Escape Hunt plc

Registered number 10184316

Annual Report for the year ended 31 December 2019

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FINANCIAL AND OPERATIONAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- Group revenue up 128% to £4.9m (2018: £2.2m)
- Revenue from owner-operated sites up 255% to £3.8m (2018: £1.0m)
- Site level Adjusted EBITDA from owner-operated sites rose to £0.6m[1] (2018: loss £0.5m)
- Franchise EBITDA increased to £0.3m (2018: £14k)
- Group Adjusted EBITDA loss £1.7m (2018: loss £3.1m)
- Group operating loss of £5.9m (2018: loss of £10.0m)
- Cash at year end £2.2m (2018: £2.7m) and £1.2m on 30 April 2020

OPERATIONAL HIGHLIGHTS

- Nine 'Escape Hunt' branded sites open in the UK at year end (2018: eight sites)
- Number of active UK games rooms increased to 49 (2018: 38 rooms)
- Like-for-like revenue growth in Q4 2019 of 34% from three most mature owner-operated sites
- Strong Christmas trading in both owner-operated and franchise estates continued into the new year, pre-impact of COVID-19
- Encouraging pipeline of new sites in ongoing negotiations with more favourable property market conditions
- New, strategically important franchise Area Representative Agreement signed with PCH to cover US and Canada
- Rationalisation of underperforming franchisee sites supporting improved profitability for franchise business during the year
- Raised £3.7m (net of expenses) through an equity placing in June 2019

POST YEAR END

- Trading in the period 1 January 2020 to 29 February 2020 was strong with revenue and owner-operated site performance comfortably ahead of Board's expectations
- First US site under PCH Area Representative Agreement opened in March 2020 in Houston, Texas
- Virtual reality trials in two rooms at Birmingham Resorts World
- New Doctor Who game launched in March 2020 under license with BBC Studios. BBC Studios announced in April 2020 that the new story 'Time Lord Victorious' will be released later this year on multiple platforms
- COVID-19 forced closure of all UK sites and most franchise sites from mid-March
- Immediate steps taken to mitigate the impact of COVID-19, including:
    - Significant cost reductions implemented to put core business into 'hibernation'
    - Deferral of costs where possible
    - Grant and other support from UK Government
    - Planned openings of two new owner-operated sites deferred to post-lockdown
- Launch of downloadable games and remote play options during lockdown

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[1] Pre-IFRS 16

- Raised £4.1m net of expenses through an equity placing, share subscription, convertible loan note issue and open offer in July 2020 to support continued expansion of the network and provide working capital
- Franchise sites gradually re-opening from June, although subject to re-closures in some jurisdictions
- UK sites re-opened in July, initially on reduced days
- Fit-out work at Norwich and Basingstoke recommenced
- Pipeline for new sites remains strong

STRATEGIC REPORT

Chairman's Statement

I am pleased to report that 2019 has, in many ways, been a defining year in proving the commercial proposition of our model and one during which we made further progress in executing our strategy. Trading during the year ended 31 December 2019 showed continued, strong growth with a particularly busy Christmas period.

The strong performance over Christmas continued into the new year, with revenues and site performance in the UK comfortably ahead of management's expectations and franchise activity in line for the period to 29 February 2020.

Since the end of February 2020, however, the impact of COVID-19 on the UK leisure and hospitality sector has been dramatic. Trading held up well in early March, but as the pandemic became more widely spread and advice on social distancing was implemented, we began to feel the impact, culminating on 20 March when the UK Government mandated closure of all restaurants, bars, clubs, gyms and leisure facilities. The vast majority of our franchise network was also affected by similar mandatory closures in other parts of the world. Anticipating the closures, we took early action to cut costs significantly and preserve cash. The UK Government's measures to assist businesses such as ours also provided help. We were greatly relieved to be able to retain our staff during the lockdown period as a result of the Coronavirus Job Protection Scheme. We are very fortunate to have a very loyal and dedicated workforce. Almost 90% of our staff were placed on furlough leave throughout the lockdown period and received 80% of their normal pay through the Government scheme, in accordance with the applicable rules. All other staff accepted temporary pay reductions, with senior management accepting a 25% pay reduction and the Non-Executive Directors waiving all fees prior to themselves being furloughed. Our teams are the Group's most valuable asset and their universal understanding of the situation and willingness to support our efforts to ensure we are able to bounce back from this crisis have been humbling.

The UK Government's decision to offer a rates holiday for 2020/2021 to eligible retail, hospitality and leisure businesses was welcomed and will make a material difference to our property costs over the next 12 months. We have also benefitted from the rates grants being made available at a number of our UK sites, receiving a total of £130,000 through the scheme. A number of our landlords have been incredibly supportive giving consent to defer rent and, in some cases, give rental holidays. For that we thank them.

We had to put on hold all capital expenditure and the majority of our third-party expenditure leading to delays in our planned new site openings in Norwich and Basingstoke. Many of these suppliers have been important supporters of Escape Hunt and it is therefore difficult to see them being impacted through our decisions where we have had little choice. Through these initiatives, we were able to enact a very significant reduction in our monthly cash costs, some of which was deferred rather than a permanent reduction. From the commencement of the lockdown, we accelerated our efforts to explore options to access further capital to finance our strategic objectives for 2020 and beyond and to provide additional working capital for both the short and medium term.

On 12 June 2020 we announced that we had been successful in conditionally raising £4.0m (before expenses) through an accelerated bookbuild, share subscription and convertible loan note issue and we launched an open offer to raise up to a further £0.5m. We were delighted to have received support from many of our existing shareholders as well as welcoming a number of new shareholders to our register. The fact that we were able to raise the money in an environment where all our sites were closed and there was, at the time, no visibility on when sites might be permitted to re-open bears testament to the attractions of the model and to the executive team's efforts. The shareholder meeting to approve the fund raise was held on 1 July 2020 and the fund raise closed with a further £0.3m being raised through the open offer. The total cash received, net of expenses was £4.1m leaving the company well capitalised to face the next challenges of re-opening and resuming work on our strategic plans.

With the UK Government's gradual lifting of lockdown restrictions, we have subsequently been able to begin to re-open our UK sites in July. Whilst it remains too early to know how long it will take for activity to revert to the levels we saw in early 2020 and risks of further local or national outbreaks of COVID-19 remain, it is nevertheless exciting to be able to open our doors again, bring staff back to work and welcome our customers. The UK Government's changes to the Job Protection Scheme which allow flexible furloughing of staff and a gradually increasing contribution from employers, currently envisaged to end at the end of October, remains a significant help to our business as we have the ability to flex our labour costs as demand resumes.

Reflecting on our performance during 2019, more detail is provided in our Strategic Report and Financial Review below. A few highlights are worth mentioning:

- Group revenue rose 128% to £4.9m (2018: £2.2m)
- Site level Adjusted EBITDA from our UK owner-operated estate rose to £0.6m[1] (2018: loss £0.5m)
- Franchise EBITDA rose to £0.3m (2018: £14k)
- Group Adjusted EBITDA loss improved to £1.7m (2018: loss of £3.1m)
- Cash at 31 December 2019 of £2.2m (2018: £2.7m) and £1.2m on 4 May 2020

[1] Pre-IFRS 16

A key metric for our UK owned and operated sites is cashflow return on capital, which we measure as site level EBITDA divided by total cash invested, including start-up losses. With eight of these sites having been open for more than 12 months, we are beginning to obtain reliable indicators of this metric and believe that we can target very attractive returns on future site openings. This is explained in more detail below.

In June 2019, the Company raised £3.7m (net of expenses) in a placing and open offer of new shares. At 31 December 2019, we had deployed approximately half of these funds which were raised to support the roll-out of further sites in the UK. Further details on our progress and plans to expand our estate are set out below.

Notwithstanding our growth ambitions, we took a more cautious approach to our roll-out strategy during 2019, as we were keen to ensure that our business model could be repeated in a premium and industry-leading manner such as we have been targeting. As a result, we have not as yet fully achieved all the milestones we set ourselves at the time of our fundraising. However, the benefit of this is that we have set the business up well to catch up on our expansion objectives and, most importantly, have now clearly demonstrated the potential for our business through our site metrics and return on capital profile. Before the onset of COVID-19, we had expected to catch up our site roll-out objectives by the end of May 2020, but subsequently had to delay those plans. Nevertheless, we look forward to executing our growth plans with confidence, enthusiasm and vigour.

In September 2019, after a lengthy period of discussion and negotiation, we were delighted to complete our master franchise agreement for the USA and Canada with our new partners, Proprietors Capital Holdings ("PCH"). North America represents a very substantial opportunity for the Group and we are focused on delivering on this opportunity.

Alistair Rae stepped down from the Board and as Chief Financial Officer at the end of July 2019, and we were delighted to appoint Graham Bird who joined the Board as CFO in January 2020. Graham has extensive City experience and brings a wide range of skills having worked in investment, advisory, financial and commercial roles.

Adrian Jones, who was one of the original management team which established Escape Hunt prior to its acquisition by Dorcaster and Admission to AIM, stepped down from his position on the Board as a Non-

Executive Director at the end of May 2020. Adrian is based in Malaysia and his knowledge and experience of operating in the Far East has been invaluable, particularly whilst Escape Hunt had a significant presence in the region. However, since Admission, the focus of our business has moved to the UK and, in due course, we will appoint a UK based replacement. I would like to thank Adrian for his contribution over the years.

We are acutely aware that shareholders have suffered a significant fall in the value of their holdings in Escape Hunt over the last twelve months and since our Admission in May 2017. Whilst we cannot account for every movement in the share price, a significant impact was undoubtedly when one of our largest shareholders, Arrowgrass, went into Administration in Autumn 2019 and the sale of their shares subsequently triggered a precipitous fall in the share price. The impact of Brexit uncertainty did not help the performance of micro-cap shares either and, more recently we have had to endure the impact of COVID-19. We are also aware that it has taken longer for us to prove the attractions of the business than we had originally expected. Nevertheless, as a Board, we take comfort in the increasingly attractive return on capital metrics at site level and remain confident in the long-term opportunity to build substantial shareholder value.

We are enormously encouraged by the performance of our business prior to the pandemic and by the fact that at that time, all our UK sites had five star ratings and were ranked in the top four on TripAdvisor™ in their respective cities under fun and games. We are also encouraged by the energy and enthusiasm of our US partners and many of our franchise operators. More recently, the support we received from both existing and new shareholders in our fund raise demonstrates a belief in the attractions of our business.

We continue to see the opportunity afforded by rapid growth in experiential entertainment as an attractive one where we will be able to build and sustain a premium brand in escape rooms. We are confident that with a stronger balance sheet brought about by our recent fund raise, we will emerge from the COVID-19 pandemic intact and ready to build on the base that we have successfully established so far.

Richard Rose

Non-Executive Chairman
28 July 2020

Chief Executive's Report

The Group ended 2019 with a strong performance, providing us with a high level of confidence in the future potential for our business as we continue to grow our network. 2019 was critical in validating our business model and content strategy, and we are delighted with progress that can now be firmly demonstrated.

Group turnover rose by 128% to £4.9m (2018: £2.2m) and Group Adjusted EBITDA loss fell from £3.1m to £2.1m on a pre-IFRS16 basis, and to £1.7m post-IFRS16.

Importantly, we now have solid evidence of the potential for our business. In aggregate and prior to COVID-19, the unit economics at a site level were proving very attractive, both at an EBITDA margin level and based on return on capital metrics. This gives us confidence to accelerate the pace of our roll-out now that we have reduced the build cost and optimised the returns for new sites. Adjusted Group and site level EBITDA are key metrics which we use to measure performance of the business as the measures provide a good proxy for cash contribution from each component part of the Group.

Owner-Operated sites

The owner-operated sites accounted for 78% of Group sales in the year ended 31 December 2019 and delivered revenue of £3.8m (2018: £1.0m), a material increase over the prior year. The increase was helped by the full year impact of sites opened during 2018, but a substantial proportion of the growth was organic. Escape Hunt's three most mature owner-operated sites (Birmingham, Bristol and Leeds), each 21 months old at year end, delivered a combined like-for-like sales increase of 34% in the final quarter of 2019. Across all eight established owner-operated sites, like-for-like sales increased by 70% in December. Five of these sites were opened in the final quarter of 2018 and hence benefitted from entering the final month of 2019 with a more mature market position.

Prior to COVID-19, we were seeing continued growth across all our Escape Hunt branded UK sites. We have also gained a greater understanding of the impact of school holidays and seasonal variations as well as the maturity profile of sites after opening. All our Escape Hunt branded sites continued to experience growth, right up to the onset of COVID-19 notwithstanding their period of maturity.

Table 1: Like-for-Like Growth

	Year-on-Year Growth (Rolling average period)		
Data as at 1 March 2020	**4 weeks**	**12 weeks**	**24 weeks**
First 3 sites	21%	25%	32%
Next 5 sites	91%	110%	na
All 8 mature sites	54%	63%	na

Site level adjusted EBITDA from the owner-managed portfolio for the full year was £0.6m[2] (2018: loss £0.5m) which exceeded management's expectations, and included the start-up site losses incurred in the opening months of trading for the immature sites.

Pleasingly, the significant and continued focus on the customer experience has again driven exceptional TripAdvisor scores, with all sites five star rated and in the top four "fun and games" activities in their respective territories.

[2] Pre-IFRS 16

In June 2019, we raised £3.7m (net of expenses) by way of a placing and open offer of new shares to fund the opening of new UK sites. In December, we opened a new site at Birmingham Resorts World and sites at Basingstoke and Norwich were well advanced and due to open towards the end of Q1 2020. The number of the Group's active UK games rooms increased from 38 to 49 during 2019. We were also in advanced negotiations on several other sites, which were put on hold as a result of COVID-19. These negotiations have since re-started, as explained below.

Our newest site in Birmingham Resorts World has made a strong start and, until the COVID-19 pandemic impacted business, was trading well ahead of management's expectations. The new site also includes two virtual reality escape rooms, which are being tested ahead of a potential further roll-out at other sites. In part, the early success of our Resorts World site can be attributed to the support we have received from our landlord, both by way of capital contribution in building the site, and in ongoing marketing. The model is one we believe can be repeated and 'leisure destination' sites, such as Resorts World, are likely to form a growing part of our ongoing strategy.

Market challenges faced by retail landlords continued to protract the time taken to complete commercial negotiations throughout the year. However, there were signs in late 2019 and early 2020 that this market pressure was easing and Escape Hunt has been increasingly able to find sites on financially attractive terms. COVID-19 will undoubtedly have an impact on many smaller retailers and restauranteurs and we therefore expect the environment for us to find suitable sites on attractive terms to improve further. Once it became probable that we would be able to raise money to fund further growth, we resumed negotiations on a number of sites and anecdotal evidence to date would suggest that attractive locations are likely to become available on terms which would not have been available pre COVID-19. Together with the strong unit economics that we have been able to demonstrate, this gives us confidence in our ability to deliver on our strategy for the UK.

Franchise network

The most significant development in our franchise strategy in 2019 was the agreement we signed with our new Area Representative, PCH, covering the USA and Canada. Proprietors Capital Holdings ("PCH") is a US-based investment capital company with a wealth of experience in supporting and growing brands as both a franchisee and franchisor. PCH has successfully grown brands including Papa Murphy's, CPR -Cell Phone Repair, PROSE, Miracle Method, online Trading Academy, and Pedal Pub. This is the most substantial franchise agreement we have signed since Admission and sets a standard for future, similar deals. Importantly, the new agreement creates much stronger alignment in content strategy with our franchise partners which will enable us to serve our partners more effectively, efficiently and profitably. PCH successfully converted an existing franchise location in Houston, Texas to our new format and branding and installed one of our catalogue games, Alice in Puzzleland. The site opened in early March 2020 to extremely positive reviews before being temporarily closed due to COVID-19. It re-opened in May, although Texas is experiencing a resurgence of COVID-19 and the site closed again in July. We continue to work closely with our US partners and supporting their growth ambitions is a key strategic objective for 2020. Although the PCH agreement was signed in 2019, there was no financial contribution from the partnership in the year to 31 December 2019.

Our existing franchise network performed in line with the Board's expectations, delivering revenue of £1.1m (2018: £1.1m) and EBITDA of £0.3m (2018: £14k). We have terminated a number of under-performing smaller direct franchise agreements. At year end, the active network comprised 40 locations in 17 countries. Since year end, we have terminated a further four agreements as we seek to rationalise the network and focus on regions where we can build a meaningful presence.

Content strategy

Our content strategy sets out a clear path to monetise opportunities from a broad customer segment. To date, the business has been focused on retail consumers. In late 2019, we aimed to diversify our customer mix and began to market directly to corporates, generating positive results. Looking forward, we have identified a number of opportunities and have a strategy to address each of these incrementally. The content strategy supports both the UK owned and operated business and our franchise network.

Table 2: Content strategy

	EH Retail	EH for Business	EH for Education	EH for Brands
Content	• Social entertainment experiences	• Experiences as learning and development, training and recruitment	• Experiential, gamified learning and assessment	• Experiential gamified marketing activations for consumer products, services and attractions
Audience	• Families, friends, colleagues, social event organisers, children, students, retired	• Learning and development; recruitment and assessment; reward and recognition; conferences, away days	• Teachers and pupils • Schools and colleges • Community groups • Admissions teams	• Tourist attractions • Theme parks • Hotels • Museums • Parks
Channel	• In venue games and meeting rooms • Surrounds of venue (outdoor) • Virtual Reality • Downloads / home games	• In venue games and meeting rooms • Surrounds of venues • Downloads / home games	• In venue games and meeting rooms • Surrounds of venues • Downloads / home games • Virtual Reality	• Bespoke trails • Outdoor roaming • Indoor • Virtual Reality • Themes downloads / home games

Operational capability

Our success in delivering value for our customers, shareholders and other stakeholders alike, depends on our ability to produce high quality content efficiently and effectively. Since Admission, our experience in developing new games and turning them to reality has created a substantial bank of intellectual property. We have been working with key suppliers to reduce the cost of installing new games and have developed ways to produce games in a more modular fashion so that they can be more easily replicated, installed and, in future, moved between venues. We are also working closely with our franchise partners, notably in the US, to further improve the manufacturing and installation costs of games as we believe this will provide a clear competitive advantage in future.

As a small business, we work closely with certain suppliers, providing opportunities for continued improvement whilst seeking to develop and build the know-how internally to ensure the value of all these initiatives is retained.

Whilst efforts to date have been able to substantially reduce the cost per game / room compared to our earliest sites, further work is being done to continue progress in this regard.

Strategic objectives for 2020

Our strategic objectives for 2020 and beyond fall into five categories:

1. Roll-out of our owner-managed network through direct investment
2. Sustain and support growth in performance from our existing franchise network
3. Deliver the US franchise opportunity in partnership with PCH

4. Enhance returns and margins through broadening our product set and target audience
5. Investment in infrastructure and operations to improve efficiency and scalability

In July 2020 we raised £4.1m (net of expenses) through a combination of a placing, subscription, convertible loan note issue and an open offer. The additional capital enables us to progress our strategic objectives whilst also providing working capital for the short and medium term. The pace at which we are able to progress will depend, in part, on the speed of recovery from COVID-19 as we seek to balance the short term need to maintain cash in case of further recurrences of COVID-19 against the desire to expand the platform. The recent performance of our business gives us confidence in the unit economics and the financial attractions of the business model and the Board therefore continues to explore any options which will support growth whilst seeking to grow shareholder value.

Conditional on accessing sufficient capital to do so, our short-term target is to grow the UK estate to at least 15 Escape Hunt branded sites within 9 months and then to 20 sites within 18 – 24 months of reopening after COVID-19. This may require access to further capital, which may be from borrowings in future. We believe there is a market opportunity to grow the UK estate to approximately 50 sites in the longer term. Supported by anticipated growth in our franchise business, both in the US and elsewhere, we believe this strategy will deliver a sustainably cash generative, highly profitable business.

Our key performance indicators by which we monitor progress and performance are set out in the Financial Review below.

Outlook

We have been excited to be able to re-open our UK sites during July and are delighted that the majority of our franchise estate has also been able to re-open. However, some of our franchise estate are now being affected by lock down measures being re-imposed, so there is still considerable uncertainty over the short term trading outlook. There is, of course, a risk that local or even another national lock-down could be imposed in the UK. Without a clear view on how long COVID-19 restrictions are likely to impact our business, nor on how consumers will behave thereafter, it is difficult to know how quickly our business will rebound. We are enormously encouraged by the Group’s performance as we entered the pandemic and by the consumer response to our offering, evidenced by the fantastic TripAdvisor™ ratings we have received and excellent financial returns. We are also encouraged by the energy and enthusiasm of our US partners and our franchise network and by the support we received from both existing and new investors in our recent fundraise. Consequently, we continue to see the opportunity afforded by rapid growth in experiential entertainment as an attractive one where we will be able to build and sustain a premium brand in escape rooms. We are therefore as confident as we can be that we will emerge from the COVID-19 pandemic intact and ready to build on the base that we have successfully established so far.

Richard Harpham

Chief Executive Officer

28 July 2020

Financial Review

Group Results

Revenue

Group revenue rose strongly in the year from £2.2m to £4.9m, a rise of 128%.

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000	Increase / (decrease)
New branch upfront location exclusivity fees	138	123	12%
Game design fees	129	118	9%
Support and administrative fees	92	94	(2%)
Franchise revenues	717	741	(2%)
Owned branch revenues	3,832	1,077	255%
Other	7		-
	4,915	2,153	128%

The main contribution to revenue growth came from the UK owned branch network, where revenues were up £2.8m, an increase of 255%. Of this, approximately £2.0m was as a result of the full year contributions from sites not open during the whole of 2018, whilst £0.8m represented like-for-like growth from existing sites. Like-for-like growth from our most mature sites was 34% in the last quarter of the financial year, whilst across all eight established sites like-for-like growth in December 2019 was 70% compared to the same period in 2018.

Within the franchise business, recognition of upfront location exclusivity fees rose as a result of the termination of a small number of contracts which led to the accelerated recognition of upfront fees which are otherwise recognised over the period of exclusivity. Franchise revenues were broadly flat year-on-year.

Gross profit (re-categorised)

We changed the basis in which we measure gross profit during the year as we considered that certain costs, principally fixed labour costs at site level, should be treated as administration rather than direct cost of sale. The Board believes this change in categorisation better reflects the underlying performance and provides a more useful measure of the business. Gross margin rose from 47% in 2018 to 67% in 2019. The primary driver of this improvement was more efficient use of labour at sites, helped by the higher levels of utilisation and learning curve effects from having been open for longer.

Adjusted EBITDA

Adjusted EBITDA loss reduced by 45% from £3.1m to £1.7m and is a key performance measure for the Group. A reconciliation between statutory operating loss and Adjusted EBITDA is shown below.

At a segmental level, the breakdown of Adjusted EBITDA loss was as follows:

	2019 £'000	2018 £'000	Increase / (decrease) £'000
Owner-operated EBITDA – Site level, pre-IFRS 16	606	(499)	1,105
Owner-operated EBITDA after central overheads (pre-IFRS 16)	507	(613)	1,120

IFRS 16 Adjustments	370[3]	-	370
Owner-operated EBITDA after central overheads and IFRS 16[4]	877	(613)	1,490
Franchise EBITDA after central overheads	361	14	347
Unallocated central costs	(2,945)	(2,488)	(457)
Adjusted Group EBITDA	(1,707)	(3,087)	1,380

The Group started to benefit from operational gearing with increased turnover, notably at site level. EBITDA profitability in both the owner operated business and the franchise business rose sharply.

Operating loss

Group operating loss reduced significantly from £10.0m to £5.9m, helped by the improvement in Adjusted EBITDA as well as reduced amortisation charges, principally relating to acquired intangibles and the impairment charges in 2018 which were not repeated.

	2019	**2018**
	£'000	**£'000**
Operating loss	(5,932)	(10,012)
Amortisation of intangibles	2,124	3,656
Impairment of intangible assets	-	2,345
Depreciation	1,733	545
Depreciation of right of use assets	347	-
Loss on disposal of assets	-	45
Branch closure costs	-	291
Exceptional professional fees	7	-
Foreign currency losses	1	31
Share-based payment expense	12	12
Adjusted Group EBITDA	(1,701)	(3,087)
Pro forma IFRS 16 adjustments		*388*
Comparable prior year Adjusted Group EBITDA	*(1,701)*	*(2,699)*

Owner-Operated sites

Eight new sites opened during 2018 and each operated for the full twelve months in 2019. As mentioned above, revenue from our owner-operated sites grew from £1.1m to £3.8m in 2019. Approximately £2.0m of this growth was from the full year effects of having sites open, whilst the balance represents like-for-like growth.

Site level EBITDA rose sharply as individual site performance grew and start-up losses turned to profit. Total site labour as a percentage of total sales fell from 65% in 2018 to below 40% in 2019. Importantly, the ratio fell from 43% in the first half of the year to 36% in the second half, illustrating the continued improvement which has been achieved. We believe further improvements can be made through investment in technology and systems and as occupancy levels at site level continue to improve.

In December 2019, we opened a further site at Birmingham Resorts World and had been scheduled to open two further sites in early 2020 in Basingstoke and Norwich. These openings were put on hold as a result of the COVID-19 outbreak. In the first weeks of its operation, our Resorts World site performed ahead of management's expectations. Work has subsequently resumed at both Basingstoke and Norwich

[3] £370k is the rental charge relating to sites only which is reversed out under IFRS16. The group total rental charge reversed out under IFRS16 is £454k, £84k relating to head office.

[4] 2018 has not been restated for IFRS16

which we expect to open in the coming months. We have also reached heads of terms on two further sites and are in negotiations on a number of others.

Franchise estate

Revenue from our franchise estate was broadly flat year-on-year. However, we were able to reduce the costs directly associated with managing our franchise estate such that adjusted EBITDA from our franchise estate rose to £0.4m (2018: £0.0m). Following some rationalisation of our franchise estate, the number of active franchisees at the end of the year was 40 which compares to 42 at the end of 2018. Since year end, we have terminated a further four single franchisee agreements.

Central overheads

In the Autumn, the Company took action to reduce overhead costs, including reducing headcount at head office. We continue to look at ways in which we can optimise costs and plan to make modest investments in projects to improve efficiency centrally which are aimed to ensure that we maximise the benefit of operational gearing as the Company's revenues grow.

Cashflow and capital expenditure

Cash and cash equivalents at the year-end was £2.2m (2018: £2.7m). In June 2019, the Company raised £3.7m (net of expenses) through an equity issue. Hence, total cash used during the year was £4.2m. EBITDA losses absorbed approximately £1.7m whilst working capital movements absorbed £0.5m. We expect this to reverse in future and greater focus is being placed on collecting cash from our franchise estate so that the benefits that we receive from advance bookings flow through to cash.

£1.5m was utilised for capital investment, of which £1.3m was on property plant and equipment, including new games and site fit out, and £0.3m on intangibles.

The balance (£0.5m) was largely property rental which under IFRS 16 is accounted for as repayment of finance leases and interest, together with other sundry items.

Return on capital is a key performance measure for the Company, with each site being commissioned based on an anticipated cash return on investment, payback and net present value generated.

IFRS 16

From 1 January 2019, the Group adopted the new accounting standard, IFRS 16. The standard requires companies for the first time with leasehold properties to capitalise all leases on the balance sheet as a right of use asset and also to recognise on the balance sheet the present value of the obligations to make lease payments. The rents which were previously charged to the Income Statement (£388k in 2018) have instead be replaced by a depreciation charge and a finance charge. In 2018, these would have been £302k and £158k respectively had the Standard been adopted for the whole of 2018. Total rent payments in 2019 were £454k which under IFRS 16 were accounted for as £347k depreciation of right-of-use assets, and £171k in finance charges.

Key Performance Indicators

The Directors and management have identified the following key performance indicators ('KPIs') that the Company tracks. These will be refined and augmented as the Group's business matures:

- Numbers of owner-operated branches
- Numbers of franchised branches
- Ratio of site staff costs to site revenue
- Site level revenue and like-for-like growth
- Site level EBITDA

- Site level return on total investment
- Adjusted EBITDA for the Group
- Head office costs

The Company monitors performance of the owner operated sites on a weekly basis and intends to move towards ‘months’ based on four and five week cycles. Investment is being made into data management solutions which will provide faster and easier access to management information across sites. The Board also receives monthly updates on the progress on site selection, site openings and weekly as well as monthly information on individual site revenue and site operating costs. Monthly management accounts are also reviewed by the Board which focuses on revenue, site profitability and adjusted EBITDA as the key figures within the management accounts.

Both the number of franchised branches as well as their financial performance are monitored by the management team and assistance is provided to all branches that request it in terms of marketing advice as well as the provision of additional games.

Although there continue to be a high level of enquiries from interested parties for individual franchises, the Group changed its approach in 2018 to issuing new franchises to focus on its Master Franchisees as well as larger, well capitalised businesses which can open large numbers of owner operated branches. The agreement signed with PCH in the US in September 2019 is the first agreement signed since this new approach.

The key weekly KPIs by which the UK business is operated are the site revenue, marketing spend and staff costs and consequent ratio of staff costs to revenue. Total revenue is tracked against budget, adjusted for seasonality, number of rooms open and the stage in the site’s maturity cycle. Staff costs are measured against target percentages of revenue. The effectiveness of marketing is assessed by observing revenue conversion rates and the impact on web traffic, bookings and revenue from specific marketing campaigns.

The Company’s systems track performance on both a weekly and a monthly basis. These statistics provide an early and reliable indicator of current performance. The profitability of the business is managed primarily via a review of revenue, adjusted EBITDA and margins. Working capital is reviewed by measures of absolute amounts.

Corporate Responsibility

The Company takes its responsibilities as a corporate citizen seriously. The Board’s primary goal is to create shareholder value but in a responsible way which serves all stakeholders.

Governance

The Board considers sound governance as a critical component of the Group’s success and the highest priority. The Company has an effective and engaged Board, with a strong non-executive presence from diverse backgrounds and well-functioning governance committees. Through the Group’s compensation policies and variable components of employee remuneration, the Remuneration Committee of the Board seeks to ensure that the Company’s values are reinforced in employee behaviour and that effective risk management is promoted.

More information on our corporate governance can be found below.

Employees and their development

The Company is dependent upon the qualities and skills of its employees and the commitment of its people plays a major role in the Group's business success. The Company invests in training and developing its staff through internally arranged knowledge sharing events and through external courses.

Employees' performance is aligned to the Group's goals through an annual performance review process and via incentive programmes. The Group provides employees with information about its activities through regular briefings and other media. The Group operates a number of incentive schemes and a share option scheme operated at the discretion of the Remuneration Committee.

Diversity and inclusion

The Group does not discriminate on the grounds of age, gender, nationality, ethnic or racial origin, non-job-related-disability, sexual orientation or marital status. The Group gives due consideration to all applications and provides training and the opportunity for career development wherever possible. The Board does not support discrimination of any form, positive or negative, and all appointments are based solely on merit.

Health and Safety

The Group endeavours to ensure that the working environment is safe and healthy and conducive to the wellbeing of employees who are able to balance work and family commitments. The Group has a Health and Safety at Work policy which is reviewed regularly by the Board. The Group is committed to the health and safety of its customers, employees and sub-contractors and others who may be affected by the Group's activities. The Group provides the information, instruction, training and supervision necessary to ensure that employees are able to discharge their duties effectively. The health and safety procedures used by the Group ensure compliance with all applicable legal and regulatory requirements as well as its own internal standards.

Graham Bird

Chief Financial Officer

28 July 2020

Principal Risks and Uncertainties

The Directors consider that the principal risks and uncertainties facing the Group and a summary of the key measures taken to mitigate those risks are as follows:

Further outbreak of COVID-19 or other pandemics

The outbreak of the Coronavirus, or COVID-19 had a dramatic impact on the leisure sector as a whole. Measures introduced by governments around the world to combat the spread of COVID-19 have included temporary closures, the introduction of social distancing rules, rules over the number of people permitted in gatherings, use of face coverings, cleaning protocols, and other measures which have a direct impact on the operation of sites for both owned and operated sites and franchisee sites. Whilst in most jurisdictions, the most strenuous measures have begun to be lifted, there can be no certainty that previous restrictions will not be re-imposed or new restrictions introduced in the UK or in any of the territories where franchisees operate, including full closure. The re-imposition of such measures, or new measures could have a materially adverse impact on the Group's ability to operate and could result in the business model becoming unviable or forcing closure.

During the initial months of the COVID-19 lockdown, the company was able to benefit from UK government support through the Job Retention Scheme, the reduction of business rates, and through grants introduced directly as a result of COVID-19. Without this support, the Group would have had to make much more severe decisions regarding staffing and costs and may not have been in a position to re-open without incurring significant additional costs. The Job Retention Scheme is due to be phased out by the end of October and there can be no certainty that it, or any other support measures provided by the UK or other governments in other jurisdictions, would be re-introduced in the event of a subsequent outbreak of COVID-19 or any other pandemic.

Financial risks

The effective management of its financial exposures is central to preserving the Company and Group's profitability. The Group is exposed to financial market risks and may be impacted negatively by fluctuations in foreign exchange rates, which may create volatility in the Group's results to the extent that they are not effectively hedged. The Group does not hedge its foreign exchange rate exposures.

The Group's finance team provides support to management to ensure accurate financial reporting and tracking of business performance. Reporting on financial performance is provided on a monthly basis to senior management and the Board. Weekly systems were introduced in 2018 ahead of site openings to provide management with performance figures from the sites.

The Group has invested in the improvement of its systems and processes in order to ensure sound financial management and reporting during the year.

Roll-out of owner-operated sites

The Escape Hunt Group has opened a number of owner-operated sites which offer the Group growth opportunities. The Group plans to open more sites and was in negotiations with a number of landlords at the end of the year. As at 30 June a further 2 lease agreements had been signed and work was progressing on fit out at each of these sites. However, there is no guarantee that the Escape Hunt Group will be able to locate or secure a sufficient number of appropriate sites to meet its growth and financial targets. As announced previously, obtaining sites, together with appropriate planning permissions and completing legal documentation impacted the roll-out pace in 2018 and 2019 and with the consequent impact on revenues and profits. It is also possible each site may take some time from its opening date to reach profitable operating levels due to inefficiencies typically associated with new sites, including lack of awareness, competition, the need to hire and train sufficient staff and other factors. The Group has worked to reduce this risk through strong staff recruitment and training processes and investment in marketing activities.

In addition, the opening of the first eight sites was capital intensive. The Board believes that the real estate market for signing new leases is generally moving in tenants' favour, even more so after COVID-19, and with the appeal of Escape Hunt acting as a potential draw for customers into their sites, the Company has signed and is being offered a number of attractive opportunities where the landlord is prepared to part fund the capital required to develop new sites. As such, the directors believe that the future return profile for new sites will be stronger than what has been delivered on existing sites to date. However, there is no guarantee that this will be the case.

The ability of the Company to fund its share of the capital expenditure is dependent on access to funding in the form of equity or debt. Whilst the company was able to raise £4.1m (after expenses) in July through a placing, share subscription, convertible loan note and an open offer, there is no certainty that the amount of money raised will be sufficient to fund the company's plans or that the company will be able to access further funding in future. The amount of capital from the fund raise that can be deployed to supporting growth is, in part, dependent on the rate at which business returns post COVID-19, which is unknown.

The directors have considered the event of a slow and protracted recovery from COVID-19 and have a secondary business plan which would be activated in event this were necessary. This business plan shows a substantially reduced number of new openings and also the need to achieve certain costs savings to reduce the scale and costs of the head office function to the reduced levels of growth. The inability to fund the same number of owner-operated new openings would lead to an increased focus on the franchise business.

In assessing going concern the directors have considered this secondary business plan and evaluated their ability to generate the cost savings required and the resilience of the forecasts to possible changes in future results, noting risks as described below, including Brexit. In this scenario the directors consider that the Group has sufficient cash reserves that it reasonably expects to be sufficient to meet its liabilities as they fall due. Accordingly, the Directors consider that the Group has adequate financial resources to continue operating for the next 12 months and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

The move from a predominantly franchised model to an owner-operated site roll-out was a new strategy for 2018 and there are risks inherent in its adoption. The Group manages a number of site opening processes. These processes include site selection and acquisition, through to fit-out, employment of staff and launch, which it had not done until the last few months of 2017, when it began the fit-out process on a small number of sites. Equally, as the owner-operated estate increases, the Group's head office and new central support functions were developed and grown to support the owner-operated branch network. Future growth could place further significant demands on the Group's operational and financial infrastructure.

In addition, initial delays in establishing fully operative and efficient owner-operated sites have affected the growth of the Group's revenue and profits and may do so again. This could materially adversely impact the Group's business, results of operations and financial performance and could have an adverse effect on the share price.

Franchise estate

Revenue from the franchise estate currently accounts for a material proportion of revenue and operating cashflow for The Escape Hunt Group. A number of the franchisees have been materially adversely affected by COVID-19 in their respective jurisdictions, placing them under significant financial pressure. In a number of cases, franchisees have fallen behind on their financial obligations to Escape Hunt. Whilst Escape Hunt has been working with the franchise network to support them during this unprecedented period, the Group is not in a position to be able to provide financial support to the network and there can be no certainty that all the franchisees will fully recover. This could have an adverse impact on future performance and results.

While the Escape Hunt Group currently plans to continue to open new franchise sites around the world, it is more likely that franchise agreements going forwards would be focussed towards fewer agreements requiring a larger number of sites to be opened in a particular territory. These potential partners include those who already operate other leisure facilities but there is no guarantee that these will come to fruition. The Company cannot guarantee that the Escape Hunt Group will be able to achieve its franchise expansion goals or that the new sites will generate the expected levels of revenue and therefore revenue share. This may adversely impact on the Group's ability to increase turnover.

The escape game market has low barriers to entry therefore the threat of new entrants is high

A single site or a small number of sites offering an escape game experience would be relatively simple for a new entrant to establish. The barriers to entry for such competition at that level is relatively low and there is a risk that such entrants could dilute the market place or adversely impact the consumer's perception of escape game experiences in the event that the quality of experience offered by these new entrants was poor or at worst, attracted negative publicity related to the health and safety of participants in escape room games. The escape game experience market is in its infancy and consumer perceptions may be more easily influenced by a poor quality offering or negative publicity due to their limited experience which in turn could negatively impact on the perception of the Group's business and could adversely affect profitability and results of operations.

However, the Group's strategy is to develop an international quality escape room experience and the Directors believe the barriers to entry for new global entrants adopting the same strategy are higher than a single-site opening due to the complexities of designing games and managing them across international operations. However, there is a risk that established corporations in the leisure market, who may have the capital and resources to compete with the Group's business, may wish to enter the escape room market.

Brexit

The Company has sought advice on specific risks to which the Group might be exposed as a result of an exit of the UK from the EU. The most tangible immediate issue related to the risk to charge VAT to its EU based franchisees. The advice received is that the VAT regime would remain effectively unchanged.

At present, the Group does not trade with the EU in terms of importing any physical props or equipment, although it is possible that its suppliers may do so.

The market is immature and therefore forecast growth and application of regulation is unpredictable

The market for escape game experiences is immature and growth will be characterised by changes in consumer needs and expectations, continued evolution in technology and increased competition. If the Group fails to develop new offerings or modify or improve existing offerings in a timely and cost-effective manner in response to these changes in technology, consumer demands and expectations, competition or product introductions, the Group's business, results of operations and financial condition may be adversely affected.

Changing trends could impact on the Group's revenues and profits as well as the Group's goodwill. Whilst the Directors believe that the Group's own game designs have longevity and, therefore the potential to deliver substantial growth in sales, there can be no guarantee that they will evolve to fulfil this potential. The Group will also need to innovate and create new escape room experiences which are market leading. This applies to not just the number of new experiences which are created but the quality and reflection of consumer tastes in the experiences. If the Group fails to anticipate, identify or react swiftly to trends in consumer preferences then this could result in lower sales, margins and profits.

The Group's owner-operated sites are leased. Increases in rental payments or the early termination of any of the Group's leases, or the failure to renew or extend the terms of any of the Group's leases could adversely affect the Group's profitability

The Group's operating performance depends in part on its ability to secure and retain leases in desired locations at rents it believes to be reasonable. The leases for the Group's new owner-operated sites may generally require that their annual rent be reviewed on a periodic basis and which may be on an "upwards-only" basis. The annual rent for the premises then becomes the greater of such open market rental value and the previous contractually agreed rent. As a result, the Group may be unable to predict or control the amount of any future increases in its rental costs arising from the review of rents it pays for its sites and would be unable to benefit from any decline in the open market rental value of its sites. Any substantial increase in the business rates or rent paid by the Group on its owner-operated sites or the early termination of any of its leases could adversely affect the Group's business, financial and other conditions, profitability and results of operations. However, the Group slowed down the pace of acquiring sites and believes that this could decrease overall future lease costs as prices may be reducing as a result of large retail changes.

The Group analyses the suitability of all new sites prior to opening, however this is not a guarantee that any new site will be a success. If a site is not successful, the Group may need to cease its operations on that site and seek to assign or sub-let the premises. However, suitable tenants may not be found and any lease may have restrictions on assignment or subletting which may mean that this is either prevented or delayed. A failure to find tenants and/or a prohibition or delay in assigning or sub-letting unsuccessful sites would result in the Group paying rent and satisfying the tenant's obligations under the lease of a site which is not operational and with total rental costs being higher than necessary.

The Group works closely with a number of key suppliers. Termination of any of these key relationships could adversely affect performance in the short term

The Group has invested significant time and resource into relationships with a number of key suppliers, notably those involved in the production, delivery and installation of Escape Games. Whilst the Group owns the intellectual property related to the games and these relationships can be replaced, the replacement of a key supplier could take time and could adversely affect the pace and cost at which the Group is able to execute its growth plans in the short term. It could also adversely impact the short term ongoing maintenance cost of existing games where the key supplier has been involved.

Performance of franchisees

The Group depends, in large part, on the Escape Hunt brand. The vast majority of sites are today owned and operated by franchisees who are responsible for delivering the high standards of the Escape Hunt brand to consumers. Whilst franchisees are required to operate within the Group's standards for site operation, they are given a degree of autonomy to ensure they operate in a way that suits their local area. The Escape Hunt Group provides that franchisees must adhere to quality, safety and image regulations that the Escape Hunt Group promotes through the implementation of training and careful monitoring, funded by both the franchisees and the Escape Hunt Group, and through appraisals. Despite these controls and absent a decision to remove such franchisees from its business, the Group may be unable to prevent its franchisees from operating outside of the Group's operational regulations, franchise manual and business model.

The Board has responded to these risks by appointing directors and staff with the appropriate skills and experience and by identifying KPIs that will show how well these risks are being managed. In particular, the franchise agreements have been considerably strengthened for all new franchisees which will enable the Group to exercise greater control over new franchisees. A small franchisee team has now been formed to assist the franchisee network with better marketing advice which is expected to raise revenue for both the franchisee and therefore the Group but also strengthen the communication and relationship between the Group and the franchisee network.

Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The Directors of the Group must act in accordance with a set of general duties. These duties are detailed in section 172(1) of the U.K. Companies Act 2006, which is summarised as follows:

‘A Director of a Company must act in the way he/she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

1. The likely consequences of any decision in the long term;
2. The interests of the Company’s employees;
3. The need to foster the Company’s business relationships with suppliers, customers and others;
4. The impact of the Company’s operations on the community and the environment;
5. The desirability of the Company maintaining a reputation for high standards of business conduct; and
6. The need to act fairly as between members of the Company.

The Board consider that they have fulfilled their duties in accordance with section 172(1) of the UK Companies Act 2006 and have acted in a way which is most likely to promote the success of the Group for the benefit of its stakeholders as a whole in the following ways:

Long term benefit

Our strategy was designed to have a long-term beneficial impact on the Company and to contribute to its success in delivering an engaging and enjoyable service for customers across the world. The Board’s strategy to expand both the owner-operated and franchise estates is aimed at building long term value for shareholders and other stakeholders alike.

Shareholders

The Board engages regularly with its shareholders and seeks to build a mutual understanding of the objectives of shareholders and those of the Board by discussing long-term strategy, shorter term challenges and issues and to receive feedback. For further information see page 29.

Within the practical constraints of being able to access all shareholders directly, the Board actively seeks to treat all shareholders equally. In June 2020 the Board opted to offer all shareholders the opportunity to participate in the fund raising by making an open offer available to all shareholders.

Employees

Escape Hunt is reliant on the quality and performance of its employees and the commitment of its staff plays a crucial role in the success of the business. Staff in sites are given regular training to ensure they are able to fulfil their roles successfully and the Group maintains a regular two-way communication with all staff both centrally and through individual sites to ensure employee matters are identified and addressed.

The safety of our staff is of utmost importance to the Board. As such, the Board implemented a ‘work from home’ policy for all office based staff on 13th March 2020 in light of the COVID-19 outbreak. In each owner-operated site the board has implemented protocols and standards to safeguard employees who are not able to work from home. The board receives a report on all health and safety issues on a monthly basis.

Customers

As an experiential leisure business, a primary goal is to delight our customers and provide the best immersive experience we can. Tripadvisor ratings is one of our key performance indicators and we continually seek to improve the user journey before, during, and after their experience.

Suppliers

The group works closely with a number of suppliers in different disciplines. We aim to promote collaborative engagement and to build long term partnerships with our suppliers with an objective to minimise risk and optimise costs through the full lifecycle of our relationship. We seek to balance this with the need to ensure the company is not overly reliant on any single supplier.

Community and environment

The Board has overall responsibility for Corporate Social Responsibility ("CSR"). Specific CSR initiatives are promoted by the senior executive management and are communicated to others in the organisation as needed. Initiatives include matters such as recycling and minimising waste, recognition of companies and individuals in the community for whom we have offered discounted or free participation in our games, as well as local community issues and interests such as encouraging furloughed employees to volunteer locally. Many of our employees are actively engaged with charities and other causes for which we will allow the use of company property and facilities.

Culture and values

The Board actively seeks to establish and maintain a corporate culture which will attract both future employees, customers and suppliers. The Company promotes honesty, integrity and respect and all employees are expected to operate in an ethical manner in all their dealings, whether internal or external. We do not tolerate behaviour which goes against these values which could cause reputational damage to the business or create ongoing conflict or unnecessary tension internally.

This Strategic Report was approved by the Board on 28 July 2020 and signed by order of the Board by the Chief Executive.

Richard Harpham

Chief Executive

28 July 2020

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their report together with the audited financial statements of the Group for the year ended 31 December 2019.

Principal activities

The principal activities of the Group are that of operating and developing a network of franchised, licensed and owner-operated branches and offsite "escape the room" type games.

Cautionary statement

The review of the business and its future development in the Strategic Report has been prepared solely to provide additional information to shareholders to assess the Company's strategies and the potential for these strategies to succeed. It should not be relied on by any other party for any other purpose. The review contains forward looking statements which are made by the Directors in good faith based on information available to them up to the time of the approval of the reports and should be treated with caution due to the inherent uncertainties associated with such statements.

Results and dividends

The results of the Company are set out in detail in the Financial Statements.

Given the nature of the business and its growth strategy, it is unlikely that the Board will recommend a dividend in the next few years. The Directors believe the Company should improve performance to generate profits to fund the Company's growth strategy over the medium term.

Business review and future developments

Details of the business activities and developments made during the period can be found in the Strategic Report and in Note 1 to the Financial Statements respectively.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/ she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Financial instruments and risk management

Disclosures regarding financial instruments are provided within Note 28 to the Financial Statements.

Capital structure and issue of shares

Details of the Company's share capital, together with details of the movements during the period are set out in Note 20 to the Financial Statements. The Company has one class of ordinary share which carries no right to fixed income.

Post balance sheet events

Following the spread of COVID-19 in the UK in early 2020, on 20 March the UK Government mandated closure of all restaurants, bars, clubs, gyms and leisure facilities, forcing closure of all the Company's UK sites. The vast majority of the Group's franchise network was also affected by similar mandatory closures in other parts of the world. The Company took immediate action to reduce costs and preserve cash and was also able to benefit from a number of UK government schemes to provide support during the period of closure.

On 4 July 2020, the UK government lifted certain restrictions, allowing sites to re-open subject to implementing various processes and procedures aimed at minimising the risk of spreading COVID-19. A number of the sites re-opened on 11 July 2020. The impact of the closures between 20 March 2020 and 11 July 2020 was severe, with no revenue being earned from in-site activity during the period. The pace at which activity will resume following the closures is unknown.

On 12 June 2020 the Company announced a conditional £4.0m fundraise (before expenses) through an accelerated bookbuild, share subscription and convertible loan note issue and launched an open offer to raise up to a further £0.5m from existing shareholders. The shareholder meeting to approve the fund raise was held on 1 July 2020 and the fund raise closed with a further £0.3m being raised through the open offer. The total cash received, net of expenses was £4.1m.

Board of Directors

The Directors of the Company who have served during the period and at the date of this report are:

Director	**Role**	**Date of appointment**	**Date of resignation**	**Board Committee**
Richard Rose	Independent Non-Executive Chairman	25/5/2016		N A R
Richard Harpham	Chief Executive Officer	3/5/2017		
Alistair Rae	Chief Financial Officer	3/5/2017	31/7/2019	
Graham Bird	Chief Financial Officer	6/1/2020		
Adrian Jones	Non-Executive Director	3/5/2017	31/5/2020	
Karen Bach	Independent Non-Executive Director	3/5/2017		N A R

Richard Harpham was first appointed on 25 May 2015 and resigned on 15 June 2016. He was subsequently re-appointed on 3 May 2017.

Board Committee abbreviations are as follows: N = Nomination Committee; A = Audit Committee; R = Remuneration Committee

The Board comprises two executive and two non-executive directors.

Richard Rose, Independent Non-Executive Chairman

Richard has a wealth of experience chairing high profile boards. He has been Chairman of Watchstone Group plc since May 2015 and was previously Chairman of Booker Group plc where he stepped down in July 2015 having served three terms of three years each. In July 2016 Richard retired as Chairman of AO World plc after eight years. Richard is also non-executive Chairman of Currency Fair Ltd, and Innovative Bites Group Ltd.

Richard is a member of the Remuneration Committee, the Audit Committee and the Nomination Committee of the Company.

Richard Harpham, Chief Executive Officer

Prior to joining Escape Hunt, Richard worked for Harris + Hoole, having been Chief Financial Officer and then Managing Director, responsible for its turnaround. Before this Richard spent over four years at Pret A Manger as Global Head of Strategy. Richard has also held a number of strategic and financial positions at companies including Constellation Brands, Shire Pharmaceuticals and Fujitsu Siemens Computers.

Graham Bird, Chief Financial Officer

Graham is a chartered accountant, having qualified with Deloitte in London, and has worked in advisory, investment, commercial and financial roles. Prior to joining Escape Hunt, Graham was one of the founding employees at Gresham House plc where, in addition to supporting the growth of Gresham House plc, he was responsible for establishing and managing the successful strategic equity business unit which focuses on both quoted and unquoted equity investments. Before this, Graham spent six years in senior executive roles at PayPoint Plc. He was also head of strategic investment at SVG Investment Managers, having previously been at JPMorgan Cazenove, where he served as a director in the corporate finance department.

Karen Bach, Independent Non-Executive Director

Karen is an entrepreneur and non-executive director with strong technology, international and transactional expertise. Karen is the COO of KRM22 Group and was the Chief Financial Officer at growing technology businesses IXEurope Plc, ACS Plc and Kewill Plc prior to founding KalliKids.com in 2012 where she was Chief Executive Officer. Karen gained much experience internationally and in finance with blue chip multi-nationals including EDS France, MCI WorldCom, General Motors and Ernst & Young. Karen is also the Chairman of Amino Technologies plc, a provider of digital entertainment solutions for internet television and a non-executive director of Purnoma Ltd.

Karen is Chair of the Remuneration Committee, the Audit Committee and the Nomination Committee of the Company.

Directors' interests in shares

Directors' interests in the shares of the Company at the date of this report are disclosed below. Directors's interests in contracts of significant to which the Company was a party during the financial period are disclosed in note 26 to the Financial Statements.

Director	Ordinary shares held	% held
Richard Rose	53,666	0.1
Richard Harpham	701,844	0.9
Graham Bird	1,434,440	1.8
Karen Bach	142,400	0.2

Escape Hunt plc owns all the ordinary shares in its subsidiary, Escape Hunt Group Ltd ("EHGL"). EHGL has issued a total of 1,000 Growth shares to the following directors and employees. The Growth shares carry no voting rights and are not entitled to any dividends that may be paid by EHGL.

Individual	EHGL Growth shares held	% held
Richard Harpham	560	56
Andrew Jacobs	160	16

The Growth shares are subject to a Put Option by the holders of the Growth Shares in which Escape Hunt plc would be required to issue Escape Hunt plc Ordinary Shares in satisfaction of the Put Option. The Put Price is determined by the market capitalisation of Escape Hunt plc on the Relevant Exercise Date and is subject to achieving a hurdle based on a compound growth rate in the market capitalisation of 20% per annum from the date of Admission of Escape Hunt plc to AIM. The final date for achieving the hurdle was 3 May 2020. As at 31 December 2019, the market capitalisation of Escape Hunt plc was significantly below the hurdle and the G Shares consequently were regarded as having no value. Subsequent to the year end, the hurdle was not achieved on 3 May 2020 and, as such, the G Shares no longer have any value associated with them.

Directors interests in options

The following options have been granted to directors under the Escape Hunt plc 2020 EMI Share Option Scheme. The options vest over three years and are subject to achieving certain performance conditions related to share price appreciation over a four year period.

Director	Options held	Exercise price	Options vested	Date of Grant	Expiry date
Richard Harpham	5,333,333	7.5 pence	nil	16 July 2020	16 July 2025
Graham Bird	3,733,333	7.5 pence	nil	16 July 2020	16 July 2025

Substantial interests

As at 14 July 2020 the Company has been advised of the following significant interests (greater than 3%) in its ordinary share capital:

Shareholder	Ordinary shares held	% held
Canaccord Genuity Wealth Management	16,639,915	20.7
Spreadex Limited*	9,999,999	12.4
JO Hambro Capital Management	8,080,838	10.1
Mr Stuart Hawthorne	7,777,777	9.7
Zeus Capital Limited	3,166,669	3.9
Crux Asset Management	2,833,334	3.5
Mr Luke Johnson	2,666,668	3.3

* includes 7,999,999 shares held by Mr John Story

Except as referred to above, the Directors are not aware of any person who was interested in 3% or more of the issued share capital of the Company or could directly or indirectly, jointly or severally, exercise control.

Donations

No political or charitable donations have been made in the year ended 31 December 2019.

Directors' insurance

The Company has maintained throughout the year directors' and officers' liability insurance for the benefit of the Company, the Directors and its Officers.

Independent auditors

During the year the Company appointed Crowe UK LLP as its auditors. A resolution formalising the appointment and proposing the re-appointment of Crowe UK LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Provision 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 that Director is aware, there is no information relevant to the audit of which the Company's auditors are unaware, and;
- each Director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Annual General Meeting

The Annual General Meeting (AGM) will be held on 24 September 2020.

Signed by order of the board

Graham Bird
Chief Financial Officer and Company Secretary
28 July 2020

CORPORATE GOVERNANCE REPORT

Chairman's governance overview

I am pleased to present the Corporate Governance Report for the year ended 31 December 2019.

The Board believes that strong governance is a central element of the successful growth and development of the Group. The Board and its Committees play a key role in the Group's governance by providing an independent perspective to the senior management team, and by seeking to ensure that an effective system of internal controls and risk management procedures is in place. This section of the Annual Report describes our corporate governance structures and processes and how they have been applied throughout the year ended 31 December 2019.

Recent changes in the AIM Listing Rules now require companies to formally adopt a corporate governance code.

On 13 September 2018, the board of Escape Hunt decided to apply the QCA Corporate Governance Code (2018 edition - the QCA Code). We believe that the QCA Code provides us with the right governance framework: a flexible but rigorous outcome-oriented environment in which we can continue to develop our governance model to support our business.

Our governance framework

The Board currently comprises two executive and two non-executive directors.

The Board has an audit committee, remuneration committee and nomination committee with formally delegated duties and responsibilities, as described below.

The Chairman, who is Non-Executive and Independent, is responsible for leading an effective board, overseeing corporate governance culture and ensuring appropriate strategic direction.

The Chairman is primarily responsible for the working of the Board of the Company and for assessing the individual contributions of each Board member to ensure that:

- Their contribution is measurable, timely, relevant and effective
- They commit sufficient time to the business to fulfil their statutory and fiduciary duties
- Where relevant, they maintain their independence
- They function collectively in a coherent and productive manner
- The receive appropriate training to stay up to date and improve performance

In accordance with current best practice and the QCA Code, the Board undertakes an annual formal evaluation of its performance and effectiveness and that of each Director and its Committees. This evaluation is overseen by the Chairman, co-ordinated by the Company Secretary and concluded by Chairman interviews where necessary. In addition, the Non-Executive Directors meet, informally, without the Chairman present and evaluate his performance. The Board currently considers that the use of external consultants to facilitate the Board evaluation process is unlikely to be of significant benefit to the process, although the option of doing so is kept under review.

The Chairman considers that key to his role in creating an effective Board, is an effective assimilation of feedback received, and the development and effective application of recommendations.

The QCA Code was adopted by the Company in September 2018 and is set out on the Company's website. The Group addresses the ten principles underpinning the QCA Code as follows:

Deliver growth

1. Establish a strategy and business model which promote long-term value for shareholders
2. Seek to understand and meet shareholder needs and expectations:

See the section “Communication with shareholders” in on page 29.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success:

See the “Corporate governance” section of our website, www.escapehunt.com

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation:

See “Principal risks and uncertainties” on page 16.

Maintain a dynamic management framework

5. Maintain the Board as a well-functioning, balanced team led by the Chairman:

See this section

6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities:

See this section and “Board of Directors” on page 15.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement:

See this section

8. Promote a corporate culture that is based on ethical values and behaviours:

See this section and the “Corporate governance” section of our website www.escapehunt.com

9. Maintain governance structures and processes that are fit for purpose and support good decision making by the Board:

See the section "Our Governance framework" below and the “Corporate governance” section of our website www.escapehunt.com

Build trust

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders:

See this section “Our governance framework” and the “Corporate governance” section of our website, www.escapehunt.com

The Board considers that it is fully compliant with all the principles of the QCA Code.

Our governance framework

See below for the role of the Board and its Committees.

Board of Directors

The Board is responsible for formulating, reviewing and approving the Company’s strategy, budgets and corporate actions.

Biographical details of the Directors are included above.

The Board comprises two executive and two non-executive directors, including the Chairman. All Directors bring a wide range of skills and experience to the Board. The Non-Executive Directors hold meetings without the executive Directors present. The Chairman is primarily responsible for the working of the Board of the Company. The Chief Executive's office is primarily responsible for the running of the business and implementation of the Board's strategy and policy. The Chief Executive is assisted in the managing of the business on a day-to-day basis by the Chief Financial Officer.

High-level strategic decisions are discussed and taken by the full Board. Investment decisions (above a de minimis level) are taken by the full Board. Operational decisions are taken by the executive directors and their senior leadership team within the framework approved in the annual financial plan and within a framework of Board-approved authorisation levels.

The Board regulations define a frame work of high-level authorities that maps the structure of delegation below Board level, as well as specifying issues which remain within the Board's preserve. The Board typically expects to meet at least four times a year to consider a formal schedule of matters including the operating performance of the business and to review the Company's financial plan and business model.

In accordance with the Company's Articles of Association, at the Annual General Meeting of the Company each Director for whom it is the third annual general meeting following the annual general meeting at which they were elected or last re-elected shall retire from office and offer themselves up for re-election.

It is the responsibility of the Chairman and the Company Secretary to ensure that Board members receive sufficient and timely information regarding corporate and business issues to enable them to discharge their duties.

Communication with shareholders

The Board attaches great importance to communication with both institutional and private shareholders.

Regular communication is maintained with all shareholders through Company announcements, the half-year Statement and the Annual Report and financial statements.

The Directors seek to build on a mutual understanding of objectives between the Company and its shareholders. Institutional shareholders are in contact with the Directors through presentations and meetings to discuss issues and to give feedback regularly throughout the year. With private shareholders, this is not always practical.

The Board therefore intends to use the Company's Annual General Meeting as the opportunity to meet private shareholders who are encouraged to attend, and at which the Chief Executive Officer will give a presentation on the activities of the Company.

Following the presentation there will be an opportunity to meet and ask questions of Directors and to discuss development of the business.

The Company operates a website at. http://investors.escapehunt.com/

The website contains details of the Company and its activities; regulatory announcements, Company announcements, Interim statements, preliminary statements and Annual Reports. The website is maintained in compliance with AIM Rule 26.

Board Committees

The Board maintains three standing committees, being the Audit, Remuneration and Nomination Committees. The minutes of all sub-committees are circulated for review and consideration by all relevant Directors, supplemented by oral reports from the Committee Chairmen at Board meetings.

Audit Committee

The Audit Committee was formed in May 2017 on completion of the acquisition of Experiential Ventures Limited and comprises Karen Bach who chairs the committee and Richard Rose. The Committee held 2 meetings in 2019 and has so far held 2 meetings in 2020 being the meeting held to approve the preliminary results announcement in May 2020, and the meeting to approve this report. Further details on the Audit Committee are provided below in the Report of the Audit Committee.

Remuneration Committee

The Remuneration Committee was formed in May 2017 on completion of the acquisition of Experiential Ventures Limited and comprises Karen Bach, who chairs the committee, and Richard Rose. The Committee holds three meetings each year. The committee adopted the arrangements for Directors' remuneration put in place upon admission. Further details on the Remuneration Committee are provided below in the Report of the Remuneration Committee.

Nomination Committee

The Nomination Committee was formed in May 2017 on completion of the acquisition of Experiential Ventures Limited and comprises Karen Bach who chairs the committee and Richard Rose. The Committee holds two meetings each year. No significant resolutions were made. Further details on the Nomination Committee are provided below in the Report of the Nomination Committee.

Report of the Audit Committee

Audit Committee

The Audit Committee has written terms of reference and provides a mechanism through which the Board can maintain the integrity of the Financial Statements of the Company and any formal announcements relating to its financial performance; to review the Company's internal financial controls and its internal control and risk management systems and to make recommendations to the Board in relation to the appointment of the external auditor, their remuneration both for audit and non-audit work, the nature, scope and results of the audit and the cost effectiveness, independence and objectivity of the auditors. Provision is made by the Audit Committee to meet the auditors at least twice a year.

Internal controls

In applying the principle that the Board should maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets, the Directors recognise that they have overall responsibility for ensuring that the Company maintains systems to provide them with reasonable assurance regarding effective and efficient operations, internal control and compliance with laws and regulations and for reviewing the effectiveness of those systems. However, there are inherent limitations in any system of control and accordingly even the most effective system can provide only reasonable and not absolute assurance against material misstatement or loss. The systems are designed to manage rather than eliminate the risk of failure to achieve the business objectives.

The Company has established procedures necessary to implement the guidance on internal control issued by the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (September 2014). This includes identification, categorisation and prioritisation of critical risks within the business and allocation of responsibility to its Executives and senior managers. The key features of the internal control system are described below:

Control environment – the Company is committed to high standards of business conduct and seeks to maintain these standards across all of its operations. There are also policies in place for the reporting and resolution of suspected fraudulent activities. The Company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve its objectives.

Risk identification – Management is responsible for the identification and evaluation of key risks applicable to their areas of business. These risks are entered onto a risk register and assessed on a continual basis and may be associated with a variety of internal and external sources, including infringement of IP, sales channels, investment risk, staff retention, disruption in information systems, natural catastrophe and regulatory requirements. This is reviewed at least annually by the Board.

Information systems –The Board actively monitors performance against plan. Forecasts and operational results are consolidated and presented to the Board on a regular basis. Through these mechanisms, performance is continually monitored, risks identified in a timely manner, their financial implications assessed, control procedures re-evaluated and corrective actions agreed and implemented.

Main control procedures – the Company has implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the exposure to loss of assets and fraud. Measures taken include segregation of duties and reviews by management.

Monitoring and corrective action – There are clear and consistent procedures in place for monitoring the system of internal financial controls.

Following the Audit Committee's recommendation, the Board considers the internal control system to be adequate for the Company. The Audit Committee reviews the scope and scale of the non-audit services undertaken by the auditors in order to ensure that their independence and objectivity is safeguarded. The Committee is satisfied with the objectivity and performance of the external auditor.

Impairment reviews - the first eight owner-operated sites were opened during 2018. The challenges in opening these as quickly as we had originally hoped led to an impairment charge of £2.3m in 2018.

Report of the Remuneration Committee

The Remuneration Committee monitors the remuneration policies of the Company to ensure that they are consistent with its business objectives. Its terms of reference include the recommendation and execution of policy on Director and executive management remuneration and for reporting decisions made to the Board. The Committee determines the individual remuneration package of the executive management of the Board.

The Remuneration Committee recognises that incentivisation of staff is a key issue for the Company, which depends on the skill of its people for its success. The Remuneration Committee seeks to incentivise employees by linking individual remuneration to individual performance and contribution, and to the Company's results.

The duties of the Committee are to:

- determine and agree with the Board the framework or broad policy for the remuneration of the chairperson, executive directors, non-executive directors and any employees that the Board delegates to it;
- within the terms of the agreed policy, determine individual remuneration packages including bonuses, incentive payments, share options, pension arrangements and any other benefits;
- determine the contractual terms on termination and individual termination payments, ensuring that the duty of the individual to mitigate loss is fully recognised;
- in determining individual packages and arrangements, give due regard to the comments and recommendations of the Governance Code and the AIM Rules for Companies;
- be told of and be given the chance to advise on any major changes in employee benefit structures in the Group;
- recommend and monitor the level and structure of remuneration for senior managers below Board level as determined; and
- agree the policy for authorising claims for expenses from the Chief Executive Officer and from the Chairman of the Board.

The Committee is authorised by the Board to:

- seek any information it requires from any employee in order to perform its duties;
- be responsible for establishing the selection criteria and then for selecting, appointing and setting the terms of reference for any remuneration consultants providing advice to the Committee, at the Group's expense; and

- obtain, at the Group's expense, outside legal or other professional advice where necessary in the course of its activities.

Service contracts

The executive and non-executive Directors have signed service agreements that contain notice periods of six months, in the case of the Chief Executive and three months for all others. There are no additional financial provisions for termination.

Incentive Schemes

2017 CSOP Share Option Plan

The Escape Hunt plc Company Share Option Plan 2017 ("CSOP") was established on 2 May, 2017.

The CSOP is designed to be a Schedule 4 CSOP Scheme. All employees (including full time executive directors) of the Company and any of its subsidiaries may be granted options over Ordinary Shares under the CSOP provided that they are not prohibited under the relevant legislation relating to Schedule 4 CSOP Schemes from being granted an option by virtue of having, or having had, a material interest in the Company. There are currently no outstanding options under the CSOP scheme.

Growth Share incentive plan

The Escape Hunt plc Executive Growth Share Plan ("EGSP") was established on 2 May, 2017.

Three directors and full-time employees of the Company were invited to participate under the EGSP.

Under the EGSP invitations were issued to three eligible employees inviting such employees to subscribe for a specified number of G Shares each at a specified price per G Share. The G Shares are subject to a Put Option by the holders. If exercised, the Put Option would require Escape Hunt plc to issue Escape Hunt plc Ordinary Shares in satisfaction of the Put Option. The Put Price is determined by the market capitalisation of Escape Hunt plc on the Relevant Exercise Date and is subject to achieving a hurdle based on a compound growth rate in the market capitalisation of 20% per annum from the date of Admission of Escape Hunt plc to AIM. The final date for achieving the hurdle was 3 May 2020 and the hurdle was not achieved. As such, the G Shares no longer have any value associated with them. It is intended that in future the G Shares will be repurchased for a nominal value and cancelled.

2018 EMI Share option scheme

On 24 January 2019 the Company established an EMI Share option scheme which was designed to provide incentives to recruit and retain executive employees through the grant of share options. No directors were made awards under this scheme. Following the expiry of the Growth Share incentive plan in May 2020, it was determined that the 2018 EMI Share option scheme would be cancelled and a new EMI Share options scheme be put in place. All awards under the 2018 EMI Share option scheme have been cancelled and the scheme will be de-registered.

2020 EMI Share option scheme

On 15 July 2020 the Company established a new EMI Share option scheme to replace both the 2018 EMI Share option scheme and the Growth Share incentive plan. The scheme is designed principally to incentivise senior, full time executives through the award of share options. The scheme provides for awards to be made which vest over a three year period subject to continuous employment. The ability to exercise the options is subject to performance conditions related to share price performance and are measured over a four year period from grant. The vesting of share options is accelerated in the case of a takeover. The options must be exercised within five years of grant.

Report of the Nomination Committee

The function of the Nomination Committee shall be to provide a formal, rigorous and transparent procedure for the appointment of new directors to the Board. In carrying out its duties, the Nomination Committee is primarily responsible for:

- identifying and nominating candidates to fill Board vacancies;
- evaluating the structure and composition of the Board with regard to the balance of skills, knowledge and experience and making recommendations accordingly;
- reviewing the time requirements of Non-Executive Directors;
- giving full consideration to succession planning; and
- reviewing the leadership of the Group.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and they have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 Group and parent Company and of their profit or loss for that period. In preparing each of the Group 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, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- 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 parent 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 parent 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 its 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.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Signed by order of the board

Richard Rose
28 July 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESCAPE HUNT PLC

Opinion

We have audited the financial statements of Escape Hunt PLC (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2019, which comprise the:

- Consolidated statement of comprehensive income;
- Consolidated and company statement of financial position;
- Consolidated and company statement of changes in equity;
- Consolidated Statement of Cash Flows; and
- the notes to the financial statements, including a summary of significant accounting policies.

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 European Union. 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 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 December 2019 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- 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 'Auditor's 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 UK, including the FRC'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

We have nothing to report in respect of the following matters in relation to which ISA's (UK) require us to report to you when:

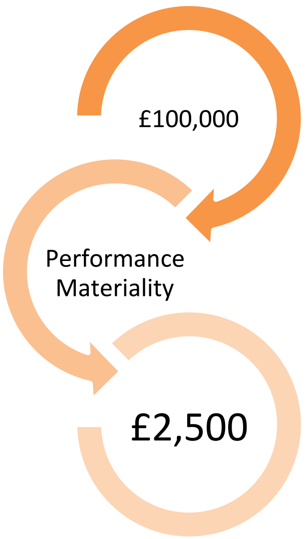
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and the Parent Company's ability to continue to adopt

the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.



£100,000 (2018: £100,000) is the Group level of materiality determined for the financial statements as a whole, this has been determined based on approximately 5% (2018: 5%) of EBITDA. As the group is in an early stage of trading this is used as a key figure of investors to demonstrate the underlying trading performance.

The Group level of performance materiality is a proportion of overall materiality. Performance materiality is used to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. Where considered appropriate performance materiality may be reduced to a lower level, such

£2,500 is the Group level of triviality agreed with the Audit Committee. Errors above this threshold are reported to the Audit Committee, errors below this threshold would also be reported to the Audit Committee if, in our opinion as auditor, disclosure was required on qualitative grounds.

Parent Company materiality was assessed as £45,000 based on approximately 5% of its EBITDA.

Overview of the scope of our audit

There are five components of the Group located and operating in the United Kingdom,the audits of Escape Hunt PLC and its UK subsidiary undertakings were conducted from the UK by the engagement team. Financial information from other components not considered to be individually significant individually was subject to limited review procedures carried out by the audit team.

Key Audit Matters

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

This is not a complete list of all risks identified by our audit.

Key audit matter	***How the scope of our audit addressed the key audit matter***
Going concern, Covid-19 impact assessment *Note 2 of the Group financial statements* At 31 December 2019 the Group had cash and cash equivalents of £2.1m (2018: £2,7m). The Covid-19 pandemic caused the closure of a number of sites across the UK and franchises abroad in early March 2020. This had significant adverse impact on the Group's operations and the Directors took action to mitigate the impact on the business through the use of UK government schemes that were available, such as the furlough scheme and grants. The global pandemic continues but the sites across the UK have been re-opened for business from early July following UK government approval. In early July the group issued a number of shares to raise capital, which has raised over £4m of cash for the group. At the date of approval of these financial statements it is not clear the long term impact the pandemic will have on the business and the impact this will have on future trading levels achieved. The risk that the Covid-19 pandemic and the resulting economic consequences would	We obtained management's assessment of the impact of Covid-19 in the business of the Group and the re-forecast financial projections. Management prepared three scenarios of the potential impact of Covid-19 on the future business following the share issue. As part of their assessment, the following scenarios were presented: • an upside where business takes four months to recover to pre-closure levels; • a central case where it takes the business 6 months to recover where there is no impact on the capacity or occupancy levels; and • a downside where the business takes 12 months to recover and there is a reduction in capacity and occupancy levels enforced on the business until the end of 2023. In all scenarios the group has surplus working capital following the share issue to meet its working capital requirements for the foreseeable future. We performed audit procedures, including challenge regarding reasonableness on the inputs into the model as follows: • reviewed the forecast revenues and resulting cash flows within the assessment period,; • compared the re-forecast to available management information for the business in May 2020;

adversely impact on the Group and its ability to operate as a going concern was considered to be a key audit matter.	• considered the overall impact on the forecast of those parts of the business, such as non-game revenue streams, were these are likely to be significantly impacted post Covid-19 and the restart of business due to health and safety requirements enforced on the business; • considered the financial impact of the steps taken by the directors to utilise the various support mechanisms instigated by the UK government, including the Coronavirus Job Retention Scheme; and • reviewed and challenged the financial impact of the steps taken by the directors to protect and manage the business during the coming period, including the reductions across the business, overhead reductions and the delay of certain capital investment projects. We considered management's sensitivity analysis and also performed an additional range of sensitivities to assess whether a reasonably likely change to a key input would result in an erosion of the revised headroom on working capital availability in the downside model used by management. We tested to ensure the mathematical accuracy of the model presented We reviewed the appropriateness of the disclosure made and its consistency with our knowledge of the business and its revised Covid-19 impairment assessment.
Revenue recognition *Note 4 of the Group financial statements* The group has various streams of revenue. The main source of revenue relates to game revenue where revenue is recognised at the point of sale. Other streams such as franchise income where there is an ongoing contractual term and obligation and recognised over the contractual term as the obligations are satisfied. We specifically considered the risk that revenue is not recognised in the correct reporting period.	Our audit procedures included the following: We carried out procedures to test each different revenue stream and to consider whether the revenue recognition policy applied to the revenue stream was appropriate, having regard to the contractual terms and obligations. We agreed the performance obligations identified by management to a sample of contracts to ensure the adopted accounting policy was appropriate. For a sample of transactions, we obtained contracts with the franchisee and reviewed their terms and conditions. Based on this understanding, we considered if the underlying income was

Errors in revenue recognition could materially influence the view of a user of the financial statements. As a key reporting metric, revenue is also subject to the risk of fraudulent misrepresentation to achieve a certain accounting presentation.	recognised in accordance with the stated accounting policy and IFRS 15. During the year, to gain assurance of completeness of income recognised we attended two sites and played the games putting transactions into the system which we followed up during our testing.
Impairment of intangible assets (including goodwill) *Note 12 of the Group financial statements* The Group's intangible assets comprise of intellectual property, trademarks, franchise agreements and the portal. The total carrying value of the intangible assets was £2.9 million at 31 December 2019 (31 December 2018: £4.8 million). The continued losses indicate there could be an impairment in the carrying value of the intangible assets and as such we considered this to be a key audit matter.	We obtained management's assessment of impairment and discussed the key inputs into the assessment with management. We performed audit procedures, including challenge regarding reasonableness on the inputs into the model as follows: • the forecast cash flows within the assessment period; • the expected growth rate; and • the discount rate applied to the forecast. We note that Covid-19 is an un-adjusting post balance sheet event from an impairment perspective. We considered management's sensitivity analysis and also performed an additional range of sensitivities to assess whether a reasonably likely change to a key input would result in an impairment charge; We tested to ensure the mathematical accuracy of the model presented; and We reviewed the appropriateness of the disclosure made and its consistency with our knowledge of the impairment assessment.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

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

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the 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 strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where 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 the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 33 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 Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (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.

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 auditor's report.

Use of our report

This report is made solely to the company'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 company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Stallabrass (Senior Statutory Auditor)

for and on behalf of

Crowe U.K. LLP

Statutory Auditor

London

28 July 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 31 December 2019

All figures in £'000s		**Year ended 31 December**	**Year ended 31 December**
Continuing operations	**Note**	**2019**	**2018 (Restated)**
Revenue	4	4,915	2,153
Cost of sales	6	(1,279)	(561)
Gross profit		3,636	1,593
Administrative expenses	6	(9,568)	(11,605)
Operating loss	6	(5,932)	(10,012)
Adjusted EBITDA		(1,707)	(3,087)
Amortisation of intangibles	12	(2,124)	(3,656)
Impairment of intangible assets	12	-	(2,345)
Depreciation of property plant and equipment	10	(1,733)	(545)
Depreciation of right-of-use assets	11	(347)	-
Loss on disposal of tangible assets		-	(45)
Branch closure costs		-	(291)
Exceptional Professional Costs		(7)	-
Foreign currency gains / (losses)		(1)	(31)
Share-based payment expense	24	(12)	(12)
Operating loss		(5,932)	(10,012)
Gain on disposal of subsidiary	13	30	-
Interest received		33	34
Lease finance charges	2	(171)	-
Loss before taxation		(6,040)	(9,978)
Taxation	8	(4)	(26)
Loss after taxation		(6,044)	(10,004)
Other comprehensive income:			
Items that may or will be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(30)	26
Total comprehensive loss		(6,074)	(9,978)
Loss attributable to:			
Equity holders of Escape Hunt plc		(5,993)	(10,004)
Non-controlling interests		(51)	-
		(6,044)	(10,004)
Total comprehensive loss attributable to:			
Equity holders of Escape Hunt plc		(6,023)	(9,978)
Non-controlling interests		(51)	-
		(6,074)	(9,978)
Loss per share attributable to equity holders:			
Basic and diluted (Pence)	9	(24.78)	(49.38)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	As at 31 December 2019 £'000	As at 31 December 2018 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	3,935	4,366
Right-of-use assets	11	2,470	-
Intangible assets	12	2,906	4,792
Rent deposits		26	36
Loan to franchisee	14	300	300
		9,637	9,494
Current assets			
Inventories	16	12	15
Trade receivables	15	370	121
Other receivables and prepayments	15	473	501
Cash and cash equivalents	17	2,171	2,657
		3,026	3,294
TOTAL ASSETS		12,663	12,788
LIABILITIES			
Current liabilities			
Trade payables	18	317	670
Contract liabilities	20	360	244
Lease liabilities	19	304	-
Other payables and accruals	18	948	967
		1,929	1,881

Consolidated Statement of Financial Position

As at 31 December 2019 (continued)

	Note	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Non-current liabilities			
Contract liabilities	20	262	419
Provisions	21	74	40
Lease liabilities	19	2,298	-
		2,634	459
TOTAL LIABILITIES		4,563	2,340
NET ASSETS		8,100	10,448
EQUITY			
Capital and reserves attributable to equity holders of Escape Hunt Plc			
Share capital	22	336	253
Share premium account	26	24,717	21,076
Merger relief reserve	26	4,756	4,756
Accumulated losses	26	(21,803)	(15,741)
Currency translation reserve	26	(19)	11
Capital redemption reserve	26	46	46
Share-based payment reserve	26	67	55
		8,100	10,456
Non-controlling interests		-	(8)
TOTAL EQUITY		8,100	10,448

The notes on pages 47 to 94 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 28 July 2020 and are signed on its behalf by:

Graham Bird
Director

Registered company number 10184316

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Attributable to owners of the parent									
Year ended 31 Dec 2019	**Share capital**	**Share premium account**	**Merger relief reserve**	**Currency translation reserve**	**Capital redemption reserve**	**Share-based payment reserve**	**Accumulated losses**	**Total**	**Non-controlling interest**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance as at 1 Jan 2019	253	21,076	4,756	11	46	55	(15,741)	10,456	(8)	10,448
Adjustment from adoption of IFRS 16	-	-	-	-	-	-	(69)	(69)	-	(69)
Adjusted balance at 1 Jan 2019	253	21,076	4,756	11	46	55	(15,810)	10,387	(8)	10,379
Loss for the year	-	-	-	-	-	-	(5,993)	(5,993)	(51)	(6,044)
Other comprehensive income	-	-	-	(30)	-	-	-	(30)	-	(30)
Total comprehensive loss	-	-	-	(30)	-	-	(5,993)	(6,023)	(51)	(6,074)
Issue of shares	83	3,917	-	-	-	-	-	4,000	-	4,000
Share issue costs	-	(276)	-	-	-	-	-	(276)	-	(276)
Share-based Payment Charges	-	-	-	-	-	12	-	12	-	12
Disposal of subsidiary	-	-	-	-	-	-	-	-	59	59
Transactions with owners	83	3,641	-	-	-	12	-	3,736	59	3,795
Balance as at 31 Dec 2019	**336**	**24,717**	**4,756**	**(19)**	**46**	**67**	**(21,803)**	**8,100**	**-**	**8,100**
Year ended 31 Dec 2018:										
Balance as at 1 Jan 2018	253	21,076	4,756	(15)	46	43	(5,737)	20,422	-	20,422
Loss for the year	-	-	-	-	-	-	(10,004)	(10,004)	-	(10,004)
Other comprehensive income	-	-	-	26	-	-	-	26	-	26
Total comprehensive loss	-	-	-	26	-	-	(10,004)	(9,978)	-	(9,978)
Acquisition of subsidiary	-	-	-	-	-	-	-	-	(8)	(8)
Share-based payment charges	-	-	-	-	-	12	-	12	-	12
Transactions with owners	-	-	-	-	-	12	-	12	(8)	4
Balance as at 31 Dec 2018	253	21,076	4,756	11	46	55	(15,741)	10,456	(8)	10,448

The notes on pages 47 to 94 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Year Ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Cash flows from operating activities		
Loss before income tax	(6,040)	(9,978)
Adjustments:		
Depreciation of property, plant and equipment	1,733	545
Depreciation of right-of-use assets	347	-
Amortisation of intangible assets	2,124	3,655
Impairment of intangible assets	-	2,345
Gain on disposal of subsidiary	(30)	-
Write-off of non-current assets	-	45
Gain on disposal of plant and equipment	-	(1)
Net foreign exchange differences	-	31
Share-based payment expense	12	12
Lease interest charge	171	-
Interest income	(33)	(34)
Operating cash flow before working capital changes	(1,716)	(3,380)
Increase in trade and other receivables	(224)	(273)
Decrease / (increase) in inventories	3	(11)
Increase in provisions	34	40
(Decrease) / increase in trade and other payables	(287)	584
Increase / (decrease) in deferred income	(41)	124
Cash used in operations	(2,231)	(2,916)
Income taxes paid	(23)	(8)
Net cash used in operating activities	(2,254)	(2,924)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,308)	(4,276)
Purchase of intangibles	(266)	(495)
Receipt / (payment) of deposits	10	(4)
Loan made to master franchisee	-	(300)
Acquisition of subsidiary, net of cash acquired	-	(10)
Cash less overdrafts on disposal of subsidiary	29	-
Interest received	33	34
Net cash used in investing activities	(1,502)	(5,051)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	4,000	-
Share issue costs	(276)	-
Lease interest charge payment	(171)	-
Repayment of leases	(284)	-
Net cash from financing activities	3,269	-
Net decrease in cash and cash equivalents	(487)	(7,975)
Cash and cash equivalents at beginning of year	2,657	10,645
Effects of exchange rate changes on the balance of cash held in foreign currencies	1	(13)
Cash and cash equivalents at end of year	2,171	2,657

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

The Company was incorporated in England on 17 May 2016 under the name of Dorcaster Limited with registered number 10184316 as a private company with limited liability under the Companies Act 2006. The Company was re-registered as a public company on 13 June 2016 and changed its name to Dorcaster Plc on 13 June 2016. On 8 July 2016, the Company's shares were admitted to AIM.

Until its acquisition of Experiential Ventures Limited on 2 May 2017, the Company was an investing company (as defined in the AIM Rules for Companies) and did not trade.

On 2 May 2017, the Company ceased to be an investing company on the completion of the acquisition of the entire issued share capital of Experiential Ventures Limited. Experiential Ventures Limited was the holding company of the Escape Hunt Group, the activities of which related solely to franchise.

On 2 May 2017, the Company's name was changed to Escape Hunt plc and became the holding company of the enlarged Escape Hunt Group. Thereafter the group established the owner operated business which operates through a UK subsidiary. Most of the franchise activity has subsequently been transferred to a UK subsidiaries. Escape Hunt Group is now a global provider of live 'escape the room' experiences through a network of franchised, licensed and owner-operated branches and offsite "escape the room" type games

The Company's registered office is 3 Pear Place, London SE1 8BT.

The consolidated financial information represents the audited consolidated results of the Company and its subsidiaries, (together referred to as "the Group").

Basis of preparation

The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with FRS 102.

The audited financial statements are presented in Pounds Sterling, which is the presentational currency for the financial statements. All values are rounded to the nearest thousand pounds except where otherwise indicated. They have been prepared under the historical cost convention, except for financial instruments that have been measured at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Restatement

During the year, as part of its decision-making process, the Company reviewed its cost classifications and considered that certain costs should be treated as administration rather than direct costs of sale. Accordingly, a total of £1,576,000 which had been treated as a cost of sale in the financial statements for the year ended 31 December 2018 has been restated and included within administrative costs. The statement of comprehensive income statement has been restated to reflect this presentation. The restatement has had no impact on reported losses or equity

Changes in accounting policy

a) New standards, interpretations and amendments effective from 1 January 2019

New standards impacting the Group adopted in the annual financial statements for the year ended 31 December 2019, and which have given rise to changes in the Group's accounting policies are:

- IFRS 16 Leases (IFRS 16);

Details of the impact this standard have had are given below.

On top of this, other standards which have been adopted but have made no change to these accounts are:

- IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23)

Other new and amended Standards and Interpretations issued by the IASB that apply for the first time in the financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The most significant of these are as follows, which are all effective for the period beginning 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material);
- IFRS 3 Business Combinations (Amendment – Definition of Business); and
- Revised Conceptual Framework for Financial Reporting

The Company is currently assessing the impact of these new accounting standards and amendments.

IFRS 16

The Group has adopted IFRS 16 which became effective on 1 January 2019. The standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are now recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss.

For classification within the statement of cash flows, the interest portion is disclosed in financing activities and the principal portion of the lease payments are separately disclosed in financing activities. The reclassifications and adjustments arising from the new standard have been recognised in the opening balance sheet as at 1 January 2019.

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.
Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following:

- future lease payments arising from a change in an index or a rate used;
- residual guarantee; lease-term;
- revised in-substance fixed lease payments and
- certainty of a purchase option.

When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Impact of adoption
IFRS 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. As at 31 December 2019, the Group had entered into 10 property leases which had commenced prior to the year-end.

The impact of adoption on accumulated losses as at 1 January 2019 was as follows:

	1 January 2019 £'000
Right-of-use assets	2,809
Lease liabilities – current	(284)
Lease liabilities – non-current	(2,594)
Tax effect on the above adjustments	-
Increase in opening accumulated losses at 1 January 2019	(69)

Impact on the balance sheet

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

	Increase / decrease	£'000
Right-of-use assets (Note 11)	Increase	2,809
Lease liabilities (Note 19)	Increase	(2,878)

The net impact on accumulated losses on 1 January 2019 was an increase of £69,000.

a) Right-of-use assets

Right-of-use assets were measured as if IFRS 16 had been applied from the commencement date discounted at the incremental borrowing rate at the date of initial application. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	31 December 2019 £'000	**1 January 2019 £'000**
Properties – head office and escape rooms	2,470	2,809
	2,470	2,809

b) Lease liabilities

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's borrowing rate as of 1 January 2019. The lease liabilities at 31 December 2019 and 1 January 2019 were as follows:

	31 December 2019 £'000	**1 January 2019 £'000**
Lease liabilities – current	(304)	(284)
Lease liabilities – non-current	(2,298)	(2,594)
	(2,602)	(2,878)

This opening position can be reconciled back to the prior year operating lease commitments as follows:

	£'000
Operating lease commitments as disclosed at 31 Dec 2018	(3,979)
Opening balance restatement	204
Restated operating lease commitments at 31 Dec 2018	(3,775)
Less Portion related to Finance charge element	897
Opening lease liabilities at 1 January 2019	(2,878)

Impact on the income statement and earnings per share

For the year ended 31 December 2019, operating losses were £108,000 lower as a result of applying IFRS 16 due to a portion of the lease expense now being recorded as interest expense and depreciation. In particular, operating lease expenses of £454,000 were replaced by depreciation of £347,000 and finance lease charges of £171,000. Loss before tax was £64,000 higher due to interest expenses on the lease liabilities recognised under IFRS 16. The net effect of £(64,000) increased Loss Per Share by 0.27p.

The table below summarise the profit and loss account treatment for the year ended 31 December 2019 and the comparative period for these leases:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Finance costs		
Interest and finance charges paid/payable on lease liabilities (IFRS 16)	171	-
Leases / right-of use assets depreciation		
Minimum operating lease payments (IAS 17)	-	476
Depreciation of right-of-use assets (IFRS 16)	347	-
Total expense in profit and loss	518	476

The following tables summarises the effect of IFRS 16 on the Group's operating losses and losses before tax for the year ended 31 December 2019:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Operating loss excluding lease charges	(5,585)	(9,536)
Lease payments under operating leases (IAS 17)	-	(476)
Depreciation of right-of-use assets (IFRS 16)	(347)	-
Operating loss after lease charges	(5,932)	(10,012)

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Loss before tax excluding lease charges	(5,522)	(9,502)
Lease payments under operating leases (IAS 17)	-	(476)
Depreciation of right-of-use assets (IFRS 16)	(347)	-
Operating lease finance expense (IFRS 16)	(171)	-
Loss before tax and after lease charges	(6,040)	(9,978)

Impact on the cash flow statement

For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

This has increased net cash used in operations and decreased net cash used from financing activities by £171,000 respectively.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- The Group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

The Group elected to apply IFRIC 23 retrospectively with the cumulative effect recorded in retained earnings as at the date of initial application, 1 January 2019. The adoption of IFRIC 23 did not have any effect on the Group.

2. Significant accounting policies

The principal accounting policies applied in the preparation of the audited consolidated financial information set out below have, unless otherwise stated, been applied consistently throughout.

Basis of consolidation

The audited consolidated financial information incorporates the preliminary financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which control is obtained by the Group up to the effective date on which control is lost, as appropriate.

The acquisition of Experiential Ventures Limited constituted a reverse takeover of Experiential Ventures Limited for the purposes of the AIM Rules for Companies and received shareholder approval on 2 May 2017. However, the Directors considered that under IFRS 3 *Business Combinations*, the accounting acquirer would be considered to be Escape Hunt plc, due to:

- a greater proportion of share capital in the Group being held by shareholders of Escape Hunt plc, rather than pre-acquisition shareholders of Experiential Ventures Limited;
- Escape Hunt plc's shareholders have the ability to appoint or remove a majority of the members of the Board;
- greater Board representation in the Group of the Escape Hunt plc Board of directors rather than pre-acquisition members of the Experiential Ventures Limited Board; and
- the composition of the senior management of the Group consist mostly of Escape Hunt plc management.

The acquisition of Experiential Ventures has therefore been accounted for under the acquisition method.

Under the acquisition method, the results of the subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Consolidated Financial Statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Any excess of the purchase consideration of the business combination over the fair value of the identifiable assets and liabilities acquired is recognised as goodwill. Goodwill, if any, is not amortised but reviewed for impairment at least annually. If the consideration is less than the fair value of assets and liabilities acquired, the difference is recognised directly in the statement of comprehensive income.

Acquisition-related costs are expensed as incurred.

Intra-group transactions, balances and unrealised gains on transactions are eliminated. Unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the Financial Statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of.

Going Concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Directors have assessed the Group's ability to continue in operational existence for the foreseeable future in accordance with the Financial Reporting Council's Guidance on the going concern basis of accounting and reporting on solvency and liquidity risks issued in April 2016.

The Board has prepared detailed cashflow forecasts covering a four year period from the reporting date. The forecasts take into account the impact of COVID-19 on the business during the period between 20 March 2020 and 11 July 2020 when all the Group's UK owner-operated sites were closed. During the same period, many of the Group's franchisee operators likewise were closed and were not able to pay regular service fees. For a number of them, the Group has agreed to grant payment holidays. In addition, various payments were deferred during the lockdown period, including employment tax and national insurance payments and, in the case of certain sites, rent payments. These deferred payments will need to be caught up. Work at two new sites had commenced prior to the lockdown, but was subsequently stopped. This work has resumed and across our UK estate, leading to resumed capital expenditure, there has been a need for additional expenditure to ensure that existing sites have been able to re-open in accordance with guidelines. These factors have all been taken into account in the forecasts.

On 1 July 2020, the Group completed a fund raising process which resulted in the receipt of £4.1 million (net of expenses) raised through the issue of £340,000 convertible loan notes and the balance through new equity issuance by means of a placing, a subscription and an open offer. The convertible loan notes are redeemable, if not previously converted, five years and one day from the date of issue and carry 10 per cent interest. The interest, which may also be converted into equity, is payable alongside the principal at the end of the term.

Taking into account the receipt of this new funding, the Group has considered a number of potential scenarios for a recovery of trading now that sites have been permitted to reopen. The Group also plans to resume the roll out new sites in the UK which are expected to contribute to performance in future.

The central case is based on the re-opening of UK and franchise sites in mid July 2020 with volumes initially substantially below the levels achieved prior to entering lockdown. The model assumes that it takes six months for trading to normalise post COVID-19. Resumption of activity at franchise sites is expected broadly to mirror that of the UK. During this time the Group expects to continue its roll out of new sites and plans to complete and open the sites in Norwich and Basingstoke which were put on hold, and to open up to an additional two sites before the end of 2020. Further openings are assumed for 2021 and in order to achieve the objective of 20 UK owner-operated sites within two years of the recent fund raising, the Group would expect to access debt funding. This is not yet secured. In the event that debt funding is not available, the pace of roll-out of new sites from Q2 2021 will be slowed, with cash managed accordingly. In the central case, with or without access to debt, the Group believes it has sufficient resources for its present needs.

The Group has also considered a 'downside' scenario. In this scenario the Group has assessed the potential impact of a second wave of COVID-19 with re-openings delayed until October. The pace of recovery is assumed to be much slower, with trading taking 12 months to resume to 'normal' levels. The scenario also considers a delay in progress in the US. In this scenario, the Group believes it can take mitigating actions to preserve cash. Principally the roll-out of further sites beyond four new sites would be stopped and cost saving measures would be introduced at head office. The Group has already taken steps to reduce its head office property costs, and further cost reductions could be targeted in both people and areas such as IT, professional services and marketing. Other areas of planned capital expenditure would also be curtailed. These include planned expenditure on website and system improvements. Taking into account the mitigating factors, the Group believes it would have sufficient resources for its present needs.

Based on the above, the Directors consider there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable, as well as to fund the Group's future operating expenses. The going concern basis preparation is therefore considered to be appropriate in preparing these financial statements.

Merger relief

The issue of shares by the Company is accounted for at the fair value of the consideration received. Any excess over the nominal value of the shares issued is credited to the share premium account other than in a business combination where the consideration for shares in another company includes the issue of shares, and on completion of the transaction, the Company has secured at least a 90% equity holding in the other company. In such circumstances the credit is applied to the merger relief reserve.

In the case of the Company's acquisition of Experiential Ventures Limited, where certain shares were acquired for cash and others on a share for share basis, then merger relief has been applied to those shares issued in exchange for shares in Experiential Ventures Limited.

Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction.

The functional currency of the Company's active subsidiaries based overseas, namely Escape Hunt Operations Limited and E V Development Co. Limited are the US Dollar and Thai Baht respectively. These subsidiaries, when recording their own foreign transactions follow the principles below. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in the presentational currency which is Pounds Sterling using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising are recognised initially in other comprehensive income and accumulated in the Group's foreign exchange reserve.

On disposal of a foreign operation, the accumulated foreign exchange reserve relating to that operation is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Office equipment	5 years
Furniture and fittings	5 years
Leasehold property	5 years
Computer hardware	3 years
Escape games	2 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Research and development expenditure

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if an entity can demonstrate all of the following:-

(i) its ability to measure reliably the expenditure attributable to the asset under development;

(ii) the product or process is technically and commercially feasible;

(iii) its future economic benefits are probable;

(iv) its ability to use or sell the developed asset; and

(v) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Certain internal salary costs are included where the above criteria are met. These internal costs are capitalised when they are incurred in respect of new game designs which are produced and installed in the UK owner-operated sites, where the ensuing revenue is tracked on a weekly basis at each site by each game. Development expenditure initially recognised as an expense is not recognised as assets in subsequent periods.

Capitalised development expenditure in respect of the Escape Hunt App is amortised on a straight-line method over a period of 2 years when the products or services are ready for sale or use. In the event that it is no longer probable that the expected future economic benefits will be recovered, the development expenditure is written down to its recoverable amount.

Intangible assets

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

With the exception of goodwill, intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Game design and development costs are expensed as incurred unless such expenditure meets the criteria to be capitalised as a non-current asset.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite.

The estimated useful lives are as follows:

Trademarks	3 years
Intellectual property:	
- Trade names and domain names	3 years
- Rights to system and business processes	3 years
Franchise agreements	Term of franchise
App development	2 years
Portal	3 years

Impairment of assets

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows taking into account credit risk. The present value of the future cash flows represents the expected value of the future cash flows discounted at the appropriate rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group’s non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Revenue recognition

The Group is operating and developing a network of franchised, licensed and owner-operated branches and offsite "escape the room" type games. The Group receives revenues from its directly owned branches but also from franchisees, master-franchisees and sub-franchisees.

The Group, as franchisor, develops original escape games and supporting materials and provides management, creative, technical and marketing services based on its knowledge of and expertise in Escape Hunt to enable delivery of a proprietary 'escape the room' game experience.

The Group considers that its contracts with franchisees, master-franchisees and sub-franchisees provide a customer with a right to access the Group's intellectual property throughout the franchise term which is typically for a minimum term of ten years. Accordingly, the Group satisfies each of its performance obligations by transferring control of goods and services to the customer over the period of the franchise agreement. Franchise revenues are therefore recognised over time.

The Group derives both "upfront exclusivity fees'' from the sale of franchises and subsequent "Service Revenues" in the form of revenue shares, administration fees, game design fees and other related income.

New branch upfront location exclusivity fees

The initial non-refundable upfront exclusivity fees relate to the transfer of promised goods or services which are satisfied throughout the life of the franchise agreement. Payment of the initial upfront exclusivity fee is due immediately on the signing of a franchise agreement.

The Group, as franchisor, supplies a manual and grants to a franchisee during the term of a franchise agreement, the exclusive rights to carry on its business and to utilise the know-how, intellectual property rights and games within a territory. The franchise term typically provides for an initial term of 10 years, with automatic rights for renewal of successive 10-year periods. The Group offers to:

- Assist the franchisee to establish, manage and operate the business within the territory;
- Provide advice on the choice of branch location;
- Identify equipment, furniture, props and other items required to conduct the business;
- Assist in designing the layout and fit-out of any chosen branch location;
- Provide full game design for each game to be installed in each branch;
- Provide guidance on setting up website, booking and other online services;
- Provide the franchisee with the franchise manual;
- Train the franchisee and its staff;
- Give the franchisee continuing assistance and advice for the efficient running of the franchise business;
- Regularly update the franchisee on any changes to the services and know-how;
- Design and provide territory-specific, and branch-specific, logos for use in advertising, merchandise and uniforms; and
- Communicate at all times with the franchisee in a timely manner.

The initial fee is recognised as revenue on a straight-line basis over the period of the franchise agreement where this is 10 years (or less in case of sub-franchise agreements, where the term of the sub-franchise agreement typically equals to the remaining term of the master franchise agreement). Where the franchise term is not specified or is greater than 10 years, revenue is recognised over 10 years to reflect a lack of certainty over the actual duration of the franchise arrangement. See Note 3 for more details.

Fees related to future periods are carried forward as deferred income within current and non-current liabilities, as appropriate. The amounts of deferred revenue at each reporting date are disclosed in Note 20 to the financial statements.

IFRS 15 also requires the Group to consider if there is a financing element to such long-term contracts. However, it is considered that there is no such financial element provided by the Group to franchisees as payment is received at the time of signing the franchise agreement and at the commencement of the delivery of the various services under such agreement.

Under a Master Franchise Agreement, the Group is entitled to a one-off upfront exclusivity fee representing an advance payment for a number of branches with all branches paid at a fixed rate, payable on signing of the Agreement. The contract is not deemed to be fulfilled and in force until this payment is received in full by the franchisor. This fee is recognised over the franchise term, or 10 years if this is greater than 10 years, in the same manner as in a single franchise arrangement.

Where the Group, through a Master Franchisee, enters into contracts with sub-franchisees, the initial fee is recognised in the same manner as contracts with direct franchisees (i.e. spread over 10 years), where not already covered in the fees attributed to the Master Franchisee. In the event of termination of a franchise agreement, any remaining deferred income related to this contract is immediately recognised in full.

Franchise revenues

As part of each franchise agreement, the Group receives franchise service revenues at a fixed percentage of a franchisee's monthly revenues which are recognised as the income is earned.

Service revenues comprise:

- An agreed share of the franchisee's monthly revenues, payable monthly;
- Fixed monthly fees payable quarterly in advance in respect of location-specific game design fees for an agreed number of game themes (with additional game themes charged separately) and franchisee location support fees; and
- Extra costs in respect of site visits and website set-up fees.

Revenue shares, support and administration and game design fees and other related revenues are recognised as and when those sales occur. Amounts billed in advance are deferred to future periods as deferred revenue.

Owner-operated branch and offsite games

Revenues from the owner-operated branch and offsite escape the room type games include entrance fees and the sale of food and beverages and merchandise. Such revenues are recognised as and when those sales occur. Where customers book in advance, the recognition of revenue is deferred until the customer participates in the escape the room experience.

Deferred revenue

The amounts of deferred revenue at each reporting date are disclosed in Note 20.

Contract costs
Where the game design costs relate to games for individual franchisees, the costs are not capitalised but expensed as in line with the delivery of services to franchisees, unless these costs are significant and other capitalisation criteria are met.

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

IFRS 16 was adopted 1 January 2019 without restatement of comparative figures. An explanation of the transitional requirements that were applied as at 1 January 2019 is included above. The following policies apply subsequent to the date of initial application, 1 January 2019.

Identifying Leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

(a) There is an identified asset;
(b) The Group obtains substantially all the economic benefits from use of the asset; and

(c) The Group has the right to direct use of the asset.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.
The discount rate is the rate implicit in the lease, if readily determinable. If not, the Company's incremental borrowing rate is used which the Company has assessed to be 6.2%. The Group currently has no borrowings and consequently there is no available interest rate to use as the basis for this calculation. However, as a small company which has been loss-making, a calculation has been performed to include an appropriate level of risk to the risk-free rate of borrowing.

Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations – see Note 21).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the discount rate appropriate at the time of revision. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

Nature of leasing activities (in the capacity as lessee)

The Group leases its head office and a number of its owner-operated escape room branches. The Group also leases certain items of plant and equipment but these are not significant to the activities of the Group.

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Share-based payment arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Equity-settled share based payments to non-employees are measured at the fair value of services received, or if this cannot be measured, at the fair value of the equity instruments granted at the date that the Group obtains the goods or counterparty renders the service. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Notes 23 and 24 to the consolidated financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. Where the conditions are non-vesting, the expense and equity reserve arising from share-based payment transactions is recognised in full immediately on grant.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserves.

Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and other costs in bringing them to their existing location and condition.

Provisions

A provision is recognised when the Group has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Dilapidation provisions

Provisions for dilapidations are recognised on a lease by lease basis over the period of time landlord assets are being used and are based on the Group's best estimate of the likely committed cash outflow.

Contingent liabilities

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or present obligations where the outflow of resources is uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

Share capital

Proceeds from issuance of ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares or options are shown in equity as a deduction from the proceeds.

3. Critical accounting estimates and judgements

In the application of the Company's accounting policies, which are described in Note 2 above, the Directors are required to make judgements and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period.

The key estimates and underlying assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. In particular:

Key judgements

Initial upfront exclusivity fees

Note 2 describes the Group's policies for recognition of revenues from initial upfront exclusivity fees. In making their judgement, the Directors consider that the upfront non-refundable exclusivity fee provides the customer with a right to access the Group's intellectual property throughout the franchise term which is typically for a minimum term of ten years. The Group's service obligations include a requirement to advise, assist and update the customer throughout the term of the agreement.

However, certain franchise contracts are for the unspecified term which theoretically can run in perpetuity. Furthermore, for term franchise contracts certain factors could reduce the franchise term (such as early termination) whilst franchises may be extended beyond their initial term. No franchises have yet been in place for a full term and in the absence of sufficient track record the Directors made a judgement that until a clear pattern of terminations and extensions of franchises becomes clear, it is reasonable to assume that franchises will on average run for 10 years, hence the initial upfront exclusivity fees are recognised over this estimated period.

Acquisition of Experiential Ventures Limited in the 2017

The acquisition of Experiential Ventures Limited in 2017 constituted a reverse takeover of Experiential Ventures Limited for the purposes of the AIM Rules for Companies whereby the Directors judged that under IFRS 3 *Business Combinations*, the accounting acquirer would be Escape Hunt plc. The acquisition of Experiential Ventures in 2017 was therefore accounted for under the acquisition method.

Recognition of deferred tax assets

The Group's tax charge on ordinary activities is the sum of the total current and deferred tax charges.

A deferred tax asset is recognised when it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Recognition, therefore, involves judgement regarding the prudent forecasting of future taxable profits of the business and in applying an appropriate risk adjustment factor.

Based on detailed forward-looking analysis and the judgement of management, it has been concluded that a deferred tax asset should not be recognised for the carry forward of unused tax losses and unused tax credits totalling approximately £16m, as the uncertainties mean it is not probable that sufficient future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. In forming this conclusion, management have considered the same cash flow forecasts used for impairment testing purposes. Impairment testing adjusts for risk through the discounting of future cash flows. Management have reflected the risk relevant to the recognition of deferred tax assets by looking at forecasts where a reliable estimate of taxable profits can be made.

Additionally, the owner-operated segment is in its early stages of development and the Directors envisage that there will be an extended period (and thus increasing uncertainty as time progresses) before it expects to recoup net operating losses. The analysis indicates that the unused losses may not be used in the foreseeable future as the Group does not yet have a history of taxable profits nor convincing evidence that such profits will arise within the foreseeable future.

Finally, whilst the acquired business of EV has been profitable, the profits arising from this business cannot be utilised against the losses Escape Hunt Group Limited which contains the owner-operated segment.

<u>Key estimates</u>

- The determination of the lease term for some lease contracts in which the Group is a lessee, including whether the Company is reasonably certain to exercise lessee options
- The determination of the incremental borrowing rate used to measure lease liabilities

Impairment of intangible assets

IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Impairment testing is an area involving management judgement in determining estimates, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- growth in EBITDA, calculated as adjusted operating profit before depreciation and amortisation;
- the forecast occupancy rate (and growth thereof) for each escape room using regression analysis based on historic experience from similar rooms;
- the level of capital expenditure to open new sites and the costs of disposals;
- long-term growth rates; and
- the selection of discount rates to reflect the risks involved.

The Group prepares and approves a detailed annual budget and strategic plan for its operations, which are used in the fair value calculations.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence results.

In the year ended 2018, goodwill of £1.4 million relating to the acquisition of EV in 2017 which was allocated to the owner-operated business representing a group of Cash Generating Units ("CGU") was tested for impairment as of the reporting date. The carrying value of the owner-operated business was tested for impairment on the basis of fair value less costs to sell, including a discount rate of 16.2%. As described in Note 12 below, these impairment tests in 2018 indicated an impairment loss was required and this loss was first taken to reduce the carrying value of goodwill, with the remaining impairment allocated to intellectual property.

The current strategic plan for the group indicates an excess of the net present value of future cashflows compared to the carrying value of intangible assets.

The sensitivity of impairment tests to changes in underlying assumptions is summarised below:

Occupancy rates
If the occupancy rate achieved is 1% lower in each site within the UK owned and operated estatethan as set out int the strategic plan, this would lead to reduction in the net present value of intellectual property of £0.6m (2018: £1.4m) but would not result in the need for an impairment charge.

Discount rate
A 100 basis point increase in the discount rate reduces the net present value of intellectual property across the group by £1.1m (2018: £1.0m) but would not result in the need for an impairment charge.

EBITDA growth
If EBITDA was on average £100,000 lower in each year, the net present value of intellectual property across the group would fall by £0.8m (2018: £0.6m) but would not result in the need for an impairment charge.

Long-term perpetuity growth rates
The terminal rate used for the fair value calculation has been assumed at 2% per annum. If this rate was decreased by 100 basis points the net present value of intellectual property across the group would fall by £0.7m (2018:£0.6m) but would not result in the need for an impairment charge.

Capital expenditure
If capital expenditure over the forecast period were to be 10% higher than in the strategic plan, the net present value of intellectual property across the group would fall by £0.5m (2018: £0.5m) but would not result in the need for an impairment charge.

Estimation of useful life and amortisation rates for intellectual property assets

The useful life used to amortise intangible assets relates to the expected future performance of the assets acquired and management's estimate of the period over which economic benefit will be derived from the asset.

The estimated useful life principally reflects management's view of the average economic life of each asset and is assessed by reference to historical data and future expectations. Any reduction in the estimated useful life would lead to an increase in the amortisation charge. The average economic life of the intellectual property has been estimated at 3 years. If the estimation of economic lives was reduced by one year, the amortisation charge for IP would have increased by £1.0m (year ended 31 December 2018: £1.7m).

Estimation of useful life and depreciation rates for property, plant and equipment of the owner-operated business

The useful life used to depreciate assets of the owner-operated business relates to the expected future performance of the assets acquired and management's estimate of the period over which economic benefit will be derived from the asset.

Property, plant and equipment represent a significant proportion of the asset base of the Group being 31.1% (2018: 34.1%) of the Group's total assets. Therefore, the estimates and assumptions made to determine their carrying value and related depreciation are critical to the Group's financial position and performance.

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the consolidated income statement. The useful lives and residual values of the Group's assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology. Historically changes in useful lives and residual values have not resulted in material changes to the Group's depreciation charge.

The useful economic lives of property, plant and equipment has been estimated at between 2 and 5 years. If the estimation of economic lives was reduced by one year, the depreciation charge for property, plant and equipment would have increased by £1.3m (year ended 31 December 2018: £0.3m).

4. Revenue

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
New branch upfront location exclusivity fees	138	123
Game design fees	129	118
Support and administrative fees	92	94
Franchise revenues	717	741
Owned branch revenues	3,832	1,077
Other	7	-
	4,915	2,153

Revenues from contracts with customers:

	Year ended 31 December 2019 £'000	Year Ended 31 December 2018 £'000
Revenue from contracts with franchise customers	1,083	1,131
Revenue from customers at owner operated branches	3,832	1,023
Total revenue from contracts with customers	4,915	2,153

	Year ended 31 December 2019 £'000	Year Ended 31 December 2018 £'000
Upfront exclusivity fees	138	123
Game design fees, support, admin and other fees	228	231
Revenue-based service fees	4,549	1,799
Revenue from contracts with customers	4,915	2,153

In respect of contracts from franchise customers, the satisfaction of performance obligations is treated as over a period of up to 10 years. The typical timing of payment from customers is a mixture of upfront fees, payable at the start of the contract, fixed fees payable quarterly or monthly during the term of the contract and variable consideration typically received shortly after the month in which the revenue has been accrued.

Future upfront exclusivity fee income that has been deferred on the balance sheet is certain as the amount has already been received. Game design fees, support and administrative fees and other fees are considered to be reasonably certain and unaffected by future economic factors, except to the extent that adverse economic factors would result in premature franchise closure. Revenue based service fees are dependent on and affected by future economic factors, including the performance of franchisees.

A total of £3,832,000 (2018: £1,077,000) of revenues relate to the owner-operated segment. All other revenues in the table refer to the franchise segment as detailed in Note 5 (Segment Information).

Upfront exclusivity fees are billed and received in advance of the performance of obligations. This generally creates deferred revenue liabilities which are greater than the amount of revenue recognised from each customer in a financial year.

Revenue share income is necessarily billed monthly in arrears (and accrued on a monthly basis).

5. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

The Company was an investing company and did not trade until its acquisition of Experiential Ventures Limited ("EV") on 2 May 2017. Since the acquisition, management considers that the Group has two operating segments. Revenues are reviewed based on the nature of the services provided as follows:

1. The franchise business, where all franchised branches are operating under effectively the same model; and
2. The owner-operated branch business, which currently consists of 10 sites in the UK.

The Group operates on a global basis. As at 31 December 2019, the Company had active franchisees in 19 countries. The Company does not presently analyse or measure the performance of the franchising business into geographic regions or by type of revenue, since this does not provide meaningful analysis to managing the business.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The cost of sales in the owner-operated business comprise site staff costs and other costs directly related to revenue generation.

Year ended 31 December 2019	Owner operated £'000	Franchise operated £'000	Unallocated £'000	Total £'000
Revenue	3,837	1,078	-	4,915
Cost of sales	(1,275)	-	(4)	(1,279)
Gross profit/(loss)	2,562	1,078	(4)	3,636
Site level operating costs	(1,956)	-	-	(1,956)
Site level EBITDA	606	1,078	(4)	1,680
Centrally incurred overheads	(99)	(717)	(3,025)	(3,841)
IFRS 16 Adjustments	370	-	84	454
EBITDA	877	361	(2,945)	(1,707)
Interest income	-	-	32	32
Finance lease charges	(155)	-	(16)	(171)
Depreciation and amortisation	(1,702)	(18)	(2,137)	(3,857)
Depreciation – right-of-use assets	(278)	-	(69)	(347)
Foreign currency gains	-	-	(1)	(1)
Share-based payment expenses	-	-	(12)	(12)
Exceptional Professional Costs	-	(7)	-	(7)
Gain on disposal of subsidiary	-	-	30	30
Profit/(loss) before tax	(1,258)	336	(5,118)	(6,040)
Taxation	-	-	(4)	(4)
Profit/(loss) after tax	(1,258)	336	(5,122)	(6,044)
Other information:				
Non-current assets	8,780	857	-	9,637

Year ended 31 December 2018	Owner operated £'000	Franchise operated £'000	Unallocated £'000	Total £'000
Revenue	1,023	1,130	-	2,153
Cost of sales	(540)	-	(21)	(561)
Gross profit/(loss)	483	1,130	(21)	1,592
Site level operating costs	(982)	-	-	(982)
Site level EBITDA	(499)	1,130	(21)	610
Centrally incurred overheads	(114)	(1,116)	(2,467)	(3,697)
EBITDA	(613)	14	(2,488)	(3,087)
Interest income	13	-	21	34
Depreciation and amortisation	(517)	(7)	(3,677)	(4,201)
Impairment losses	-	-	(2,345)	(2,345)
Loss on disposal of tangible assets	-	-	(45)	(45)
Foreign currency (gain)/loss	-	-	(31)	(31)
Branch closure costs	-	-	(291)	(291)
Share-based payment expenses	-	-	(12)	(12)
Profit/(loss) before tax	(1,117)	7	(8,868)	(9,978)
Taxation	-	-	(26)	(26)
Profit/(loss) After Tax	(1,117)	7	(8,894)	(10,004)

Other information:

Non-current assets	8,508	986	-	9,494

Significant customers:

In the year ended 31 December 2018, one customer in the franchise operated segment generated £354,000, approximately 16.3% of total revenue for the year. No customer provided more than 10% of total revenue in the year ended 31 December 2019.

6. Operating loss before taxation

Loss from operations has been arrived at after charging / (crediting):

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Auditor's remuneration:		
- Audit of the financial statements	54	65
- Review of interim financial statements	3	6
Operating lease expenses	-	476
Impairment of trade receivables	117	6

Foreign exchange (gains)/ losses	(7)	31
Staff costs including directors, net of amounts capitalized	3,069	1,987
Depreciation of property, plant and equipment (Note 10)	1,733	545
Depreciation of right-of-use assets (Note 11)	347	-
Amortisation of intangible assets (Note 12)	2,124	3,656
Impairment of intangible assets (Note 11)	-	2,345
Share-based payment costs (non-employees)	12	12

In addition to the auditor's remuneration disclosed above, £12,750 was paid to KPMG in connection with tax review work during the year ended 31 December 2018.

Detailed information on statement of profit or loss items:

Cost of sales	**Year ended 31 December 2019 £'000**	**Year ended 31 December 2018 £'000**
Wages and salaries	1,068	508
Food and beverages	44	15
Other costs of sale	167	38
	1,279	561

Administrative expenses	**Year ended 31 December 2019 £'000**	**Year ended 31 December 2018 £'000**
Depreciation of property, plant and equipment	1,732	545
Depreciation of right-of-use assets	347	-
Amortisation	2,123	3,656
Impairment of intangible assets	-	2,345
Write-off of assets	-	45
Minimum lease payments recognised as an operating lease expense	-	476
Staff costs including directors, net of amounts capitalized	2,001	1,479
Share-based payments	12	12
Foreign currency losses	26	31
Other administrative expenses	3,327	3,016
	9,568	11,605

7. Staff costs

	Year Ended 31 December 2019 £'000	Year Ended 31 December 2018 £'000
Wages salaries and benefits (including directors)	2,868	1,921
Share-based payments	12	12
Social security costs	239	180
Other post-employment benefits	108	36
Less amounts capitalized	(146)	(150)
	3,081	1,999

Key management personnel:

	Year ended 31 December 2019 £'000	Year Ended 31 December 2018 £'000
Wages, salaries and benefits (including directors)	581	575
Share-based payments	12	12
Social security costs	75	74
Other post-employment benefits	39	41
Less amounts capitalized	(23)	(90)
	684	612

Key management personnel are the directors and one member of staff. Their remuneration was as follows:

Year ended 31 December 2019	Salary and fees £'000	Share-based payments £'000	Other benefits £'000	Total £'000
Richard Rose	60	0	8	68
Richard Harpham	220	6	14	240
Alistair Rae	126	4	4	134
Adrian Jones	20	0	0	20
Karen Bach	30	0	2	32
Other key management	125	2	11	138
Amounts capitalized	(23)	-	-	(23)
Profit and loss expense	558	12	39	609

Year ended 31 December 2018	Salary and fees £'000	Share-based payments £'000	Other benefits £'000	Total £'000
Richard Rose	60	-	7	67
Richard Harpham	200	6	12	218
Alistair Rae	140	4	6	150
Adrian Jones	20	-	-	20
Karen Bach	30	-	5	35
Other key management	125	2	11	138
	575	12	41	628
Amounts capitalized	(90)	-	-	(90)
Profit and loss expense	485	12	41	538

The average monthly number of employees was as follows:

	Year ended 31 December 2019 No.	Year ended 31 December 2018 No.
Management	4	4
Administrative	21	23
Operations	110	43
	134	70

8. Taxation

The Company has made no provision for taxation as it has not yet generated any taxable income. A reconciliation of income tax expense applicable to the loss before taxation at the statutory tax rate to the income tax expense at the effective tax rate of the Company is as follows:

	Year Ended 31 December 2019 £'000	Year Ended 31 December 2018 £'000
Loss before taxation	(6,040)	(9,978)
Tax calculated at the standard rate of tax of 19% (2018:19%)	(1,148)	(1,896)
Tax effects of:		
Non-deductible expenditure	58	273
Effect of different tax rates in foreign jurisdictions	-	25
Unrecognised tax losses	1,026	1,668
Capital allowances less depreciation	197	(32)
Other	(129)	(12)
	4	26

The Group had losses for tax purposes of approximately £16m as at 31 December 2019 (£11m as at 31 December 2018) which, subject to agreement with taxation authorities, are available to carry forward against future profits. The tax value of such losses amounted to approximately £2.78m (£1.88m as at 31 December 2018).

A deferred tax asset in respect of these losses and temporary differences has not been established as the Directors have assessed the likelihood of future profits being available to offset such deferred tax assets to be uncertain.

A deferred tax liability has not been recognised in respect of the intangible assets arising on acquisition. The Directors had plans, at the time of the acquisition to move the IP to the UK for a number of commercial reasons and the ability to do so without any obstacles, as a result of which a tax base for such assets was established in the UK.

9. Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders by the weighted average number of ordinary shares in issue during the period. Diluted net loss per share is calculated by dividing net loss by the weighted average number of shares in issue and potential dilutive shares outstanding during the period.

Because Escape Hunt is in a net loss position, diluted loss per share excludes the effects of ordinary share equivalents consisting of stock options and warrants, which are anti-dilutive. The total number of shares subject to share options and warrants outstanding excluded from consideration in the calculation of diluted loss per share for the year ended 31 December 2019 was 1,967,507 shares (year ended 31 December 2018: 1,829,576 shares).

	Year Ended 31 December 2019	**Year Ended 31 December 2018**
Loss after tax attributable to owners of the Company (£'000)	(5,993)	(10,004)
Weighted average number of shares:		
- Basic and diluted	24,186,199	20,259,258
Loss per share		
- Basic and diluted (Pence)	(24.78)	(49.38)

10. Property, plant and equipment

	Leasehold property	Office equipment	Computers	Furniture and fixtures	Escape games	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost:						
At 1 January 2018	575	15	36	5	59	690
Additions	2,204	18	70	171	1,813	4,276
Disposals	(28)	(22)	(37)	(9)	-	(96)
As at 31 December 2018	2,751	11	69	167	1,872	4,870
Additions	25	7	6	71	1,199	1,308
Disposals	-	(9)	-	-	-	(9)
As at 31 December 2019	**2,776**	**9**	**75**	**238**	**3,071**	**6,169**
Accumulated depreciation:						
As at 1 January 2018	(4)	(3)	(11)	(1)	(1)	(20)
Depreciation charge	(241)	(5)	(24)	(16)	(259)	(545)
Disposals	13	6	31	11	-	61
As at 31 December 2018	(232)	(2)	(4)	(5)	(260)	(504)
Depreciation charge	(517)	(7)	(30)	(45)	(1,133)	(1,732)
Disposals	-	1	-	-	-	1
As at 31 December 2019	**(749)**	**(8)**	**(34)**	**(50)**	**(1,393)**	**(2,234)**
Net book value						
As at 31 December 2019	**2,027**	**1**	**41**	**188**	**1,678**	**3,935**
As at 31 December 2018	2,519	9	65	161	1,612	4,366

The amount of expenditure recognised in the carrying value of leasehold improvements in the course of construction at 31 December 2019 is £nil (2018: £153,000).

11. Right-of-use assets

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Land and buildings – right-of-use asset		
On adoption of IFRS 16 on 1 January 2019	3,119	-
Additions during the year	8	-
Less: Accumulated depreciation		
On adoption of IFRS 16 on 1 January 2019	(310)	-
Depreciation charged for the year	(347)	-
Net book value	2,470	-

The Group leases land and buildings for its offices and escape room venues under agreements of between five to fifteen years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

12. Intangible assets

	Goodwill	Trademarks	Intellectual property	Internally generated IP	Franchise agreements	App Quest	Portal	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost								
At 1 January 2018	1,404	13	10,195	-	802	100-	141	12,655
Additions through business combinations	29	-	-	-	-	-	-	29
Additions arising from acquisition	-	65	-	-	-	-	128	193
Additions arising from internal development	-	-	-	302	-	-	-	302
Disposals	(11)	-	-	-	-	-	-	(11)
At 31 December 2018	1,422	78	10,195	302	802	100	269	13,168
Additions arising from internal development	-	-	-	266	-	-	-	266
Disposals	(29)	-	-	-	-	-	-	(29)
As at 31 December 2019	1,393	78	10,195	568	802	100	269	13,405
Accumulated amortisation								
At 1 January 2018	-	-	(2,266)	-	(76)	(33)	-	(2,375)
Amortisation for the year	-	(11)	(3,398)	(21)	(115)	(50)	(61)	(3,656)
Impairment provision	(1,393)	-	(952)	-	-	-	-	(2,345)
At 31 December 2018	(1,393)	(11)	(6,616)	(21)	(191)	(83)	(61)	(8,376)
Amortisation for the year	-	(18)	(1,737)	(130)	(115)	(17)	(106)	(2,123)
Impairment provision	-	-	-	-	-	-	-	-
As at 31 December 2019	(1,393)	(29)	(8,353)	(151)	(306)	(100)	(167)	(10,499)
Carrying amounts								
At 31 December 2019	**-**	**49**	**1,842**	**417**	**496**	**-**	**102**	**2,906**
At 31 December 2018	29	67	3,579	281	611	17	208	4,792

Goodwill and acquisition related intangible assets recognised have arisen from the acquisition of Experiential Ventures Limited in May 2017 and of Boundless Workshop Limited in December 2018. Refer to Note 13 for further details.

Experiential Ventures Limited

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ('CGUs') that are expected to benefit from that business combination. Management considers that the goodwill is attributable to the owner-operated business, because that is where the benefits are expected to arise from expansion opportunities and synergies of the business of the escape the room concept.

No value was attributed to the brand and customer relationships as the Board's strategic review of the business and a repositioning of our branding exercise enabled the Group to clearly define its quality, service and values, and make it more attractive to new customers and partners. Furthermore, the value of any existing brand and customer relationships which was separately identifiable from other intangible assets was insignificant.

The Group tests goodwill annually for impairment or more frequently if there are indications that these assets might be impaired. The recoverable amounts of the CGU are determined from fair value less costs to sale. The value of the goodwill comes from the future potential of the assets rather than using the assets as they are (i.e. there is assumed expansionary capex which supports growth in revenues and the value of the business and therefore goodwill).

The key assumptions for the fair value less costs to sale approach are those regarding capital expenditure which supports a consequent growth in revenues and associated earnings and a discount rate. The Group monitors its pre-tax Weighted Average Cost of Capital and those of its competitors using market data. In considering the discount rate applying to the CGU, the Directors have considered the relative sizes, risks and the inter-dependencies of its CGUs. The impairment reviews use a discount rate adjusted for pre-tax cash flows. The Group prepares cash flow forecasts derived from the most recent financial plan approved by the Board and extrapolates revenues, net margins and cash flows for the following four years based on forecast growth rates of the CGU. Cash flows beyond this period are also considered in assessing the need for any impairment provisions. A discount rate of 16.2% and capex of £2.8 million over the four years has been assumed. The terminal rate used for the fair value calculation thereafter is 2%. The directors consider these assumptions are consistent with that which a market participant would use in determining fair value.

In 2018, the Company tested goodwill for impairment and determined that the recoverable amount relating to the acquisition of Experiential Ventures Limited was lower than its carrying amount and was therefore impaired. An impairment loss of £1,393,000 was therefore recognised in 2018 to write off the goodwill which arose on the acquisition. More detail of the input assumptions has been provided in Note 3.

Intellectual property
The Intellectual Property relates to the valuation of the Library of Game Wire Frame Templates of games, the process of games development and the inherent know how and understanding of making successful games.

The fair value of these assets on acquisition of £10,195,000 was determined by discounting estimated future net cash flows generated by the asset where no active market for the assets exists.

The “relief from royalty method" was adopted as being most appropriate methodology. The relief-from-royalty method values the intangible asset by reference to the amount of royalty the acquirer would have had to pay in an arm’s length licensing arrangement to secure access to the same rights. The key input into this method was the ‘royalty rate’, which is then applied to the ‘royalty base’ to estimate the amount of theoretical royalty payments. This royalty stream, which the owner does not have to pay since the intangible asset is already owned, is discounted.

Under this method the following were key inputs:

- Forecast revenue associated with the asset;
- Expected/Remaining economic life of the asset;
- Notional royalty rate applicable to the asset; and
- A discount rate which encompasses the level of risk present.

The Group tests intellectual property for impairment only if there are indications that these assets might be impaired. An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows.

Franchise agreements
The intangible asset of the Franchise Business was the net present value of the net income from the franchisee agreements acquired.

The approach selected by management to value the franchise agreements was the Multi-Period Excess Earnings Method ("MEEM") which is within the income approach. The multi-period excess earnings method estimated value is based on expected future economic earnings attributable to the agreements.

The key assumptions used within the intangible asset valuation were as follows:

- Economic life – The valuation did not assume income for a period longer than the asset's economic life (the period over which it will generate income). The contractual nature of the Franchise Agreements (with terms typically between 6 and 10 years) means it is possible to forecast with a reasonable degree of certainty the remaining term of each agreement and therefore the period in which it will generate revenue. Only contracts which were signed at the acquisition date were included.

- Renewal – No provision for the renewal of existing Franchise Contracts has been included with the valuation. This reflects the fact that potential contract renewals will only take place several years in the future, and the stated strategy of management has been to focus on the development of owner-managed sites rather than renewing the franchises when they are due for renewal – as they may be bought out.

- Contributory Asset Charges (CACs) - The projections assumed after returns are paid/charged to complementary assets which are used in conjunction with the valued asset to generate the earnings associated with it. The only CAC identified by management is the charge relating to IP – a charge has been included to take into account the Intellectual Property used within the franchise operation. This is considered key in generating earnings at the franchised sites. Management has applied the same royalty rate of 10% used to value this asset.

- Discount Rate – The Capital Asset Pricing Model ("CAPM") has been used to calculate a discount rate of 13.7%.

- Taxation – The franchise profits are earned within a group subsidiary which is incorporated in the Labuan province of Malaysia. This has a tax rate of approximately 3%, which has been applied to the earnings generated from franchise operations.

The carrying amount of the franchise agreements has been considered on the basis of the value in use derived from the expected future cash flows.

13. Subsidiaries

Details of the Company's subsidiaries as at 31 December 2019 are as follows:

Name of subsidiary	Country of incorporation	Principal activity	Effective equity held by the Group (%)
Experiential Ventures Limited	Seychelles	Holding company	100
Escape Hunt Group Limited	England and Wales	Operator of escape rooms	100

Name of subsidiary	Country of incorporation	Principal activity	Effective equity held by the Group (%)
Escape Hunt Operations Ltd	Malaysia	Operator of escape rooms	100
E V Development Co. Ltd	Thailand	Game design	99.9
Escape Hunt IP Limited	England and Wales	IP licensing	100
Escape Franchises Limited	England and Wales	Franchise holding	100
Escape Hunt Innovations Limited	England and Wales	Game design	100
Escape Hunt USA Limited	England and Wales	Franchise holding	100

Each of the companies incorporated in England and Wales have their registered office at 3 Pear Place, London SE1 8BT.

Each of the subsidiaries incorporated in England and Wales is directly held by the Company. The overseas subsidiaries are held indirectly.

The registered address of each overseas subsidiary is as follows:

Experiential Ventures Limited
103 Sham Peng Tong Plaza, Victoria, Mahe, Seychelles.

Escape Hunt Operations Ltd

Lot A020, Level 1, Podium Level, Financial Park Labuan, Jalan Merdeka,8700 Labuan, Malaysia.

E V Development Co. Ltd

No. 689 Bhiraj Tower at EmQuartier, Sukhumvit (Soi 35) Road, Klongton-Nua Sub-district, Bangkok, Thailand.

Boundless Workshop Limited
On 1 December 2018, the Company subscribed £20,000 in cash for a 51% interest in the enlarged share capital of Boundless Workshop Ltd ('Boundless'). The activities of Boundless have been consolidated with effect from the date of acquisition until 30 June 2019 when the Company made the decision to dispose of its investment.

Boundless designs and builds interactive experiences.

The following table summarises the consideration paid for Boundless, the fair value of assets acquired, and liabilities assumed at the acquisition date.

	Fair value
Consideration	**£'000**
Cash paid to Boundless	20
Total consideration	**20**

Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	10
Property, plant and equipment	7
Trade and other receivables	30
Inventories	4
Trade and other payables	(68)
Total identifiable net liabilities	**(17)**
Goodwill	**29**
Non-controlling interest	**8**
Total	**20**

The goodwill arising was attributable to the acquired workforce, anticipated future profit from expansion opportunities and synergies of the business. The goodwill arising from the acquisition was been allocated to the owner-operated CGU. No fair value adjustments were deemed necessary.

In June 2019, the Company made the decision to dispose of its 51% shareholding for a consideration of £20,000. Accordingly, the Company made full provision against the carrying value of goodwill. This is summarised below:

	£'000
Consideration	20
Impairment of goodwill	(29)
Non-current assets	(7)
Current assets	(20)
Current liabilities	125
Less: Non-controlling interests	(59)
Gain on disposal of subsidiary	30

14. Loan to franchisee

A secured loan of £300,000 is due from a master franchisee which bears interest at 5% per annum plus 2% of the franchisee's revenues and is repayable in instalments between January 2021 and June 2023. The loan is secured by means of an option agreement with the franchisee which gives the lender the rights to take over the locations operated by the borrower in the event of any default.

The majority of income receivable under the terms of the loan relates to interest at a fixed rate. This loan is being held at amortised cost. The carrying value of the loan approximates fair value. Credit risk is not considered to be significant.

15. Trade and other receivables

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Trade receivables (customer contract balances)	370	121
Prepayments	328	173
Accrued income (customer contract balances)	78	76
Accrued interest	10	-
Deposits and other receivables	57	252
	843	622

The Group's exposure to credit risk and impairment losses related to trade receivables is disclosed in Note 29.

Significant movements in customer contract assets during the year ended 31 December 2019 are summarised below:

Year ended 31 December 2019:	Trade Receivables £'000	Accrued income £'000
Contract assets:		
Balance at 1 January 2019	121	76
Transfers from contract assets recognised at the beginning of the period to receivables	76	(76)
Net increases as a result of changes in the measure of progress	268	78
Provisions for doubtful amounts	(95)	-
Balance at 31 December 2019	370	78

The amount of revenue recognised from performance obligations satisfied in previous periods is nil.

We receive payments from customers based on terms established in our contracts. In the case of franchise revenues, amounts are billed within five working days of a month end and settlement is due by the 14th of the month.

Accrued income relates to our conditional right to consideration for our completed performance under the contract, primarily in respect of franchise revenues. Accounts receivable are recognised when the right to consideration becomes unconditional.

16. Inventories

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Branch consumables (at cost)	12	15
Total inventories	12	15

17. Cash and cash equivalents

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Bank balances	2,171	2,657
Cash and cash equivalents in the statement of cash flow	2,171	2,657

The currency profiles of the Group's cash and bank balances are as follows:

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Pounds Sterling	1,656	2,009
Australian Dollars	197	58
United States Dollars	174	434
Others	144	156
	2,171	2,657

18. Trade and other payables (current)

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Trade payables	317	670
Accruals	733	796
Deferred income	360	244
Taxation	4	23
Other taxes and social security	180	112
Other payables	31	36
	1,625	1,881

19. Lease liabilities

	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 £'000
In respect of right-of-use assets		
Recognised on adoption of IFRS 16 on 1 January 2019	2,878	-
Additions during the year	8	-
Interest incurred	171	-
Repayments during the period	(454)	-
Lease liabilities at end of period	2,602	-

	As at 31 Dec 2019 £'000	As at 31 Dec 2018 £'000
Maturity		
Current	304	-
Non-current	2,298	-
Total lease liabilities	2,602	-

20. Deferred income

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Contract liabilities (deferred income):		
Balance at beginning of year	663	539
Revenue recognised in the year that was included in the deferred income balance at the beginning of the year	(200)	(103)
Increases due to cash received, excluding amounts recognised as revenue during the period	284	218
Decreases in deferred income as a result of changes in the measure of progress (release on recognition of revenue arising from contract liabilities)	-	(4)
Decreased on termination of franchises	(136)	(17)
Translation differences	11	30
Transaction price allocated to the remaining performance obligations	622	663

All of the above amounts relate to contracts with customers and include amounts which will be recognised within one year and after more than one year. The amounts on the early termination of upfront franchise fees were recognised as revenue as all performance obligations have been satisfied.

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Upfront exclusivity fees	368	506
Escape room advance bookings	129	98
Gift vouchers	125	57
Other	-	2
	622	663

Upfront exclusivity fees	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Within one year	106	87
After more than one year	262	419
	368	506

Deferred revenues in respect of upfront exclusivity fees are expected to be recognised as revenues over the remaining lifetime of each franchise agreement. The average remaining period of the franchise agreements is approximately five years. All other deferred revenue is expected be recognised as revenue within one year

21. Dilapidation provisions

	As at 31 December 2019 £'000	**As at 31 December 2018 £'000**
Within one year	-	-
After more than one year	74	40
	74	40

Provisions represent future liabilities for property dilapidations and are recognised on a lease by lease basis based on the Group's best estimate of the likely committed cash outflow. No amounts have been used or reversed during the year.

The leases expire between January 2023 and February 2032.

22. Share capital

	As at 31 December 2019 £'000	**As at 31 December 2018 £'000**
Issued and fully paid:		
At beginning of the year: 20,259,258 (2018: 20,259,258) Ordinary shares of 1.25 pence each	253	253
Issued during the year: 6,666,667 Ordinary shares	83	-
As at end of period / year - 26,925,925 (2018: 20,259,258) Ordinary shares of 1.25 pence each	336	253

Escape Hunt plc does not have an authorised share capital and is not required to have one.

The number of shares in issue at 31 December 2019 and at the date of approval of these financial statements is 26,925,925 ordinary shares of 1.25 pence each.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

During the year ended 31 December 2019, the following changes in the issued share capital of the Company occurred:

- On 13 May 2019, the Company completed a placing of a total of 6,666,667 Ordinary shares at the Placing Price of 60 pence per share ("Placing Shares''), raising £4.0 million (before expenses of £276,000). The expenses have been deducted from the premium of £3,917,000 arising from the Placing.
- Admission of the 6,666,667 Placing Shares to trading on AIM and dealings in these shares commenced on 4 June 2019.

23. Warrants

A warrant instrument was entered into by way of deed poll on 13 April 2017 under which the Company created and issued warrants to Stockdale Securities to subscribe for 202,592 Ordinary Shares on the terms and conditions of the instrument. The warrants were issued to Stockdale Securities on Admission and may be exercised within 3 years of the date of the instrument at a price of £1.35 per Ordinary Share (being equal to the Placing Price) subject to the terms and conditions of the instrument. The sum of £nil has been recognised as a share-based payment and charged to the Income Statement in the year ended 31 December 2019 (year ended 31 December 2018: £nil).

The weighted average fair value of the warrants granted was 0.15p per share.

The weighted average remaining contractual life of the warrants outstanding at 31 December 2019 is 4 months.

A warrant-holder has no voting or dividend rights in the Company before the exercise of a share warrant.

No warrants have been exercised or forfeited. Accordingly, all warrants remained in place at 31 December 2019.

24. Share option and incentive plans

Share option plan

The Escape Hunt plc Company Share Option Plan 2017 (“CSOP”) was established on 2 May, 2017. The CSOP is designed to be a Schedule 4 CSOP Scheme. All employees (including full time executive directors) of the Company and any of its subsidiaries may be granted options over Ordinary Shares under the CSOP provided that they are not prohibited under the relevant legislation relating to Schedule 4 CSOP Schemes from being granted an option by virtue of having, or having had, a material interest in the Company. On 10 July 2017, two employees were each granted options over 20,833 shares each at an exercise price of £1.44 per ordinary share. These employees have since left the company and the options have lapsed.

On 24 January 2019, the Company issued options to subscribe for 137,931 ordinary shares of 1.25 pence each at an exercise price of 87 pence per share to an employee of the Company, under the terms of the Escape Hunt Plc Enterprise Management Incentive Scheme 2018. No options were exercised, forfeited or lapsed during the period. Accordingly, all options remained in place at 31 December 2019.

The weighted average remaining contractual life of the options outstanding at 31 December 2019 is 28 months.

The share options vest on the third anniversary of the grant date and, on exercise, will be settled by the issue of ordinary shares in the Company.

An option-holder has no voting or dividend rights in the Company before the exercise of a share option.

The charge to profit and loss during the year was £nil (2018: £nil) due to the immateriality of the value of the options.

Share incentive plan

The Escape Hunt plc Executive Growth Share Plan ("EGSP") was established on 2 May 2017. Three individuals who are full-time employees, including two directors of the Company were invited to participate under the EGSP.

Under the EGSP invitations were issued to two directors and an employee to subscribe for a specified number of G Shares each at a specified price per G Share. The Remuneration Committee has absolute discretion to select the persons to whom invitations were issued and in determining the number of G Shares which may be acquired pursuant to each invitation. Two Directors and one employee subscribed for a total of 1,000 shares under the EGSP at a cost of £1 per share in the year ended 31 December 2017. The price payable for a G Share pursuant to an invitation is also determined by the Remuneration Committee. The vesting period for the G Shares is 3 years.

During the year, 280 G shares were transferred to Escape Hunt plc following the resignation of a director.

The G share exercise price for 71.43% of the G shares at 31 December 2019 was £2.33 and £3.37 for the balance.

The sum of £12,000 has been recognised as a share-based payment and charged to the Income Statement during the year (2018: £12,000)

25. Capital management

The Board defines capital as share capital and all components of equity.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. In particular, the Company has raised equity as a means of executing its acquisition strategy and as a sound basis for operating the acquired Escape Hunt business in line with the Group's strategy. The Board of Directors will also monitor the level of dividends to ordinary shareholders.

The Company is not subject to externally imposed capital requirements.

26. Reserves

The share premium account arose on the Company's issue of shares and is not distributable by way of dividends.

The share-based payment reserve represents the cumulative charge for share options over the vesting period with such charges calculated at the fair value at the date of the grant.

The merger relief reserve arises from the issue of shares to by the Company in exchange for shares in Experiential Ventures Limited and is not distributable by way of dividends.

In the case of the Company's acquisition of Experiential Ventures Limited, where certain shares were acquired for cash and others on a share for share basis, then merger relief has been applied to those shares issued on a share for share basis.

The translation reserve represents cumulative foreign exchange differences arising from the translation of the Financial Statements of foreign subsidiaries and is not distributable by way of dividends.

The capital redemption reserve has arisen following the purchase by the Company of its own shares pursuant to share buy-back agreements and comprises the amount by which the distributable profits were reduced on these transactions in accordance with the Companies Act 2006.

27. Related party transactions

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party in making financial and operating decisions.

During the period under review, in addition to those disclosed elsewhere in these financial statements, the following significant transactions took place at terms agreed between the parties:

A salary of £27,558 and other benefits of £1,128 were paid to close family members of one of the directors (2018: salary of £33,000 and other benefits of £2,000).

28. Directors and key management remuneration

Details of the Directors' remuneration are set out in Note 7 above.

29. Financial risk management

General objectives, policies and processes

The overall objective of the Directors is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

The Directors review the Company's monthly reports through which they assess the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

Categories of financial assets and liabilities

The Company's activities are exposed to credit, market and liquidity risk. The Company's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- cash and cash equivalents;
- trade and other receivables; and
- trade and other payables;

The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.

The Company had no financial assets or liabilities carried at fair values. The Directors consider that the carrying amount of financial assets and liabilities approximates to their fair value.

A summary of the financial instruments held by category is provided below:

Financial assets – loans and receivables

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Trade and other receivables	515	449
Deposits	26	36
Loan to master franchisee	300	300
Cash and cash equivalents	2,171	2,657
	3,012	3,442

Financial liabilities at amortised cost:

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Trade payables	317	670
Accruals and other payables	764	832
Lease liabilities	2,602	-
	3,683	1,502

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

Management have assessed the increase in credit risk over the last 12 months and have adjusted the carrying values of receivables where appropriate. In aggregate, Management does not consider there to have been a significant change in credit risk since initial recognition of receivables balances. Management reviews credit risk on an ongoing basis taking into account the circumstances at the time.

Impairment of financial assets

As described in Note 2 above, the Group applies the "expected loss" model which focuses on the risk that a loan or receivable will default rather than whether a loss has been incurred.

The carrying amount of financial assets in the statement of financial position represents the Group's maximum exposure to credit risk, before taking into account any collateral held. The Group does not hold any collateral in respect of its financial assets.

Concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group's trade receivables. The ageing of trade receivables at the reporting date was as follows:

Gross amounts (before impairment):	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Not past due	197	67
Past due 0-30 days	24	1
Past due 31-60 days	38	11
Past due more than 60 days	211	47
	470	126

Impairment losses:
The movement in the allowance for impairment losses in respect of trade receivables during the year was as follows*:*

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
At beginning of year	(5)	(12)
Impairment losses recognised	(95)	(6)
Bad debts written off	-	13
At end of year	(100)	(5)

The allowance account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

The Group assesses collectability based on historical default rates expected credit losses to determine the impairment loss to be recognised. Management has reviewed the trade receivables ageing and believes that, except for certain past due receivables which are specifically assessed and impaired, no impairment loss is necessary on the remaining trade receivables due to the good track records and reputation of its customers.

The Group has outstanding a loan receivable from a master franchisee totaling £300,000 (2018: £300,000). The terms of the loan are set out in Note 14. The expected credit loss at 31 December 2019 was insignificant and no impairment has been recognised in respect of the loan.

As at 31 December 2019 £2,068,000 (2018: £2,301,000) of the cash and bank balances, as detailed in Note 17 to the financial statements are held in financial institutions which are regulated and located in the UK, which management believes are of high credit quality. Management does not expect any losses arising from non-performance by these counterparties.

The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

Liquidity risk

Liquidity risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The principal liabilities of the Group arise in respect of trade and other payables which are all payable within 12 months. At 31 December 2019, total trade payables within one year were £317,000 (2018: £670,000), which is considerably less than the Group's cash held at the year-end of £2,171,000 (2018: £2,657,000). The Board receives and reviews cash flow projections on a regular basis as well as information on cash balances.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company has insignificant financial assets or liabilities that are exposed to interest rate risks.

Foreign currency risk

The Group has exposure to foreign currency movements on trade and other receivables, cash and cash equivalents and trade and other payables denominated in currencies other than the respective functional currencies of the Group entities. It also exposed to foreign currency risk on sales and purchases that are denominated in foreign currencies. The currencies giving rise to this risk are primarily the United States ("US") dollar, the Euro ("EUR"), Australian ("AUD") dollars, and Thai Baht ("THB"). Currently, the Group does not hedge its foreign currency exposure. However, management monitors the exposure closely and will consider using forward exchange or option contracts to hedge significant foreign currency exposure should the need arise.

The Group's exposure to foreign currency risk expressed in Pounds was as follows:

	UK Pound Sterling	United States Dollar	Thai Bhat	Euro	Australian Dollar	Other	Total
As at 31 December 2019	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Financial assets:							
Trade receivables	256	-	4	110	-	-	370
Other receivables and deposits	470	1	-	-	-	-	471
Cash and bank balances	1,656	174	11	117	197	16	2,171
	2,382	175	15	227	197	16	3,012
Financial liabilities:							
Trade payables	317	-	-	-	-	-	317
Other payables and accruals	3,359	7	-	-	-	-	3,366
	3,676	7	-	-	-	-	3,683
Foreign currency exposure (net)	**-**	**168**	**15**	**227**	**197**	**16**	**623**

As at 31 December 2018	UK Pound Sterling £'000	United States Dollar £'000	Thai Bhat £'000	Euro £'000	Australian Dollar £'000	Other £'000	Total £'000
Financial assets:							
Trade receivables	101	20	-	-	-	-	121
Other receivables and deposits	623	33	8	-	-	-	664
Cash and bank balances	2,008	433	34	110	58	14	2,657
	2,732	486	42	110	58	14	3,442
Financial liabilities:							
Trade payables	668	2	-	-	-	-	670
Other payables and accruals	802	7	23	-	-	-	832
	1,470	9	23	-	-	-	1,502
Foreign currency exposure (net)	**-**	**477**	**19**	**110**	**58**	**14**	**687**

Sensitivity analysis

A 10% strengthening of the Pound against the following currencies at 31 December 2019 would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Increase/ (Decrease) £'000 2019	Increase/ (Decrease) £'000 2018
Effects on profit after taxation/equity		
United States Dollar:		
- strengthened by 10%	(17)	3
- weakened by 10%	17	(3)
Thai Bhat:		
- strengthened by 10%	(2)	(2)
- weakened by 10%	2	2
Euro:		
- strengthened by 10%	(12)	(11)
- weakened by 10%	12	11
Australian Dollar:		
- strengthened by 10%	(20)	(6)
- weakened by 10%	20	6

30. Commitments

As at 31 December 2019, the Group had capital expenditure commitments in respect of escape rooms games and leasehold improvements totalling £70,000 (2018: £465,000).

31. Contingencies

The Directors are not aware of any other contingencies which might impact on the Company's operations or financial position.

32. Subsequent events

COVID-19

Since the reporting date, following the spread of COVID-19 in the UK, the UK Government mandated closure of all restaurants, bars, clubs, gyms and leisure facilities, forcing closure of all the Company's UK sites on 20 March 2020. The vast majority of the Group's franchise network was also affected by similar mandatory closures in other parts of the world. The Company took immediate action to reduce costs and preserve cash and was also able to benefit from a number of UK government schemes to provide support during the period of closure.

On 4 July 2020, the UK government lifted certain restrictions, allowing sites to re-open subject to implementing various processes and procedures aimed at minimising the risk of spreading COVID-19. A number of the sites re-opened on 11 July 2020. The impact of the closures between 20 March 2020 and 11 July 2020 was severe, with no revenue being earned from in-site activity during the period. The pace at which activity will resume following the closures is unknown. The forced closures may also have had an impact on the financial position and future financial performance of the Company's franchise network, potentially impacting their ability to pay outstanding and / or future franchise fees.

Fund raise

On 12 June 2020 the Company announced a conditional £4.0m fundraise (before expenses) through an accelerated bookbuild, share subscription and convertible loan note issue and launched an open offer to raise up to a further £0.5m from existing shareholders. The shareholder meeting to approve the fund raise was held on 1 July 2020 at which all resolutions were passed and the fund raise closed with a further £0.3m being raised through the open offer. The total cash received, net of expenses was £4.1m.

The fund raise resulted in the issue of 53,017,013 Ordinary Shares at 7.5 pence per share.

The fund raise also resulted in the issue of £340,000 convertible loan. The loan notes are convertible into ordinary shares at a price of 9.0 pence per share. If not converted, the principal and interest, which rolls up at 10 per cent per annum, is all repayable five years and one day from the date of issue.

33. Ultimate controlling party

As at 31 December 2019, no one entity owns greater than 50% of the issued share capital. Therefore, the Company does not have an ultimate controlling party.

COMPANY STATEMENT OF FINANCIAL POSITION
(registered company number: 10184316)
As at 31 December 2019

	Note	As at 31 December 2019 £'000	As at 31 December 2018 £,000
ASSETS			
Non-current assets			
Property, plant and equipment	4	32	43
Fixed asset investments	5	1	1
Loan to master franchisee	7	300	300
Accrued interest		10	-
Deposits		26	26
		369	370
Current assets			
Trade and other receivables		57	57
Prepayments		42	34
Amounts due from subsidiaries	6	11,660	9,487
Cash and bank balances	8	1,337	1,591
		13,096	11,169
TOTAL ASSETS		13,465	11,539
LIABILITIES			
Current liabilities			
Trade and other payables	9	176	224
		176	224
NET ASSETS		13,289	11,315
EQUITY			
Share capital	10	337	253
Share premium account	11	24,717	21,077
Merger relief reserve	11	4,756	4,756
Accumulated losses		(16,634)	(14,872)
Capital redemption reserve	11	46	46
Share-based payment reserve	11	67	55
TOTAL EQUITY		13,289	11,315

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included a Profit and Loss account in these separate financial statements. The loss attributable to members of the Company for the year ended 31 December 2019 is £1,761,421 (year ended 31 December 2018: loss of £11,399,899).

The notes on pages 97 to 107 form an integral part of these Financial Statements. The Financial Statements on pages 95 to 107 were authorised for issue by the board of Directors on 28 July 2020 and were signed on its behalf by.

Graham Bird
Director

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Share capital	Share premium account	Merger relief reserve	Capital redemption reserve	Share-based payment reserve	Accumulated losses	Total
	£	£	£	£	£	£	£
For the year ended 31 December 2019:							
Balance as at 1 January 2019	253	21,077	4,756	46	55	(14,872)	11,315
Loss for the year	-	-	-	-	-	(1,762)	(1,762)
Issue of shares	84	3,916	-	-	-	-	4,000
Share-based payment charge					12		12
Share issue costs	-	(276)	-	-	-	-	(276)
Transactions with owners	84	3,640	-	-	12	-	3,736
Balance as at 31 December 2019	337	24,717	4,756	46	67	(16,634)	13,289
For the year ended 31 December 2018:							
Loss for the period	-	-	-	-	-	(11,400)	(11,400)
Share-based payment charge	-	-	-	-	12	-	12
Transactions with owners	-	-	-	-	12	-	12
Balance as at 31 December 2018	253	21,077	4,756	46	55	(14,872)	11,315

The notes on pages 97 to 107 are an integral part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2019

1. General Information

The Company was incorporated in England on 17 May 2016 under the name of Dorcaster Limited with registered number 10184316 as a private company with limited liability under the Companies Act 2006. The Company was re-registered as a public company on 13 June 2016 and changed its name to Dorcaster Plc on 13 June 2016. On 8 July 2016, the Company's shares were admitted to AIM.

Until its acquisition of Experiential Ventures Limited on 2 May 2017, the Company was an investing company (as defined in the AIM Rules for Companies) and did not trade.

On 2 May 2017, the Company ceased to be an investing company on the completion of the acquisition of the entire issued share capital of Experiential Ventures Limited. Experiential Ventures Limited is the holding company of the Escape Hunt Group which is is a global provider of live 'escape the room' experiences through a network of franchised, licensed and owner-operated branches and offsite "escape the room" type games.

On 2 May 2017, the Company's name was changed to Escape Hunt plc.

The Company's registered office is 3 Pear Place London SE1 8BT.

2. Summary of significant accounting policies

(a) Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006.

These financial statements are prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange of assets. The principal accounting policies are set out below.

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included a Profit and Loss account in these separate financial statements. The loss attributable to members of the Company for the year ended 31 December 2019 is £1,761,421 (year ended 31 December 2018: loss of £11,399,899).

The Company has taken advantage of the following disclosure exemptions in preparing these Financial Statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7:

  Statement of Cash Flows
- the requirements of Section 11:

  Financial Instruments
- The disclosure of the compensation of Key Management Personnel of the Company
- The disclosures required by Section 26 *Share Based Payments* in respect of Group settled share-based payments for its own separate financial statements.

The Company produces true and fair consolidated accounts which include the results of the Company.

(b) Going Concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Directors have assessed the Company's ability to continue in operational existence for the foreseeable future in accordance with the Financial Reporting Council's Guidance on the going concern basis of accounting and reporting on solvency and liquidity risks issued in April 2016.

The Board has prepared detailed cashflow forecasts covering a four year period from the reporting date. The forecasts take into account the impact of COVID-19 on the business during the period between 20 March 2020 and 11 July 2020 when all the Group's UK owner-operated sites were closed. During the same period, many of the Company's subsidiary's franchisee operators likewise were closed and were not able to pay regular service fees. For a number of them, the Company has agreed to grant payment holidays. In addition, various payments were deferred during the lockdown period, including employment tax and national insurance payments and, in the case of certain sites, rent payments. These deferred payments will need to be caught up. Work at two new sites had commenced prior to the lockdown, but was subsequently stopped. This work has resumed and across our UK estate, leading to resumed capital expenditure, there has been a need for additional expenditure to ensure that existing sites have been able to re-open in accordance with guidelines. These factors have all been taken into account in the forecasts.

On 1 July 2020, the Company completed a fund raising process which resulted in the receipt of £4.1 million (net of expenses) raised through the issue of £340,000 convertible loan notes and the balance through new equity issuance by means of a placing, a subscription and an open offer. The convertible loan notes are redeemable, if not previously converted, five years and one day from the date of issue and carry 10 per cent interest. The interest, which may also be converted into equity, is payable alongside the principal at the end of the term.

Taking into account the receipt of this new funding, the Company has considered a number of potential scenarios for a recovery of trading now that sites have been permitted to reopen. The Company also plans to resume the roll out of new sites within its subsidiary companies in the UK which are expected to contribute to performance in future.

The central case is based on the re-opening of UK and franchise sites in mid July 2020 with volumes initially substantially below the levels achieved prior to entering lockdown. The model assumes that it takes six months for trading to normalise post COVID-19. Resumption of activity at franchise sites is expected broadly to mirror that of the UK. During this time the Company expects to continue its roll out of new sites and plans to complete and open the sites in Norwich and Basingstoke which were put on hold, and to open up to an additional two sites before the end of 2020. Further openings are assumed for 2021 and in order to achieve the objective of 20 UK owner-operated sites within two years of the recent fund raising, the Company would expect to access debt funding. This is not yet secured. In the event that debt funding is not available, the pace of roll-out of new sites from Q2 2021 will be slowed, with cash managed accordingly. In the central case, with or without access to debt, the company believes it has sufficient resources for its present needs.

The Company has also considered a 'downside' scenario. In this scenario the Company has assessed the potential impact of a second wave of COVID-19 with re-openings delayed until October. The pace of recovery is assumed to be much slower, with trading taking 12 months to resume to 'normal' levels. The scenario also considers a delay in progress in the US. In this scenario, the Company believes it can take mitigating actions to preserve cash. Principally the roll-out of further sites beyond four new sites would be stopped and cost saving measures would be introduced at head office. The company has already taken steps to reduce its head office property costs, and further cost reductions could be targeted in both people and areas such as IT, professional services and marketing. Other areas of planned capital expenditure would also be curtailed. These include planned expenditure on website and system improvements. Taking into account the mitigating factors, the company believes it would have sufficient resources for its present needs.

Based on the above, the Directors consider there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, as well as to fund the Company's future operating expenses. The going concern basis preparation is therefore considered to be appropriate in preparing these financial statements.

(c) Fixed asset investments

Fixed asset investments are carried at cost less, where appropriate, any provision for impairment.

(d) Loans to subsidiaries

Loans to subsidiaries are measured at the present value of the future cash payments discounted at a market rate of interest for a similar debt instrument unless such amounts are repayable on demand. The present value of loans that are repayable on demand is equal to the undiscounted cash amount payable reflecting the Company's right to demand immediate repayment.

(e) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the reporting date and the gains or losses on translation are included in the profit and loss account.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, deposits with financial institutions and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(h) Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax for the year is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

(i) **Leases**

Assets that are held by the Company under leases which transfer to the Company substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Company are classified as operating leases. Operating lease rentals are charged to profit and loss on a straight-line basis over the period of the lease.

(j) Share-based payment arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Equity-settled share based payments to non-employees are measured at the fair value of services received, or if this cannot be measured, at the fair value of the equity instruments granted at the date that the Company obtains the goods or counterparty renders the service. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Notes 23 and 24 to the consolidated financial statements.

The fair vale determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. Where the conditions are non-vesting, the expense and equity reserve arising from share-based payment transactions is recognised in full immediately on grant.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserves.

(k) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Share capital

Proceeds from issuance of ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares or options are shown in equity as a deduction from the proceeds.

(m) Financial instruments

Financial instruments are recognised in the statements of financial position when the Company has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(i) Financial liabilities

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

All financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. There were no financial liabilities classified under this category.

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

(ii) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(iii) Other financial instruments

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and

- hedging instruments in a designated hedging relationship shall be recognised as set out below.

(n) Merger relief

The issue of shares by the Company is accounted for at the fair value of the consideration received. Any excess over the nominal value of the shares issued is credited to the share premium account other than in a business combination where the consideration for shares in another company includes the issue of shares, and on completion of the transaction, the Company has secured at least a 90% equity holding in the other company. In such circumstances the credit is applied to the merger relief reserve.

In the case of the Company’s acquisition of Experiential Ventures Limited, where certain shares were acquired for cash and others on a share for share basis, then merger relief has been applied to those shares issued in exchange for shares in Experiential Ventures Limited.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key sources of judgment that have a significant effect on the amounts recognised in the financial statements are described below.

Impairment of fixed asset investments and amounts due from subsidiaries

As described in Note 2 to the financial statements, fixed asset investments are stated at the lower of cost less provision for impairment. The present value of loans to subsidiaries that are repayable on demand is equal to the undiscounted cash amount payable reflecting the Company’s right to demand immediate repayment.

At each reporting date fixed asset investments and loans made to subsidiaries are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss. The Directors have carried out an impairment test on the value of the loans due from subsidiaries and have concluded that no further impairment provision (2018: £10m) is required to write down the loans to their estimated recoverable amount.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

The investments in and loans to subsidiaries are supported by the intangible assets in the subsidiaries, most notably intellectual property and franchise agreements as well as tangible fixed assets, cash and receivables.

The Company tests the receivables and intangible assets for impairment only if there are indications that these assets might be impaired. The Company considers that there are no such indications of impairment and impairment testing has not been performed. Accordingly, the Company considers that the value of investments in and loans to subsidiaries are not impaired.

4. Property, plant and equipment

	Computer equipment £'000	Furniture and fittings £'000	Office equipment £'000	Total £'000
Cost				
At 1 January 2018	13	-	0	13
Additions	8	22	15	45
At 31 December 2018	21	22	15	58
Additions	1	5	-	6
At 31 December 2019	22	27	15	64
Accumulated depreciation				
At 1 January 2018	2	-	0	2
Depreciation charge for the year	6	4	3	13
At 31 December 2018	8	4	3	15
Depreciation charge for the year	7	5	5	17
At 31 December 2019	15	9	8	32
Carrying amounts				
At 31 December 2019	7	18	7	32
At 31 December 2018	13	18	12	43

5. Fixed asset investments

Investments in subsidiary undertakings	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Balance brought forward	1	1
Additions	0	-
Balance at end of year	1	1

The Company's investments comprise 100% holdings in the issued ordinary share capital of the following companies:

- Escape Hunt Franchises Limited
- Escape Hunt Group Limited
- Escape Hunt IP Limited
- Escape Hunt Innovations Limited

The Company also holds 280 G shares in Escape Hunt Group Limited which were transferred to Escape Hunt plc during the year for a consideration of £280.

No impairment provision has been made against the investments in subsidiaries
Note 13 to the consolidated financial statements contains further information on the Company's holdings in subsidiaries including their activities and address of registered office.

6. Amounts due from subsidiaries

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Balance brought forward at beginning of year	9,487	17,013
Provision for impairment	-	(10,000)
Amounts advanced	2,173	2,474
Balance at end of year	11,660	9,487

The amounts owing from subsidiaries are unsecured, interest-free and repayable on demand. The amounts owing are to be settled in cash. The present value of amounts that are repayable on demand is equal to the undiscounted cash amount payable reflecting the Company's right to demand immediate repayment.

7. Loan to master franchisee

	As at 31 December 2019 £'000	As at 31 December 2018 £'000

Loan to franchisee	300	300

The loan to the master franchisee is unsecured, bears interest at 5% per annum plus 2% of the franchisee's revenues and is repayable in instalments between January 2021 and June 2023. The amounts owing are to be settled in cash.

The majority of income receivable under the terms of the loan relates to interest at a fixed rate. The valuation of this loan also takes account of the expected income under the revenue share; however, the impact of this estimate is not significant to the valuation. The carrying value of the loan approximates fair value. Credit risk is not considered to be significant.

8. Cash and cash equivalents

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Bank balances	1,337	1,591
Cash and cash equivalents	1,337	1,591

9. Trade and other payables

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Trade payables	33	52
Accruals	108	127
Taxes and social security	27	33
Other payables	7	5
Amounts due to subsidiaries	1	7
	1756	224

The amounts owing to subsidiaries are unsecured, interest-free and repayable on demand. The amounts owing are to be settled in cash.

The directors consider that the carrying amounts of amounts falling due within one year approximate to their fair values.

10. Share capital

Details of the Company's allotted, called-up and fully paid share capital are set out in Note 22 to the Consolidated Financial Statements.

11. Reserves

The share premium account arose on the Company's issue of shares and is not distributable by way of dividends.

The merger relief reserve arises from the issue of shares to by the Company in exchange for shares in Experiential Ventures Limited and is not distributable by way of dividends.

The share-based payment reserve arises from the requirement to value share options and warrants in existence at the year end at fair value (see Notes 23 and 24 to the Consolidated Financial Statements).

The capital redemption reserve has arisen following the purchase by the Company of its own shares pursuant to share buy-back agreements and comprises the amount by which the distributable profits were reduced on these transactions in accordance with the Companies Act 2006.

12. Share based payments

Details of the Company's share options and warrants are contained in Notes 23 and 24 to the Consolidated Financial Statements.

A subsidiary of Escape Hunt plc, Escape Hunt Group Ltd, has issued 720 Growth shares for £1 each to two employees of Escape Hunt plc. In the event that any or all of the Growth shares become eligible for exercise, it is the obligation of Escape Hunt plc to settle the consideration due upon exercise.

The options issued under the CSOP have been issued to two employees employed by Experiential Development Ltd. No charge has been made to the Income Statement in the year to 31st December 2019 due to the amounts being considered immaterial (2018: £nil).

13. Segment information

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Board. Until its acquisition of Experiential Ventures Limited on 2 May 2017, the Company was an investing company (as defined in the AIM Rules for Companies) and did not trade. On the completion of the acquisition of Experiential Ventures Limited and its subsidiaries, the Company became the holding company of the Group. Its subsidiaries provide live 'escape the room' experiences through a network of franchised, licensed and owner-operated branches and offsite "escape the room" type games.

The Company has one segment, namely that of a parent company to its subsidiaries. Accordingly, no segmental analysis has been provided in these financial statements.

14. Employees

The average monthly number of employees including directors was as follows:

	Year ended 31 December 2019 No.	Period ended 31 December 2018 No.
Management	11	9
	11	9

15. Related party transactions

The only key management personnel of the Company are the Directors. Details of their remuneration are contained in Note 7 to the Consolidated Financial Statements.

Details of amounts due between the Company and its subsidiaries are shown in Notes 6 and 9 above.

16. Subsequent events

COVID-19

Since the year end, it has become clear that the spread of the COVID-19 coronavirus will have a material impact on many economies globally both through the effects of the virus itself and the measures taken by governments to restrict its spread.

Given the emergence and spread of the COVID-19 virus is not considered to provide more information about conditions that existed as at the balance sheet date, this is considered to be a non-adjusting post balance sheet event and so the measurement of assets and liabilities in the accounts have not been adjusted for its potential impact. The directors have set out the post year end impact on going concern in the relevant section to the Directors Report.

17. Ultimate controlling party

As at 31 December 2019, no one entity owns greater than 50% of the issued share capital. Therefore, the Company does not have an ultimate controlling party.

COMPANY INFORMATION

Directors
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Richard Harpham, Chief Executive Officer
Graham Bird, Chief Financial Officer
Karen Bach, Non-Executive Director

Company secretary
Graham Bird

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