**ESCAPE HUNT PLC**

Registered number 10184316

# UNAUDITED CONDENSED INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2019

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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 2019**

Escape Hunt plc (AIM: ESC), a global leader in the high growth escape rooms sector, is pleased to announce its interim results for the half year ending 30 June 2019.

| | Half year ended 30 June 2019 (£'000) | Half year ended 30 June 2018 (£'000) |
|---|---|---|
| **Revenue** | **2,208** | **800** |
| Gross Profit | 614 | 60 |
| **Adjusted EBITDA, pre-IFRS 16** | **(1,182)** | **(1,375)** |
| Loss per share | (14.57p) | (18.57p) |

## H1 2019 FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Good growth in UK owner operated revenue, growing to £1,675k (1H 2018: £259k)
- Strong TripAdvisor scores maintained across the sites
- Placing of 6.7m new ordinary shares completed in June 2019 to raise £3.7m (net of expenses)
- Adjusted EBITDA (pre-IFRS 16) loss of £1.18m (1H 2018: £1.38m)
- Net cash position of £3.9m at 30 June 2019 (31 December 2018: £2.7m)
- Basic loss per share ('EPS') of 14.57p (1H 2018 loss per share: 18.57p)

## POST PERIOD-END HIGHLIGHTS

- New outdoor games rolled out in July
- UK owner operated revenue reaching record sales in August
- Significant US and Canada franchise agreement signed with PCH in September

**Enquiries**


**Escape Hunt plc**
Richard Harpham (Chief Executive Officer) +44 (0) 7584 173958

**Shore Capital - Nominated Advisor and Joint Broker**
Daniel Harris, David Coaten, Fiona Conroy +44 (0) 20 7601 6128

**Peel Hunt LLP – Joint Broker**
George Sellar, Guy Pengelley +44 (0) 20 7418 8900

**Yellow Jersey PR Ltd.- Financial Public Relations**
Harriet Jackson +44 (0) 20 3004 9512
Dominic Barretto
Henry Wilkinson


**About Escape Hunt plc**
The Escape Hunt Group is a global leader in providing live escape-the-room experiences with a network of owner-operated sites in the UK and a global network of franchised outlets in six continents. The Company was re-admitted to AIM in May 2017 and has a strategy of creating high quality premium games and experiences, which incorporates branded IP content.

## CHIEF EXECUTIVE'S REPORT

### OPERATING REVIEW

Our focus during 2019 has been to grow the revenues in the existing owner operated UK sites, to develop a pipeline of four additional sites and to sign a significant franchise deal in the US, following the signing of the Heads of Terms with Proprietors Capital Holdings ("PCH") in April of this year.

I am delighted to say that we have made strong progress on all three objectives:

- Revenue year on year for the first half has grown 276%
- Negotiations and planning are well advanced on the four new UK sites
- The PCH franchise deal has now been signed and announced on 23 September

**Revenue growth**

The 276% increase in revenue year on year reflects the opening of the UK sites during 2018 and additional rooms in 2019. Our focus until the summer has been on driving bookings in the rooms available with friends and family groups.

In July 2019 a specialist commercial sales company was contracted to drive the corporate marketing across all sites and their sales team has made rapid progress already in achieving a pipeline of corporate business. While still early days, if the agency performs in line with their expectations, we expect strong growth from this channel.

**New UK sites**

Heads of terms have been agreed on two new owner-operated sites in the UK, with two others in legal negotiations. Ahead of opening these sites, new games have also been commissioned and are being built, offsite, to a new modular specification which has been designed in-house. As well as significantly reducing the cost to build, this has the added benefit of incurring less time in the site build-out phase as games can be installed and removed quickly. In addition, the games can also be moved from one site to another in due course which will enable games to be refreshed at different sites more frequently and at a lower cost. The Company also continues to develop its pipeline for 2020 and beyond with discussions with landlords for new sites throughout the UK ongoing.

**PCH US franchise deal**

During the time between the Heads of Terms and deal completion, we have worked closely with PCH to launch the roll out programme smoothly. PCH has already recruited the CEO for the experiential arm of their business in the US, established an operations team and has already identified a potential first location for an Escape Hunt franchise site.

**Additional progress**

As of today, a total of seven games are in play across the eight Escape Hunt branded UK sites, with another two in production for the next phase of sites and more in design. Additionally, we have created a total of 18 new games which were delivered to our franchisees in the period, all from the new UK game design studio.

Discussions have also continued with a small number of potential partners in Europe to roll out franchise operations. While these discussions are at a much earlier stage, there is now more clarity on how these can be brought to fruition.

Considerable progress has been made in developing the Group's VR capability and an agreement has been entered into with a leading VR content owner to license its games and trial its use in the escape room sites. The mixture of both traditional and VR escape rooms is a new development both for the Group and for the industry and, once launched, should assist in cross-marketing and additional revenue generation. With an increasing array of high-quality VR content now available on the market, Escape Hunt can offer customers a wider range of games without any additional cost in switching instantaneously from one game to another.

In June, our first outdoor game was launched, and this was rolled out to all the sites in the UK the following month, with a second game rolled out in early August. Initial sales have been encouraging, and, if sustained, should help to support site EBITDA.

**FINANCIAL REVIEW**

Group revenue was £2,208k (1H 2018; £800k) and Group EBITDA loss on an IFRS 16 basis was £1,059k (1H 2018: loss of £1,375k which has not been adjusted for IFRS 16).

In June, the Company completed a fundraise by way of a placing of 6.67m new shares at a price of 60p to raise £4.0m before expenses. The placing was to enable the Company to continue to roll out additional owner operated sites across the UK.

The EBITDA loss, as adjusted below to a pre-IFRS 16 basis and excluding the losses incurred by Boundless Workshop Ltd which was sold earlier this month, was £1,182k, as follows:

| | 1H 2019 £'000s |
|---|---|
| IFRS 16 EBITDA | (1,059) |
| less: loss in Boundless Workshop Ltd | 103 |
| IFRS 16 EBITDA adjusted for continuing business | (956) |
| add: rent charged in 1H 2019 | (226) |
| Pre-IFRS 16 EBITDA of continuing business | (1,182) |

The Group adopted IFRS 16 with effect from 1 January 2019 which affects the method of accounting for the Group's property leases. The Group has 10 long term property leases, including its head office lease and the impact of IFRS 16 is to add back to the Group EBITDA the total rent for the 6 months to 30 June 2019. The total rent in the period was £226k. The pre-tax loss is then increased as a result of increases in both the depreciation charge and the finance lease charge of £174k and £87k respectively.

The results for 1H 2018 have not been retrospectively adjusted for IFRS 16.

**UK Owner Operated business**

First half revenue in the UK owner operated sites was £1,675k (1H 2018: £259k) and the Board has been pleased with the sales and EBITDA growth over the period as our young sites continue to mature.

Since March, the overall EBITDA across the UK sites has been positive and continues to grow. Work continues to improve the EBITDA across the sites with a particular focus on both corporate marketing as mentioned above but also on driving further efficiencies within our teams. The latter will be achieved by developing and unifying the games software which will reduce both the training time per game and per site, but more importantly will significantly reduce the staff time required to administer the game play.

The segmental analysis in Note 5 to the results for the six months to 30 June 2019 shows a gross profit of £128k and after deducting administrative expenses of £456k, an EBITDA loss of £328k (1H 2018: loss £525k, which has not been adjusted for IFRS 16). The 2019 loss is on an IFRS 16 basis; adjusting to a non-IFRS 16 basis as demonstrated in the table below gives a loss of £374k.

| | 1H 2019 £'000s |
|---|---|
| Revenue | 1,675 |
| Cost of sales, IFRS 16 basis | (1,547) |
| Gross profit, IFRS 16 basis | 128 |
| add back: IFRS 16 depreciation on right-of-use assets | 139 |
| less: rent on 9 operating property leases | (185) |
| Adjusted gross profit, non-IFRS 16 basis | 82 |
| Administrative expenses | (456) |
| Adjusted, non-IFRS 16 EBITDA | (374) |

The cost of sales in the owner-operated business includes all site property occupation costs, depreciation of escape rooms sites, site staff costs and site marketing expenses. The administrative expenses include management staff, website development costs and central marketing and branding costs.

**Franchisee business**

Revenue from our existing franchisees was £533k (1H 2018: £541k) and the EBITDA was £156k (1H 2018: £60k). The EBITDA for the franchisee business has improved in 2019 as the business no longer bears the cost of the Bangkok office and staff as that office was closed at the end of July 2018. The site rebranding work for the franchisees began in 2018 and is nearing completion. Some £40k was incurred in the second half of 2018 and a further £60k in the first half of 2019. This represents the contribution Escape Hunt is making to the franchisees to defray some of their own rebranding costs. This cost is not expected to recur in the second half of the year. Adjusting for this non-recurring cost gives an EBITDA for the first half of £216k (1H 2018: profit £60k). In addition, certain external agency costs which had been incurred in the first half of 2019 have been replaced with internal staff costs which provide better value to the franchisee business.

**Change of auditor**

Since the half year, we have appointed Crowe U.K. LLP as the auditor for the group. The Board would like to place on record its appreciation for the work undertaken by KPMG, both as reporting accountants on the Company's re-admission to AIM in 2017 and as auditor for 2017 and 2018.

**Outlook**

The second half of the year has started well, with revenue in July growing on both May and June and revenue in August establishing a new record. Even more encouragingly, the revenue in August was before seeing any benefit from the corporate marketing referred to above which commenced only in late July.

While the business was both transitioning from Bangkok and in start-up mode, a number of staff were needed in 2018 and the first half of 2019 to assist in this process. Now that the business is more established, it has been possible to reduce some costs across the business and the benefit of these reductions will be seen in the fourth quarter and into 2020. These costs represent an annualized saving of circa £450k.

Given the early stage nature of the business and number of initiatives being pursued, both in the UK and abroad, it is difficult to predict the exact timing when things come to fruition, but overall we are confident that during the remainder of the year, we will see continued progress in line with expectations.

**Richard Harpham**

**Chief Executive Officer**

27 September 2019

## 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 23 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 2019**

| | Note | Six months ended 30 June 2019 Unaudited £'000 | Six months ended 30 June 2018 Unaudited £'000 |
|---|---|---|---|
| Continuing operations | | | |
| **Revenue** | 5 | 2,208 | 800 |
| Cost of sales | | (1,594) | (740) |
| Gross profit | | 614 | 60 |
| Administrative expenses | | (3,723) | (3,844) |
| **Operating loss** | | (3,109) | (3,784) |
| Adjusted EBITDA | | (1,059) | (1,375) |
| Amortisation of intangibles | | (1,055) | (1,823) |
| Depreciation | | (995) | (143) |
| Write-off of assets | | - | (45) |
| Branch closure costs | | - | (246) |
| Site pre-opening costs | | - | (144) |
| Share-based payment expense | | - | (8) |
| Operating loss | | (3,109) | (3,784) |
| Fair value gain on disposal of subsidiary | 7 | 10 | - |
| Interest received | | 18 | 23 |
| Lease finance charges | 4 | (87) | - |
| **Loss before taxation** | | (3,168) | (3,761) |
| Taxation | 8 | (2) | (1) |
| **Loss after taxation** | | (3,170) | (3,762) |
| **Other comprehensive income:** | | | |
| Items that may or will be reclassified to profit or loss: | | | |
| Exchange differences on translation of foreign operations | | (30) | 23 |
| **Total comprehensive loss** | | (3,200) | (3,739) |
| **Loss attributable to:** | | | |
| Equity holders of Escape Hunt plc | | (3,119) | (3,762) |
| Non-controlling interests | | (51) | - |
| | | (3,170) | (3,762) |
| **Total comprehensive loss attributable to:** | | | |
| Equity holders of Escape Hunt plc | | (3,149) | (3,739) |
| Non-controlling interests | | (51) | - |
| | | (3,200) | (3,739) |
| Loss per share attributable to equity holders: | | | |
| Basic (Pence) | 6 | (14.57) | (18.57) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

| | Note | As at 30 June 2019 Unaudited £'000 | As at 31 December 2018 Audited £'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 4,252 | 4,366 |
| Right-of-use assets | 10 | 2,635 | - |
| Intangible assets | 11 | 3,800 | 4,792 |
| Rental deposits | | 26 | 36 |
| Loan to franchisee | | 311 | 300 |
| | | 11,024 | 9,494 |
| **Current assets** | | | |
| Inventories | | 10 | 15 |
| Trade receivables | | 47 | 121 |
| Other receivables and prepayments | | 489 | 501 |
| Cash and bank balances | | 3,922 | 2,657 |
| | | 4,468 | 3,294 |
| **TOTAL ASSETS** | | 15,492 | 12,788 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade payables | | 467 | 670 |
| Deferred income | | 156 | 244 |
| Other payables and accruals | | 767 | 967 |
| Lease liabilities | 12 | 293 | - |
| | | 1,683 | 1,881 |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019 (continued)**

| | Note | As at 30 June 2019 Unaudited £'000 | As at 31 December 2018 Audited £'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deferred income | | 336 | 419 |
| Provisions | | 66 | 40 |
| Lease liabilities | 12 | 2,445 | - |
| | | 2,847 | 459 |
| **TOTAL LIABILITIES** | | 4,530 | 2,340 |
| **NET ASSETS** | | 10,962 | 10,448 |
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of Escape Hunt Plc** | | | |
| Share capital | 13 | 336 | 253 |
| Share premium account | | 24,717 | 21,076 |
| Merger relief reserve | | 4,756 | 4,756 |
| Accumulated losses | | (18,929) | (15,741) |
| Currency translation reserve | | (19) | 11 |
| Capital redemption reserve | | 46 | 46 |
| Share-based payment reserve | | 55 | 55 |
| | | 10,962 | 10,456 |
| Non-controlling interests | 7 | - | (8) |
| **TOTAL EQUITY** | | 10,962 | 10,448 |

## 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** |
| **Six months ended 30 June 2019** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **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** |
| **Six months ended 30 June 2018:** | | | | | | | | | | |
| **Balance as at 1 January 2018** | 253 | 21,076 | 4,756 | (15) | 46 | 43 | (5,737) | 20,422 | - | 20,422 |
| Loss for the period | - | - | - | - | - | - | (3,762) | (3,762) | - | (3,762) |
| Other comprehensive income | - | - | - | 23 | - | - | - | 23 | - | 23 |
| Total comprehensive profit / (loss) | - | - | - | 23 | - | - | (3,762) | (3,739) | - | (3,739) |
| Share-based payment charges | - | - | - | - | - | 8 | - | 8 | - | 8 |
| Transactions with owners | - | - | - | - | - | 8 | - | 8 | - | 8 |
| Balance as at 30 June 2018 | 253 | 21,076 | 4,756 | 8 | 46 | 51 | (9,499) | 16,691 | - | 16,691 |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE SIX MONTHS ENDED 30 JUNE 2019

| | Note | Six months Ended 30 June 2019 Unaudited £'000 | Six months ended 30 June 2018 Unaudited £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before income tax | | (3,168) | (3,761) |
| Adjustments: | | | |
| Depreciation of property, plant and equipment | | 821 | 143 |
| Depreciation of right-of-use assets | | 174 | |
| Amortisation of intangible assets | | 1,055 | 1,823 |
| Fair value gain on disposal of subsidiary | | (10) | - |
| Write-off of property, plant and equipment | | - | 34 |
| Write-off of goodwill | | - | 11 |
| Share-based payment expense | | - | 8 |
| Interest income | | (18) | (23) |
| Operating cash flow before working capital changes | | (1,146) | (1,765) |
| Decrease / (increase) in trade and other receivables | | 109 | (141) |
| Increase in inventories | | (16) | - |
| Foreign currency translation differences | | (39) | 23 |
| (Decrease) / increase in trade and other payables | | (315) | 124 |
| Increase in provisions | | 26 | - |
| Decrease in deferred income | | (170) | (37) |
| Cash used in operations | | (1,551) | (1,796) |
| Income taxes paid | | (18) | (3) |
| **Net cash generated used in operating activities** | | (1,569) | (1,799) |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (734) | (2,189) |
| Disposal of property, plant and equipment | | 20 | - |
| Purchase of intangibles | | (92) | (165) |
| Payment of deposits | | (1) | (26) |
| Loans advanced to franchisees | | - | (107) |
| Cash less overdrafts on derecognition of subsidiary | 7 | 29 | - |
| Interest received | | 18 | 23 |
| **Net cash used in investing activities** | | (760) | (2,464) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of ordinary shares | | 4,000 | - |
| Share issue costs | | (276) | - |
| Repayment of finance leases | | (140) | - |
| **Net cash from financing activities** | | 3,584 | - |
| **Net increase / (decrease) in cash and bank balances** | | 1,255 | (4,263) |
| Cash and cash equivalents at beginning of period | | 2,657 | 10,645 |
| Exchange rate changes on cash held in foreign currencies | | 10 | 3 |
| **Cash and cash equivalents at end of period** | | 3,922 | 6,385 |

## NOTES TO THE UNAUDITED INTERIM REPORT
## FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 1. General information

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

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

On 2 May 2017, the Company 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 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 2018 annual report. The statutory financial statements for the year ended 31 December 2018 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 27 September 2019.

### 3. Going concern

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

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

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

As at 30 June 2019, the Company had £3.9 million in cash which is considered sufficient for its present needs.

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

## 4. Significant accounting policies

Other than as noted below, 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 2018, which have been prepared in accordance with International Financial Reporting Standards as adopted for use by the European Union.

These accounting policies will be adopted in the Group's full financial statements for the year ending 31 December 2019.

***Changes in accounting policy***

**IFRS 16**

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

**Right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

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

**Lease liabilities**

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

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

**Impact of adoption**

IFRS 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. As at 31 December 2018, the Group had entered into 10 property leases which had commenced prior to the year-end.

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

| | **1 January 2019 £'000** |
|---|---|
| Right-of-use assets (IFRS 16) | 2,809 |
| Lease liabilities – current (IFRS 16) | (284) |
| Lease liabilities – non-current (IFRS 16) | (2,594) |
| Tax effect on the above adjustments | - |
| Increase in opening accumulated losses at 1 January 2019 | (69) |

**Impact on the balance sheet**

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

| | Increase / decrease | £'000 |
|---|---|---|
| Right-of-use assets (Note 10) | Increase | 2,809 |
| Lease liabilities (Note 12) | Increase | (2,878) |

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

*a) Right-of-use assets*

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid or accrued lease payments relating to leases recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

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

| | **30 June 2019 £'000** | **1 January 2019 £'000** |
|---|---|---|
| Properties – head office and escape rooms | 2,635 | 2,809 |
| | 2,635 | 2,809 |

*b) Lease liabilities*

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

The lease liabilities at 30 June 2019 and 1 January 2019 were as follows:

| | **30 June 2019 £'000** | **1 January 2019 £'000** |
|---|---|---|
| Lease liabilities – current | (293) | (284) |
| Lease liabilities – non-current | (2,445) | (2,594) |

| | | |
|---|---|---|
| | (2,738) | (2,878) |

**Impact on the income statement and earnings per share**
For the six-months ended 30 June 2019, operating losses were £52,000 lower as a result of applying IFRS 16 due to a portion of the lease expense now being recorded as interest expense and depreciation. In particular, operating lease expenses of £226,000 were replaced by depreciation of £174,000 and finance lease charges of £87,000. Loss before tax was £35,000 higher due to interest expenses on the lease liabilities recognised under IFRS 16. The net effect of £(35,000) increased Loss Per Share by 0.17p.

The table below summarise the profit and loss account treatment for the six months ended 30 June 2019 and the comparative period for these leases:

| | Six months ended 30 June 2019 £'000 | Six months ended 30 June 2018 £'000 |
|---|---|---|
| **Finance costs** | | |
| Interest and finance charges paid/payable on lease liabilities | 87 | - |
| **Leases / right-of use assets depreciation** | | |
| Minimum operating lease payments (IAS 17) | - | 139 |
| Depreciation of right-of-use assets (IFRS 16) | 174 | - |
| Total expense in profit and loss | 261 | 139 |

The following tables summarises the effect of IFRS 16 on the Group's operating losses and losses before tax for the period ended 30 June 2019:

| | Six months ended 30 June 2019 £'000 | Six months ended 30 June 2018 £'000 |
|---|---|---|
| **Operating loss excluding lease charges** | (2,935) | (3,645) |
| Lease payments under operating leases (IAS 17) | - | (139) |
| Depreciation of right-of-use assets (IFRS 16) | (174) | - |
| **Operating loss after lease charges** | (3,109) | (3,784) |

| | Six months ended 30 June 2019 £'000 | Six months ended 30 June 2018 £'000 |
|---|---|---|
| **Loss before tax excluding lease charges** | (2,907) | (3,622) |
| Lease payments under operating leases (IAS 17) | - | (139) |
| Depreciation of right-of-use assets (IFRS 16) | (174) | - |
| Operating lease finance expense (IFRS 16) | (87) | - |
| **Loss before tax after lease charges** | (3,168) | (3,761) |

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

This has increased net cash used in operations and decreased net cash used from financing activities by £140,000.

## 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 currently consists of 9 sites in the UK.

The Group operates on a global basis. At present, the Company has active franchisees in over 20 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, premises costs, including rent, rates, service charges and utilities, and site-specific marketing and also including any pre-opening costs. Cost of sales also includes site pre-opening costs. In the franchisee business, the cost of sales comprises principally game design fees and game design staff costs.

| | **Owner operated** | **Franchise operated** | **Unallocated** | **Total** |
|---|---|---|---|---|
| **Six months ended 30 June 2019** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Revenue** | 1,675 | 533 | - | 2,208 |
| Cost of sales | (1,547)* | (47) | - | (1,594) |
| Gross profit | 128 | 486 | - | 614 |
| **Profit/(loss) from operations:** | | | | |
| Interest income | - | - | 18 | 18 |
| Fair valur gain on disposal of subsidiary | 10 | - | - | 10 |
| Finance lease charges | (87) | - | - | (87) |
| Expenses | | | | |
| - Administrative | (456) | (330) | (1,026) | (1,812) |
| - Depreciation and amortisation | (1,810) | (66) | (35) | (1,911) |
| - Share-based payment expenses | - | - | - | - |
| Profit/(loss) from operations before tax | (2,215) | 90 | (1,043) | (3,168) |
| Taxation | - | (2) | - | (2) |
| Profit / (loss) for the period | (2,215) | 88 | (1,043) | (3,170) |

*: Includes £139,000 of depreciation on right-of-use assets

<u>Other information</u>:

| | | | | |
|---|---|---|---|---|
| Non-current assets | 10,105 | 919 | - | 11,024 |

IFRS 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. Therefore, the current and comparative EBITDA are not directly comparable.

| Six months ended 30 June 2018 | Owner operated £'000 | Franchise operated £'000 | Unallocated £'000 | Total £'000 |
|---|---|---|---|---|
| **Revenue** | 259 | 541 | - | 800 |
| Cost of sales | (530) | (210) | - | (740) |
| Gross profit / (loss) | (271) | 331 | - | 60 |
| **Profit/(loss) from operations:** | | | | |
| Interest income | - | - | 23 | 23 |
| Expenses | | | | |
| - Administrative | (254) | (271) | (909) | (1,434) |
| - Depreciation and amortisation | (152) | (1,727) | (87) | (1,966) |
| - Write-off of assets | - | (45) | - | (45) |
| - Closure of Bangkok operation | (36) | (211) | - | (247) |
| - Pre-opening costs | (144) | - | - | (144) |
| - Share-based payment expenses | - | - | (8) | (8) |
| Profit/(loss) from operations before tax | (857) | (1,923) | (981) | (3,761) |
| Taxation | - | (1) | - | (1) |
| Profit / (loss) for the period | (857) | (1,924) | (981) | (3,762) |
| Other information: | | | | |
| Non-current assets | 10,296 | 686 | - | 10,982 |

**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 ordinary shares from the exercise of warrants are not dilutive.

| | Six months ended 30 June 2019 Unaudited £ | Six months ended 30 June 2018 Unaudited £ |
|---|---|---|
| Loss after tax (£000) | (3,119) | (3,762) |
| Weighted average number of shares: | | |
| - Basic and diluted | 21,401,063 | 20,259,258 |
| Loss per share | | |
| - Basic and diluted | 0.1457 | 0.1857 |

## 7. Fair value gain on disposal of subsidiary

As at 30 June 2019, the Company made the decision to dispose of its 51% owned subsidiary, Boundless Workshop Limited ("Boundless''). Accordingly, the Company has reclassified the assets and liabilities of the subsidiary as a disposal group held for sale and made full provision against the carrying value of goodwill which arose on the acquisition of Boundless made in 2018.

This is summarised below:

| | As at 30 June 2019 £'000 |
|---|---|
| Consideration | - |
| Impairment of goodwill | (29) |
| Non-current assets reclassified as held for sale | (7) |
| Current assets reclassified as held for sale | (20) |
| Current liabilities reclassified as held for sale | 125 |
| Less: Non-controlling interests | (59) |
| Fair value gain on disposal of subsidiary | 10 |

## 8. Taxation

The tax charge is based on the expected effective tax rate for the year. The Group estimates it has tax losses of approximately £11.8m as at 30 June 2019 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 £2.2m.

## 9. Property, plant and equipment

| | Leasehold property | Office equipment | Computers | Furniture and fixtures | Escape games | Total |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Cost** | | | | | | |
| At 31 December 2018 | 2,751 | 11 | 69 | 167 | 1,872 | 4,870 |
| Additions | - | 6 | 6 | 68 | 654 | 734 |
| Disposals | (20) | - | - | - | - | (20) |
| Disposal of subsidiary | - | - | (8) | - | - | (8) |
| As at 30 June 2019 | 2,731 | 17 | 67 | 235 | 2,526 | 5,576 |
| **Accumulated depreciation** | | | | | | |
| At 31 December 2018 | (232) | (2) | (4) | (6) | (260) | (504) |
| Depreciation charge | (252) | (5) | (15) | (21) | (528) | (821) |
| Disposal of subsidiary | - | - | 1 | - | - | 1 |
| As at 30 June 2019 | (484) | (7) | (18) | (27) | (788) | (1,324) |
| **Carrying amounts** | | | | | | |
| At 31 December 2018 | 2,519 | 9 | 65 | 161 | 1,612 | 4,366 |
| | 2,247 | 10 | 49 | 208 | 1,738 | |

| | |
|---|---|
| At 30 June 2019 | 4,252 |

## 10. Right-of-use assets

| | As at 30 June 2019 £'000 | As at 30 June 2018 £'000 |
|---|---|---|
| Land and buildings – right-of-use asset | 3,119 | - |
| Less: Accumulated depreciation | | |
| On adoption of IFRS 16 on 1 January 2019 | (310) | - |
| Depreciation charged for the period | (174) | - |
| Net book value | 2,635 | - |

There were no additions to the right-of-use assets during the half-year. 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.

## 11. Intangible assets

| | Goodwill £'000 | Trademarks and patents £'000 | Intellectual property £'000 | Internally generated IP £'000 | Franchise agreements £'000 | App Quest £'000 | Portal £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At 31 December 2018 | 1,422 | 78 | 10,195 | 302 | 802 | 100 | 269 | 13,168 |
| Additions | - | - | - | 92 | - | - | - | 92 |
| As at 30 June 2019 | 1,422 | 78 | 10,195 | 394 | 802 | 100 | 269 | 13,260 |
| **Accumulated amortisation** | | | | | | | | |
| At 31 December 2018 | (1,393) | (11) | (6,616) | (21) | (191) | (83) | (61) | (8,376) |
| Amortisation | - | (9) | (869) | (58) | (57) | (17) | (45) | (1,055) |
| Impairment loss on disposal of subsidiary (Note 7) | (29) | - | - | - | - | - | - | (29) |
| At 30 June 2019 | (1,422) | (20) | (7,485) | (79) | (248) | (100) | (106) | (9,460) |
| **Carrying amounts** | | | | | | | | |
| At 31 December 2018 | 29 | 67 | 3,579 | 281 | 611 | 17 | 208 | 4,792 |
| At 30 June 2019 | - | 58 | 2,710 | 315 | 554 | - | 163 | 3,800 |

**12. Lease liabilities**

| | Six months ended 30 June 2019 £'000 | Six months ended 30 June 2018 £'000 |
|---|---|---|
| **In respect of right-of-use assets** | | |
| Recognised on adoption of IFRS 16 on 1 January 2019 | 2,878 | - |
| Repayments during the period | (140) | - |
| Lease liabilities at end of period | 2,738 | - |

| | As at 30 June 2019 £'000 | As at 30 June 2018 £'000 |
|---|---|---|
| **Maturity** | | |
| Current | 293 | |
| Non-current | 2,445 | |
| Total lease liabilities | 2,738 | - |

**13. Share capital**

| | Six months ended 30 June 2019 Unaudited £'000 | Year ended 31 December 2018 Audited £'000 |
|---|---|---|
| As at beginning of period / year | | |
| - 20,259,258 (2018: 20,259,258) | | |
| Ordinary shares of 1.25 pence each | 253 | 253 |
| Issued during the period / year | | |
| - 6,666,667 Ordinary shares | 83 | - |
| As at end of period / year | | |
| - 26,925,925 (2018: 20,259,258) | | |
| Ordinary shares of 1.25 pence each | 336 | 253 |

During the six months ended 30 June 2019, the following changes in the issued share capital of the Company occurred:

On 13 May 2019, the Company completed a placing of a total of 6,666,667 Ordinary shares at the Placing Price of 60 pence per share ("Placing Shares''), raising £4.0 million (before expenses of £276,000). The expenses have been deducted from the premium of £3,917,000 arising from the Placing.

Admission of the 6,666,667 Placing Shares to trading on AIM and dealings in these shares commenced on 4 June 2019.

The following substantial shareholders, as defined in the AIM Rules for Companies, in that they currently had an interest in more than 10 per cent. of the Company's current issued share capital, agreed to subscribe for Placing Shares (as set out below). Each participation constituted a related party transaction for the purposes of the AIM Rules for Companies:

| Shareholder | No. of Placing shares |
|---|---|
| Canaccord Genuity Group Inc | 2,767,481 |
| JO Hambro Capital Management | 759,170 |
| Gresham House Strategic Plc | 773,334 |

## 14. 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 2019.

## 15. Key management personnel compensation

| | Six months ended 30 June 2019 Unaudited £'000 | Six months ended 30 June 2018 Unaudited £'000 |
|---|---|---|
| Salaries and benefits (including directors) | 405 | 304 |
| Share-based payments | - | 8 |
| Social security costs | 47 | 35 |
| Other post-employment benefits | 11 | 6 |
| Less amounts capitalised | - | (56) |
| Total | 463 | 297 |

**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:

A salary of £16,000 and other benefits of £1,000 were paid to a close family member of one of the directors (six months ended 30 June 2018: salary of £16,000) on an arm's length basis.

## 16. Seasonality of the Group's business

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

## 17. Events after the reporting period

Other than the signing of the contract with PCH as noted above, there were no events occurring since 30 June 2019 requiring disclosure herein.

## Company information

**Directors**
Richard Rose, Independent Non-Executive Chairman
Richard Harpham, Chief Executive Officer
Adrian Jones, Non-Executive Director
Karen Bach, Non-Executive Director

**Company number**
10184316

**Registered address**
3 Pear Place
London
SE1 8BT

**Independent auditors**
Crowe U.K. LLP
St. Bride's House
10 Salisbury Square
London EC4Y 8EH

**Nominated adviser and joint broker**
Shore Capital
Cassini House
57 St James's Street
London SW1A 1LD

**Joint broker**
Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

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