

ESCAPE HUNT PLC

Registered number 10184316

UNAUDITED CONDENSED INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2020

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Escape Hunt plc
(“Escape Hunt”, the “Company” or the “Group”)

Unaudited Half Yearly Results for the Six Months ended 30 June 2020

Escape Hunt plc (AIM: ESC), a global leader in the growing escape rooms sector, is pleased to announce its interim results for the six months ended 30 June 2020.

	Half year ended 30 June 2020 (£'000)	Half year ended 30 June 2019 (£'000)
Revenue	1,306	2,208
Gross Profit	900	1,613 ¹
Adjusted EBITDA loss, pre-IFRS 16	(816)	(1,059)¹
Loss per share	(11.48p)	(14.57p)

HIGHLIGHTS

- UK sites were closed from 21st March 2020 for the remainder of the period
- In the 12 week period prior to the lockdown, revenue from owner-operated sites was up 44% compared to the same period in 2019
- Adjusted EBITDA loss in the half year reduced to £816k (2019: £1,059k)
- UK sites in aggregate achieving target returns prior to COVID-19
- Launch of downloadable play at home and remote play games during lockdown generated £53k of revenue in period
- Cash outflow constrained through careful management and use of various Government support schemes
- Basic loss per share ('EPS') of 11.48p (H1 2019 loss per share: 14.57p)

POST PERIOD-END HIGHLIGHTS

- Raised £4.1m net of expenses through an equity placing, share subscription, convertible loan note issue and open offer to support continued expansion of the network and provide working capital
- Cash balance of £4.3m at end of August 2020
- UK sites re-opened in July operating on reduced days
 - Improved EBITDA conversion ratios benefitting from government support schemes
 - Revenue progress encouraging; final two weeks in August representing 89% and six weeks to 20 September representing 72% of the same periods in 2019 respectively
 - Site level EBITDA in the six weeks to 20 Sept up 33% on the same period in 2019
- Majority of franchise sites have also re-opened with volumes returning
- Norwich site opened to public on 23 September 2020
- Fit-out work at Basingstoke well advanced and opening scheduled in October taking total number of operational UK sites to 11

¹ Restated

- Signed new site in Cheltenham and fit-out work commenced
- Heads of terms agreed on two further UK sites (Watford and Kingston)
- ‘Escape Hunt for Brands’ progress with Netflix Enola Holmes agreement
- Launch of Doctor Who download, print and play game “The Hollow Planet” in conjunction with BBC
- ‘Escape Hunt for Business’ progress with launch of remote play propositions for corporates
- Awarded TripAdvisor™ Traveller’s Choice awards at all eight eligible UK site

Richard Harpham, Chief Executive of Escape Hunt, commented: “The six months ended 30 June may well have been the toughest period on record for leisure businesses with Government enforced closures and consumers wary of socialising as a result of COVID-19. Nevertheless, I am pleased to report strong progress in the period prior to the UK lockdown which endured from 21 March 2020 to the period end, as well as encouraging signs of recovery post period end and significant strategic and operational progress helped by supportive property conditions in which we expect a greater availability of sites on more favourable terms.

“In addition, we were encouraged that, prior to lockdown, all our UK sites had five-star ratings and were ranked in the top four on TripAdvisor™ in their respective cities under fun and games. Our sites have not been open for sufficiently long since lockdown to draw any firm conclusions, however, the evidence to date is encouraging, we are continuing to enjoy very positive consumer ratings, and as a result we are continuing with our strategic priorities in earnest. We are, however, aware of the growing rate of COVID-19 infections and the possibility of further restrictions being imposed which may impact our progress.”

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About Escape Hunt plc

The Escape Hunt Group is a global leader in providing escape-the-room experiences delivered through a network of owner-operated sites in the UK, an international network of franchised outlets in five continents, and through digitally delivered games which can be played remotely. Its products enjoy consistent premium customer ratings and cater for leisure or teambuilding, in small groups or large, and are suitable for consumers, businesses and other organisations. Having been re-admitted to AIM in May 2017, the Company has a strategy of creating high quality premium games and experiences delivered through multiple formats and which can incorporate branded IP content.

CHIEF EXECUTIVE'S REPORT

INTRODUCTION

The six months ended 30 June may well have been the toughest period on record for leisure businesses with government enforced closures and consumers wary of socialising as a result of the COVID-19 health crisis. Nevertheless, strong progress was achieved in the period prior to the UK lockdown which endured from 21 March 2020 to the period end, as well as encouraging signs of recovery post period end and significant strategic and operational progress helped by supportive property conditions.

Notwithstanding the impact of COVID-19, Adjusted EBITDA loss in the period reduced by 23% to £816k (2019: £1,059k). At a divisional level, site level EBITDA from our owner-operated sites grew 65% to £254k (2019: £154k) helped by the UK Government's furlough scheme, rates holiday and rates grants. Our franchise business also made a positive contribution of £136k helped by tight cost control during lockdown. As set out more fully below, we carefully managed cash during the period of closure, and together with the new money raised from our fundraising announced in July 2020, this provides the Company with the cash resources with which to continue the implementation of our strategy.

The Company has had to adapt during lockdown and I am very pleased with the resilience the organisation has shown through innovation leading to the launch of a number of new product lines which can be played remotely. This is a credit to our workforce and testament to the creativity and energy within the organisation. We believe these new propositions have a long-term future in our portfolio and will enable us to access markets which we have not previously addressed.

Since the period end, all nine of our Escape Hunt branded sites in the UK have re-opened and trading performance has, to date, been encouraging. We have also opened a new site in Norwich on 23 September 2020 and our site in Basingstoke is well advanced and scheduled to open in October 2020. We have exchanged and completed contracts and are on site at a new site in Cheltenham and are in advanced legal discussions on a further two sites. Further detail on our progress since the period end and on our strategic objectives is set out below.

UK OWNED SITES

Revenue from the UK owner-operated sites was £1,017k (H1 2019: £1,675k) reflecting the closure of sites from 21 March 2020 to the end of the period. The impact of COVID-19 began to be felt in early March 2020, culminating in the mandatory closure of all leisure facilities with effect from 21 March 2020. In the nine weeks to 1 March 2020, revenue from owner-operated sites rose 65% compared to the same period in 2019, and 55% on a like for like basis. As at 1 March 2020, the 12-week rolling average like-for-like sales growth in the oldest three sites (Birmingham, Leeds, and Bristol) was 25% year-on-year, and 59% across all eight Escape Hunt branded sites which were open in the same period a year previously. Our sites had been open for 12 weeks of the current period before facing mandatory closures on 21 March 2020. In that 12-week period, revenue from our owner-operated estate was up 44% compared to the same period in 2019.

Before the onset of COVID-19, the average weekly sales and EBITDA figures for our eight more mature sites were meeting the Board's site level revenue and EBITDA targets. Notwithstanding the attainment of these targets, like-for-like growth remained strong, operating materially ahead of the mature site like-for-like target and giving us confidence in the potential returns that we believe might be achieved in future. The operational gearing at site level means that as sales increase the relative flow through to EBITDA is higher. This, together with plans to further improve site labour efficiency, provide support for the Board's belief that the performance in 2019 and early 2020 has established the blueprint for a profitable, cash generative business.

Site level EBITDA in the 12 weeks prior to COVID-19 closures was up around five times compared to the same period in 2019. This included losses in the two weeks immediately preceding national lockdown-enforced closures and before the introduction of furlough.

Our new site at Birmingham Resorts World opened in December 2019 and was trading ahead of plan prior to the onset of COVID-19. Sites at Basingstoke and Norwich were in build, well advanced and due to open towards the end of Q1 2020 but were put on hold once COVID-19 impacted. Activity has since resumed, and we were

delighted to have opened our site in Norwich to the public on 23 September 2020. Further detail on our progress since the period end is set out below.

FRANCHISE OPERATIONS

International franchise

As with our UK owner-operated sites, our existing franchise estate suffered significant reductions in revenue due to mandated closures as a result of the pandemic. Franchise revenue in the first half of the year fell to £249k from £533k in the same period in 2019. We were able to mitigate some of this reduction through cost control, reducing costs directly associated with servicing our franchise network by 71%, resulting in the contribution from our franchise network falling only 13% to £139k (H1 2019: £156k).

The environment has been tough for many of our franchise operators. A number are under financial pressure and, where we have been able, we have worked proactively with them to provide support, including granting fee holidays for the fixed fee component of their franchise fees. During the period two legacy direct franchise relationships were terminated, one in Philippines and one in Mexico. For both, trading had not been profitable before COVID-19. At the half-year end our franchise estate comprised 38 franchisee sites in 15 countries compared to 40 at the end of calendar year 2019. Whilst most franchisee sites have re-opened and are again trading, 6 sites had not yet re-opened as at 15 September 2020. It is possible that some of these more marginal sites may not re-open.

Amongst those sites that have re-opened, we have seen encouraging revenue performance in areas such as Norway and parts of France. Australia remains mixed due to the re-introduction of lockdown measures in certain states. We have reached agreement with our Middle East master franchise partner to bring the master franchise in-house which would significantly increase the contribution from that region provided that revenues return once sites have fully re-opened. As a result, the Dubai site will become an owner-operated site as soon as the agreement is concluded, which we expect in the coming weeks. The expected cost to do so is not material to Escape Hunt and we believe the longer-term prospects for the region remain attractive. The individual who has managed the master franchise and the local staff will all remain with the business and continue to run the Dubai site under Escape Hunt ownership and manage the other Middle East sub-franchisee sites as before.

US franchise

The first site operated by our North American area representative, PCH, opened successfully in Houston in March 2020 shortly before COVID-19 lockdowns were enforced. After a period of closure, the site has since re-opened although local restrictions remain in place.

Since the period end, PCH has made progress towards establishing a site which will serve as a training centre for all franchisees and potential franchisees recruited by PCH. Whilst COVID-19 has delayed the anticipated roll-out in the US, we remain confident of the prospects and are working closely with the team at PCH to support their strategy. In line with our previous expectations, we do not anticipate any revenue from the US franchise operation in the current year.

IMPACT OF COVID-19

We took immediate action in early March 2020 to reduce costs and cut capital expenditure as the potential impact of COVID-19 became apparent. This included cutting all non-critical third-party costs, furloughing over 120 of our staff, implementing pay reductions for all staff, including a 25% pay reduction for senior staff and non-executive directors waiving their fees during closure before themselves being placed on furlough. We received some benefit from Government grants through the rates scheme and continue to benefit from the rates holiday provided to retail and leisure businesses which continues until April 2021. We were able to defer most of our rental payments as well as certain HMRC payments. In most cases, we have subsequently been granted a rent holiday from landlords for some or all of the period during which we were not able to open. As a result of all these actions, we were able to restrict the net cash used in operating activities during the six-month period to £94k, with positive operating cashflow in January and February offsetting approximately £350k of outflow in the remainder of the period. It also reflects approximately £400k of deferrals most of which will be caught up in the months following the period end.

Eight of our nine UK Escape Hunt branded sites re-opened on 11 July 2020, with the final site opening a week later. We took the decision to close the Bournemouth site which had been operating as the MacGuffin Project, as it had been loss making and the site was not suitable to be upgraded to the Escape Hunt format.

NEW INITIATIVES

We were delighted to be able to launch a series of downloadable, print and play games during lockdown. In addition, we launched a remote play format which enables players collaborating remotely to direct a games master around a physical room whilst solving puzzles. We generated £53k of revenue from these initiatives during the period and expect to continue to promote and develop this side of our business.

We have used this new suite of products to further develop our 'Escape Hunt for Brands' proposition. In July, we announced the launch of a download, print and play Doctor Who Experience as part of our partnership with BBC Studios. In September, we announced a new brand marketing partnership with Netflix in which Escape Hunt will create and distribute a print and play at home game to coincide with the release of the Netflix Original Film: Enola Holmes.

We have also been developing the range of other remote and outdoor games which we offer. To augment our existing offer, we have recently signed a licensing agreement with a software provider which gives us access to a platform on which we can develop our own digital outdoor game content which we can promote alongside our existing outdoor offerings. We have also secured rights to a number of multi-player games which can be played remotely by larger groups, hosted remotely by Escape Hunt, and which can be marketed to retail or in a corporate or educational setting. The strategy has seen some early success which we hope to build on. By way of example, in early September, we were successful in selling a game to a UK based corporate which will have up to 100 participants playing in groups of five people, all hosted by Escape Hunt. We expect this capability will form an increasingly important part of our 'Escape Hunt for Business' and 'Escape Hunt for Education' propositions, notably in a post COVID-19 world where many companies, universities and other institutions are looking for innovative ways to keep employees, students and other stakeholders engaged and interacting.

FINANCIAL REVIEW

Group revenue was £1,306k (H1 2019: £2,208k) comprising £1,017k (H1 2019: £1,675k) from owner-operated sites and £287k (H1 2019: £533k) from the franchise network reflecting over three months during which sites were closed. Downloadable print and play games together with remote play contributed £53k to revenue (H1 2019: £nil). Gross profit margin was broadly in line with the comparable period in the prior year.

Site level EBITDA from the owner-operated sites was £254k (H1 2019: £154k) reflecting cost reductions and the benefit received from Government support schemes during lockdown. The P&L benefit from the Government rates holiday and rates-related grants totalled £572k in the period of which £130k was received in cash grants.

Central costs, including costs allocated to owner-operated sites and the franchise network in aggregate fell 24% to £1,359k (H1 2019: £1,788k). The cost reductions came from temporary salary reductions as outlined above as well as cuts to all non-critical expenditure during the lockdown period. The success of all our head office staff working from home has led to a decision to exercise a break clause in our head office property lease which will now terminate in Q1 2021 and is expected to lead to savings thereafter of over £100k per annum. We will in future make use of more flexible working arrangements whilst providing a location in central London for colleagues to meet and work together when necessary. We are also looking closely at all central costs as we seek to permanently reduce costs in other areas.

Group Adjusted EBITDA loss reduced to £816k (H1 2019: £1,059k).

	Six months ended June 2020 £'000	Six months ended June 2019 £'000
Adjusted EBITDA	(816)	(1,059)
Amortisation of intangibles	(1,078)	(1,055)
Depreciation	(1,111)	(995)
Share-based payment expense	(5)	-
Operating loss	(3,010)	(3,109)

Group operating loss was £3,010k (H1 2019: £3,109k) and the total comprehensive loss for the period was £3,073k (H1 2019: £3,200k).

Cash was carefully managed in the period, with net cash used in operating activities of £94k (H1 2019: £1,569k). The movement was helped by £720k of positive working capital and other non-cash movements. Approximately £350k of this was as a result of a reduction in receivables, largely the collection of amounts held on the balance sheet at 31 December 2019 which was expected, and also a reduction in pre-payments due to deferrals. Most of the balance of movement in working capital can be attributed to deferred payments relating to property, HMRC payments and deferred revenue which arose from games which had been booked prior to lockdown most of which have been converted to vouchers for future use. Since the period end, certain of our landlords have granted rent holidays for some or all of the period of lockdown. The benefit from this will unwind over the remaining course of the respective leases, whilst other deferrals will be cash settled in the months following the period end.

£634k (H1 2019: £734k) was invested in tangible capital expenditure including fit-out work at both Norwich and Basingstoke, games production for Norwich, Basingstoke and some advance purchases for Cheltenham, and the production of our new Doctor Who game, A Dalek Awakens, which was launched in March 2020.

The Group had £1,114k cash on hand at the end of the period (H1 2019: £3,922k). Cash has subsequently been boosted by the fund raising which closed on 1 July 2020. Cash on hand at the end of August was £4.3m.

STRATEGY

We have set out a five-point plan to build shareholder value:

1. Roll-out of owner-operated network through direct investment
2. Deliver US Franchise network in partnership with PCH
3. Sustain and support growth in existing franchise network; sign further master franchise agreements
4. Broaden the product offering and market reach
5. Invest in infrastructure to improve efficiency and scalability

In the medium term, we aim to get to 20 UK owner-operated sites and have a longer-term ambition of 50 sites. We have made good progress since the period end. On 23 September 2020 we opened our new Norwich site to the public. Work at Basingstoke is near completion and the public opening is planned in October. We have exchanged contracts on a site at the Brewery Quarter in Cheltenham and the first games have been delivered to site with installation due to commence shortly. Similarly, we have agreed heads of terms and are close to exchanging contracts for a site in the Intu Centre in Watford and games are under construction for installation there too. We are in the process of finalising legal documents for a site in Kingston where likewise we have agreed heads of terms. In all three of these most recent sites, we have been able to secure terms which we believe are substantially more favourable than would have been the case pre-COVID-19. We have a further pipeline of sites under discussion, a number of which are in locations which would previously have been too expensive or unavailable. Our intention is to agree deals in which the landlord shares a greater proportion of the trading risk thereby reducing the operational gearing and downside risk to Escape Hunt.

The US is key to our ambitions for our franchise business and we are working closely with our area representative, PCH, to support them in their efforts to begin to roll our Escape Hunt franchises in North America. As mentioned above, PCH has made progress on their plans to establish a site that will serve as a

training site for franchise applicants.

Focus on the existing franchise network is currently on supporting their recovery from COVID-19 closures.

Our plans to broaden the product offer and market reach are progressing well, with early successes in our remote play games, 'Escape Hunt for Business', 'Escape Hunt for Education' and 'Escape Hunt for Brands' propositions as outlined above.

In regard to our infrastructure, the development of a more advanced games management platform is now complete and will be rolled out at new sites as they are opened and in existing sites where it is practicable to do so and is expected to lead to greater labour efficiency. Work has also progressed on other projects including data management and our e-commerce platform.

BOARD CHANGES

I am delighted that we are today announcing the appointment of John Story as a Non-Executive Director who joins the Board with immediate effect. John brings a wealth of experience to the Company, having held a number of senior positions in both private and public companies. We look forward to his positive contribution. Adrian Jones, who is based in Malaysia and was one of the original management team which established Escape Hunt prior to its acquisition by Dorcaster and Admission to AIM, stepped down from his position on the Board as a Non-Executive Director at the end of May 2020. We mentioned at the time that we would appoint a UK based replacement.

POST PERIOD END TRADING AND OUTLOOK

Trading in our UK owner-operated sites has been encouraging since we re-opened in July 2020. We initially chose to open sites on Thursdays to Sundays only, with the exception of the Summer Bank Holiday on 31 August 2020 and have since extended our opening from Wednesday to Sunday. In the first eight weeks after re-opening, sales have grown from an initial level of around 25% of the equivalent week's sales in 2019 to over 90% of the equivalent prior year sales in each of the last two weeks of the first eight-week period. September has, as expected, seen the pace of recovery soften, although sales in the six weeks to 20 September were nevertheless an encouraging 72% of the same period in 2019.

Additionally, helped by the Government's flexible furlough scheme and our reduced operating hours, we have been able to operate sites significantly more efficiently with lower labour cost ratios than we have historically been able to achieve. As expected, the first four weeks following re-opening generated site level EBITDA losses as the level of sales was not sufficient to cover fixed costs, including property. However, in the six-week period to 20 September growth in sales resulted in a positive site level EBITDA which was approximately 33% higher than the site level EBITDA in the equivalent six-week period in 2019. Whilst the period under consideration is admittedly short, the performance is encouraging, in particular the significantly higher profit conversion ratios achieved. The experience has also served as an impetus to re-look at our labour scheduling models to see how we might be able to continue to achieve the same level of efficiency without the benefit of Government flexible furlough. Whilst it is unlikely that we will be able to fully replicate the flexibility offered by the current flexible furlough scheme, we are optimistic of being able to improve our overall labour cost ratios at site level once furlough ends.

We believe it likely that many smaller competitors will not survive the economic downturn. In contrast, the strength of our balance sheet following our recent fund raise gives us considerable resilience and opportunity to make market share gains as a result.

Our teams worked very hard to ensure that all our sites could be considered 'COVID-secure' on re-opening, and it has therefore been tremendously encouraging to see consumers returning with confidence. Perhaps the most pleasing aspect since re-opening is the fact that we have continued to receive five-star reviews in all our UK locations. In August we were delighted to be awarded Travellers' Choice awards in all eight of our sites which have been open for more than 12 months by TripAdvisor™. Each year, TripAdvisor™ combs through reviews, ratings and saves from travellers everywhere and uses the information to award to the very best. The awards place all our longer standing sites in the top 10% of attractions worldwide. We were equally delighted that our newest site at Birmingham Resorts World, which only opened in December 2019, and is therefore too new to

be eligible for a Traveller's choice award, was ranked the top attraction in Birmingham and the West Midlands, and number seven across the whole of the UK.

We believe conditions in the property market are also moving in our favour, as we are seeing a number of opportunities in desirable locations on attractive financial terms. We expect these conditions to underpin the attractiveness of our UK site roll-out strategy.

We are, however, aware of the growing rate of COVID-19 infections and the likelihood of further restrictions being imposed, whether national or local, which may impact sentiment and performance. Indeed, since the tightening of local restrictions in areas such as Birmingham, Liverpool and Manchester, it has been evident that our sites in those locations have underperformed other parts of the network.

With the exception of six of our thirty eight sites, our franchise network has also re-opened. The rate of recovery varies in different parts of the world, but overall we remain confident that key regions are recovering and will continue to perform in future. We remain positive about the prospects for our US business through PCH.

We were encouraged by the performance of our business prior to the pandemic and by the fact that at that time, all our UK sites had five-star ratings and were ranked in the top four on TripAdvisor™ in their respective cities under fun and games.

Given the possibility of further restrictions being imposed, we expect Covid to have an ongoing impact on our performance for the foreseeable future. However we remain very confident that our strategy will deliver our expected levels of growth and performance once life returns to normal.

Richard Harpham

Chief Executive Officer

29 September 2020

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

The directors confirm that the condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the Interim Report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed consolidated interim financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last Annual Report.

The directors of Escape Hunt plc are listed on page 25 of this report. A list of current directors is maintained on the Company's web site: <http://investors.escapehunt.com/>

By order of the Board

Richard Rose
Non-Executive Chairman
29 September 2020

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	Note	Six months ended 30 June 2020 Unaudited £'000	Six months ended 30 June 2019 (Restated) Unaudited £'000
Continuing operations			
Revenue	5	1,306	2,208
Cost of sales		(406)	(595)
Gross profit		900	1,613
Other income		130	-
Administrative expenses		(4,040)	(4,722)
Operating loss		(3,010)	(3,109)
Adjusted EBITDA		(816)	(1,059)
Amortisation of intangibles		(1,078)	(1,055)
Depreciation		(1,111)	(995)
Share-based payment expense		(5)	-
Operating loss		(3,010)	(3,109)
Fair value gain on disposal of subsidiary		-	10
Interest received		9	18
Lease finance charges	11	(88)	(87)
Loss before taxation		(3,089)	(3,168)
Taxation	7	(2)	(2)
Loss after taxation		(3,091)	(3,170)
Other comprehensive income:			
Items that may or will be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		18	(30)
Total comprehensive loss		(3,073)	(3,200)
Loss attributable to:			
Equity holders of Escape Hunt plc		(3,091)	(3,119)
Non-controlling interests		-	(51)
		(3,091)	(3,170)
Total comprehensive loss attributable to:			
Equity holders of Escape Hunt plc		(3,073)	(3,149)
Non-controlling interests		-	(51)
		(3,073)	(3,200)
Loss per share attributable to equity holders:			
Basic (Pence)	6	(11.48)	(14.57)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	As at 30 June 2020 Unaudited £'000	As at 31 December 2019 Audited £'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	3,606	3,935
Right-of-use assets	9	2,642	2,470
Intangible assets	10	1,990	2,906
Rental deposits		26	26
Loan to franchisee		348	300
		<hr/> 8,612	<hr/> 9,637
Current assets			
Inventories		12	12
Trade receivables		114	370
Other receivables and prepayments		379	473
Cash and bank balances		1,114	2,171
		<hr/> 1,619	<hr/> 3,026
TOTAL ASSETS		<hr/> 10,231	<hr/> 12,663
LIABILITIES			
Current liabilities			
Trade payables		445	317
Deferred income		478	360
Other payables and accruals		1,157	948
Lease liabilities	11	342	304
		<hr/> 2,422	<hr/> 1,929

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020 (continued)

		As at 30 June 2020 Unaudited £'000	As at 31 December 2019 Audited £'000
Non-current liabilities			
Deferred income		214	262
Provisions		101	74
Lease liabilities	11	2,462	2,298
		<hr/> 2,777	<hr/> 2,634
TOTAL LIABILITIES		<hr/> 5,199	<hr/> 4,563
NET ASSETS		<hr/> 5,032	<hr/> 8,100
EQUITY			
Capital and reserves attributable to equity holders of Escape Hunt Plc			
Share capital	13	336	336
Share premium account		24,717	24,717
Merger relief reserve		4,756	4,756
Accumulated losses		(24,894)	(21,803)
Currency translation reserve		(1)	(19)
Capital redemption reserve		46	46
Share-based payment reserve		72	67
		<hr/> 5,032	<hr/> 8,100
TOTAL EQUITY		<hr/> 5,032	<hr/> 8,100

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the parent

	Share capital	Share premium account	Merger relief reserve	Currency translation reserve	Capital redemption reserve	Share- based payment reserve	Accumulated losses	Total	Non- controlling interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Six months ended 30 June 2020										
Balance as at 1 January 2020	336	24,717	4,756	(19)	46	67	(21,803)	8,100	-	8,100
Loss for the period	-	-	-	-	-	-	(3,091)	(3,091)	-	(3,091)
Other comprehensive income	-	-	-	18	-	-	-	18	-	18
Total comprehensive loss	-	-	-	18	-	-	(3,091)	(3,073)	-	(3,073)
Share-based payment charge	-	-	-	-	-	5	-	5	-	5
Transactions with owners	-	-	-	-	-	5	-	5	-	5
Balance as at 30 June 2020	336	24,717	4,756	(1)	46	72	(24,894)	5,032	-	5,032
Six months ended 30 June 2019										
Balance as at 1 January 2019	253	21,076	4,756	11	46	55	(15,741)	10,456	(8)	10,448
Adjustment from adoption of IFRS 16	-	-	-	-	-	-	(69)	(69)	-	(69)
Adjusted balance at 1 January 2019	253	21,076	4,756	11	46	55	(15,810)	10,387	(8)	10,379
Loss for the period	-	-	-	-	-	-	(3,119)	(3,119)	(51)	(3,170)
Other comprehensive income	-	-	-	(30)	-	-	-	(30)	-	(30)
Total comprehensive loss	-	-	-	(30)	-	-	(3,119)	(3,149)	(51)	(3,200)
Issue of shares	83	3,917	-	-	-	-	-	4,000	-	4,000
Share issue costs	-	(276)	-	-	-	-	-	(276)	-	(276)
Disposal of subsidiary	-	-	-	-	-	-	-	-	59	59
Share-based payment charge	-	-	-	-	-	-	-	-	-	-
Transactions with owners	83	3,641	-	-	-	-	-	3,724	59	3,783
Balance as at 30 June 2019	336	24,717	4,756	(19)	46	55	(18,929)	10,962	-	10,962

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	Six months Ended 30 June 2020 Unaudited £'000	Six months Ended 30 June 2019 Unaudited £'000
	Note	
Cash flows from operating activities		
Loss before income tax	(3,089)	(3,168)
Adjustments:		
Depreciation of property, plant and equipment	921	821
Depreciation of right-of-use assets	190	174
Amortisation of intangible assets	1,078	1,055
Fair value gain on disposal of subsidiary	-	(10)
Write-off of property, plant and equipment	-	-
Share-based payment expense	5	-
Interest income	(9)	(18)
Operating cash flow before working capital changes	(904)	(1,146)
Decrease in trade and other receivables	350	109
Decrease / (increase) in inventories	-	(16)
Foreign currency translation differences	26	(39)
Increase / (decrease) in trade and other payables	337	(315)
Increase in provisions	26	26
Increase / (decrease) in deferred income	69	(170)
Cash used in operations	(96)	(1,551)
Income taxes paid	2	(18)
Net cash generated used in operating activities	(94)	(1,569)
Cash flows from investing activities		
Purchase of property, plant and equipment	(634)	(734)
Disposal of property, plant and equipment	40	20
Purchase of intangibles	(170)	(92)
Disposals of intangibles	7	-
Payment of deposits	-	(1)
Loans advanced to franchisees	(47)	-
Cash less overdrafts on derecognition of subsidiary	-	29
Interest received	9	18
Net cash used in investing activities	(795)	(760)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	-	4,000
Share issue costs	-	(276)
Repayment of finance leases	(161)	(140)
Net cash from financing activities	(161)	3,584
Net increase / (decrease) in cash and bank balances	(1,050)	1,255
Cash and cash equivalents at beginning of period	2,171	2,657
Exchange rate changes on cash held in foreign currencies	(7)	10
Cash and cash equivalents at end of period	1,114	3,922

NOTES TO THE UNAUDITED INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 completed the acquisition of the entire issued share capital of Experiential Ventures Limited. Experiential Ventures Limited was the holding company of the Escape Hunt Group which is a global provider of live 'escape the room' experiences.

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 Interim Financial Statements are presented in Pounds Sterling, which is the currency of the primary economic environment in which the Company operates.

2. Basis of preparation

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2019 annual report. The statutory financial statements for the year ended 31 December 2019 were prepared in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS") and in accordance with the requirements of the Companies Act 2006. The auditors reported on those financial statements; their Audit Report was unqualified.

The interim financial information is unaudited and does not constitute statutory accounts as defined in the Companies Act 2006.

The interim financial information was approved and authorised for issue by the Board of Directors on 28 September 2020.

3. Going concern

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

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

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

resumed capital expenditure, there has been a need for additional expenditure to ensure that existing sites have been able to re-open in accordance with guidelines. These factors have all been taken into account in the forecasts.

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

Taking into account the receipt of this new funding, and the trading since re-opening sites and the end of August the Group has considered a number of potential scenarios for the ongoing recovery of trading. The Group also plans to resume the roll out new sites in the UK which are expected to contribute to performance in future.

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

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

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

4. Significant accounting policies

The Company has applied the same accounting policies, presentation, methods of computation, significant judgements and the key sources of estimation of uncertainties in its interim consolidated financial statements as in its audited financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards as adopted for use by the European Union.

Government Grants

During the period, the Company received benefits from Government grants. Revenue based Government grants are recognised through the consolidated statement of comprehensive income by netting off against the costs to which they relate. Where the grant is not directly associated with costs incurred during the period, it is recognised as 'other income'.

5. Segment information

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 consisted of 10 sites in the UK during the six months to 30 June 2020.

The Group operates on a global basis. At present, the Company has active franchisees in over 15 countries. The Company does not presently analyse or measure the performance of the franchising business into geographic regions or by type of revenue, since this does not provide meaningful analysis to managing the business. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The cost of sales in the owner-operated business comprise site staff costs and other costs directly related to revenue generation. In the franchisee business, the cost of sales comprises principally the creation and shipping of games to franchisees.

	Owner operated	Franchise operated	Unallocated	Total
	£'000	£'000	£'000	£'000
Six months ended 30 June 2020				
Revenue	1,017	287	2	1,306
Cost of sales	(362)	(38)	(6)	(406)
Gross profit	655	249	(4)	900
Other income	130	-	-	130
Site level operating costs	(745)	-	-	(745)
IFRS 16 Adjustment	214	-	-	214
Site level EBITDA	254	249	(4)	499
Centrally incurred overheads	(81)	(110)	(1,168)	(1,359)
IFRS 16 Adjustment	-	-	44	44
EBITDA	173	139	(1,128)	(816)
Interest income	-	-	8	8
Finance lease charges	(82)	-	(6)	(88)
Depreciation and amortisation	(1,087)	(9)	(1,092)	(2,188)
Share-based payment expenses	-	-	(5)	(5)
Profit/(loss) from operations before tax	(996)	130	(2,223)	(3,089)
Taxation	-	(2)	-	(2)
Profit / (loss) for the period	(996)	128	(2,223)	(3,091)
<u>Other information:</u>				
Non-current assets	6,140	354	2,117	8,612

	Owner operated	Franchise operated	Unallocated	Total
	£'000	£'000	£'000	£'000
Six months ended 30 June 2019				
Revenue	1,675	533	-	2,208
Cost of sales	(595)	-	-	(595)
Gross profit	1,080	533	-	1,613
Other income	-	-	-	-
Site level operating costs	(1,111)	-	-	(1,111)
IFRS 16 Adjustment	185	-	-	185
Site level EBITDA	154	533	-	687
Centrally incurred overheads	(395)	(377)	(1,016)	(1,788)
IFRS 16 Adjustment	-	-	42	42
EBITDA	(241)	156	(974)	(1,059)
Interest income	-	-	18	18
Finance lease charges	(81)	-	(6)	(87)
Depreciation and amortisation	(1,949)	(66)	(35)	(2,050)
Share-based payment expenses	-	-	-	-
Profit/(loss) from operations before tax	(2,271)	90	(987)	(3,168)

Taxation	-	(2)	-	(2)
Profit / (loss) for the period	(2,271)	88	(987)	(3,170)

Other information:

Non-current assets	10,105	919	-	11,024
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6. 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 loss per share is not presented as the potential issue of ordinary shares from the exercise of warrants are anti-dilutive.

	Six months ended 30 June 2020 Unaudited £	Six months Ended 30 June 2019 Unaudited £
Loss after tax (£000)	(3,091)	(3,119)
Weighted average number of shares:		
- Basic and diluted	26,925,925	21,401,063
Loss per share		
- Basic and diluted	0.1148	0.1457

7. Taxation

The tax charge is based on the expected effective tax rate for the year. The Group estimates it has tax losses of approximately £19.1m as at 30 June 2020 which, subject to agreement with taxation authorities, would be available to carry forward against future profits. The estimated tax value of such losses amounts to approximately £3.8m.

8. Property, plant and equipment

	Leasehold property £'000	Office equipment £'000	Computers £'000	Furniture and fixtures £'000	Escape games £'000	Total £'000
Cost						
At 31 December 2019	2,776	9	75	238	3,071	6,169
Additions	361	6	24	9	234	634
Disposals	-	-	-	-	(40)	(40)
As at 30 June 2020	3,137	15	99	247	3,265	6,763
Accumulated depreciation						
At 31 December 2019	(749)	(8)	(34)	(50)	(1,393)	(2,234)
Depreciation charge	(271)	(2)	(29)	(34)	(585)	(921)
As at 30 June 2020	(1,021)	(11)	(63)	(84)	(1,978)	(3,157)
Carrying amounts						
At 31 December 2019	2,027	1	41	188	1,678	3,935
At 30 June 2020	2,116	4	36	163	1,287	3,606

9. Right-of-use assets

	As at 30 June 2020 £'000	As at 31 Dec 2019 £'000
Land and buildings – right-of-use asset	3,127	3,119
Additions	363	8
Less: Accumulated depreciation		
At the beginning of the period	(658)	(310)
Depreciation charged for the period	(190)	(347)
Net book value	<u>2,642</u>	<u>2,470</u>

The additions of £363,000 in the period relate to a new lease signed. The Group leases land and buildings for its offices and escape room venues under agreements of between five to fifteen years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

10. Intangible assets

	Trademarks and patents £'000	Intellectual property £'000	Internally generated IP £'000	Franchise agreements £'000	Portal £'000	Total £'000
Cost						
At 31 December 2019	78	10,195	568	802	269	11,912
Additions	-	-	170	-	-	170
Disposals / adjustments	-	(1)	(7)	-	-	(8)
As at 30 June 2020	<u>78</u>	<u>10,194</u>	<u>731</u>	<u>802</u>	<u>269</u>	<u>12,074</u>
Accumulated amortization						
At 31 December 2019	(29)	(8,353)	(151)	(306)	(167)	(9,006)
Amortisation	(9)	(783)	(116)	(143)	(27)	(1,078)
At 30 June 2020	<u>(38)</u>	<u>(9,136)</u>	<u>(267)</u>	<u>(449)</u>	<u>(195)</u>	<u>(10,085)</u>
Carrying amounts						
At 31 December 2019	<u>49</u>	<u>1,842</u>	<u>418</u>	<u>497</u>	<u>101</u>	<u>2,906</u>
At 30 June 2020	<u>40</u>	<u>1,058</u>	<u>465</u>	<u>353</u>	<u>74</u>	<u>1,990</u>

11. Lease liabilities

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000
In respect of right-of-use assets		
Recognised on adoption of IFRS 16 on 1 January	2,602	2,878
Additions during the period	363	8
Interest Incurred	88	87
Repayments during the period	(249)	(235)
Lease liabilities at end of period	<u>2,804</u>	<u>2,738</u>
	As at 30 June 2020 £'000	As at 30 June 2019 £'000
Maturity		
Current	342	293
Non-current	2,462	2,445
Total lease liabilities	<u>2,804</u>	<u>2,738</u>

12. Share capital

	Six months ended 30 June 2020 Unaudited £'000	Year ended 31 December 2019 Audited £'000
As at beginning of period / year		
- 26,925,925 (2019: 20,259,258) Ordinary shares of 1.25 pence each	336	253
Issued during the period / year		
- 6,666,667 Ordinary shares	-	83
As at end of period / year		
- 26,925,925 (2019: 26,925,925) Ordinary shares of 1.25 pence each	<u>336</u>	<u>336</u>

During the six months ended 30 June 2020, there were no changes to the share capital of the company

Share option and incentive plans

On 24 January 2019, the Company issued options to subscribe for 137,931 ordinary shares of 1.25 pence each at an exercise price of 87 pence per share to an employee of the Company, under the terms of the Escape Hunt Plc Enterprise Management Incentive Scheme 2018. No options were exercised, forfeited or lapsed during the period. Accordingly, all options remained in place at 30 June 2020. The sum of £5,000 has been recognized as a share-based payment and charged to the Income Statement during the period (six months to June 2019 - £nil; year ended Dec 2019 - £12,000).

Subsequent to the year end, a new share incentive plan has been put in place and all options outstanding as at 30 June 2020 have been cancelled.

13. Key management personnel compensation

	Six months ended 30 June 2020 Unaudited £'000	Six months ended 30 June 2019 Unaudited £'000
Salaries and benefits (including directors)	219	405
Share-based payments	5	-
Social security costs	39	47
Other post-employment benefits	10	11
Less amounts capitalised	(34)	-
Total	<u>239</u>	<u>463</u>

Related party transactions

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:

Invoices for services of £4,125 and other benefits of £92 were paid to a close family member of one of the directors (six months ended 30 June 2019: salary of £16,000 and other benefits £1,000) on an arm's length basis.

14. Government Grants and Government Assistance

The following Government grants were received and have been recognised during the period:

	Six months ended 30 June 2020 Unaudited £'000	Six months ended 30 June 2019 Unaudited £'000
Coronavirus Job Retention Scheme grants	407	-
Local authority Small Business Grants	130	-
Total	<u>537</u>	<u>-</u>

In addition, the Company benefitted from Business Rates Relief introduced for the retail, hospitality and leisure industries. The benefit in the period was £35k (2019: £nil)

15. Seasonality of the Group's business

There are no seasonal factors which materially affect the operations of any company in the Group.

16. Subsequent Events

Fund raise

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

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

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

COVID-19

The UK Government mandated closure of all restaurants, bars, clubs, gyms and leisure facilities, forcing closure of all the Company's UK sites on 20 March 2020. The vast majority of the Group's franchise network was also affected by similar mandatory closures in other parts of the world. The Company's UK sites and the many of the Group's franchise network remained closed as at 30 June 2020.

On 4 July 2020, the UK government lifted certain restrictions, allowing sites to re-open subject to implementing various processes and procedures aimed at minimising the risk of spreading COVID-19. Eight of the Company's sites re-opened on 11 July 2020 with a ninth opening a week later. However, the Company's site in Bournemouth which did not operate under the Escape Hunt brand and which had been loss making, has been permanently closed.

Whilst activity has been building and performance to the end of August was encouraging, the pace and degree to which activity will ultimately resume following the closures remains unknown. The forced closures may also have had an ongoing impact on the financial position and future financial performance of the Company's franchise network, potentially impacting their ability to pay outstanding and / or future franchise fees.

COMPANY INFORMATION

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

Company Secretary

Graham Bird

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