balance method
Trademarks	65% Reducing balance method

3.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.9 Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

NDREAMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

4. Reporting entity

nDreams Limited (the 'Company') is a limited company incorporated in England and Wales. The Company's registered office is at Spectrum Point, 279 Farnborough Road, Farnborough, Hampshire, GU14 7LS. These consolidated financial statements comprise the Company and its subsidiaries (collectively the 'Group' and individually 'Group companies'). The Group is primarily involved in the development and publishing of Virtual Reality (VR) games.

5. Functional and presentation currency

These consolidated financial statements are presented in pound sterling, which is the Company's functional currency. All amounts have been rounded to the nearest pound, unless otherwise indicated.

6. Accounting estimates and judgements

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 that have a significant effect on the amounts recognised in the financial statements apart from development costs in relation to the games developed are capitalised when they meet the definition of an intangible fixed asset and are amortised over the expected life of the asset.

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:

Leases - Estimating the incremental borrowing rate

The company cannot readily determine the interest rate implicit in the lease, therefore, it used incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. The IBR therefore reflects the the company 'would have to pay', which required estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. This rate has been internally generated. Details of these can be found in Note 21.

There were no other key sources of estimation uncertainty.

NDREAMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

7. Operating loss

The operating loss is stated after charging:

	2023 £	2022 £
Depreciation of tangible assets	653,195	199,285
Amortisation of intangible fixed assets	404,920	599,423
Other operating lease rentals	10,815	328,516
Defined contribution pension costs	430,605	385,205
Foreign exchange differences	133,010	73,321
	<u>1,632,545</u>	<u>1,585,750</u>

8. Revenue

The following is an analysis of the Group's revenue for the year from continuing operations:

	2023 £	2022 £
Games revenue	1,524,884	1,385,513
Funded projects revenue	7,454,637	4,135,340
Other revenue	42,092	78,261
	<u>9,021,613</u>	<u>5,599,114</u>

Analysis of turnover by geographical location:

	2023 £	2022 £
United Kingdom	6,812,251	1,549,977
United States of America	2,067,620	3,735,890
Rest of World	141,742	313,247
	<u>9,021,613</u>	<u>5,599,114</u>

NDREAMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

9. Other operating income

	2023 £	2022 £
Government grants receivable	-	24,042
Other operating income	-	10,787
	<u> </u>	<u> </u>

10. Auditors' remuneration

During the year, the Group obtained the following services from the Company's auditors and their associates:

	2023 £	2022 £
Fees payable to the Company's auditors and their associates for the audit of the consolidated and parent Company's financial statements	15,200	11,535
Fees payable to the Company's auditors and their associates in respect of:		
Taxation compliance services	12,350	7,695
Preparation of financial statements	30,925	9,850
	<u> </u>	<u> </u>

NDREAMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

11. Employee benefit expenses

Group

	2023 £	2022 £
Employee benefit expenses (including Directors) comprise:		
Wages and salaries	5,639,001	4,189,371
Social security costs	732,487	479,639
Defined contribution pension cost	430,605	385,205
	<u>6,802,093</u>	<u>5,054,215</u>

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the Directors of the Company listed on the company information page.

	2023 £	2022 £
Salary	742,479	741,432
Defined contribution scheme costs	29,517	27,827
	<u>771,996</u>	<u>769,259</u>

The monthly average number of persons, including the Directors, employed by the Group during the year was as follows:

	2023 No.	2022 No.
Development	120	76
Administration	37	24
Directors	7	7
	<u>164</u>	<u>107</u>

NDREAMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

12. Directors' remuneration

	2023 £	2022 £
Directors' emoluments	742,479	741,432
Group contributions to pension schemes	29,517	27,827
	<u>771,996</u>	<u>769,259</u>

During the year, retirement benefits were accruing to the following number of directors in respect of qualifying services:

	2023	2022
Defined contribution schemes	<u>4</u>	<u>4</u>

The highest paid director's emoluments were as follows:

	2023 £	2022 £
Total emoluments and amounts receivable under long-term incentive schemes (excluding shares)	225,386	223,055
Group contributions to pension schemes	9,019	8,525
	<u>234,405</u>	<u>231,580</u>

13. Finance expense

Recognised in profit or loss

	2023 £	2022 £
Finance expense		
Bank interest payable	-	477,837
Finance leases (interest portion)	105,645	106,145
Total finance expense	<u>105,645</u>	<u>583,982</u>
Net finance expense recognised in profit or loss	<u>(105,645)</u>	<u>(583,982)</u>

NDREAMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

14. Tax expense

14.1 Income tax recognised in profit or loss

	2023 £	2022 £
Current tax		
Current tax on profits for the year	(2,832,380)	(1,596,250)
Total current tax	<u>(2,832,380)</u>	<u>(1,596,250)</u>
Deferred tax expense		
	<u>(2,832,380)</u>	<u>(1,596,250)</u>
Total tax expense		
Tax expense	(2,832,380)	(1,596,250)
	<u>(2,832,380)</u>	<u>(1,596,250)</u>

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to losses for the year are as follows:

	2023 £	2022 £
Loss for the year	(698,178)	(3,386,694)
Income tax credit	(2,832,380)	(1,596,250)
Loss before income taxes	<u>(3,530,558)</u>	<u>(4,982,944)</u>
Tax using the Company's domestic tax rate of 19% (2022:19%)	(670,806)	(946,759)
Expenses not deductible for tax purposes, other than goodwill, amortisation and impairment	273,749	210,213
Capital allowances for the year in excess of depreciation	-	667
Tax losses not recognised	397,057	578,429
Effects of claims made under R&D tax credit and VGTR tax credit schemes	(2,832,380)	(1,438,800)
Total tax expense	<u>(2,832,380)</u>	<u>(1,596,250)</u>

NDREAMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

14. Tax expense (continued)

14.2 Deferred tax balances

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

	2023 £	2022 £
Tax losses carried forward	1,605,532	1,605,532
Deferred tax liabilities	(7,278)	-
	<u>1,598,254</u>	<u>1,605,532</u>

The directors consider the deferred tax asset to be recoverable based on forecasted future trading profits.

15. Property, plant and equipment

Group

	Short-term leasehold property £	Office equipment £	Computer equipment £	Assets under construction £	Total £
Cost or valuation					
At 1 April 2021	3,434,279	8,456	464,115	301,732	4,208,582
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>3,741,317</u>	<u>197,535</u>	<u>709,815</u>	<u>-</u>	<u>4,648,667</u>
Additions	26,861	28,776	526,231	-	581,868
Acquisition of subsidiary	-	4,444	51,049	-	55,493
Disposals	-	(569)	(87)	-	(656)
At 31 March 2023	<u>3,768,178</u>	<u>230,186</u>	<u>1,287,008</u>	<u>-</u>	<u>5,285,372</u>

NDREAMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

15. Property, plant and equipment (continued)

	Short-term leasehold property £	Office equipment £	Computer equipment £	Assets under construction £	Total £
Accumulated depreciation and impairment					
At 1 April 2021	15,216	4,273	319,245	-	338,734
Charge owned for the year	373,236	37,130	132,050	-	542,416
Disposals	-	-	(5,435)	-	(5,435)
At 31 March 2022	388,452	41,403	445,860	-	875,715
Charge owned for the year	376,016	42,774	234,405	-	653,195
Disposals	-	(174)	(2)	-	(176)
Acquisition of subsidiary	-	3,248	45,613	-	48,861
At 31 March 2023	764,468	87,251	725,876	-	1,577,595
Net book value					
At 1 April 2021	3,419,063	4,183	144,870	301,732	3,869,848
At 31 March 2022	3,352,865	156,132	263,955	-	3,772,952
At 31 March 2023	3,003,710	142,935	561,132	-	3,707,777

15.1. Assets held under leases

The net book value of owned and leased assets included as "Property, plant and equipment" in the Consolidated Statement of Financial Position is as follows:

	31 March 2023 £	31 March 2022 £
Property, plant and equipment owned	977,027	699,071
Right-of-use assets	2,730,750	3,073,881
	3,707,777	3,772,952

Information about right-of-use assets is summarised below:

Net book value

	31 March 2023 £	31 March 2022 £
Property	2,730,750	3,073,881
	2,730,750	3,073,881

NDREAMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

15. Property, plant and equipment (continued)

Company

	Short-term leasehold property £	Office equipment £	Computer equipment £	Assets under construction £	Total £
Cost or valuation					
At 1 April 2021	3,434,279	8,456	464,115	301,732	4,208,582
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	3,741,317	197,535	709,815	-	4,648,667
Additions	26,861	28,776	503,064	-	558,701
Disposals	-	(569)	(87)	-	(656)
At 31 March 2023	3,768,178	225,742	1,212,792	-	5,206,712
	Short-term leasehold property £	Office equipment £	Computer equipment £	Assets under construction £	Total £
Accumulated depreciation and impairment					
At 1 April 2021	15,216	4,273	319,245	-	338,734
Charge owned for the year	373,236	37,130	132,050	-	542,416
Disposals	-	-	(5,435)	-	(5,435)
At 31 March 2022	388,452	41,403	445,860	-	875,715
Charge owned for the year	376,016	42,678	233,814	-	652,508
Disposals	-	(174)	(2)	-	(176)
At 31 March 2023	764,468	83,907	679,672	-	1,528,047
Net book value					
At 1 April 2021	3,419,063	4,183	144,870	301,732	3,869,848
At 31 March 2022	3,352,865	156,132	263,955	-	3,772,952
At 31 March 2023	3,003,710	141,835	533,120	-	3,678,665

NDREAMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

15. Property, plant and equipment (continued)

15.2. Assets held under leases

The net book value of owned and leased assets included as "Property, plant and equipment" in the Company Statement of Financial Position is as follows:

	31 March 2023 £	31 March 2022 £
Property, plant and equipment owned	947,915	699,071
Right-of-use assets, excluding investment property	2,730,750	3,073,881
	<u>3,678,665</u>	<u>3,772,952</u>

Information about right-of-use assets is summarised below:

Net book value

	31 March 2023 £	31 March 2022 £
Property	2,730,750	3,073,881
	<u>2,730,750</u>	<u>3,073,881</u>

16. Intangible assets

Group

	Goodwill £	Development expenditure £	Trademarks £	Total £
Cost				
At 1 April 2021	-	1,362,481	-	1,362,481
Additions - external	-	1,335,921	138,187	1,474,108
Impairment	-	(356,846)	-	(356,846)
At 31 March 2022	-	2,341,556	138,187	2,479,743
Additions - external	5,455,048	3,514,141	111,813	9,081,002
At 31 March 2023	<u>5,455,048</u>	<u>5,855,697</u>	<u>250,000</u>	<u>11,560,745</u>

NDREAMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

16. Intangible assets (continued)

	Goodwill £	Development expenditure £	Trademarks £	Total £
Accumulated amortisation and impairment				
At 1 April 2021	-	463,026	-	463,026
Charge for the year - owned	-	599,423	-	599,423
At 31 March 2022	-	1,062,449	-	1,062,449
Charge for the year - owned	-	345,337	59,583	404,920
At 31 March 2023	-	1,407,786	59,583	1,467,369
Net book value				
At 1 April 2021	-	899,455	-	899,455
At 31 March 2022	-	1,279,107	138,187	1,417,294
At 31 March 2023	5,455,048	4,447,911	190,417	10,093,376

NDREAMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

16. Intangible assets (continued)

Company

	Development expenditure £	Trademarks £	Total £
Cost			
At 1 April 2021	1,362,481	-	1,362,481
Additions	1,335,921	138,187	1,474,108
Disposals	(356,846)	-	(356,846)
At 31 March 2022	2,341,556	138,187	2,479,743
Additions	3,514,141	111,813	3,625,954
At 31 March 2023	5,855,697	250,000	6,105,697
Accumulated amortisation and impairment			
At 1 April 2021	463,026	-	463,026
Charge for the year	599,423	-	599,423
At 31 March 2022	1,062,449	-	1,062,449
Charge for the year	345,337	59,583	404,920
At 31 March 2023	1,407,786	59,583	1,467,369
Net book value			
At 1 April 2021	899,455	-	899,455
At 31 March 2022	1,279,107	138,187	1,417,294
At 31 March 2023	4,447,911	190,417	4,638,328

NDREAMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

17. Goodwill

Group

	2023 £	2022 £
Cost	5,455,048	-
	<u>5,455,048</u>	<u>-</u>
	2023 £	2022 £
Cost		
Additions	5,455,048	-
At 31 March 2023	<u>5,455,048</u>	<u>-</u>
Accumulated impairment		
At 31 March 2023	<u>-</u>	<u>-</u>

Goodwill is allocated to the Groups cash generating unit of development and publishing of Virtual Reality (VR) games.

NDREAMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

18. Subsidiaries

Details of the Group's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Proportion of ownership interest and voting power held by the Group (%)	
		2023	2022
1) Virtual Chroma Limited	Development and publishing of Virtual Reality (VR) games	100	100
2) Virtual Cyan Limited	Development and publishing of Virtual Reality (VR) games	100	100
3) Virtual Black Limited	Development and publishing of Virtual Reality (VR) games	-	100
4) Virtual Spectrum Limited	Development and publishing of Virtual Reality (VR) games	-	100
5) Virtual Atlas Limited	Development and publishing of Virtual Reality (VR) games	100	-
6) Virtual Eider Limited	Development and publishing of Virtual Reality (VR) games	100	-
7) Virtual Green Limited	Development and publishing of Virtual Reality (VR) games	100	-
8) Virtual Hades Limited	Development and publishing of Virtual Reality (VR) games	100	-
9) Virtual Zeus Limited	Development and publishing of Virtual Reality (VR) games	100	-
10) NearLight Limited	Development and publishing of Virtual Reality (VR) games	100	-
11) Virtual Red Limited	Development and publishing of Virtual Reality (VR) games	100	-

All subsidiaries are incorporated and domiciled in England and Wales. All of the subsidiaries have a registered office address at Spectrum Point, 279 Farnborough Road, Farnborough, Hampshire, United Kingdom, GU14 7LS.

During the prior year Virtual Black Limited and Virtual Spectrum Limited applied to be dissolved and therefore nDreams Limited investment in each company was written off in the 2022 financial statements. Both companies were dissolved on 21 June 2022.

The following subsidiaries have different reporting periods to the company:

Virtual Atlas Limited - From Incorporation date of 10 June 2022 to 31 March 2023
 Virtual Eider Limited - From Incorporation date of 09 June 2022 to 31 March 2023
 Virtual Green Limited - From Incorporation date of 10 June 2022 to 31 March 2023
 Virtual Hades Limited - From Incorporation date of 10 June 2022 to 31 March 2023
 Virtual Zeus Limited - From Incorporation date of 10 June 2022 to 31 March 2023
 NearLight Limited - 9 month period 01 August 2022 to 31 March 2023
 Virtual Red Limited - From Incorporation date of 19 January 2023 to 31 March 2023

As NearLight Limited was acquired on the 17 December 2022, only transactions from this period have been included within the consolidated figures.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Company

	Note	2023 £	2022 £
Investments in subsidiary companies	18	7,948,788	2
		<u>7,948,788</u>	<u>2</u>

Investments in subsidiary companies

Cost

At 1 April 2022	2
Additions	7,948,786
Disposals	-
	<u>7,948,788</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

19. Trade and other receivables

Group

	2023 £	2022 £
Current		
Trade receivables - over one year	304,419	933,214
Trade receivables - net	304,419	933,214
Prepayments and accrued income	4,258,007	802,941
Tax recoverable	3,070,345	1,326,762
Other receivables	537,559	79,776
Total current trade and other receivables	8,170,330	3,142,693

Company

	2023 £	2022 £
Current		
Trade receivables - over one year	304,419	933,214
Trade receivables - net	304,419	933,214
Prepayments and accrued income	4,197,669	802,941
Tax recoverable	298,654	264,588
Other receivables	514,365	79,351
Total current trade and other receivables	5,315,107	2,080,094

The carrying value of trade and other receivables classified as loans and receivables approximates fair value.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

20. Trade and other payables

Group

	2023 £	2022 £
Non-current		
Other payables	3,006,436	-
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	<u>3,006,436</u>	<u>-</u>
Total non-current trade and other payables	<u>3,006,436</u>	<u>-</u>
Current		
Trade payables	386,993	198,005
Other payables	34,137	114,256
Accruals	2,200,586	400,213
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	<u>2,621,716</u>	<u>712,474</u>
Other payables - tax and social security payments	388,278	288,821
Deferred income	-	542,841
Total current trade and other payables	<u>3,009,994</u>	<u>1,544,136</u>

Included within other payables is deferred consideration in relation to the acquisition of NearLight Limited, the directors are confident the conditions will be met, and there are no other realistic outcomes.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

20. Trade and other payables (continued)

Company

	2023 £	2022 £
Other payables	3,006,436	-
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	3,006,436	-
	3,006,436	-
Current		
Trade payables	342,104	198,005
Payables to related parties	253,256	(382,357)
Other payables	34,137	114,256
Accruals	2,035,922	391,913
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	2,665,419	321,817
Other payables - tax and social security payments	379,234	288,821
Deferred income	-	542,841
Total current trade and other payables	3,044,653	1,153,479

Included within other payables is deferred consideration in relation to the acquisition of NearLight Limited, the directors are confident the conditions will be met, and there are no other realistic outcomes.

21. Loans and borrowings

Group

	2023 £	2022 £
Non-current		
Lease liabilities	3,049,684	3,431,487
	3,049,684	3,431,487
Current		
Lease liabilities	381,803	310,324
	381,803	310,324
Total loans and borrowings	3,431,487	3,741,811

The carrying value of loans and borrowings classified as financial liabilities measured at amortised cost approximates fair value.

NDREAMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

21. Loans and borrowings (continued)

Company

	2023 £	2022 £
Non-current		
Lease liabilities	3,049,684	3,431,487
	<u>3,049,684</u>	<u>3,431,487</u>
Current		
Lease liabilities	381,803	310,324
	<u>381,803</u>	<u>310,324</u>
Total loans and borrowings	<u><u>3,431,487</u></u>	<u><u>3,741,811</u></u>

A discount rate of 3% was used in calculating the right of use asset values.

22. Share capital

Authorised

	2023 Number	2023 £	2022 Number	2022 £
Shares treated as equity				
Ordinary shares of £0.010 each	168,491	1,685	168,491	1,685
A Ordinary shares of £0.010 each	96,555	966	96,555	966
B Ordinary shares of £0.001 each	41,629	42	41,629	42
C Ordinary shares of £0.001 each	237,857	238	237,857	238
	<u>544,532</u>	<u>2,931</u>	<u>544,532</u>	<u>2,931</u>

Issued and fully paid

	2023 Number	2023 £	2022 Number	2022 £
Ordinary shares of £0.010 each				
At 1 April and 31 March	<u>168,491</u>	<u>1,685</u>	<u>168,491</u>	<u>1,685</u>
	<u>2023 Number</u>	<u>2023 £</u>	<u>2022 Number</u>	<u>2022 £</u>
A Ordinary shares of £0.010 each				
At 1 April and 31 March	<u>96,555</u>	<u>966</u>	<u>96,555</u>	<u>966</u>

NDREAMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

22. Share capital (continued)

	2023 Number	2023 £	2022 Number	2022 £
B Ordinary shares of £0.001 each				
At 1 April and 31 March	41,629	42	41,629	42
	2023 Number	2023 £	2022 Number	2022 £
C Ordinary shares of £0.001 each				
At 1 April and 31 March	237,857	238	237,857	238

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.

NDREAMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

23. Reserves

Share premium

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

Retained earnings

This reserve records retained earnings and accumulated losses.

24. Leases

Group

(i) Leases as a lessee

Lease liabilities are due as follows:

	2023 £	2022 £
Contractual undiscounted cash flows due		
Not later than one year	476,325	415,969
Between one year and five years	2,381,625	2,381,625
Later than five years	833,569	1,309,894
	<u>3,691,519</u>	<u>4,107,488</u>
Lease liabilities included in the Consolidated Statement of Financial Position at 31 March	<u>3,431,487</u>	<u>3,741,811</u>
Non-current	3,049,684	3,431,487
Current	<u>381,803</u>	<u>310,324</u>

The directors do not consider there to be a liquidity risk to the lease liabilities.

The following amounts in respect of leases have been recognised in profit or loss:

	2023 £	2022 £
Interest expense on lease liabilities	105,645	106,146
Depreciation on right of use assets	<u>343,131</u>	<u>343,131</u>

NDREAMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

25. Financial instruments - fair values and risk management

25.1 Price risk management

Price risk is the associated risk that revenue contracts may not be profitable for the business. The company's revenue is based mainly on the games revenue and funded contracts. Annual increases of inflation and National Minimum Wage (NMW) can directly impact profitability if not met by corresponding revenue increases. In order to mitigate this risk the directors implement strict cost controls to keep the business profitable despite these factors.

25.2 Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

25.3 Credit risk management

Credit risk is the risk that customers may default on payments due to the Company. The majority of income is driven from funded revenue with contracts

26. Share based payments

26.1. Employee share option plan of the Company

Movements in share options during the year

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

Options are exercisable at a price equal to the estimated 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.

The following reconciles the share options outstanding at the beginning and end of the year:

	Number of options	2023 Weighted average exercise price £	Number of options	2022 Weighted average exercise price £
Balance at the beginning of the year	48,663	35.12	29,029	35.12
Granted during the year	11,484	25.73	19,634	35.12
Cancelled during the year	(3,064)	35.12	-	-
	57,083	33.23	48,663	35.12

Since there has been no successful exit event and there is none currently planned, the group recognise total expenses of £Nil (2022 - £Nil) related to equity-settled share-based payment transactions in the year.

NDREAMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

27. Business combinations during the year

27.1 Subsidiaries acquired

Name	Principal activity	Date of acquisition	Proportion of voting equity interests acquired %	Consideration transferred £
Virtual Eider Limited	Development and publishing of Virtual Reality (VR) games	08/06/22	100	-
Virtual Atlas Limited, Virtual Green Limited, Virtual Hades Limited and Virtual Zeus Limited	Development and publishing of Virtual Reality (VR) games	10/06/22	100	-
NearLight Limited	Development and publishing of Virtual Reality (VR) games	17/12/22	100	7,948,781
Virtual Red Limited	Development and publishing of Virtual Reality (VR) games	19/01/23	100	-
				7,948,781

The companies listed below were all acquired at their incorporation date and therefore there is no consideration of goodwill to be recognised.

Virtual Eider Limited
Virtual Atlas Limited
Virtual Green Limited
Virtual Hades Limited
Virtual Zeus Limited
Virtual Red Limited

Details on the acquisition of NearLight Limited are presented below.

27.2 Consideration transferred

	NearLight Limited £
Cash	3,317,344
Deferred consideration	3,216,823
Contingent consideration	1,414,614
	7,948,781

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

27. Business combinations during the year (continued)

27.3 Assets acquired and liabilities recognised at the date of acquisition

	NearLight Limited £	Total £
Non-current assets		
Property, plant and equipment	6,631	6,631
Current assets		
Cash and cash equivalents	2,457,329	2,457,329
Trade and other receivables	152,812	152,812
Non-current liabilities		
Current liabilities		
Trade and other liabilities	(123,039)	(123,039)
	<u>2,493,733</u>	<u>2,493,733</u>

27.4 Goodwill arising on acquisition

	NearLight Limited £	Total £
Consideration transferred	7,948,781	7,948,781
Fair value of identifiable net assets acquired	(2,493,733)	(2,493,733)
Goodwill arising on acquisition	<u>5,455,048</u>	<u>5,455,048</u>

28. Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern.

The capital structure of the Company includes cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Group is not subject to any externally imposed capital requirements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

29. IFRS transition

The table below shows the transitional adjustments from UK GAAP to IFRS for the 2021 and 2022 financial years.

Company transition from UK GAAP to IFRS

	As previously stated 1	Effect of transition 1	IFRS (as restated) 1
	April 2021	April 2021	April 2021
	£	£	£
Total equity	- 1,210,083 -	3,438 -	1,213,521

	As previously stated	Effect of transition 31	IFRS (as restated) 31
	31 March 2022	March 2022	March 2022
	£	£	£
Total equity	22,582,670 -	109,198	22,473,472
Loss for the year	- 3,691,408 -	105,760 -	3,797,168

Consolidated transition from UK GAAP to IFRS

	As previously stated 1	Effect of transition 1	IFRS (as restated) 1
	April 2021	April 2021	April 2021
	£	£	£
Total equity	- 917,363 -	3,438 -	920,801

	As previously stated	Effect of transition 31	IFRS (as restated) 31
	31 March 2022	March 2022	March 2022
	£	£	£
Total equity	23,285,864 -	109,198	23,176,666
Loss for the year	- 3,280,934 -	105,760 -	3,386,694

On transition to IFRS the only adjustment which impacted the financial statements was the adoption of IFRS16, whereby we recognised a right of use asset. This resulted in bringing on balance sheet an additional asset, a lease liability, and a change in the income statement removing the rent expense and instead recognising depreciation and interest expenses. The net movement is shown in the tables above.

As a result of transition to IFRS the only significant change to the Consolidated Statement of Cash Flows is the increase in depreciation on property, plant and equipment due to the newly recognised right of use asset.