

---

# Annual Report & Accounts 2017

---



**ESCAPE HUNT**

**EXCITEMENT. UNLOCKED.**



# Contents

---

	Page Number
Financial and Operating Highlights	2
Chairman's Statement	3
Strategic Report	4
Directors' Report	14
Corporate Governance Report	18
Statement of Directors' Responsibilities	23
Independent Auditors' Report to the Members of Escape Hunt plc	24
Consolidated Statement of Comprehensive Income	28
Consolidated Statement of Financial Position	29
Consolidated Statement of Changes in Equity	31
Consolidated Statement of Cash Flows	32
Notes to the Consolidated Financial Statements	33
Company Statement of Financial Position	68
Company Statement of Changes in Equity	69
Notes to the Company Financial Statements	70
Company Information	77

# Financial and Operational Highlights

---

- Escape Hunt was acquired in May 2017 for £12m, of which £7.2m was paid in cash and the balance of £4.8m by issuing 3.55m new shares
- The first owner operated sites were opened in Bristol, Birmingham and Leeds last month, with a further five UK locations to open in the coming months
- The pipeline of sites following these openings is strong
- A detailed review was embarked upon, following which significant effort has been expended in enhancing every aspect of the business to differentiate Escape Hunt from its competitors
- Escape Hunt's franchise network is performing in line with expectations
- Pre-tax loss of £0.74 million for the period to 31 December 2017 before amortization charges and acquisition related transaction costs
- Strong cash position of £10.65 million as at 31 December 2017
- Basic loss per share ('EPS') of 24.77 pence

# Chairman's Statement

---

Much progress has been made in our maiden year as a listed company. In May, 2017 we acquired the Escape Hunt business for £12m, raising an additional £14m in cash to help finance the acquisition and fund the roll-out of the business in the UK. From the outset, the Board conducted a thorough strategic review of the business, prior to developing our owner operated sites in the UK. This was to ensure that our offering is correctly positioned to differentiate ourselves in the marketplace, to take full advantage of the opportunity and to provide a firm foundation for future growth.

A number of key actions emerged from this review. The result of our branding exercise has, we believe, enabled a repositioned Escape Hunt to clearly define our quality, service and values, and so set us apart from the current fragmented marketplace. It has clearly made us more attractive to potential licensed content partners and to new franchisees. Our escape games are being enhanced, initially for the UK market, so that they are at the forefront of harnessing technology to provide greater differentiation from our competitors. They are also designed to provide industry leading customer experiences, and from an execution perspective, to be scalable across our own and the franchise estate. We aim to grow by offering customers the very best experience and service – and that by building a strong recognisable brand image, customers will reward us with their loyalty and recommend us to others.

This foundation work introduced a necessary delay in the roll out of UK sites. However, the work has now completed and we have opened a number of owner operated sites since March, with more to follow in the coming months. We also have a strong pipeline for the rest of the year.

It is very early days but we are delighted with the customer feedback received so far. Customers report that they enjoyed their experience more than they expected, and more than other games played elsewhere. This gives us confidence that our foundation work is proving to be worthwhile.

It is true to say that the building of sites, incorporating leading edge games rooms with the latest technology and "props", is not without its challenges, especially with a newly established UK team. But the team are doing an outstanding job and we are ensuring that our experiences and methodology result in a readily scalable differentiated model. Such challenges have positives too, in that it raises the bar and with it the barriers to entry, in what is still a very fragmented market.

Our franchise network is performing to plan and we are now ready to explore further opportunities.

The growth prospects of the escape rooms industry are larger than we initially envisaged and our pre-eminent position enables us to view the future with confidence.

**Richard Rose**

*Non-Executive Chairman*

10 April 2018

# Strategic Report

## Experiential entertainment – Consumers shift away from possessions to experiences

The inexorable rise of experiential entertainment is currently one of the most significant global trends reshaping consumer spending patterns. How consumers socialise is constantly evolving and is underpinned by a craving for uniquely memorable, spontaneous, immersive and multisensory experiences which can be shared with family and friends. These experiences help people to bond, shape a person's identity and foster the creation of life-long memories. Experiential marketing agency Freeman released a report last year which reveals that experiential expenditure will rise by up to 50% over the next five years. To meet this growing demand, businesses are entering the market, or existing businesses are changing their strategy.

Consumer spending on material possessions is on the wane whilst expenditure on experiences is on an upward trajectory. Barclaycard, which processes about half of all Britain's credit and debit card transactions, is well positioned to see this shift. Figures for April last year show a year on year increase of between 13% to 20% on spending on cinema, theatres, and restaurants. Meanwhile car sales declined by 11%, department store sales dipped by 1% and household appliances sales fell by 2.5%. Barclaycard first noticed the emergence of this trend about two years ago. This retail squeeze is manifesting itself in the regular flow of dire news from UK high street retailers. The move away from materialism towards real life experiences has been in evidence in the US for some time. Millennials (people born between 1980 and 1996) are often credited with being the pioneers of this trend, however, demand for live experiences is occurring across all generations. It is noteworthy that since 1987, the share of consumer spending dedicated to live experiences, relative to total US consumer spending, rose by 70%. Eventbrite's recently commissioned research into the habits of US millennials underscores this societal change. Millennials place a high value on experiences, and they are diverting their spending towards these activities, such as concerts, social events and cultural experiences. 78% of millennials would rather spend money on an experience than on a desirable material possession, and 72% stated that in the next year they are likely to spend more on experiences than on physical possessions.

The waning allure of material possessions means that there is an increasing propensity to spend on experiences to drive the growth of the experiential economy. This presents an opportunity for companies that are based on experience entertainment to capture this added economic value and win the mindshare of consumers. Ensuring that Escape Hunt is at the forefront of understanding the changing experiential entertainment landscape is essential to the growth of our business.

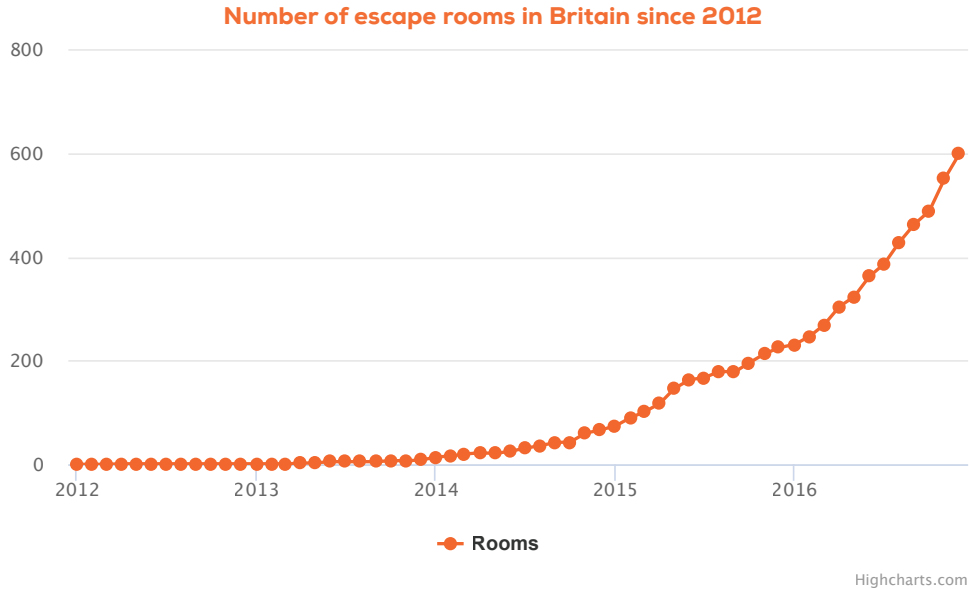
## Escape Rooms capitalise on the growth of experiential leisure spend

Escape games have grown from a niche activity to an emerging mainstream global business. Success is based on capitalising on the trend for immersive entertainment, engaging in an interactive experience with friends and family, and the desire to take on the role of a "sleuth". Another supporting trend is the increasing use of escape games by corporates for assessment, leadership, management training and team building.

The escape room industry continues to experience rapid growth. Since the industry is in its infancy, reliable statistics about its growth are hard to come by. Until an authoritative industry research body emerges, statistics are typically gleaned from other sources. According to the US blog "Room Escape Artist" there were 22 escape rooms in the US at the end of 2014 and it is estimated that there were 1,950 by the end of 2017. The industry remains very fragmented and is dominated by single site operators. For instance, in the US around 1,500 of the near 2,000 escape rooms are single site operators. The largest player owns 37 venues (Key Quest). Incidentally, owning more than 7 escape rooms would place an operator in the top 10 in the US.

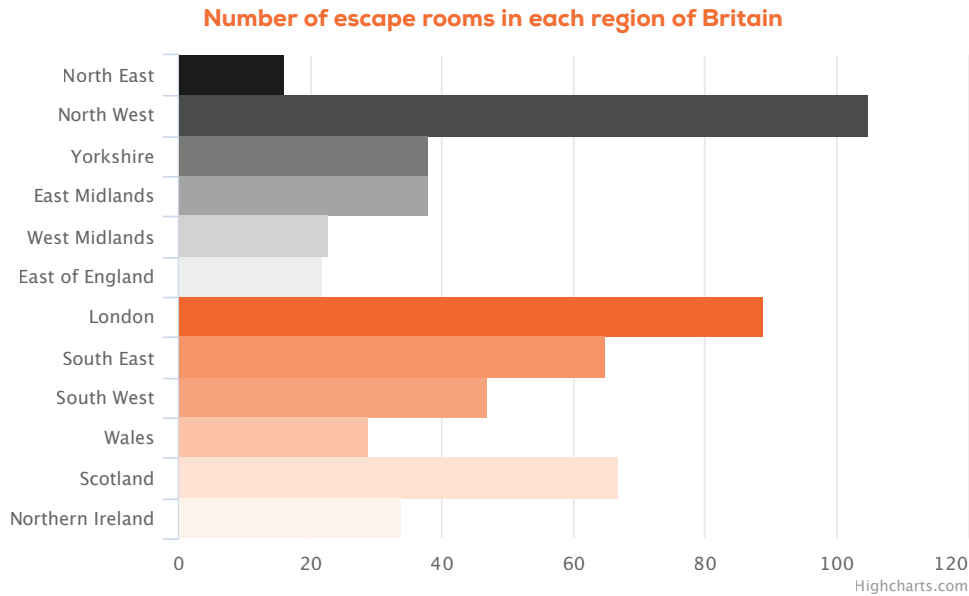
Most countries are at an early stage in the adoption of escape games and unprompted awareness of escape rooms remains very low. Even in the US, which has exhibited explosive growth in recent years, there is clearly scope for expansion if it mirrors the take up in other countries. For instance, last year New York City had 51 escape rooms, or 1 for every 167,000 of the population, compared to Beijing's 181 venues, or 1 for every 63,000.

The UK has also experienced explosive growth in the number of escape rooms. The chart below shows that there were virtually none in 2012 and by the end of 2016 there were over 600 escape rooms in the UK.



(source: Ken Ferguson, The Logic Escapes Me, blog)

The chart below shows that the growth of escape rooms has occurred across all regions in the UK>Chart.



(source: Ken Ferguson, The Logic Escapsee Me, blog)

The highly fragmented market for escape rooms produces a wide range of consumer experiences. Although reviews for most escape rooms are positive, there is increasing anecdotal evidence of single site operator’s customers leaving a venue disappointed by the experience owing to outdated games that have not been updated for 2 to 3 years. These games are typically first generation with clues linked to the unlocking of padlocks and lack lustre themes. In order to deliver a superior customer experience, operators should refresh their games with more sophisticated offerings that incorporate technology. Larger players that have deeper pockets can drive traffic further by striking content deals with established brands that broaden the appeal of escape rooms to a wider audience. However, most businesses remain under capitalised so they do not possess the financial resources to differentiate themselves from their competitors by employing technology or striking content deals. It is likely that consolidation will take place in the medium term as customers become more discerning.

## Strategic Report continued

In conclusion, escape rooms continue to be a rapidly growing sub-sector of the experiential entertainment industry. There is no denying the huge and growing role that experiential entertainment will play in how we spend our leisure time. The challenge for companies is that as the industry becomes more sophisticated and differentiated, those that respond rapidly to the changing trends should thrive in this spontaneous and immersive industry sector.



### Escape Hunt - Review of 2017

In November 2016, the Board of Dorcaster identified Experiential Ventures Ltd as a possible acquisition, and after entering into exclusive negotiations, we were delighted to be able to acquire this business on 2 May 2017. The total consideration was £12m, of which £7.2m was paid in cash and the balance of £4.8m by the issue of 3.55m new ordinary shares of the Company. A total of £14m was raised to provide adequate cash resources to fund the cash consideration and the expansion of the business across the UK and elsewhere. Dorcaster plc was renamed Escape Hunt plc at the same time.

Escape Hunt is one of the global leaders in the high growth 'escape game' space, and the Group's strategy remains to initially open owner-operated branches in the UK and other European jurisdictions. In addition, Escape Hunt intends to continue to build on its strong franchise network and open further franchised branches internationally.

The Board has made good progress as it has continued to develop the approach to growing this early stage business. After a detailed review of the competitive landscape, which has given further confidence in both the strategy and the market opportunity, the Group has adapted its approach to ensure that it targeted the premium end of the sector.

We announced the opening of our first UK owner operated site in Bristol in March 2018. This site was the first of three to open in March, alongside Birmingham and Leeds, with a further five locations to open in the coming months. The initial feedback from reviews on TripAdvisor has been very encouraging. All of these venues are located in prime sites in the centre of town. As previously announced in the operational update on 19 December, securing these premium sites and obtaining planning permission has contributed to delays in opening the initial UK locations and their associated revenues, but the Company has a strong pipeline of sites.



In addition, in the week before Christmas, the Company acquired an escape room business in Bournemouth from a single site competitor for a nominal sum. This is a well-invested site with four games rooms which had only recently opened.

Escape Hunt has also significantly strengthened the management team with a number of senior hires who bring substantial experience in working with international entertainment brands. This includes a head of marketing and a head of franchise development. Since re-admission to AIM the Company embarked on a detailed review of the marketplace, following which significant effort was expended in enhancing every aspect of the business with the objective of differentiating itself from its competitors. Management has made many design and operational improvements to the original model culminating in repositioning the brand of the business. The resulting quality and differentiation of these initiatives has opened up the possibility for exciting partnerships with content providers and franchise opportunities.

Escape Hunt has also decided to further optimise its games offering by developing its games portfolio towards more technological and scalable games. This will enable the Company to better take advantage of the significant market opportunity, and to consolidate its position as the premium escape room operator for both corporate customers and consumers. The Board carefully considered the consequential delays to the opening programme resulting from this strategic work and determined that the shift in the site opening plan to be well worthwhile and believes it will lead to enhanced longer-term benefits.

Escape Hunt recently launched its first app "Escape Hunt: The Lost Temples" with a positive AppStore reaction.

Following the sale of Escape Hunt, Paul Bartosik, the founder of Escape Hunt, served as a consultant to the Company in order to provide advice in the early months after the sale. He has now left the Company with our good wishes and we wish him every success in the future.

This has been an exciting maiden year for Escape Hunt in the wake of last year's re-admission to AIM. The Board believes that the opportunity for the business is larger than initially thought. The work on taking the brand forwards will enable the Company to forge deals with content providers to differentiate Escape Hunt from its rivals and enhance the appeal of our escape rooms



## FINANCIAL RESULTS

### Acquisition of the Escape Hunt business

Dorcaster plc was formed in May 2016 to undertake one or more acquisitions and it began its initial review of the Escape Hunt business at the end of 2016.

The acquisition of Experiential Ventures Ltd, which together with its two subsidiaries comprised the Escape Hunt business was successfully concluded in May 2017 for an agreed consideration of £12 million, payable by way of a cash payment of £7.2 million and the issue of shares to the former owners of Escape Hunt of £4.8 million. £14 million of equity was raised to fund the cash consideration and to provide further capital to fund expansion of the Escape Hunt business.

As well as including the results for the year of Dorcaster plc (which changed its name to Escape Hunt plc in May 2017), these financial statements include the results of the Escape Hunt business for 8 months of 2017, from 2 May onwards.

# Strategic Report continued

## Group results

The loss before taxation for the period to 31 December 2017 was £4,125k. However, this included a number of items which are set out in the table below to reach an adjusted EBITDA and to give more clarity to the results in the period.

	£000s
Loss before taxation	(4,125)
Add back: Amortisation of Intellectual Property	2,266
Amortisation of other intangible assets	109
Transaction expenses to acquire Escape Hunt business	957
Share based payment charge	43
Depreciation	22
Less: Interest received	(9)
Adjusted EBITDA LOSS	£(737)

As a result of these initial losses, there is no tax charge for the period in the UK, although there is a small tax charge of £4k resulting from the profits from the franchisees in Escape Hunt Operations Ltd, the subsidiary which holds the franchisee agreements.

The loss per share for the Group was 24.77 pence (2016: 18.75 pence).

## Financial Results of the acquired business

The acquired Escape Hunt business for the last 8 months of 2017 generated a pre-tax profit of £345k. By way of comparison, the profit for the whole year of the acquired business was £384k which compared to a profit of £280k in 2016.

Before interest, depreciation and amortisation, the profit was £347k for the 8 months and for the whole year was £504k (2016: £304k).

The revenues from the acquired business were £872k for the 8 months to the end of the year and which have been included in these results. For the whole year the revenues were £1,279k. For the whole of 2016 the total revenues of the Escape Hunt business were £1,095k. In dollar terms, the revenues were US\$1,650k in 2017 and US\$1,489k in 2016.

## Purchase Price Allocation

The Escape Hunt business was acquired for £12m. After a detailed review of the acquired assets and liabilities, the purchase price has been allocated as to £10.19m for the Intellectual Property ("IP") of the business, £0.8m for the value of the franchise business and the residual goodwill recognised at £1.4m. Further information on both on the acquisition and the valuation of the intangible assets are contained in notes 11 and 12 to the accounts respectively.

## Intellectual Property

The Intellectual Property ("IP") relates to both the collection of over 250 games which were held by Experiential Ventures Ltd at the time of acquisition as well as the process and know how that enable games to be designed for a large number of franchisees in a short space of time. Given the high value placed on this IP and the desire to expand on the current process so that the game design can then be taken straight into production, the IP was sold to Escape Hunt IP Ltd, a newly formed subsidiary of Escape Hunt plc which was formed to hold all the IP and trademarks of the Group. In addition, it was decided that it would be more appropriate that the IP should be owned in the UK rather than offshore in a Seychelles company. Royalties from the use of IP will be earned in the UK as a result of this Group restructuring, both from external franchisees as well as to other companies in the Group.

The Group is continuing to develop games and a small team has been formed in the UK in 2018 to assist in game design and production of the physical aspects, such as props, for the new games to be used in the UK. As the Group

previously had only one owned branch in Bangkok, there was little experience of taking game design through to physical production and this presented a number of challenges. The new games and the improvement in the whole game design process which the Group is undertaking will represent additional intellectual property and will add to the value of the Group's assets.

### **UK expansion**

The management team in the UK began the process of site selection and acquisition early in 2017 and by the end of the year had selected 8 sites and signed leases on 5 of these sites. Fit-out work began in the last quarter of the year and by the year end £557k had been expended on the fit-out of the first three sites. In addition, £241k had been spent on developing the Group's portal and website and its first app.

The Company's cash balances at the end of 2017 totalled £10.65 million (2016: £7.92 million).

The Directors are well advanced in implementing the growth plans for the Escape Hunt operation and have been building infrastructure to support the Group's long-term growth plans.

Following the acquisition, the Group had 24 staff (including Directors) and the Directors expect this to grow as the Group's footprint widens.

### **Key Performance Indicators**

The Directors have identified the following key performance indicators ('KPIs') that the Company tracked over 2017 and into future years. These will be refined and augmented as the Group's business matures:

- Numbers of owner-operated branches
- Numbers of franchised branches
- Adjusted EBITDA for the Group
- Payback by site
- Site occupancy levels

During 2017, no sites were opened, as we appraised shareholders during the year, so there was no monitoring of KPIs for owner-operated branches, payback by site or site occupancy levels. For 2018 onwards, reporting systems have been installed to obtain weekly data on site performance for the management team. The board receives monthly updates on the progress on site selection, site openings and will receive monthly information on site occupancy levels as well as receiving monthly management accounts which focusses on adjusted EBITDA as the key figure within the management accounts.

Nine new franchises were opened in the year and there were 43 franchises in operation at the end of the year. Although there has continued to be a high level of enquiries from interested parties for individual franchises, the Board changed its approach to issuing new franchises to focus on larger, well capitalised businesses who can open large numbers of owner operated branches. Discussions are in train with a number of such organisations at present.

The Company's systems track performance on 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. As the sites are developed and brought into operation, site revenue, occupancy, yield and gross margins will be key. Working capital is reviewed by measures of absolute amounts.

### **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:

#### **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 interest rate exposures and in the year, the strengthening of sterling against the US dollar, the principal foreign currency to which the Group is exposed, has impacted dollar-based revenue.

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

# Strategic Report continued

The Group has invested in the improvement of its systems and processes in order to ensure sound financial management and reporting during the year. The finance team function has been increased in 2017 and new systems introduced.

## ***Roll-out of owner-operated sites***

The Escape Hunt Group is now opening owner-operated sites which offer the Group growth opportunities. The Escape Hunt Group has signed leasehold agreements on 8 sites as at the end of March and currently plans to expand at a measured rate, opening new owner-operated sites in the UK and elsewhere. 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 has impacted the roll-out pace 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.

The move from a predominantly franchised model to an owner-operated site roll-out is a new strategy and there are risks inherent in its adoption. The Group will be managing a number of site opening processes. These processes include site selection and acquisition, through to fit-out, employment of staff and launch, which it has 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 are being developed and grown to support an 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.

## ***Roll-out of franchise sites***

The Escape Hunt Group is pursuing further franchise site openings which offer the Group growth opportunities. 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 a single agreement 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 Group is an early-stage, fast growth company, transitioning its corporate governance and financial management controls***

The Escape Hunt business was an owner-operated company, experiencing fast-growth in a number of different jurisdictions. As a result of these circumstances, the internal governance, controls and facilities were somewhat under-developed in the context of the growth of the Escape Hunt Group.

In addition, the Escape Hunt Group previously had no external financial reporting requirements. Therefore, the governance and financial controls existing within the Escape Hunt Group were not of the same breadth or depth as would be expected from a company which was required to report externally or is a subsidiary of an AIM quoted company.

As part of the preparation for the acquisition, improvements were made to the internal controls and governance of the Escape Hunt Group (including the adoption of an anti-bribery and corruption policy) to enable the Group to meet its ongoing obligations as an AIM quoted company. Subsequent to the acquisition, considerable improvements have been made in the infrastructure of the Group which include not only enlarging the financial team, but also bringing in additional legal and Human Resources expertise to ensure the Group's obligations are complied with. In addition, further resources have been deployed to ensure the Group is adequately prepared for the implementation of the Global Data Protection Regulations this year. Going forward, the Directors will continue to review and enhance the Group's

governance, procedures and policies as it implements its growth strategy, and will actively monitor and respond to maintain and develop systems and practices that are appropriate for the Group.

***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 are 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.

***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 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 has slowed down the pace of acquiring sites and believes that this could decrease costs for new leases, 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.

***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.

# Strategic Report continued

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.

## **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 bonus and sales commission 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.

### **Growth Strategy and Outlook**

The Group's near-term goals are to extend the roll-out of our owner-operated and franchise sites, diversify our product offering and build on the success achieved by the Escape Hunt brand. The Group will continue to launch new games and other products to meet the changing demands of our global customer base.

However, investment in our brand is vital and our marketing activities will seek to strengthen further the Company's brand awareness. Partnerships with content owners will be an important point of differentiation as well. Initial reception to how the brand has been re-positioned is very positive although it is still early days and has yet to be rolled out to the franchisee network.

We have made significant progress in investing in our brand, acquiring sites and are now well under way with the roll-out programme and are confident that we can meet the challenges that lie ahead in 2018 and beyond. In March, we opened three sites – in Bristol, Birmingham and Leeds. While they have only been open for a matter of days overall, the initial customer response to the sites and to the games has met our highest expectations.

### **Richard Harpham**

*Chief Executive Officer*

10 April 2018

# Directors' Report

for the year ended 31 December 2017

The Directors present their report together with the audited financial statements of the Group for the year ended 31 December 2017.

## Principal activities

The Company was formed to undertake acquisitions in the consumer and leisure sectors. Following the acquisition of the Escape Hunt Group in May 2017, the principal activities of the Group have been 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 seek to re-invest 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 the Strategic Report and Note 25 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 17 to the Financial Statements. The Company has one class of ordinary share which carry no right to fixed income.

## Post balance sheet events

There have been no events that have occurred since the year end that require additional disclosure.



## 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	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	
Adrian Jones	Non-Executive Director	3/5/2017	
Karen Bach	Independent Non-Executive Director	3/5/2017	N A R
Hubert van den Bergh	Non-Executive Director	25/5/2016*	
Karen Jones	Non-Executive Director	25/5/2016**	
Stephen Chadwick	Non-Executive Director	17/5/2016***	

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

\*: Resigned 3 May 2017

\*\* : Resigned 12 April 2017

\*\*\*: Resigned 25 May 2016

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

The Board comprises two executive and three 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**

Richard has recently worked with the Escape Hunt management team, getting to know the business. Richard's prior role was with 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.

### **Alistair Rae, Chief Financial Officer**

Alistair qualified as a chartered accountant at KPMG. Since then, he has worked in financial services firms including Touche Ross, Cazenove & Co. and HSBC. In addition, he has held financial, strategic and executive roles at Jarvis PLC, where he was the CFO appointed to handle their financial restructuring, Imagelinx plc, Simigon Ltd and Refresh Group Ltd and a number of other private and quoted companies.

### **Adrian Jones, Non-Executive Director**

Adrian has served as a non-executive director of Escape Hunt since its incorporation in 2014 and has advised Paul Bartosik, the Escape Hunt founder, on the international expansion and day-to-day operations of the business. Early in his career, Adrian was the creator of WinMail, a leading email product in the early 1990s. Subsequently he has founded or managed multiple IT, sports and media companies. Adrian is the founder and executive director of the Witness Collection, one of the largest collections of Vietnamese art in the world.

### **Karen Bach, Independent Non-Executive Director**

Karen is an entrepreneur and non-executive director with strong technology, international and transactional expertise. Karen 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 a non-executive director of IXCellerate, a Russian datacentre business, and of Amino Technologies plc, a provider of digital entertainment solutions for internet television, KRM22Group and Purnoma Ltd.

# Directors' Report continued

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

## Directors' interests in shares and contracts

Directors' interests in the shares of the Company at the date of this report are disclosed below. Directors' interests in contracts of significance to which the Company was a party during the financial period are disclosed in Note 23 to the Financial Statements.

Director	Ordinary shares held	% held
Adrian Jones	1,777,777	8.78
Richard Rose	37,000	0.18
Alistair Rae	14,800	0.07
Richard Harpham	7,400	0.04
Karen Bach	7,400	0.04

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.

	Growth shares held	% held
Richard Harpham	560	56
Alistair Rae	280	28
Andrew Jacobs	160	16

## Substantial interests

As at 28 February 2018, the Company has been advised of the following significant interests (greater than 3%) in its ordinary share capital:

Shareholder	Ordinary shares held	% held
Arrowgrass Capital Partners LLP	3,250,000	16.04
Canaccord Genuity Group Inc	2,714,000	13.40
Killik & Co	1,925,164	9.50
Adrian Jones	1,777,777	8.78
Paul Bartosik	1,777,778	8.78
Legal & General Group	1,705,000	8.42
BT Investment Management	1,355,000	6.69
Octopus Investments Nominees Limited	1,220,000	6.02
Gresham House Asset Management	929,390	4.59
Unicorn Asset Management	914,000	4.51
Amati Global Investors	610,000	3.01

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 2017.

**Independent auditors**

A resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

**Annual General Meeting**

The Annual General Meeting (AGM) will be held at 12 Noon on 24 May 2018, at the offices of Stockdale Securities. The notice of the AGM contains the full text of the resolutions to be proposed.

Signed by order of the Board

**Alistair Rae**

10 April 2018

# Corporate Governance Report

The Company is a public company incorporated in the UK and its ordinary shares are admitted to trading on AIM. Accordingly, the City Code applies to the Company.

The Directors support high standards of corporate governance. Accordingly, the Board meets regularly throughout the year and all necessary information is supplied to the board on a timely basis to enable it to discharge its duties effectively. Additionally, special meetings take place or other arrangements are made when Board decisions are required in advance of regular meetings.

The Board has established financial controls and reporting procedures which are considered appropriate given the size and structure of the Group. It is the intention of the Board that these controls will be reviewed regularly in light of the future growth and development of the Group and adjusted accordingly.

The Board recognises the value of good governance and has given due regard to the Quoted Companies Alliance ("QCA") guidelines in adopting its governance procedures, which are appropriate for a company of the size and nature of the Company.

## **Share dealing code**

The Company has adopted a share dealing code for directors and applicable employees and the Company takes all reasonable steps to ensure compliance by its directors and applicable employees with the provisions of the Market Abuse Rules ("MAR") and of the AIM Rules for Companies relating to dealing in securities.

## **Corporate Governance Code**

The UK Corporate Governance Code published by the Financial Reporting Council does not apply to AIM companies. However, the Directors recognise the importance of good corporate governance and complies with the provisions of the Corporate Governance Code for Small and Mid-Size Quoted Companies ("Governance Code"), published from time to time by the QCA, to the extent that they believe it is appropriate in the light of the size, stage of development and resources of the Company.

The Directors consider each of Richard Rose and Karen Bach to be independent.

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

## **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 three non-executive directors, including the Chairman. All Directors bring a wide range of skills and international experience to the Board. The Non-Executive Directors hold meetings without the executive Directors present. The Non-Executive 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 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 he was elected or last re-elected shall retire from office and offer himself 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.

#### ***Fair, balanced and understandable assessment of position and prospects***

The Board has shown its commitment to presenting fair, balanced and comprehensible assessments of the Company's position and prospects by providing comprehensive disclosures within the financial report in relation to its activities. The Board has applied the principles of good governance relating to Directors' remuneration as described below. The Board has determined that there are no specific issues which need to be brought to the attention of shareholders.

#### ***Remuneration strategy***

The Company operates in a competitive market. If it is to compete successfully, it is essential that it attracts, develops and retains high quality staff. Remuneration policy has an important part to play in achieving this objective. The Company aims to offer its staff a remuneration package which is both competitive in the relevant employment market and which reflects individual performance and contribution.

#### ***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 has held three meetings to date including the meeting held 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 has held three meetings to date. 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 has held one meeting to date. 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.

# Corporate Governance Report continued

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 auditors have provided services in relation to the annual audit, advice and compliance work in relation to taxation and other advisory work during the period in connection with the acquisition of Escape Hunt. 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. In the period before the acquisition, the business was simple and the control environment reflected this. The Directors recognise the acquisition increases this complexity and they continue to review the internal control system to ensure it responds to this change.

## 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.

Prior to re-admission, the Company was engaged in the targeting of potential acquisitions and the Directors at that time were performing roles that did not attract employment-based remuneration; however certain amounts were billable in respect of consulting services as disclosed in Note 23.

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 of the Group 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 and three months respectively. There are no additional financial provisions for termination.

#### **Share options**

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

#### **Share incentive plan**

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

The price payable for a G Share pursuant to an invitation was also determined by the Remuneration Committee.

### **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.

# Corporate Governance Report continued

---

## **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 <https://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.



# Statement of Directors' Responsibilities

---

in respect of the Strategic Report, the Directors' Report and the Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

## **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.

Signed by order of the Board

**Richard Rose**

10 April 2018

# Independent Auditor's Report

to the Members of Escape Hunt plc

## 1 Our opinion is unmodified

We have audited the financial statements of Escape Hunt PLC ("the Company") for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity and the related notes, including the accounting policies in note 1.

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 2017 and of the Group's loss for the year 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 UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to SME listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## 2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
<p><b>Acquisition accounting</b> (£10,997,000; 2016: £Nil)</p> <p><i>Refer to page 36 (accounting policy) and page 52 (financial disclosures).</i></p>	<p><b>Forecast based valuations:</b> Following the Group's acquisition of the Escape Hunt business, the Group performed acquisition accounting to allocate the consideration paid to identifiable net assets. The majority of the identifiable assets recognised relate to intangible assets such as intellectual property and franchise contracts which required valuations based on forecasted cash flows.</p> <p>There is inherent uncertainty involved in these valuations, including estimating future income streams and determining an appropriate discount rate. Income expected to be derived from each intangible asset has to be estimated based upon expected occupancy rates, market trends, changes in customer experience, and competition.</p> <p>There is also judgement to be exercised in determining the appropriate valuation methodology to be adopted for each class of intangible asset identified.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>- <b>Benchmarking assumptions:</b> We benchmarked discount rates against market data;</li> <li>- <b>Our sector experience:</b> We assessed the completeness of the separate intangible assets identified and challenged the cash flow forecasts used in valuation models using our sector experience and our understanding of the acquired business;</li> <li>- <b>Our valuation expertise:</b> We used our own valuation specialists to assess the appropriateness of the valuation techniques applied;</li> <li>- <b>Test of detail:</b> We assessed the factors that make up the goodwill recognised, considering the rationale for the business combination and the relative balance of identified assets, in order to challenge the completeness of identified assets and overall reasonableness of the purchase price allocation.</li> </ul>
<p><b>Revenue recognition</b> (£872,000; 2016: £nil)</p> <p><i>Refer to pages 40-42 (accounting policy) and pages 46-47 (financial disclosures).</i></p>	<p><b>Accounting treatment:</b> The majority of Escape Hunt's revenue in the period is derived from the sale of franchise rights and resultant service, game design and royalty receipts. Judgement is required as to the determination of the appropriate revenue recognition policies and the application of those policies to specific contracts, in particular if revenue should be recognised at a point in time or over time.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>- <b>Accounting analysis:</b> We inspected franchise agreements to understand the nature of the performance obligations and assessed the appropriateness of the accounting policies selected by the group against the requirements of relevant accounting standards;</li> <li>- <b>Testing application:</b> We inspected a sample of contracts with franchisees and assessed the correct application of the stated accounting policies;</li> <li>- <b>Reperformance:</b> We independently reperformed the calculation of deferred revenue and compared it to that calculated by the Group;</li> <li>- <b>Assessing transparency:</b> We critically assessed whether the Group's revenue disclosures adequately reflect the judgements involved in determining the accounting treatment.</li> </ul>

# Independent Auditor's Report continued

	The risk	Our response
<p><b>Recoverability of parent's debt due from group entities</b> (£17,013,025; 2016: £nil)</p> <p><i>Refer to page 71 (accounting policy) and page 75 (financial disclosures).</i></p>	<p><b>Low risk, high value</b> The carrying amount of the intra-group debtor balance represents 73% of the parent company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>– <b>Comparing valuations:</b> Compared the carrying amount of the intra-group debtor balances with Group's market capitalisation as adjusted by assets and liabilities held by the parent Company.</li> </ul>

### 3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £70,000 determined with reference to a benchmark of loss before tax from continuing operations of which it represents 1.7%. In the prior year Group financial statements were not prepared and therefore no materiality was set for the Group.

Materiality for the parent Company financial statements as a whole was set at £40,000 by reference to component materiality. This is lower than the materiality we would otherwise have determined by reference to parent Company total assets. In 2016, materiality for the parent Company financial statements as a whole was set at £90,000, determined with reference to a benchmark of parent Company total assets, of which it represented 1.1%.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £3,500, in addition to other identified misstatements that warranted reporting on qualitative grounds.

All reporting components were subjected to full scope audits for group purposes. Audit work over components, including the parent Company, was performed by the Group audit team. The Group audit team applied the component which ranged from £1,000 to £65,000, having regard to the mix of size and risk profile of the Group across the components. The components within the scope of our work accounted for 100% of total Group revenue, 100% of Group total assets and 100% of Group profit before tax.

### 4 We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### 5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### **Strategic report and directors' report**

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **6 We have nothing to report on the other matters on which we are required to report by exception**

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

## **7 Respective responsibilities**

### **Directors' responsibilities**

As explained more fully in their statement set out on page 23, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the Group 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 they 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**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **8 The purpose of our audit work and to whom we owe our responsibilities**

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.

### **James Childs-Clarke (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*  
Gateway House, Tollgate  
Chandlers Ford  
Southampton  
SO53 3TG

10 April 2018

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 £'000	Period ended 31 December 2016 £'000
Continuing operations:			
<b>Revenue</b>	4	872	-
Cost of sales		(364)	-
Gross profit		508	-
Transaction expenses		(957)	(1,546)
Administrative expenses		(3,685)	(62)
<b>Operating loss</b>	6	(4,134)	(1,608)
Interest received		9	-
<b>Loss before taxation</b>		(4,125)	(1,608)
Taxation	8	(4)	-
<b>Loss after taxation</b>		(4,129)	(1,608)
<b>Other comprehensive income:</b>			
Items that may or will be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(15)	-
Total comprehensive loss		(4,144)	(1,608)
<b>Loss attributable to:</b>			
Equity holders of Escape Hunt plc		(4,129)	(1,608)
<b>Total comprehensive loss attributable to:</b>			
Equity holders of Escape Hunt plc		(4,144)	(1,608)
Loss per share attributable to equity holders:			
Basic and diluted (Pence)	9	(24.77)	(18.75)

The notes on pages 33 to 67 are an integral part of these financial statements.

# Consolidated Statement of Financial Position

As at 31 December 2017

	Note	As at 31 December 2017 £'000	As at 31 December 2016 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	670	-
Intangible assets	11	10,280	-
Rent deposits		32	-
		10,982	-
<b>Current assets</b>			
Trade receivables	13	15	-
Other receivables and prepayments	13	305	-
Cash and bank balances	14	10,645	7,923
		10,965	7,923
<b>TOTAL ASSETS</b>		<b>21,947</b>	<b>7,923</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	15	507	36
Deferred income	16	83	-
Other payables and accruals	15	478	428
		1,068	464

## Consolidated Statement of Financial Position continued

As at 31 December 2017

	Note	As at 31 December 2017 £'000	As at 31 December 2016 £'000
<b>Non-current liabilities</b>			
Deferred income	16	456	-
		456	-
<b>TOTAL LIABILITIES</b>		<b>1,524</b>	<b>464</b>
<b>NET ASSETS</b>		<b>20,423</b>	<b>7,458</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of Escape Hunt Plc</b>			
Share capital	17	254	125
Share premium account	22	21,076	8,941
Merger relief reserve	22	4,756	-
Accumulated losses		(5,737)	(1,608)
Currency translation reserve	22	(15)	-
Capital redemption reserve	22	46	-
Share-based payment reserve	22	43	-
<b>TOTAL EQUITY</b>		<b>20,423</b>	<b>7,458</b>

The notes on pages 33 to 67 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 10 April 2018 and are signed on its behalf by:

**Richard Harpham**

Director

Registered company number 10184316



# Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital £'000	Share premium account £'000	Merger relief reserve £'000	Currency translation reserve £'000	Capital redemption reserve £'000	Share-based payment reserve £'000	Accumulated losses £'000	Total £'000
<b>Year ended 31 December 2017:</b>								
<b>Balance as at 1 January 2017</b>	125	8,941	-	-	-	-	(1,608)	7,458
Loss for the year	-	-	-	-	-	-	(4,129)	(4,129)
Other comprehensive income	-	-	-	(15)	-	-	-	(15)
Total comprehensive loss	-	-	-	(15)	-	-	(4,129)	(4,144)
Issue of shares	175	13,870	4,756	-	-	-	-	18,801
Shares issue costs	-	(1,689)	-	-	-	-	-	(1,689)
Buy-back of shares	(46)	(46)	-	-	46	-	-	(46)
Share-based payment charge	-	-	-	-	-	43	-	43
Transactions with owners	129	12,135	4,756	-	46	43	-	17,109
<b>Balance as at 31 December 2017</b>	<b>254</b>	<b>21,076</b>	<b>4,756</b>	<b>(15)</b>	<b>46</b>	<b>43</b>	<b>(5,737)</b>	<b>20,423</b>
<b>Period ended 31 December 2016:</b>								
Loss for the period	-	-	-	-	-	-	(1,608)	(1,608)
Issue of shares	125	9,585	-	-	-	-	-	9,710
Share issue costs	-	(644)	-	-	-	-	-	(644)
Transactions with owners	125	8,941	-	-	-	-	-	9,066
<b>Balance as at 31 December 2016</b>	<b>125</b>	<b>8,941</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,608)</b>	<b>7,458</b>

The notes on pages 33 to 67 are an integral part of these financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Year ended 31 December 2017 £'000	Period ended 31 December 2016 £'000
<b>Cash flows from operating activities</b>		
Loss before income tax	(4,125)	(1,608)
Adjustments:		
Depreciation of property, plant and equipment	22	-
Amortisation of intangible assets	2,375	-
Share-based payment expense	43	-
Interest income	(9)	-
Operating cash flow before working capital changes	(1,694)	(1,608)
Increase in trade and other receivables	(161)	-
Increase in provisions	1	-
Increase in trade and other payables	298	465
Decrease in deferred income	(48)	-
Cash used in operations	(1,604)	(1,143)
Income taxes paid	(28)	-
<b>Net cash used in operating activities</b>	<b>(1,632)</b>	<b>(1,143)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(585)	-
Purchase of intangibles	(240)	-
Payment of deposits	(32)	-
Acquisition of subsidiary, net of cash acquired	(7,044)	-
Interest received	9	-
<b>Net cash used in investing activities</b>	<b>(7,892)</b>	<b>-</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of ordinary shares (net of buy-back)	13,954	9,710
Proceeds from issue of G shares	1	-
Share issue costs	(1,688)	(644)
<b>Net cash from financing activities</b>	<b>12,267</b>	<b>9,066</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,743</b>	<b>7,923</b>
Cash and cash equivalents at beginning of year/period	7,923	-
Effects of exchange rate changes on the balance of cash held in foreign currencies	(21)	-
<b>Cash and cash equivalents at end of year/period</b>	<b>10,645</b>	<b>7,923</b>

# Notes to the 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 is the holding company of the Escape Hunt Group which 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.

The consolidated financial information represents the consolidated results of the Company and its subsidiaries, (together referred to as "the Group"). The Consolidated Financial Statements are presented in Pounds Sterling, which is the currency of the primary economic environment in which the Company operates.

### **Basis of preparation**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") including related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The 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 estimation. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Comparative financial information for the period ended 31 December 2016 relates to the Company only for the period from incorporation on 17 May 2016.

The Group has early adopted IFRS 15 – Revenue from Contracts with Customers. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group receives payment for initial "upfront exclusivity fees" upon the signing of a franchise agreement. Since certain of the services which the Group is required to provide under the franchise agreement persist throughout the life of the agreement, typically 10 years, the initial fee is recognised on a straight-line basis over the period of the agreement rather than at the point of payment of the initial fee. Consequently, the Group has recorded total deferred income of £539,000 as at 31 December 2017 and which will be released over the remaining life of the franchise agreements.

### **Changes in accounting policy**

The Group has adopted the following IFRSs which became effective in the year in these financial statements:

- Amendments to IAS 7: Disclosure Initiative. On 29 January 2016, the International Accounting Standards Board (IASB) issued amendments to IAS 7 Statement of Cash Flows that require additional disclosures about changes in an entity's financing liabilities arising from both cash flow and non-cash flow items. The changes are mandatory for annual periods beginning on or after 1 January 2017. Comparatives are not required in the first year of adoption. The new disclosures required by IAS 7 apply to all liabilities whose cash flow movements are disclosed as part of financing activities in the cash flow statement. These disclosures also apply to any changes in financial assets

## Notes to the Financial Statements continued

(e.g. those used to hedge liabilities arising from financing activities) if cash flows from these financial assets will be included in cash flows from financing activities. The Group has no liabilities which were disclosed in financing activities.

- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses. On 19 January 2016, the International Accounting Standards Board (IASB) issued amendments to IAS 12 Income Taxes to clarify the requirements for recognising deferred tax assets (DTAs) for unrealised losses, particularly with respect to fixed rate debt instruments. The changes are mandatory for annual periods beginning on or after 1 January 2017. The Group has no debt instruments.

The adoption by the Group of these IFRSs has had no significant impact on its consolidated financial statements.

### **Adopted IFRS not yet applied**

In addition, the following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective date to be confirmed).
- IFRIC 23 Uncertainty over Income Tax Treatments (effective date to be confirmed).
- Annual Improvements to IFRS Standards 2014-2016 Cycle (effective date to be confirmed).
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective date to be confirmed).

All other standards, amendments and interpretations to existing standards that are not yet effective have not been early adopted by the Group in preparing the consolidated financial statements.

### **IFRSs published but not yet effective**

At the date of authorisation of the financial statements, statements, certain new standards, amendments and interpretations to existing standards applicable to the Group have been published but are not yet effective. These are listed below.

Standard/ Interpretation	Content	Applicable for financial years beginning on/ after
IFRS 9 Financial Instruments (2009) and amendment	IFRS 9 is a replacement for IAS 39 'Financial Instruments' and covers three distinct areas. Phase 1 contains new requirements for the classification and measurement of financial assets and liabilities. Phase 2 relates to the impairment of financial assets and requires the calculation of impairment on an expected loss basis rather than the current incurred loss basis. Phase 3 relates to less stringent requirements for general hedge accounting.	1 January 2018
IFRS 16 Leases	IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 completes the IASB's project to improve the financial reporting of leases and replaces the previous leases Standard, IAS 17 Leases, and related Interpretations.	1 January 2019

The Directors anticipate that the adoption of the above IFRSs in future periods, if applicable, will not have a material impact on the financial statements of the Group in the period of initial adoption, except as discussed below.

### **IFRS 9 Financial Instruments**

IFRS 9 supersedes IAS 39 Financial Instruments: Recognition and Measurement with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

IFRS 9 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in IAS 39. This determines the recognition of impairment provisions as well as interest revenue.

The Group plans to adopt IFRS 9 in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions. The Group will assess the impact of adopting IFRS 9 during this transition period.

The Group's principal financial assets are cash and cash equivalents and accrued income. The measurement of cash and accrued income remains unchanged under IFRS 9 and is measured at amortised cost. While impairment of cash and accrued income is in scope for IFRS 9, the impact of this is not expected to be material.

### **IFRS 16 Leases**

IFRS 16 supersedes IAS 17 Leases and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. IFRS 16 requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be amortised and the lease liabilities will be measured at amortised cost.

From the perspective of the Group, the classification and accounting for operating and finance leases remains substantially unchanged under IFRS 16. IFRS 16 also requires enhanced disclosures by both lessees and lessors.

On initial adoption of this standard, there is likely to be a potentially significant impact on the accounting treatment for the Group's leases, particularly rented properties, which the Group, as lessee, currently accounts for as operating leases. On initial adoption of IFRS 16 the Group will be required to capitalise its rented properties at the lease commencement date in the statement of financial position by recognising them as right-of-use assets and their corresponding lease liabilities. The right-of-use asset will be amortised over the term of each lease and a finance charge will be made by reference to the lease liability and discount rate. The liability is initially to be measured at the present value of future minimum lease payments. The discount rate is the rate implicit in the lease, if readily determinable.

The Group plans to adopt the standard in the financial year beginning on 1 January 2019 with full retrospective effect in accordance with the transitional provisions and will include required additional disclosures in its financial statements for that financial year. The Group will make a detailed assessment of the impact of this standard prior to transition.

The right-of use asset will be amortised over the term of each lease and a finance charge will be made by reference to the lease liability and discount rate. The liability is initially to be measured at the present value of future minimum lease payments. The discount rate is the rate implicit in the lease, if readily determinable.

As at 31 December 2017, the Group had entered into five property leases which had commenced prior to the year-end (2016: nil).

### **Going concern**

The consolidated 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 Group has prepared forecasts and projections which cover a two year period to 31 December 2019 and which reflect the expected trading performance of the Company and the Group on the basis of best estimates of management using current knowledge and expectations of trading performance.

As at 31 December 2017, the Group had £10.6 million in cash which is considered sufficient 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.

## Notes to the Financial Statements continued

---

### 2. Significant accounting policies

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

#### **Basis of consolidation**

The consolidated financial information incorporates the 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 constitutes 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, plus any costs directly attributable to the business combination. 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. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

In the separate financial statements of the Company, investments in subsidiaries are carried at cost, less any impairment loss that has been recognised in profit or loss.

### **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. 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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in 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 consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments, are taken to the 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.

### **Classification of financial instruments issued by the Group**

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

## Notes to the Financial Statements continued

- (a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

### **Non-derivative financial instruments**

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

#### ***Trade and other receivables***

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

#### ***Trade and other payables***

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

#### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

#### ***Rent deposits***

Rent deposits are stated initially at fair value and subsequently at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

### **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 improvements	5 years
Computer hardware	3 years
Escape games	2 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet 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. 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 discounted at the asset's original effective interest 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.

## Notes to the Financial Statements continued

---

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.

The Group has early adopted IFRS 15 Revenue from contracts with customers.

#### **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, 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 16 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.

## Notes to the Financial Statements continued

---

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 16.

### **Leases**

#### **Operating lease payments**

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

### **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 balance sheet 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 balance sheet 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 and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Notes 18 and 19 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.

#### **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.

#### **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, estimates and assumptions 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 judgments**

##### ***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.

## Notes to the Financial Statements continued

---

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**

The acquisition of Experiential Ventures Limited constitutes a reverse takeover of Experiential Ventures Limited for the purposes of the AIM Rules for Companies. However, the Directors judged that under IFRS 3 Business Combinations, the accounting acquirer would be Escape Hunt plc as described above in the note describing the basis of consolidation. The acquisition of Experiential Ventures has therefore been 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 judgment 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 £460,000, 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 shorter term five-year forecasts. In particular, an increasing number of franchises begin to expire after this period. Beyond this five-year period, the Directors believe it is much harder to make a reliable estimate as the uncertainties over estimating the rate of franchise extensions increase.

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 will not be used until 2021 at the earliest.

Finally, whilst the acquired business of EV has been profitable, the profits arising from this business cannot be offset against the losses of the owner-operated segment.

### **Key estimates**

#### **Valuation of Intangible Assets**

The determination of the fair value of assets and liabilities including goodwill arising on the acquisition of businesses, the acquisition of intellectual property and other intangible assets, whether arising from separate purchases or from the acquisition as part of business combinations, and development expenditure which is expected to generate future economic benefits, are based to a considerable extent on management's judgement.

The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset where no active market for the assets exists. The use of different assumptions for the expectations of future cash flows and the discount rate would change the valuation of the intangible assets.

Allocation of the purchase price affects the results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised and could result in differing amortisation charges based on the allocation to indefinite lived and finite lived intangible 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 and the franchise agreements at 7 years. If the estimation of economic lives was reduced by one year, the amortisation charge for IP and franchise agreements would have increased by £1,133,000 and £12,000 respectively.

The fair value of intellectual property acquired in business combinations is based on the royalty relief method. The fair value of the intellectual property acquired with EV during the year was determined using a discount factor of 13.7% and royalty rate of 10%. If the estimation of the discount factor had increased by 1% the resulting fair value of the intellectual property at 31 December 2017 would have decreased by £323,000. If the estimation of the discount factor had decreased by 1% the resulting fair value of the intellectual property at 31 December 2017 would have increased by £545,000. If the estimation of the royalty rate had increased/decreased by 1% the resulting fair value of the intellectual property at 31 December 2017 would have increased/decreased by £139,000.

The fair values of franchise agreements acquired through business combinations are based on 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 earnings attributable to the agreements which have been discounted to a net present value using a discount rate of 13.7%, based on the Group's weighted average cost of capital. This is after returns are paid/charged to complementary assets which are used in conjunction with the valued asset to generate the earnings associated with it. These are commonly referred to as contributory asset charges ("CACs"). The only CAC identified by management is the charge relating to IP which has been estimated at 10%. If the estimation of the CACs rate of 10% used in this calculation had increased by 1% the fair value of the franchise agreements at 31 December 2017 would have decreased by £38,000. If the estimation of the discount rate of 13.7% had decreased by 1% the fair value of the franchise agreements at 31 December 2017 would have increased by £16,000.

### **Impairment reviews**

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, 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;
- 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 five-year 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.

The review did not reveal any indication of possible asset impairment.

The goodwill of £1.4 million relating to the acquisition of EV in 2017 was allocated to owner-operated business and represents a Cash Generating Unit ("CGU") and tested for impairment as of the reporting date. The goodwill was tested for impairment on the basis of fair value less costs to sell, including a discount rate of 16.2%.

If the discount rate was increased by 0.3% or more, this would have led to the recognition of an impairment loss on the goodwill.

## Notes to the Financial Statements continued

### 4. Revenue

	Year ended 31 December 2017 £'000	Period ended 31 December 2016 £'000
New branch upfront location exclusivity fees	101	–
Game design fees	88	–
Support and administrative fees	65	–
Franchise revenues	540	–
Owned branch revenues	75	–
Other	3	–
	<b>872</b>	–

Revenues from contracts with customers:

	Year ended 31 December 2017 £'000	Period ended 31 December 2016 £'000
Revenue from contracts with franchise customers	797	–
Revenue from contracts with owner operated branch customers	75	–
Total revenue from contracts with customers	<b>872</b>	–

	Year ended 31 December 2017 £'000	Period ended 31 December 2016 £'000
Upfront exclusivity fees (certain)	101	–
Game design fees, support, admin and other fees (reasonably certain)	155	–
Revenue-based service fees (dependent on economic factors)	616	–
Revenue from contracts with customers	<b>872</b>	–

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 £75,000 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 Bangkok and the UK.

The Group operates on a global basis. At present, the Company has active franchisees in 26 countries, though some are still in the pre-opening stage. 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.

All amounts in respect of the period ended 31 December 2016 relate to the Company only and therefore no further segment analysis has been presented.

Year ended 31 December 2017	Owner operated £'000	Franchise operated £'000	Unallocated £'000	Total £'000
<b>Revenue</b>	74	798	-	872
Cost of sales	(55)	(275)	(34)	(364)
Gross profit/(loss)	19	523	(34)	508
<b>Profit/(loss) from operations</b>				
Interest income	-	-	9	9
Expenses				
- Administrative	(18)	(250)	(977)	(1,245)
- Depreciation and amortisation	(2,307)	(90)	-	(2,397)
- Transaction	-	-	(957)	(957)
- Share-based payment expenses	-	-	(43)	(43)
Profit/(loss) from operations before tax	(2,306)	183	(2,002)	(4,125)
Taxation	(2)	(2)	-	(4)
Profit/(loss) for the year	(2,308)	181	(2,002)	(4,129)
<i>Other information:</i>				
Non-current assets	10,056	893	-	10,949

## Notes to the Financial Statements continued

### Significant customers:

Revenues derived from major customers in the franchise operated segment, which individually represent 10% or more of total revenue are as follows:

	Year ended 31 December 2017 £'000	Period ended 31 December 2016 £'000
Customer A	253	–
Customer B	125	–
Others individually less than 10%	494	–
	872	–

### 6. Operating loss before taxation

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

	Year ended 31 December 2017 £'000	Period ended 31 December 2016 £'000
Auditor's remuneration:		
– Audit of the financial statements	60	25
– Reporting accountants to AIM admission and acquisition	157	426
– Review of interim financial statements	9	10
Operating lease expenses	60	–
Impairment of trade receivables	33	–
Foreign exchange losses	34	–
Staff costs including directors, net of amounts capitalised	672	–
Depreciation of property, plant and equipment (Note 10)	22	–
Amortisation of intangible assets (Note 11)	2,375	–
Share-based payment costs (non-employees)	43	–

In addition to the auditor's remuneration disclosed above, £482,000 was paid to KPMG in connection with the Company's acquisition of EV and re-admission to AIM in May 2017. Those costs attributable to issuing share capital have been charged to share premium.

In the period ended 31 December 2016, £29,250 was paid to RSM UK Audit LLP, the Company's previous auditors in connection with the Company's AIM admission. These costs were charged against share premium arising on the issue of shares.

## 7. Staff costs

	Year ended 31 December 2017 £'000	Period ended 31 December 2016 £'000
Wages and salaries (including directors)	626	–
Share-based payments	13	–
Social security costs	69	–
Other post-employment benefits	22	–
Less amounts capitalised	(45)	–
	685	–

### Key management personnel:

	Year ended 31 December 2017 £'000	Period ended 31 December 2016 £'000
Wages and salaries (including directors)	400	–
Share-based payments	13	–
Social security costs	47	–
Other post-employment benefits	15	–
Less amounts capitalised	(45)	–
	430	–

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

Year ended 31 December 2017	Salary and fees £'000	Share-based payments £'000	Other benefits £'000	Total £'000
Richard Rose	40	–	4	44
Richard Harpham	133	7	2	142
Alistair Rae	93	4	5	102
Adrian Jones	13	–	–	13
Karen Bach	20	–	2	24
Key management	101	2	2	103
	400	13	15	428
Amounts capitalised	(45)	–	–	(45)
Profit and loss expense	355	13	15	383

The average monthly number of employees was as follows:

	Year ended 31 December 2017 No.	Period ended 31 December 2016 No.
Management	4	–
Administrative	16	–
	20	–

## Notes to the Financial Statements continued

### 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 2017 £'000	Period ended 31 December 2016 £'000
Loss before taxation	(4,125)	(1,608)
Tax calculated at the standard rate of tax of 19.25%	(794)	(321)
Tax effects of:		
Non-deductible expenditure	561	309
Effect of different tax rates in foreign jurisdictions	(51)	-
Tax losses carried forward	316	12
Capital allowances less depreciation	(32)	-
	4	-

The Group had losses for tax purposes of approximately £2.7m as at 31 December 2017 (£63,000 as at 31 December 2016) which, subject to agreement with taxation authorities, are available to carry forward against future profits. The tax value of such losses amounted to approximately £0.46m (£12,000 as at 31 December 2016).

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 2017 and the period ended 31 December 2016 were 1,829,576 and nil, respectively.

	Year Ended 31 December 2017	Period ended 31 December 2016
Loss after tax attributable to owners of the Company (£'000)	(4,129)	(1,608)
Weighted average number of shares:		
- Basic and diluted	16,667,376	8,576,422
Loss per share		
- Basic and diluted (Pence)	(24.77)	(18.75)

## 10. Property, plant and equipment

Year ended 31 December 2017:	Leasehold property £'000	Office equipment £'000	Computers £'000	Furniture and fixtures £'000	Escape games £'000	Total £'000
<i>Cost:</i>						
At beginning of year	-	-	-	-	-	-
Additions through business combinations	19	13	20	5	-	57
Other additions	557	3	17	-	59	636
Currency translation differences	(1)	(1)	(1)	-	-	(3)
As at 31 December 2017	575	15	36	5	59	690
<i>Accumulated depreciation:</i>						
Beginning of year	-	-	-	-	-	-
Depreciation charge	(5)	(3)	(12)	(1)	(1)	(22)
Currency translation differences	1	-	1	-	-	2
As at 31 December 2017	(4)	(3)	(11)	(1)	(1)	(20)
<b>Net book value</b>						
<b>As at 31 December 2017</b>	<b>571</b>	<b>12</b>	<b>25</b>	<b>4</b>	<b>58</b>	<b>670</b>
As at 31 December 2016	-	-	-	-	-	-

The amount of expenditure recognised in the carrying value of leasehold improvements in the course of construction at 31 December 2017 is £215,000 (2016: £nil).

## Notes to the Financial Statements continued

### 11. Intangible assets

	Goodwill £'000	Trademarks £'000	Intellectual property £'000	Franchise agreements £'000	App Quest £'000	Portal £'000	Total £'000
<b>Cost</b>							
At 1 January 2017	-	-	-	-	-	-	-
Additions through business combinations	11	-	-	-	-	50	61
Arising on purchase price allocation	1,393	-	10,195	802	-	-	12,390
Additions arising from internal development	-	-	-	-	-	50	50
Other additions	-	13	-	-	-	141	154
Transfers	-	-	-	-	100	(100)	-
At 31 December 2017	1,404	13	10,195	802	100	141	12,655
<b>Accumulated amortisation</b>							
At 1 January 2017	-	-	-	-	-	-	-
Amortisation of internally developed assets	-	-	-	-	-	-	-
Amortisation of other assets	-	-	(2,266)	(76)	(33)	-	(2,375)
At 31 December 2017	-	-	(2,266)	(76)	(33)	-	(2,375)
<b>Carrying amounts</b>							
<b>At 31 December 2017</b>	<b>1,404</b>	<b>13</b>	<b>7,929</b>	<b>726</b>	<b>67</b>	<b>141</b>	<b>10,280</b>
At 31 December 2016	-	-	-	-	-	-	-

Goodwill and acquisition related intangible assets recognised have arisen from the acquisition of Experiential Ventures Limited in May 2017. Refer to Note 12 for further details.

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 our quality, service and values, and make us more attractive to new customers and partners.

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 five 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 £21,623,000 over the five years has been assumed. The terminal rate used for the fair value calculation thereafter is 2%.

The Directors consider that the Group's weighted average cost of capital is 16.2%. A discount rate of approximately 16.5% would have to be applied in order for there to be an impairment to the carrying value of goodwill at the year-end.

### **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 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" has been adopted as being the 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 is 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 are 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. The Company considers that there are no such indications of impairment and impairment testing has not been performed.

The remaining amortisation period of the intellectual property is approximately 28 months.

### **Franchise agreements**

The intangible asset of the Franchise Business of £802,000 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%.

## Notes to the Financial Statements continued

- **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.

The average remaining amortisation period of the franchise agreements is approximately 76 months.

### 12. Subsidiaries

Details of the Company's subsidiaries as at 31 December 2017 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
Escape Hunt Operations Ltd	Malaysia	Operator of escape rooms	100
E V Development Co. Ltd	Thailand	Game design	99.9996
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

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

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, 87000 Labuan, Malaysia.

#### **E V Development Co. Ltd**

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

#### **Acquisition of Experiential Ventures Limited**

On 13 April 2017, the Company conditionally agreed to purchase the entire issued share capital of Experiential Ventures Limited for a consideration of £12 million on a cash free and debt free basis, with a normalised level of working capital. The consideration (following adjustments for cash/debt and working capital) was payable by £7.2 million in cash on Completion and by the issue of Ordinary Shares (the "Consideration Shares") for £4.8 million.

In order to fund the cash consideration payable and associated costs and expenses, as well as working capital, the Company agreed the conditional placing of 10,370,370 Ordinary Shares (the "Placing Shares") at 135 pence per share to raise £14 million (£10.8 million net of expenses).

On the same date, the Company issued 3,555,555 Ordinary Shares (the Consideration Shares) at £1.35 each to the holders of the entire issued share capital of Experiential Ventures Limited, pursuant to the Company's acquisition of the Escape Hunt Group.

The Acquisition was approved on 2 May 2017 and admission of the share capital on AIM took effect on 3 May 2017.



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

Consideration	Fair Value £'000
Cash	7,200
Equity instruments (3,555,555 ordinary shares)	4,800
<b>Total consideration</b>	<b>12,000</b>
Cash and cash equivalents	152
Property, plant and equipment	130
Gross trade and other receivables	134
Trade and other payables	(142)
Deferred income	(667)
Tax liabilities	(29)
Intangible assets identified on acquisition	31
<b>Total identifiable net assets</b>	<b>(390)</b>
Goodwill	1,393
Intellectual Property	10,195
Franchise Business	802
<b>Total</b>	<b>12,390</b>

The fair value of the ordinary shares given as part of the consideration (£4,800,000) was determined by reference to the Company's share price at the date of acquisition, being £1.35 per share.

The Directors do not consider that any fair value adjustments were necessary to the book values of the assets and liabilities assumed on acquisition.

The goodwill of £1,393,000 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.

The intellectual property of £10,195,000 relates to the valuation of the catalogue of games, the process of games development and the inherent know how and understanding of making successful games.

The Group's strategy since acquisition has been to build upon the current IP rather than replace it.

The intangible asset of the Franchise Business of £802,000 is the net present value of the net income from the current franchisee agreements.

The trade and other receivable amounts acquired, noted in the table above, are before allowance for any uncollectable amounts. The Directors do not consider any such allowance is needed.

The acquisition contributed £872,000 of revenue for the period between the date of acquisition and 31 December 2017 and £272,000 of profit before tax. If the acquisition had been completed on the first day of the financial year, Group revenues would have been £380,000 higher and Group losses attributable to equity holders of the parent would have been £37,000 lower.

In addition, in the week before Christmas, the Company acquired the trade and net assets of an escape room business in Bournemouth from a single site competitor for a sum of £20,000. This is a well-invested site with four games rooms which had only recently opened. The trading results between acquisition and the year-end were insignificant. The £20,000 represents the payment for all of the tangible and fixed assets of the business which are used to operate the 4 games rooms, together with the props that make up the contents for each room. This was a distressed sale, hence the low value consideration. As the transaction was a trade and asset deal only, no liabilities were assumed.

Acquisition costs of £731,000 were expensed in the year ended 31 December 2017. These costs are included with transaction costs in the Statement of Comprehensive Income.

## Notes to the Financial Statements continued

### 13. Trade and other receivables

	As at 31 December 2017 £'000	As at 31 December 2016 £'000
Trade receivables (customer contract balances)	15	–
Prepayments	47	–
Accrued income (customer contract balances)	100	–
Deposits and other receivables	158	–
	320	–

The Group's exposure to credit risk and impairment losses related to trade receivables is disclosed in Note 25.

Significant movements in customer contract assets during the year ended 31 December 2017 are summarised below:

#### Year ended 31 December 2017:

	Trade Receivables £'000	Accrued income £'000
Contract assets:		
Balance at 1 January 2017	–	–
Transfers from contract assets recognised at the beginning of the period to receivables	–	–
Increases/(decreases) as a result of changes in the measure of progress	(7)	36
Impairment provisions	(12)	–
Arising on business combination	34	64
Balance at 31 December 2017	15	100

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.

The majority of the increase in accrued income was as a result of the acquisition of Experiential Ventures Limited.

## 14. Cash and cash equivalents

	As at 31 December 2017 £'000	As at 31 December 2016 £'000
Bank balances	10,645	7,923
Cash and cash equivalents in the statements of cash flow	10,645	7,923

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

	As at 31 December 2017 £'000	As at 31 December 2016 £'000
Pounds Sterling	10,446	-
United States Dollars	177	-
Thai Bhat	22	-
	10,645	7,923

## 15. Trade and other payables (current)

	As at 31 December 2017 £'000	As at 31 December 2016 £'000
Trade payables	507	36
Accruals	258	428
Deferred income	83	-
Taxation	5	-
Other taxes and social security	185	-
Other payables	9	-
	1,047	464

## Notes to the Financial Statements continued

### 16. Deferred income

	As at 31 December 2017 £'000	As at 31 December 2016 £'000
Contract liabilities (deferred income):		
Revenue recognised in the year / period that was included in the deferred income balance at the beginning of the year / period	-	-
Arising on business combination	666	-
Increases due to cash received, excluding amounts recognised as revenue during the period	139	-
Decreases in deferred income as a result of changes in the measure of progress (release on recognition of revenue arising from contract liabilities)	(202)	-
Decreased on termination of franchises	(39)	-
Translation differences	(25)	-
Transaction price allocated to the remaining performance obligations	539	-

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 arising on the business combination represent revenues deferred at the time of acquiring EV. 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 2017 £'000	As at 31 December 2016 £'000
Upfront exclusivity fees	539	-
	539	-

	As at 31 December 2017 £'000	As at 31 December 2016 £'000
Within one year	83	-
After more than one year	456	-
	539	-

## 17. Share capital

	As at 31 December 2017 £'000	As at 31 December 2016 £'000
<i>Issued and fully paid:</i>		
20,259,258 (2016: 10,000,000) Ordinary shares of 1.25 pence each	253	125
1,000 G shares of £1 each	1	–
	254	125

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

During the year ended 31 December 2017, the following transactions were undertaken:

### **Ordinary shares**

On 2 May 2017, the Company placed a total of 10,370,370 ordinary shares at a price of 135 pence per share, with new and existing institutional investors, as well as certain Directors to raise gross proceeds of £14.0 million. The share price of 135 pence per share was based on the quoted share price on AIM at the time less a small discount.

On 2 May 2017, the Company issued 3,555,555 ordinary shares at £1.35 each to the holders of the entire issued share capital of Experiential Ventures Limited, pursuant to the Company's purchase of the entire issued share capital of Experiential Ventures Limited (the "Acquisition").

Share buy-back agreements dated 13 April 2017 were entered into pursuant to which Karen Jones (666,666 shares), Hubert van den Bergh (1,444,444 shares), Dominic Rose (518,519 shares), Jessica Rose (518,519 shares) and Jaime Sarah Rose Scudamore (518,519 shares) agreed to sell a total of 3,666,667 ordinary shares at a value equal to the aggregate nominal value of the ordinary shares being sold being £45,833.

The number of shares in issue at 31 December 2017 and at the date of approval of these financial statements is 20,259,258 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.

### **G shares**

Two Directors and one employee subscribed for a total of 1,000 G shares which were issued by Escape Hunt Group Limited under The Escape Hunt plc Executive Growth Share Plan at a cost of £1 per share in the year as more fully described in Note 19.

## Notes to the Financial Statements continued

### 18. 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 £30,000 has been recognised as a share-based payment and charged to the Income Statement in the year ended 31 December 2017 (period ended 31 December 2016: £nil).

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

The weighted average remaining contractual life of the warrants outstanding at 31 December 2017 is 28 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 2017.

These fair values were calculated using the Black Scholes option pricing model. The inputs in the model were as follows:

Stock price	135p
Exercise price	135p
Interest rate	1%
Volatility	15%
Time to maturity	3 years

### 19. 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 two employees were each granted options over 20,833 shares each at an exercise price of £1.44 per ordinary share.

The weighted average remaining contractual life of the options outstanding at 31 December 2017 is 30 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.

No options have been exercised or forfeited. Accordingly, all options remained in place at 31 December 2017.

The charge to profit and loss during the year was £nil (2016: £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 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 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 have 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 G share exercise price for 71.43% of the G shares is currently £2.33 and is currently £3.37 for the balance.

The sum of £13,000 has been recognised as a share-based payment and charged to the Income Statement during the year (2016: £nil)

These fair values were calculated using the Black Scholes option pricing model. The inputs in the model were as follows:

Stock price	135p
Exercise price (71.4%)	233p
Exercise price (28.6%)	337p
Interest rate	1%
Volatility	15%
Time to maturity	3 years

## 20. Operating leases

As at the reporting date, the Group had commitments for future minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December 2017 £'000	As at 31 December 2016 £'000
Within one year	82	–
Between one and five years	664	–
More than five years	710	–
	1,446	–
Amount recognised in profit or loss:		
Lease expenses	33	–

These lease commitments relate to the lease of Escape Hunt owned branches and offices. The lease periods typically run for a period of five to ten years with an option to renew. The annual lease rentals are usually fixed or contain mechanisms to increase in line with market changes (but also contain an option to break).

## 21. 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.

## Notes to the Financial Statements continued

---

### 22. 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 arises from the requirement to value share options and warrants in existence at the year end at fair value (see Notes 18 and 19).

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.

### 23. 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:

#### **Transactions with key management personnel**

In preparation for the acquisition of Experiential Ventures Limited, Richard Harpham a director of the Company, provided consultancy services for the Company in relation to the acquisition, Placing and share buy-back, and to co-ordinate the preparation of the Group for Admission.

Richard Harpham, a director of the Company, was entitled to a fee of £45,000 for consultancy services in relation to the acquisition of Experiential Ventures Limited, the placing of shares, the share buy-back and to co-ordinate the group for admission to AIM. The fee was conditional upon admission and was paid and expensed in in the consolidated financial statements in the year ended 31 December 2017. In addition, £40,000 was paid for his services in carrying out due diligence on the acquisition and assisting in the process of raising the additional equity. Richard Harpham was not appointed a director of the Company until 2 May.

During the year ended 31 December 2017, the Company paid £30,000 to Kishorn Limited for the services of Alistair Rae to provide company secretarial services and for assistance in the due diligence on the acquisition and the related equity fund raising. Alistair Rae is a director and was a 60% shareholder of Kishorn Limited, a company incorporated in England and Wales. Alistair Rae became a director of the Company on 2 May 2017. Amounts outstanding to Kishorn Limited at 31 December 2017 were £nil (2016: £900).

A salary of £14,000 was paid to a close family member of one of the directors. The full year salary is £33,000 which is on an arm's length basis.

The share buy-back described in Note 17 above constitutes a related party transaction for the purposes of Rule 13 of the AIM Rules for Companies in respect of both of the Directors.

#### **Interests in the share capital of the Company**

Details of the Directors' interests in the share capital and share options of the Company are disclosed in the Directors Report.



### Other transactions

In the year ended 31 December 2017, Peel Hunt LLP (a shareholder and the Company's nominated adviser and broker) performed services for the Company in relation to the re-admission to AIM and ongoing activities for a sum of £800,000. Of this amount, broking fees of £793,000 have been charged to the share premium account and other costs of £7,000 has been expensed in profit and loss in these consolidated financial statements.

### Share incentive plan

As described in Note 17, two Directors and one employee have subscribed for a total of 1,000 shares under the Escape Hunt plc Executive Growth Share Plan at a cost of £1 per share in the year ended 31 December 2017. The Directors do not consider the cost to the Company to be material and accordingly no provision has been made in these financial statements.

## 24. Directors and key management remuneration

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

## 25. 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 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 2017 £'000	As at 31 December 2016 £'000
Trade and other receivables	320	–
Deposits	32	–
Cash and cash equivalents	10,645	7,923
	10,997	7,923

## Notes to the Financial Statements continued

### Financial liabilities at amortised cost:

	As at 31 December 2017 £'000	As at 31 December 2016 £'000
Trade payables	507	36
Accruals and other payables	478	428
	985	464

### 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.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

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.

The Group's primary exposure to credit risk arises through its cash and cash equivalents. The Group manages its exposure to credit risk by dealing exclusively with high credit rating banking counterparties, predominantly UK clearing banks.

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:

	As at 31 December 2017 £'000	As at 31 December 2016 £'000
Gross amounts (before impairment):		
Not past due	9	–
Past due 0-30 days	13	–
Past due 31-60 days	1	–
Past due more than 60 days	4	–
	27	–

**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 2017 £'000	As at 31 December 2016 £'000
At beginning of year/period	-	-
Impairment losses recognised	(13)	-
Bad debts written off	-	-
Translation differences	1	-
At end of year/period	(12)	-

The Group assesses collectability based on historical default rates 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.

As at 31 December 2017 £10,446,000 of the cash and bank balances, as detailed in Note 14 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 Company has no significant concentrations of credit risk.

**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 2017, total trade payables within one year were £507,000, which is considerably less than the Group's cash held at the year-end of £10,645,000. 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 is 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.

## Notes to the Financial Statements continued

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

### As at 31 December 2017

	United States Dollar £'000	Thai Bhat £'000	Total £'000
<b>Financial assets:</b>			
Trade receivables	15	-	15
Other receivables and deposits	134	259	393
Cash and bank balances	177	22	199
	326	281	607
<b>Financial liabilities:</b>			
Trade payables	-	1	1
Deferred income	539	-	539
Other payables and accruals	10	30	40
	549	30	579
<b>Foreign currency exposure (net)</b>	<b>(223)</b>	<b>251</b>	<b>28</b>

### Sensitivity analysis

A 10% strengthening of the Pound against the following currencies at 31 December 2017 would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. All of the Company's monetary assets and liabilities at 31 December 2016 were denominated in Pounds Sterling.

	Increase/ (Decrease) £'000
Effects on profit after taxation/equity	
United States Dollar	
- strengthened by 10%	22
- weakened by 10%	(22)
Thai Bhat:	
- strengthened by 10%	(25)
- weakened by 10%	25

## 26. Commitments

The Group's lease commitments are set out in Note 20.

As at 31 December 2017, the Group had capital expenditure commitments in respect of leasehold improvements totalling £340,000 (2016: £nil)

## 27. Contingencies

As at 31 December 2016, the Company had agreed contingent consultancy arrangements with Richard Harpham, a director of the Company, totalling £45,000 as noted above. This amount was paid on the Company's re-admission to AIM in May 2017.

At the same date, the Company had agreed property consultancy fees of approximately £13,000 payable in respect of Experiential Ventures Limited which were conditional on the acquisition. These amounts were paid in May 2017.

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

## 28. Subsequent events

There have been no events that have occurred since the year end that require additional disclosure.

## 29. Ultimate controlling party

As at 31 December 2017, 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

As at 31 December 2017

(registered company number: 10184316)

	Note	As at 31 December 2017 £	As at 31 December 2016 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	10,796	-
Fixed asset investments	5	1,003	-
Deposits		7,800	-
		19,599	-
<b>Current assets</b>			
Prepayments		9,714	-
Amounts due from subsidiaries	6	17,013,025	-
Cash and bank balances	7	6,177,252	7,923,106
		23,199,991	7,923,106
<b>TOTAL ASSETS</b>		<b>23,219,590</b>	<b>7,923,106</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	8	516,724	465,386
		516,724	465,386
<b>NET ASSETS</b>		<b>22,702,866</b>	<b>7,457,720</b>
<b>EQUITY</b>			
Share capital	9	253,241	125,000
Share premium account	10	21,076,907	8,940,955
Merger relief reserve	10	4,755,555	-
Accumulated losses		(3,472,149)	(1,608,235)
Capital redemption reserve	10	45,833	-
Share-based payment reserve	10	43,479	-
<b>TOTAL EQUITY</b>		<b>22,702,866</b>	<b>7,457,720</b>

The notes on pages 70 to 76 form an integral part of these Financial Statements.

The Financial Statements on pages 68 to 76 were authorised for issue by the board of Directors on 10 April 2018 and were signed on its behalf by:

**Richard Harpham**

Director

# Company Statement of Changes in Equity

for the year ended 31 December 2017

	Share capital £	Share premium account £	Merger relief reserve £	Capital redemption reserve £	Share-based payment reserve £	Accumulated losses £	Total £
<b>For the year ended 31 December 2017:</b>							
<b>Balance as at 1 January 2017</b>	125,000	8,940,955	-	-	-	(1,608,235)	7,457,720
Loss for the year	-	-	-	-	-	(1,863,914)	(1,863,914)
Issue of shares	174,074	13,870,370	4,755,555	-	-	-	18,799,999
Shares issue costs	-	(1,688,585)	-	-	-	-	(1,688,585)
Buy-back of shares	(45,833)	(45,833)	-	45,833	-	-	(45,833)
Share-based payment charge	-	-	-	-	43,479	-	43,479
Transactions with owners	128,241	12,135,952	4,755,555	45,833	43,479	-	17,109,060
<b>Balance as at 31 December 2017</b>	253,241	21,076,907	4,755,555	45,833	43,479	(3,472,149)	22,702,866
<b>For the period ended 31 December 2016:</b>							
Loss for the period	-	-	-	-	-	(1,608,235)	(1,608,235)
Issue of shares	125,000	9,585,000	-	-	-	-	9,710,000
Share issue costs	-	(644,045)	-	-	-	-	(644,045)
Transactions with owners	125,000	8,940,955	-	-	-	-	9,065,955
<b>Balance as at 31 December 2016</b>	125,000	8,940,955	-	-	-	(1,608,235)	7,457,720

The notes on pages 70 to 76 are an integral part of these financial statements.

# Notes to the Company Financial Statements

For the year ended 31 December 2017

## 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 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 2017 is £1,863,914 (period ended 31 December 2016: loss of £1,608,235).

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

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 Company has prepared forecasts and projections which reflect the expected trading performance of the Company and the Group on the basis of best estimates of management using current knowledge and expectations of trading performance.

As at 31 December 2017, the Company had £6,177,252 in cash which is considered sufficient 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.

**(b) Fixed asset investments**

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

**(c) 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.

**(d) 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 balance sheet date and the gains or losses on translation are included in the profit and loss account.

**(e) 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.

**(f) 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.

**(g) 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 recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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.

**(h) 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.

## Notes to the Company Financial Statements continued

For the year ended 31 December 2017

### (i) Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 19 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.

### (j) 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.

### (k) 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.

### (l) 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. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds. Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

**(m) 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 judgement 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.

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.

## Notes to the Company Financial Statements continued

For the year ended 31 December 2017

### 4. Property, plant and equipment

	Office equipment £	Computers £	Total £
<b>Cost</b>			
At 1 January 2017	-	-	-
Additions	12,732	298	13,030
At 31 December 2017	12,732	298	13,030
<b>Accumulated amortisation</b>			
At 1 January 2017	-	-	-
Amortisation charge for the year	2,168	66	2,234
At 31 December 2017	2,168	66	2,234
<b>Carrying amounts</b>			
At 31 December 2017	10,564	232	10,796

### 5. Fixed asset investments

#### Investments in subsidiary undertakings

	Year ended 31 Dec 2017 £
At cost:	
Additions	1,003
Carried forward	1,003

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

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

No impairment provision has been made against the investments in subsidiaries.

## 6. Amounts due from subsidiaries

	As at 31 December 2017 £	As at 31 December 2016 £
Balance brought forward at beginning of year/period	-	-
Amounts advanced	17,013,025	-
Balance at end of year/period	17,013,025	-

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. Cash and cash equivalents

	As at 31 December 2017 £	As at 31 December 2016 £
Bank balances	6,177,252	7,923,106
Cash and cash equivalents	6,177,252	7,923,106

## 8. Trade and other payables

	As at 31 December 2017 £	As at 31 December 2016 £
Trade payables	92,497	36,000
Accruals	201,800	429,386
Taxes and social security	193,348	-
Other payables	5,193	-
Amounts due to subsidiaries	23,886	-
	516,724	465,386

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.

## 9. Share capital

Details of the Company's allotted, called-up and fully paid share capital are set out in Note 17 to the Consolidated Financial Statements.

## 10. 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 18 and 19 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.

## Notes to the Company Financial Statements continued

For the year ended 31 December 2017

### 11. Share based payments

Details of the Company's share options and warrants are contained in Notes 18 and 19 to the Consolidated Financial Statements.

A subsidiary of Escape Hunt plc, Escape Hunt Group Ltd, has issued 1,000 Growth shares for £1 each to three 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 Ventures Development Ltd. No charge has been made to the Income Statement in the year to 31st December 2017 due to the amounts being considered immaterial.

### 12. 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.

### 13. Employees

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

	Year ended 31 December 2017 No.	Period ended 31 December 2016 No.
Management	5	–
	5	–

### 14. 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 5 and 7 above.

### 15. Subsequent events

There have been no events that have occurred since the year end that require additional disclosure.

### 16. Ultimate controlling party

As at 31 December 2017, 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**

Richard Rose, Independent Non-Executive Chairman  
Richard Harpham, Chief Executive Officer  
Alistair Rae, Chief Financial Officer  
Adrian Jones, Non-Executive Director  
Karen Bach, Non-Executive Director

## **Company secretary**

Alistair Rae

## **Company number**

10184316

## **Registered address**

3 Pear Place  
London  
SE1 8BT

## **Independent auditors**

KPMG LLP  
Gateway House, Tollgate  
Chandlers Ford  
Southampton  
SO53 3TG

## **Nominated adviser and joint broker**

Peel Hunt LLP  
Moor House  
120 London Wall  
London EC2Y 5ET

## **Joint broker**

Stockdale Securities Limited  
100 Wood Street  
London EC2V 7AN

## **Registrars**

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6DA







