

ESCAPE HUNT PLC

Registered number 10184316

UNAUDITED CONDENSED INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2021

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28 September 2021

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

Half Yearly Results for the Six Months ended 30 June 2021

Escape Hunt plc (AIM: ESC), a global leader in the growing escape rooms sector, is pleased to announce its unaudited interim results for the six months ended 30 June 2021.

	Half year ended 30 June 2021 (£'000)	Half year ended 30 June 2020 (£'000)
Revenue	1,178	1,306
Gross Profit	801	900
Adjusted EBITDA¹ loss, pre-IFRS 16	(796)	(816)
Loss per share	(2.81)	(11.48p)

HIGHLIGHTS

- Strong post lockdown bounce back from UK sites which re-opened on 17 May 2021
 - H1 revenue £1,178k with UK sites open for only six weeks in the period (H1 2020: £1,306k from c.11 weeks UK trading)
 - Site level EBITDA for the half year £441k (H1 2020: 499k)
 - Improved EBITDA conversion ratios benefitting from technology investment and labour changes
- Downloadable and play at home games continue to be additive, contributing £151k in the period (H1 2020: £53k)
- Adjusted EBITDA loss in the half year reduced to £796k (H1 2020: £816k)
- Basic loss per share ('EPS') of 2.81p (H1 2020 loss per share: 11.48p)
- Dubai acquisition performing ahead of expectations with payback expected in less than 12 months
- Completion of £1.4m placing of new shares at 17.5p per share to fund acquisition of master franchise in France and Belgium and provide working capital
- New UK owner operated sites opened in Watford and Kingston on 17 May 2021 bringing total UK owner operated sites to 14; further sites secured and in build at the Lakeside shopping centre in Essex and in Milton Keynes. This brings us to 16 owner operated sites in the UK and 19 in total

POST PERIOD-END HIGHLIGHTS

- Strong bounce back in sales continuing
- Mature LFL sites delivering 117% of pre-COVID (2019) sales with total sales (including new sites) delivering 192% of 2019 level in the 16 weeks between re-opening and 5 September 2021
- July and August both profitable at Group EBITDA level (even stripping out UK Government COVID support) which validates our previous assertion that with the existing estate, the Company could become cash generative over a full year
- All owner operated sites trading with positive contribution
- On track to be operating from 20 owner operated sites well ahead of target of July 2022

¹ See Consolidated Statement of Comprehensive Income for reconciliation to operating loss

- Build finally commenced at US franchise ‘super centre’ in Houston after considerable COVID-related delays
- Awarded TripAdvisor™ Traveller’s Choice awards at all eligible UK sites for second year in a row
- Strong cash management ensured cash balance of £2.4m at 30 June 2021 (31 Dec 2020: £2.7m) and £2.4m at 31 August 2021
- Receipt of further £0.95m (net of advisory fees) R&D credits from HMRC in September 2021 which will be recognised in H2 2021 (H2 2020: £0.2m) further boosting cash resources

Richard Harpham, Chief Executive of Escape Hunt, commented: *“It has been extremely pleasing to see such a strong bounce back of consumer demand in the UK over the summer. Encouragingly, we are now beginning to see an increase in corporate activity which we expect to show further growth as office-based work begins to return over the Autumn. Our acquisitions in both the Middle East and France / Belgium are performing well and we believe they will generate a very attractive return on investment underpinning our international franchise efforts whilst our new sites have all traded profitably virtually from day one. It is clear that escape rooms have now entered the mainstream consumer psyche underpinning confidence in our strategy and the significant strategic progress made in the last 18 months. Notwithstanding the incredibly tough conditions for the leisure industry during this period, the Company has emerged stronger and with a platform with significantly greater critical mass. We look forward with optimism.”*

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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

It has been very encouraging to see the return of consumer demand as COVID restrictions have lifted in both the UK and many of the other regions in which Escape Hunt operates. While recognising that the pandemic is not yet over, we are hopeful that, with the success of the vaccination programme, life can resume without the need for further economically damaging restrictions.

The strong performance of our franchisee Escape Rooms in Australia in the early part of the year when Australia initially came out of lock down gave us optimism that demand would return in the UK and Europe once sites were allowed to re-open. We were correct in our expectation that demand would take a few weeks to return to full strength and we have been delighted to see that it continued to build through July and August to very encouraging levels. It is increasingly evident that Escape Rooms have entered the consumer psyche and it is now becoming a natural consideration of 'things to do' alongside more traditional leisure activities. We see this as part of a growth trend in experiential leisure.

Perhaps one of the most satisfying aspects of the recent performance has been the energy with which our staff have returned to work and the resultant five-star consumer ratings all our sites in the UK enjoy, including our newly opened sites. In August 2021, all the UK sites which had been open for more than a year, and therefore eligible for consideration, received the prestigious TripAdvisor™ Travellers' Choice awards, placing them in the top 10% of businesses listed on TripAdvisor™.

We have made further strategic progress in the period, which we discuss in more detail below. Significantly, we added to our owner operated estate through the acquisition of our French and Belgian master franchise which gave us an owner operated site in both Paris and Brussels. We also opened two new owner operated sites in the UK in Watford and Kingston respectively and we are in the process of building two further sites – one at the Lakeside shopping centre in Essex and one in Milton Keynes. Given the excellent returns we are achieving on new sites, we are actively evaluating a number of further sites helped by favourable property conditions.

The performance of our owner operated estate since re-opening has further demonstrated the attractions of our business model. The estate as a whole has outperformed against our target 'box economics', whilst still showing growth. The site level EBITDA margins we are achieving, notwithstanding the short-term help from a lower VAT rate and business rates holiday, have been particularly encouraging.

Within our franchise estate, different countries have been affected in varying ways. However, overall, the estate has performed well and, whilst we have lost a small number of sites which have been forced to close as a result of financial hardship under COVID, it is pleasing to see those that have survived performing again with a number registering record weekly revenue performances.

There is a significant opportunity both in the UK and more widely in the retail property market and we believe that Escape Hunt is well positioned to take advantage of the more attractive terms on offer. In turn, we expect this to make future sites even more financially attractive than before. With our 'box economics' now unequivocally proven and the evidence that consumers enjoy the Escape Hunt offering, the Board looks forward to the next phase of our progress with optimism.

OWNER OPERATED SITES

The owner operated estate comprised 17 sites at the end of June 2021; 14 sites in the UK and 1 in each of Paris, Brussels and Dubai. Total owner operated revenue in the period fell by 8% to £936k (H1 2020: £1,017k), although both periods were severely impacted by lockdown restrictions and the periods are therefore not easily comparable. Site level EBITDA fell 12% to £441k (H1 2020: £499k).

UK

The UK estate re-opened to the public on 17 May 2021, following a protracted COVID lockdown enforced by the UK Government. As a result, the reporting period includes only six weeks' trading where physical indoor games were available. Trading since re-opening has been very encouraging. Although there has undoubtedly been a 'post COVID bounce', the duration of which is unknown, there has to date been a low level of corporate bookings

which we expect to resume gradually as people return to office working and we would hope that this will replace any end to the 'COVID bounce'.

Revenue and EBITDA from the UK owner operated estate has been significantly ahead of the Board's expectations in the 16 weeks since re-opening, between 17 May 2021 and 5 September 2021. Revenue for the 8 sites which were open in the same period in 2019 was up 17% than in the same period in 2019. At an EBITDA level, the performance was even more positive with both July and August profitable at group EBITDA level. In the 16 weeks of trading to 5 September 2021, our estimated site level EBITDA from the eight sites that were open in the same period in 2019 was 172% higher than in the same period in 2019.

Across all UK sites, including our new sites, revenue in the 16-week period grew 92% compared to 2019, and site level EBITDA grew 326%.

Encouragingly, five of the six newest UK sites have been performing in line with high performing, more mature sites. The sixth site is growing nicely, albeit operating at reduced capacity whilst awaiting its full complement of games

Dubai

Dubai was open throughout the six months to 30 June 2021, although trading was impacted to some extent by COVID restrictions. Nevertheless, the Dubai site delivered a performance over the period which was marginally ahead of the Board's expectations. Following a strong performance in July 2021 and another profitable month in August 2021, the profits generated from Dubai since its acquisition in October 2020 have more than covered the acquisition cost, inclusive of fees, leading to a payback of significantly less than one year.

The team in Dubai has recently won a tender to participate in the 'Riyadh Season', which is an Expo funded by the government of Saudi Arabia to promote tourism and leisure. The Expo runs for a number of months from 1 October 2021 and Escape Hunt will be present with both physical and VR games. The costs are all covered by the Expo's promoters and the event provides an excellent opportunity to test our new modular designed games whilst promoting the brand to both consumers and potential franchisees. The event should generate a meaningful contribution for our Middle East business in the current financial year.

France and Belgium

The acquisition of the master franchise for France and Belgium completed on 8 March 2021. Excluding earnout, the consideration represented approximately 1x the business' historic EBITDA and was funded using a portion of the proceeds from a placing of 8 million shares at 17.5p per share which was announced on 28 January 2021. As a condition of the deal, the Group's six leading franchisees in France all signed new franchise agreements, extending for a further six years on renewed terms. We now have direct relationships with our French franchisee network and our Paris based team are working effectively with them.

Lockdown in both Belgium and France was extended until early June 2021, so these half year results include very little trading from the two countries. However, both France and Belgium have seen a resumption of business and, taking into account the delayed re-opening, have been performing in line with our expectations. We remain confident of generating a very good return on capital from the acquisition and in building on the progress made in the region by the previous owners.

FRANCHISE OPERATIONS

International franchise

It has been a difficult period for many of our international franchise operators. Whilst Australia enjoyed a period of relative freedom from COVID in Q1 and Q2 2021, a number of Australian sites have had to close again due to renewed lockdowns. As set out above, France and other northern European countries all endured long lockdown periods which extended throughout most of the reporting period. When sites have been open, it has been evident that there is considerable consumer demand, so we are confident that the estate will return to previous performance levels. We have been going through a process to refresh our franchise relationships increasingly

interacting directly rather than through a master franchisee and this seems to be paying off. We have made significant progress in developing our games catalogue, which is delivering higher quality games and associated collateral to our franchise network. During the period, our franchisee in Buenos Aires was forced to close due to financial pressures and our site in Singapore is currently closed, although it remains to be seen whether this is permanent. Excluding these latter two, the franchise estate comprised 28 venues in 11 countries at the end of the period.

US franchise

Progress in the US has been impacted by COVID notably through the effects on travel. We have previously noted that our area representative in the USA, PCH, is establishing a 'super centre' in Houston which will serve as the hub from which they can showcase an Escape Hunt site to prospective franchisees. New modular design games have been built and were delivered to Houston several weeks ago, but installation has been delayed due to travel restrictions. However, with restrictions gradually lifting, we expect the installation to complete in the coming weeks.

The team and PCH hosted an initial set of 'Discovery days' in the period and are building a pipeline of potential franchise partners.

OPERATIONAL PROGRESS

The relationship with our new games manufacturer has been working well and our 'modular' games design is now standard for all new sites. The manufacturer is also providing options for some of our franchise network. We continue to work on ways to streamline the installation process and reduce dependency on specialist know how required for the installation.

Our operations team has done an amazing job managing the 'pingdemic' during a very busy time as a result of which all our sites were able to operate at capacity throughout. The enthusiasm with which staff have returned to work is a testament to the team and the culture we have built in the organisation.

FINANCIAL REVIEW

Group revenue in the first half was £1,178k (H1 2020: £1,306k) comprising £936k (H1 2020: £1,017k) from owner-operated sites and £242k (H1 2020: £287k) from the franchise network reflecting a period when across the estate, many franchise sites were closed. Downloadable print and play games together with remote play and digital games contributed £151k to revenue (H1 2020: £53k). Whilst gross profit margin was lower than the comparable period in the prior year, this was largely as a result of direct labour training costs incurred prior to re-opening and the cumulative, although relatively small, costs not covered by furlough payments during lockdown.

Site level EBITDA from the Group's owner-operated sites was £199k (H1 2020: £254k) reflecting modest cost reductions helped by furlough, and the benefit received from Government support schemes during lockdown. The P&L benefit from the Government rates holiday and rates-related grants totalled £432k in the period of which £341k was received in cash grants and the balance being the benefit of the rates holiday.

Central costs, including costs allocated to owner-operated sites and the franchise network in aggregate fell 9% to £1,237k (H1 2019: £1,359k). Much of this can be attributed to the success of all our head office staff working from home, which led to a decision to exercise a break clause in our head office property lease which terminated in Q1 2021. This is expected to lead to annualised savings of over £100k per annum. We have been successfully making use of more flexible working arrangements whilst providing a location in central London for colleagues to meet and work together when necessary. The overall cost reflects a 30% reduction compared to central costs in the same period in 2019 illustrating the impact of a number of enduring cost cuts. As the Group resumes its planned growth trajectory, central costs are expected to rise, although at a significantly lower rate than turnover and gross profit as we expect a substantial operational gearing benefit.

Group Adjusted EBITDA² loss reduced to £796k (H1 2020: £816k).

	Six months ended June 2021 £'000	Six months ended June 2020 £'000
Adjusted EBITDA	(796)	(816)
Amortisation of intangibles	(216))	(1,078)
Depreciation	(1,038)	(1,111)
Rent credits recognised	25	-
Loss on disposal of tangible assets	(18)	-
Branch closure costs and other exceptional costs	(147)	-
Foreign currency gains / (losses)	(6)	-
Share-based payment expense	(26)	(5)
Operating loss	(2,222))	(3,010)

Group operating loss reduced by 27% to £2,222k (H1 2020: £3,010k) and the total comprehensive loss for the period was £2,390k (H1 2020: £3,073k). Branch closure and other exceptional costs include costs associated with the acquisition of the French and Belgian master franchise, and provision against the remaining balance on a loan made to a franchisee several years ago.

We have continued to manage cash carefully, with net cash used in operating activities of £100k (H1 2020: £94k). The movement was helped by £836k of positive working capital movements. Approximately £706k of this was as a result of an increase in trade and other payables. The increase is attributable to approximately £390k of capital expenditure on Lakeside and Milton Keynes which was paid in July 2021; approximately £250k reflects the estimated earnout payable in relation to the French and Belgian acquisition; and the balance is from an increase in the sale of gift vouchers since sites have re-opened. Approximately £512k of property related creditors remained on the balance sheet at 30 June 2021 and is expected to unwind in the second half of the year.

The Group had £2,414k cash on hand at the end of the period (31 Dec 2020: £2,722k). Cash was boosted by the £1.4m fund raising which completed on 28 January 2021. Cash on hand at the end of August 2021 was £2.4m.

In September 2021, the Group received £1.2m cash (£950k net of associated fees) in respect of research and development grants from HMRC. The grant will be recognised in H2 and is in addition to the £256k (£207k net of fees) recognised in 2020. The cash receipt has further boosted the Group's cash reserves.

STRATEGY

As previously set out, the Board has set out a five-point plan to deliver 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 offer and market reach
5. Investment in infrastructure to improve efficiency and scalability

The target set in July 2020 was 20 owner-operated sites in the medium term, being within two years of the July 2020 fundraise, with a longer-term ambition of 50 sites. Following the acquisitions of sites in Dubai, Paris and Brussels, and the successful opening of new sites in Norwich, Basingstoke, Cheltenham, Watford and Kingston, the Group's owner operated estate at 30 June 2021 comprised 17 sites. Fit out is well advanced in Lakeside and is in progress at Milton Keynes. Both sites are expected to open in Q4 2021. A strong pipeline of further sites is also in negotiations and the Board is confident of achieving the medium-term target of 20 owner operated sites well ahead of the target date of July 2022.

² See Consolidated Statement of Comprehensive Income for reconciliation to operating loss

Conditions in the property market remain attractive. A number of well known high street brands in both retail and hospitality have gone out of business since COVID impacted the economy leaving many vacancies. As a result, COVID has increased pressure at a time when landlords were already struggling to occupy empty units. Institutional landlords are increasingly looking to alternative use options, including leisure and as a result, Escape Hunt is seen as an attractive option. Many sites are seeing significant reductions in rent. This, together with the Group's recent trading performance since the re-opening of sites in the UK on 17 May 2021 has proved the strength of the site level proposition and, as a result, Escape Hunt is able to contemplate sites which previously would have been unaffordable.

The US is key to our ambitions for our franchise business and we are working closely with our area representative, PCH, to support it in its efforts to begin to roll out our Escape Hunt franchises in North America. PCH is establishing a 'super centre' Escape Hunt site in Houston which will serve as the core reference site for prospective franchisees. As mentioned above, progress was slowed by COVID, not only due to the lockdowns, but more recently by travel restrictions which have slowed progress in installing our modular games. The restrictions are gradually easing and, with games already on site, progress should now accelerate.

Focus on the existing franchise network is currently on supporting its recovery from COVID closures. Whilst we are not yet specifically targeting new regions, it is positive that we have started to see a resumption of enquiries from prospective and credible franchisees.

Our plans to broaden the product offering and market reach made good progress in the latter part of 2020, with early successes in our remote play games, 'Escape Hunt for Business', 'Escape Hunt for Education' and 'Escape Hunt for Brands' propositions. Our focus has now shifted to growing sales from these propositions and we have invested in a business development team to drive our Escape Hunt for Business proposition forward. The team has delivered over £180k of corporate sales, comprising over 400 'deals' in the year to end of August 2021. Whilst remote play revenue dropped off over the summer, we have seen a resumption of interest in corporate solutions in recent weeks as employees are returning to offices. We expect activity to pick up ahead of the Christmas booking season.

Regarding our infrastructure, the development of a more advanced games management platform is now complete and has been rolled out at all of our most recently opened sites and is the default solution for all new sites and in existing sites where it is practicable to do so. The benefits are already evident in the significant improvement in our labour efficiency ratios since re-opening. Work has also progressed on other projects, including data management and our e-commerce platform. This latter project is a significant piece of work which will continue over the next 12 to 18 months.

BOARD CHANGE

Having joined our Board a year ago, John Story stepped down from the Board on 2 August 2021. John remains a supportive and significant shareholder and we thank him for his contribution. The Board intends to appoint another non-executive director in due course.

POST PERIOD END TRADING AND OUTLOOK

Trading since the period end has been significantly stronger than we had expected as COVID restrictions have been relaxed.

The newly acquired businesses in Dubai, France and Belgium are likewise performing satisfactorily. Since the period end, cumulative earnings from Dubai have fully paid back the initial investment and deal costs. The business in France and Belgium had a slower start than planned, as lockdown in the region was extended. However, since re-opening, the region is showing a promising return of business.

The Group's franchise estate suffered a set-back in August 2021 with a number of Australian cities going back into lockdown. However, all sites in the Group's French estate are open and business appears to be bouncing back as expected.

The Group reached a significant milestone, delivering a positive group level EBITDA in both July and August, helped by the 'stay at home' summer in the UK, lower VAT rates and the business rates holiday. The

performance has validated our previous assertion that, with its current estate, is the Group could become cash generative given reasonable trading assumptions.

With the foundations laid for a profitable and cash generative business, we look to the future with confidence.

Richard Harpham

Chief Executive Officer

28 September 2021

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', 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 26 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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	Note	Six months ended 30 June 2021 Unaudited £'000	Six months ended 30 June 2020 Unaudited £'000
Continuing operations			
Revenue	5	1,178	1,306
Cost of sales		(377)	(406)
		<hr/>	<hr/>
Gross profit		801	900
Other income		341	130
Administrative expenses		(3,364)	(4,040)
		<hr/>	<hr/>
Operating loss		(2,222)	(3,010)
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Adjusted EBITDA		(796)	(816)
Amortisation of intangibles		(216)	(1,078)
Depreciation		(1,038)	(1,111)
Rent credits recognised		25	-
Loss on disposal of tangible assets		(18)	-
Branch closure costs and other exceptional costs		(147)	-
Foreign currency gains / (losses)		(6)	-
Share-based payment expense		(26)	(5)
Operating loss		<hr/>	<hr/>
		(2,222)	(3,010)
<hr/>			
Interest received		8	9
Interest expense		(22)	-
Lease finance charges	11	(102)	(88)
		<hr/>	<hr/>
Loss before taxation		(2,338)	(3,089)
Taxation	7	(13)	(2)
		<hr/>	<hr/>
Loss after taxation		(2,351)	(3,091)
<hr/>			
Other comprehensive income:			
Items that may or will be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(39)	18
		<hr/>	<hr/>
Total comprehensive loss		(2,390)	(3,073)
<hr/>			
Loss attributable to:			
Equity holders of Escape Hunt plc		(2,351)	(3,091)
		<hr/>	<hr/>
		(2,351)	(3,091)
<hr/>			
Total comprehensive loss attributable to:			
Equity holders of Escape Hunt plc		(2,390)	(3,073)
		<hr/>	<hr/>
		(2,390)	(3,073)
<hr/>			
Loss per share attributable to equity holders:			
Basic (Pence)	6	(2.81)	(11.48)
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	As at 30 June 2020 Unaudited £'000	As at 31 December 2020 Audited £'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	4,165	3,885
Right-of-use assets	9	2,852	2,940
Intangible assets	10	1,240	913
Rental deposits		44	26
Loan to franchisee		79	2
		8,380	7,766
Current assets			
Inventories		21	16
Trade receivables		182	182
Other receivables and prepayments		765	691
Cash and bank balances		2,414	2,722
		3,382	3,611
TOTAL ASSETS		11,762	11,377
LIABILITIES			
Current liabilities			
Trade payables		940	606
Deferred income		582	441
Other payables and accruals		1,708	815
Lease liabilities	11	1,080	489
		4,310	2,351

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 (continued)

		As at 30 June 2020 Unaudited £'000	As at 31 December 2020 Audited £'000
Non-current liabilities			
Deferred income		98	152
Provisions		160	128
Convertible loan notes		310	289
Other Loans		119	-
Lease liabilities	11	2,608	3,253
		<hr/>	<hr/>
		3,295	3,822
		<hr/>	<hr/>
TOTAL LIABILITIES		7,605	6,173
		<hr/>	<hr/>
NET ASSETS		4,157	5,204
		<hr/>	<hr/>
EQUITY			
Capital and reserves attributable to equity holders of Escape Hunt Plc			
Share capital	12	1,108	1,005
Share premium account		29,011	27,758
Merger relief reserve		4,756	4,756
Convertible loan note reserve		68	68
Accumulated losses		(30,834)	(28,444)
Currency translation reserve		(120)	(81)
Capital redemption reserve		46	46
Share-based payment reserve		122	96
		<hr/>	<hr/>
TOTAL EQUITY		4,157	5,204
		<hr/>	<hr/>

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	Convertible loan note reserve	Accumulated losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Six months ended 30 June 2021									
Balance as at 1 January 2021	1,005	27,758	4,756	(81)	46	96	68	(28,444)	5,204
Loss for the period	-	-	-	-	-	-	-	(2,390)	(2,390)
Other comprehensive income	-	-	-	(39)	-	-	-	-	(39)
Total comprehensive loss	-	-	-	(39)	-	-	-	(2,390)	(2,429)
Issue of shares	103	1,320	-	-	-	-	-	-	1,423
Share issue costs	-	(67)	-	-	-	-	-	-	(67)
Share-based payment charge	-	-	-	-	-	26	-	-	26
Transactions with owners	103	1,253	-	-	-	26	-	-	1,382
Balance as at 30 June 2021	1,108	29,011	4,756	(120)	46	122	68	(30,834)	4,157
Six months ended 30 June 2020									
Balance as at 1 January 2020	336	24,717	4,756	(19)	46	67	-	(21,803)	8,100
Loss for the period	-	-	-	-	-	-	-	(3,091)	(3,091)
Other comprehensive income	-	-	-	18	-	-	-	-	18
Total comprehensive loss	-	-	-	18	-	-	-	(3,091)	(3,073)
Share-based payment charge	-	-	-	-	-	5	-	-	5
Transactions with owners	-	-	-	-	-	5	-	-	5
Balance as at 30 June 2020	336	24,717	4,756	(1)	46	72	-	(24,894)	5,032

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Six months ended 30 June 2021 Unaudited £'000	Six months ended 30 June 2020 Unaudited £'000
Cash flows from operating activities	Note		
Loss before income tax		(2,338)	(3,089)
Adjustments:			
Depreciation of property, plant and equipment	8	799	921
Depreciation of right-of-use assets	9	239	190
Amortisation of intangible assets	10	216	1,078
Provision against non-current assets		69	-
Loss on write-off of property, plant and equipment		18	-
Share-based payment expense		26	5
Foreign currency movements		6	-
Lease interest charges	11	102	-
Rent concessions received	11	(25)	-
Profit on closure/modification of leases		(31)	-
Interest income		(8)	(9)
Operating cash flow before working capital changes		(927)	(904)
Decrease in trade and other receivables		23	350
Increase in inventories		(5)	-
Foreign currency translation differences		(8)	26
Increase in trade and other payables		706	337
Increase in provisions		32	26
Increase in deferred income		87	69
Cash used in operations		(92)	(96)
Income taxes paid		(8)	2
Net cash used in operating activities		(100)	(94)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(1,001)	(634)
Disposal of property, plant and equipment		-	40
Purchase of intangibles	10	(70)	(170)
Disposals of intangibles		-	7
Receipt of deposits		18	-
Loans advanced to franchisees		(146)	(47)
Acquisition of subsidiary, net of cash acquired	13	(139)	-
Interest received		8	9
Net cash used in investing activities		(1,330)	(795)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	12	1,423	-
Share issue costs	12	(67)	-
Loan repayments		(18)	-
Lease interest charge payment	11	(102)	-
Repayment of finance leases	11	(122)	(161)
Net cash from financing activities		1,114	(161)
Net increase / (decrease) in cash and bank balances		(316)	(1,050)
Cash and cash equivalents at beginning of period		2,722	2,171
Exchange rate changes on cash held in foreign currencies		8	(7)
Cash and cash equivalents at end of period		2,414	1,114

NOTES TO THE UNAUDITED INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 Belmont House, Station Way, Crawley, RH10 1JA.

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 2020 annual report. The statutory financial statements for the year ended 31 December 2020 were prepared in accordance with International Financial Reporting Standards 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 2021.

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 thirty-month period from the reporting date. The forecasts take into account the residual impact of COVID-19 on the business, notably that 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 subsequently been waived by landlords, but most will need to be caught up utilising cash resources.

The UK sites were able to re-open on 17 May 2021 and have been trading since then without any material restrictions. Taking into account the resumption of trading since re-opening sites to the end of August the Group has considered a number of potential scenarios for the ongoing trading, including the possibility of a further, short lockdown. The Group also plans to continue the roll out new sites in the UK which are expected to contribute to performance in future.

Based on the assumptions contained in the scenarios considered and taking into account mitigating actions that could be taken in the event of a further lockdown or COVID related slowdown, 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 2020, which have been prepared in accordance with International Financial Reporting Standards in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 14 sites in the UK and 1 in Dubai plus 1 acquired in Paris and another in Brussels during the six months to 30 June 2021.

The Group operates on a global basis. At the balance sheet date, the Company had active franchisees in 17 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 2021				
Revenue	936	242	-	1,178
Cost of sales	(377)	-	-	(377)
Gross profit	559	242	-	801
Other income	341	-	-	341
Site level operating costs	(701)	-	-	(701)
Site level EBITDA	199	242	-	441
Centrally incurred overheads	(146)	(99)	(992)	(1,237)
Adjusted EBITDA	53	143	(992)	(796)
Interest income	-	-	8	8
Interest expense	-	-	(22)	(22)
Finance lease charges	(81)	-	(21)	(102)
Depreciation and amortisation	(1,049)	(9)	(196)	(1,254)
Exceptional professional and branch closures	(11)	-	(67)	(78)

Provision against loan	-	-	(69)	(69)
Loss on disposal of assets	(11)	-	(7)	(18)
Foreign currency losses	-	(6)	-	(6)
Rent credits recognised	16	-	9	25
Share-based payment expenses	-	-	(26)	(26)
Profit/(loss) from operations before tax	(1,083)	128	(1,383)	(2,338)
Taxation	-	-	(13)	(13)
Profit / (loss) for the period	(1,083)	128	(1,396)	(2,351)
<u>Other information:</u>				
Non-current assets	7,024	30	1,326	8,380

	Owner operated	Franchise operated	Unallocated	Total
Six months ended 30 June 2020	£'000	£'000	£'000	£'000
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

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 2021 Unaudited £	Six months ended 30 June 2020 Unaudited £
Loss after tax (£000)	(2,344)	(3,091)
Weighted average number of shares:		
- Basic and diluted	83,628,885	26,925,925
Loss per share		
- Basic and diluted	0.0280	0.1148

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 £21.5m as at 30 June 2021 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 £4.1m.

8. Property, plant and equipment

	Leasehold property £'000	Office equipment £'000	Computers £'000	Furniture and fixtures £'000	Escape room games £'000	Total £'000
Cost						
At 31 December 2020	3,905	15	122	262	3,962	8,266
Additions arising from internal purchase	240	-	5	24	732	1,001
Acquisitions	395	37	-	18	-	450
Disposals / adjustments	(22)	(1)	(6)	(18)	(29)	(76)
As at 30 June 2021	4,518	51	121	286	4,665	9,641
Accumulated depreciation						
At 31 December 2020	(1,651)	(13)	(86)	(110)	(2,521)	(4,381)
Additions arising from acquisition	(303)	(35)	-	(18)	-	(356)
Depreciation charge	(363)	-	(12)	(43)	(382)	(799)
Disposals / adjustments	15	2	6	10	28	62
As at 30 June 2021	(2,302)	(46)	(92)	(161)	(2,875)	(5,476)
Carrying amounts						
At 31 December 2020	2,254	2	36	152	1,441	3,885
At 30 June 2021	2,216	5	29	125	1,790	4,165

9. Right-of-use assets

	As at 30 June 2021 £'000	As at 31 Dec 2020 £'000
Land and buildings – right-of-use asset	3,884	3,127
Closures / leases ended for renegotiation during the period	(128)	(336)
Additions	282	1,034
Newly negotiated leases	(2)	152
Less: Accumulated depreciation		
At the beginning of the period	(945)	(657)
Depreciation charged for the period	(239)	(380)
Net book value	2,852	2,940

The additions of £282,000 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

	Goodwill	Trademarks and patents	Intellectual property	Internally generated IP	Franchise agreements	App Quest	Portal	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
At 31 December 2020	1,412	78	10,195	855	802	100	269	13,711
Additions arising from internal development	-	-	-	70	-	-	-	70
Additions arising from acquisition	457	-	-	-	-	-	47	504
Disposals / adjustments	-	-	-	-	-	-	-	-
As at 30 June 2021	1,869	78	10,195	925	802	100	316	14,285
Accumulated amortisation								
At 31 December 2020	(1,393)	(47)	(10,195)	(405)	(420)	(100)	(238)	(12,798)
Additions arising from acquisition	-	-	-	-	-	-	(31)	(31)
Amortisation	-	(7)	-	(129)	(57)	-	(23)	(216)
At 30 June 2021	(1,393)	(54)	(10,195)	(534)	(477)	(100)	(292)	(13,045)
Carrying amounts								
At 31 December 2020	19	31	-	450	382	-	31	913
At 30 June 2021	476	24	-	391	325	-	24	1,240

11. Lease liabilities

	Six months ended 30 June 2021 £'000	Six months ended 30 June 2020 £'000
In respect of right-of-use assets		
Balance at beginning of period	3,742	2,602
Closures / leases ended for renegotiation during the period	(411)	
Additions during the period	282	363
Newly negotiated leases	(16)	
Interest Incurred	102	88
Repayments during the period	(122)	(249)
Rent concessions received	(24)	
Reallocated from accruals and trade payables	135	
Lease liabilities at end of period	3,688	2,804
	As at 30 June 2021 £'000	As at 30 June 2020 £'000
Maturity		
Current	855	342
Non-current	2,833	2,462
Total lease liabilities	3,688	2,804

12. Share capital

	Six months ended 30 June 2021 Unaudited £'000	Year ended 31 December 2020 Audited £'000
As at beginning of period / year		
- 80,369,044 (2020: 26,925,925) Ordinary shares of 1.25 pence each	1,005	336
Issued during the period / year		
- 8,126,047 Ordinary shares	103	669
As at end of period / year		
- 88,495,091 (2020: 80,369,044) Ordinary shares of 1.25 pence each	1,108	1,005

During the six months ended 30 June 2021 the Company issued 8,126,047 new shares at 17.5p per share in a fund raise comprising a placing, a share subscription and the issue of shares in payment of professional fees, raising £1.4m (before fees of £67k). The expenses have been deducted from the premium of £1.32m arising from the fund raise. The new shares were admitted to trading on AIM on 28 January 2021.

Share option and incentive plans

Escape Hunt Employee Share Incentive Scheme

On 25 November 2020, the Company established an employee share incentive plan ("SIP") which is available to all employees in the Group once they have completed three months of employment. The scheme allows employees to acquire ordinary shares in the Company each month from pre-tax income, such shares being 'Partnership Shares'. The purchases are funded through a deduction from payroll. For each Partnership Share so acquired, the participant is granted a 'Matching Share' which is released to the individual on the third anniversary of the purchase provided that they are still employed by the Group at the time and they have retained the Partnership share in respect of which the Matching Share was granted. The SIP is administered by an independent trustee who holds all Partnership and Matching shares for the benefit of the participants.

On 4 February 2021, the Company issued 125,000 shares to the trustee of the scheme to be allocated to individuals as Matching Shares during the operation of the scheme.

Escape Hunt plc Enterprise Management Incentive Plan

On 15 July 2020, the Company established the Escape Hunt plc Enterprise Management Incentive Plan ("2020 EMI Plan"). The 2020 EMI Plan is an HMRC approved plan which allows for the issue of "qualifying options" for the purposes of Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003 ("Schedule 5"), subject to the limits specified from time to time in paragraph 7 of Schedule 5, and also for the issue of non-qualifying options.

On 15 July 2020, in aggregate 13,333,332 qualifying options and 2,400,000 non-qualifying options were awarded to four executives, including two executive directors of the Company. The options are exercisable at 7.5 pence per share and vest in three equal tranches on each of the first, second and third anniversary of the grants, subject to the employee not having left employment other than as a Good Leaver. The number of options that vest are subject to a performance condition based on the Company's share price. This will be tested on each vesting date and again between the third and fourth anniversaries of awards. If not exercised, the options will expire on the fifth anniversary of award. Options exercised will be settled by the issue of ordinary shares in the Company.

As at 30 June 2021, 15,733,332 options were outstanding under the 2020 EMI Plan (2020: nil) all exercisable at 7.5 pence per share. No options were exercised during the period, and no options expired or had lapsed and none had vested or were exercisable as at 30 June 2021.

The sum of £25,611 has been recognised as a share-based payment and charged to the profit and loss during the period (2020: £nil).

The weighted average remaining contractual life of the options outstanding at 31 December 2020 is 48.5 months.

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

13. Business Combination

On 28th February 2021, Escape Hunt Plc acquired 100% of the equity interest in BGP Entertainment Belgium and BGP Escape France, thereby obtaining control. BGP Entertainment Belgium runs an owner operated escape room in Brussels and BGP Escape France holds the master franchise for the territory of France, Belgium and Luxembourg and also runs an owner operated venue in Paris.

The preliminary details of the business combination are as follows:

	£'000
Fair value of consideration transferred	
Amounts settled in cash	278
Net loan payable	(19)
Deferred consideration	249
Total purchase consideration	<u>508</u>

Deferred consideration includes a preliminary estimate on the earnout payable on the owned and operated sites.

	£'000
Assets and liabilities acquired as a result of the acquisition	
Cash	139
Trade receivables (net of provisions)	78
Other receivables and deposits	19
Property, plant and equipment	94
Right of use assets	282
Intangible assets	16
Trade payables	(161)
Lease liabilities	(282)
Other payables	(134)
Net identifiable assets acquired	<u>51</u>
Goodwill arising on consolidation	457
Total purchase consideration	<u>508</u>

14. Key management personnel compensation

	Six months ended 30 June 2021 Unaudited £'000	Six months ended 30 June 2020 Unaudited £'000
Salaries and benefits (including directors)	293	219
Share-based payments	26	5
Social security costs	47	39
Other post-employment benefits	4	10
Less amounts capitalised	(18)	(34)
Total	<u>352</u>	<u>239</u>

Related party transactions

During the period under review, the Directors are not aware of any significant transactions with related parties (six months ended 30 June 2020: invoices for services of £4,125 and other benefits £92 were paid on an arm's length basis).

15. Government Grants and Government Assistance

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

	Six months ended 30 June 2021 Unaudited £'000	Six months ended 30 June 2020 Unaudited £'000
Coronavirus Job Retention Scheme grants	474	407
Local authority Small Business Grants	341	130
Total	<u>815</u>	<u>537</u>

In addition, the Company benefitted from Business Rates Relief introduced for the retail, hospitality and leisure industries. The benefit in the period was £91k (2020: £35k)

16. Seasonality of the Group's business

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

17. Subsequent Events

There are no material subsequent events requiring disclosure.

COMPANY INFORMATION

Directors

Richard Rose, Independent Non-Executive Chairman

Richard Harpham, Chief Executive Officer

Graham Bird, Chief Financial Officer

Karen Bach, Non-Executive Director

John Story, Non-Executive Director (resigned)

Company Secretary

Graham Bird

Company number

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