xpfactory plc

ANNUAL REPORT & ACCOUNTS 2023/2024

15 months to 31st March 2024

ESCAPE HUNT

BOOM BATTLE BAR

CONTENTS

FINANCIAL AND OPERATIONAL HIGHLIGHTS FOR THE 15 MONTH PERIOD TO 31 MARCH 2024

FINANCIAL HIGHLIGHTS

- Group revenue for the 15 month period increased to £57.3m (12 months 2022: £22.8m) demonstrating the significant growth in scale:
  - Escape Hunt® owner operated site revenue increased to £16.7m (12 months 2022: £9.8m)
  - Boom Battle Bar® ("Boom") owner operated revenue increased to £37.5m (12 month period 2022: £9.5m)
- Gross margin increased slightly to 64.6% (12 months 2022: 64.5%)
- Pre IFRS 16 Group Adjusted EBITDA increased to £6.3m (12 months 2022: £2.6m)
- Site level pre IFRS 16 EBITDA increased to £16.2m (12 months 2022: £8.3m)
- Group Adjusted EBITDA rose to £9.9m (12 months 2022: £4.0m)
- Operating profit[1] of £1.9m was £7.0m ahead of prior year (12 months 2022: loss £4.9m)
- Loss after taxation of £0.5m (12 months 2022: £1.0m)
- £11.1m cash generated from operations (12 months 2022: £3.3m) – £8.3m invested in capital expenditure
- £3.9m cash balance at 31 March 2024 (31 Dec 2022: £3.2m)

OPERATING HIGHLIGHTS

- Double digit like-for-like sales growth delivered across both owner-operated brands:
  - Boom: up 22.4% in the 65 weeks to 31 March 2024
  - Escape Hunt: up 16.9% in the 65 weeks to 31 March 2024
- New owner operated Boom sites opened in Dubai in July 2023, Canterbury in September 2023 and Southend in October 2023
- Boom franchise sites in Chelmsford and Ealing acquired in June 2023, Glasgow and Liverpool in November 2023, and Watford in December 2023
- Boom owner operated Pre IFRS16 site level EBITDA margin increased to 17% (2022: 13%)
- Boom Pre IFRS16 site level EBITDA return on capital of 52%
- New owner operated Escape Hunt site opened in Woking in July 2023
- Escape Hunt owner operated Pre IFRS16 site level EBITDA margin of 42% (2022: 42%) continues to exceed internal targets
- Escape Hunt Pre IFRS16 site level EBITDA return on capital of 48%
- Pipeline of further site openings developed across both brands

POST PERIOD END HIGHLIGHTS

- Three Escape Hunt sites and one Boom currently in build stage, with a developed pipeline underpinning site roll-out targets for the year
- Acquisitions of further Boom franchise sites in Wandsworth and Aldgate completed in May 2024 and Bournemouth in June 2024
- 1.9% LFL sales growth delivered across the Boom owner operated sites in the 20 weeks to 18 August 2024
- 1.5% LFL sales growth across the Escape Hunt owner operated estate in the 20 weeks to 18 August 2024
- Credit approval received for new £10m Revolving Credit Facility from Barclays

1 Operating profit calculated before fair value gain of £6.2m in 12 months to 31 December 2022; £0.3m fair value loss and £0.5m gain on closure of subsidiary in 15 months to 31 March 2024.

CHAIRMAN'S STATEMENT

I am delighted to be reporting on another transformational and successful reporting period for the Group. After achieving some very ambitious targets in 2022 to significantly expand our then newly acquired Boom Battle Bar estate whilst also expanding our Escape Hunt network, our focus in the period was much more about optimising the estate, building our capabilities and applying learnings to enhance performance.

It is a credit to the team who delivered turnover of £57.3m in the period, up from £22.8m in the 12 months to 31 December 2022. Adjusted EBITDA of £6.3m pre IFRS16 and £9.9m post IFRS16 and the Group's first full reporting period operating profit (excluding revaluation gains) of £2.4m, up from a loss of £4.9m in the 12 months to December 2022 resulted in an outcome modestly ahead of market expectations.

Both Escape Hunt and Boom had exceptional performances in their own ways. Escape Hunt has continued to deliver industry leading margins and return on capital, whilst growing at rates well ahead of its peers. Boom has developed from a business in its infancy to a substantial cash generative division, likewise delivering an industry leading return on capital and affording the opportunity for further investment and shareholder value creation. Importantly, it has been very satisfying to see the exceptional level of turnover growth deliver strong operating cashflow which has enabled us to continue to invest in expanding our estate.

The business has made progress in a number of areas. Notably, our investment in data and technology capabilities is already bearing fruit, evidenced by improved gross margins within Boom and the strong return on capital that we have been able to achieve on investment towards expanding capacity at selected sites.

We achieved our target for new site openings in the period, opening three new Boom sites located in Canterbury, Southend and Dubai respectively, and a further Escape Hunt in Woking. The pipeline for further expansion is well developed and we are currently in build at three further Escape Hunt sites and one new Boom site. Our experience in Dubai will serve as a good test case to expand into other territories in future, whilst our ability to relocate the modular Escape Hunt games provides confidence in the prospect of being able to rotate content in future, cost effectively.

During the year we also bought back five Boom franchise sites, and since the period end have bought back a further three. Our longer term strategy is to build a brand which is attractive to larger scale franchisees capable of managing multiple franchise sites. In the interim we will be opportunistic about buying back sites with a view to improving performance where possible and leveraging our operating platform effectively.

We put significant effort into creating a clear brand identity for Boom, and I am delighted to report that it has been well received by customers and employees alike.

Since the period end, we have received credit approval on agreed terms for a new £10 million Revolving Credit Facility from Barclays, providing us with significant financial headroom, the flexibility to continue our growth at pace, and a development which represents a strong endorsement of the progress we have made.

We are conscious of both our public duty towards and the benefits of developing a culture which embraces environmental, social and governance issues alongside commercial success as we develop our corporate identity and culture. We present our first SECR report this year and internally, the business has recently introduced a number of employee focused incentives and support structures through our THRIVE initiative. As the business is now generating a healthy operating cashflow, we have introduced a bonus scheme for all centrally located staff, linked to business success. We also have equity participation programmes available to all staff and appropriate site level incentivisation for site level employees.

Our board was unchanged during the period under review. We have a highly experienced board of directors who have made a significant contribution to the success of the business thus far, and to whom I would like to extend my thanks.

Finally, I wanted to thank all our people in the Group without whose efforts and dedication the business could not successfully have built the platform we have today.

CHAIRMAN'S STATEMENT

OUTLOOK

The opportunity presented by the growth of experiential leisure remains as attractive today as it was when XP Factory (then Escape Hunt) started its journey. The addition of Boom Battle Bar to the Group has significantly enhanced its scale and prospects and we are well placed to continue to benefit from attractive property opportunities. Escape Hunt's financial performance has settled into an attractive rhythm, producing high site level margins and highly attractive return on capital, whilst Boom's performance has proven that our initial expectations of the opportunity were well founded.

Trading since the start of the financial year to March 2025 has been positive, with both brands delivering positive volume-driven like-for-like growth, 1.9% in the case of Escape Hunt, and 1.5% in the case of Boom in the 20 weeks to 18 August 2024. Whilst the rate of growth has slowed compared to the same period a year ago, the change reflects the gradual maturing of the estates. Both businesses have maintained margins whilst absorbing significant further labour cost increases, driven by the increases to minimum living wage levels and our desire to continue to pay a premium to attract talent. Whilst the summer uplift in sales in July and August was modest, forward bookings for the end of year peak are well ahead in comparison to previous years providing confidence for the coming months and leaving the Board's expectations for the full year unchanged. Our recently approved banking facility is a strong endorsement of the progress made within the Group and provides us with flexibility to roll out new sites in line with our strategy and the potential to accelerate our plans as we secure new sites.

With the anticipation of further interest rate cuts on the horizon and a materially lower inflation rate which is now being outstripped by labour inflation, we believe there is scope for improving consumer confidence underpinning optimism in our sector and we view the future with growing confidence.

Richard Rose

Chairman

31 August 2024

Our 70 locations offer a wide variety of entertainment experiences together with licensed bars delivered with world class hospitality in prime retail or leisure locations.

ESCAPE HUNT

44

Venues

Experience led venues home to team based gaming adventures

MARKET LEADER

BOOM
BATTLE BAR

30
Venues

Wet led venues home to multiple entertainment experiences all under one roof

MARKET LEADER

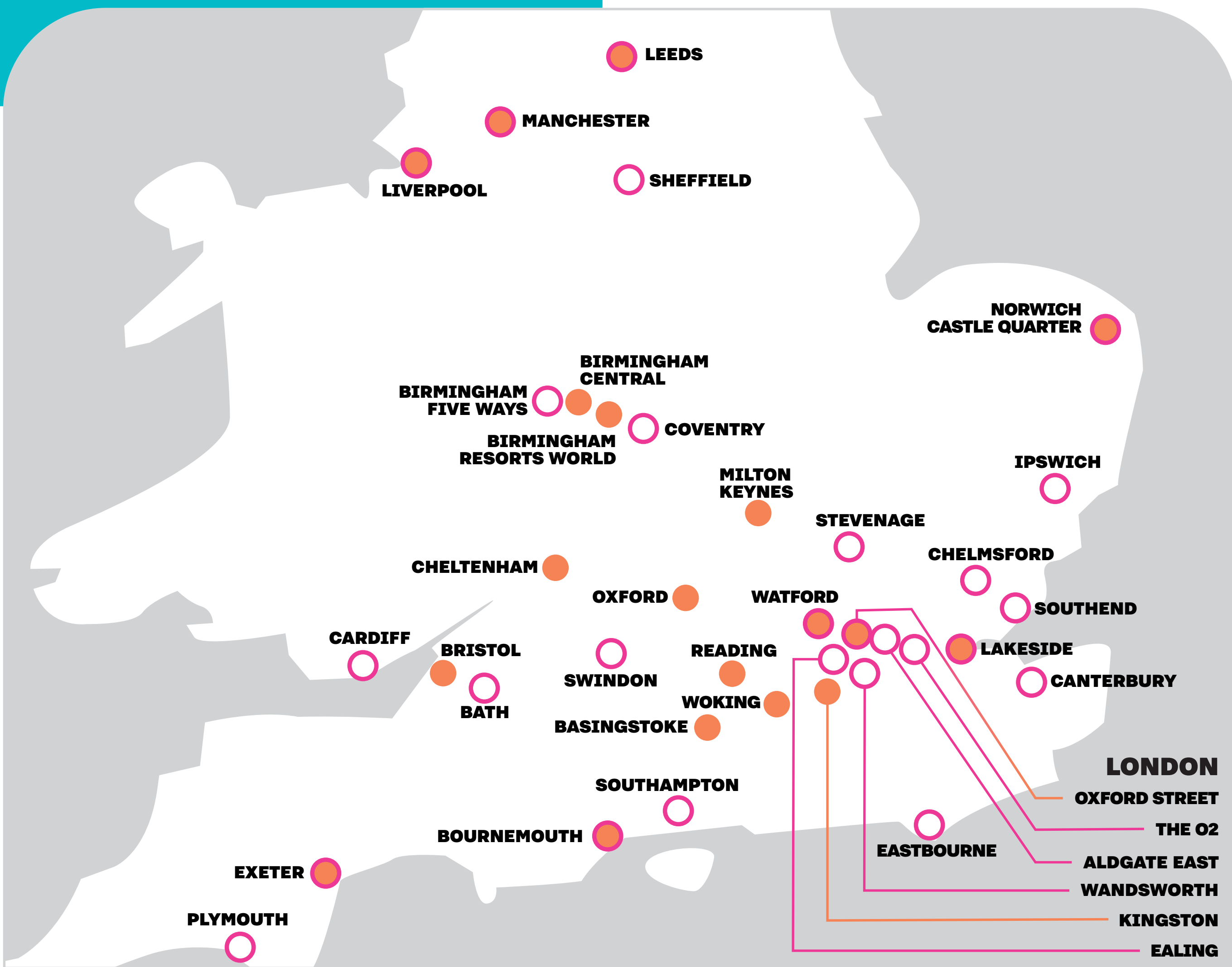
OUR LOCATIONS

UK

We have a strong national presence with significant opportunities for further expansion. Our 49 venue UK footprint trades from prime retail or leisure locations spanning England, Scotland and Wales. **ESCAPE HUNT** is fully owned and operated in the UK & **BOOM BATTLE BAR** is a mix of Owned & Operated and Franchise. The first UK **ESCAPE HUNT** opened in March 2018 and the first UK **BOOM BATTLE BAR** opened in June 2020.

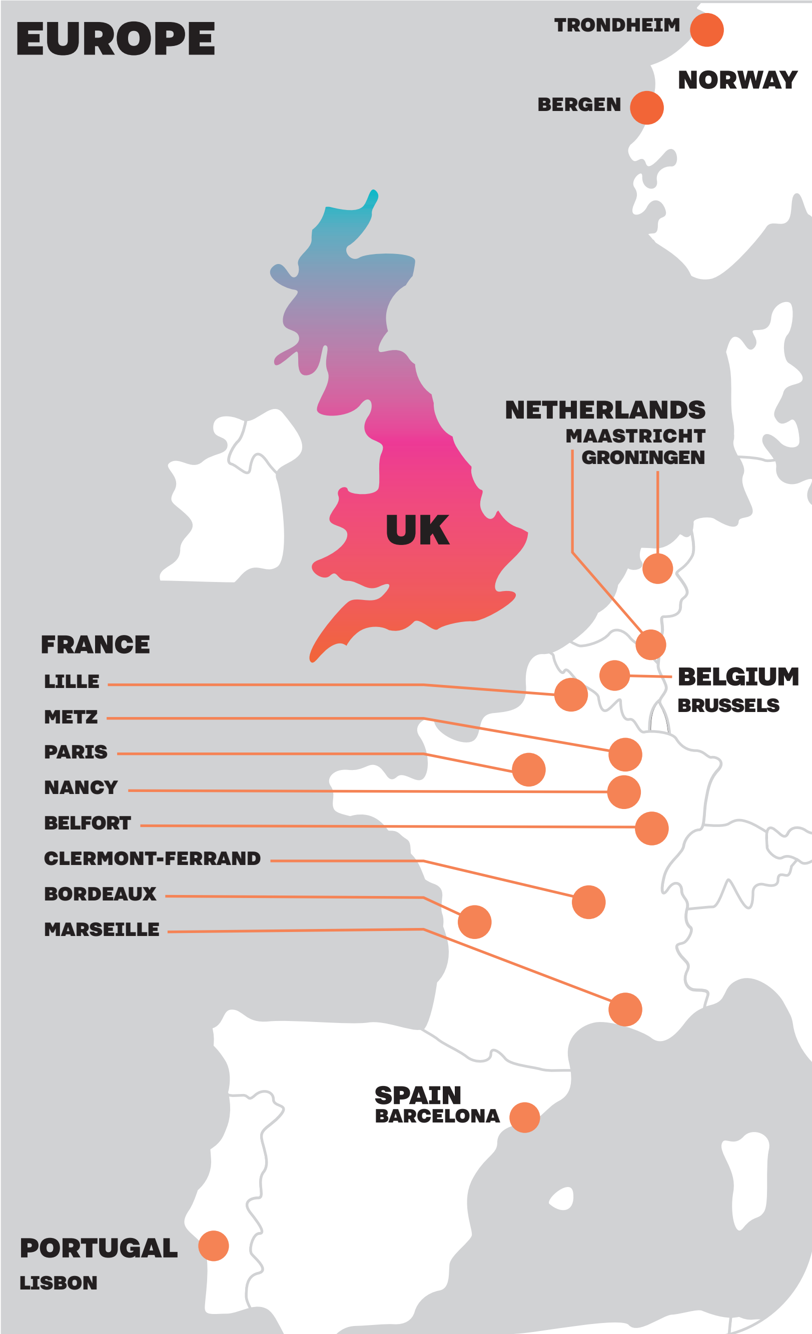
ESCAPE HUNT

BOOM BATTLE BAR



INTERNATIONAL

ESCAPE HUNT has been operating internationally across 4 continents since 2013. Its 24 international venues are a mix of Franchise (21) and Company Owned (3) sites. The first international **BOOM BATTLE BAR** opened in Dubai's Jumeriah Beach Resort in July 2023.



70

Locations 4 of which host both brands

OUR BRANDS

ESCAPE HUNT

BOOM BATTLE BAR

We create & curate world class lean-in entertainment experiences fused with world class hospitality.

At **xpfactory** plc we understand the power of human connection. We bring people closer together through shared experiences that create an undeniable feeling of winning at life.

With this aim, we are on a mission to bring to market new kinds of lean-in social experiences that we can combine with excellence in hospitality.

xpfactory plc is home to 2 market leading brands **ESCAPE HUNT** & **BOOM BATTLE BAR**.

ESCAPE HUNT

30
unique gaming adventures

23
owner operated venues

1
new venue opened 2023

BOOM BATTLE BAR

8

experiences

30

venues

3

new venues opened 2023

BRAND FOCUS

ESCAPE HUNT

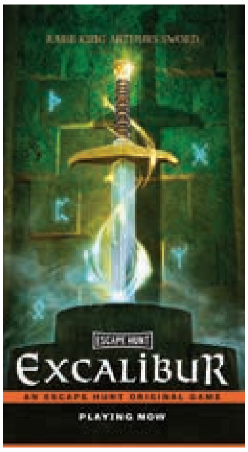
5 Star rated, premium team based adventures

Our team members are rightly proud of the award-winning customer experiences that they deliver and this is rooted in our world class training program.

ESCAPE HUNT is unique in its position in UK's diverse "out of home" leisure sector. Teams of friends, families and work colleagues enjoy uniquely memorable, immersive and multi-sensory team-based gaming adventures in our well-located venues in prime retail or leisure space. What started as a small escape room brand in 2013 has been transformed into a mainstream entertainment experience venue like no other. Loved by consumers, trusted by corporates.

ESCAPE HUNT Studios brings together our very own team of inventors and storytellers in market leading experience design that has been endorsed by world class IP Studios. We are really proud of having worked with the likes of Netflix and of being home to the official BBC Studios Doctor Who Game.

We have a solid and attractive multi-format catalogue of 30 Games. Our **ESCAPE HUNT** Rooms benefit from full modular build, are well proven operationally & highly rated by customers. Experiences are underpinned by a progressive, proprietary software platform that brings strong operational reliability and efficiency.



ESCAPE HUNT

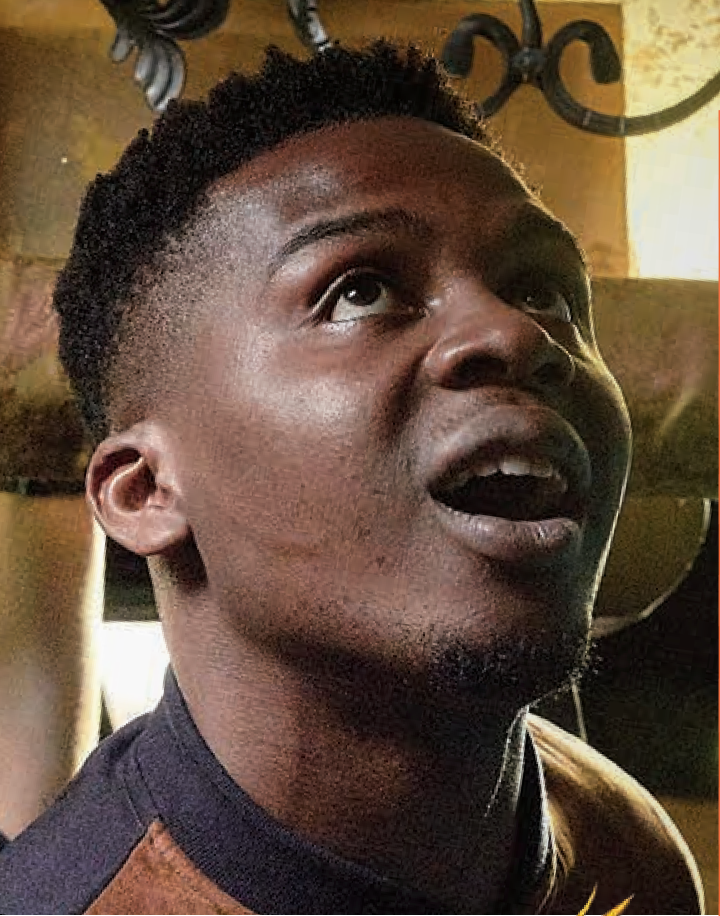
97
Guest Opinion Score*

98.57%
Review Rating**

*A holistic measure combining NPS, social reviews (e.g. Google, Facebook and Tripadvisor), complaints and praise.

**An aggregated score expressed as a % from social reviews (e.g. Google, Facebook and TripAdvisor)

All data Jan–Dec 2023 Feed It Back



As a 360 gaming business that goes beyond the bricks and mortar this gives us access to both depth and scale unique to retail and leisure

ESCAPE ROOMS
In venue immersive escape adventures or virtual reality

CITY HUNTS
Outdoor explorer games using the streets of the city and an action pack of gadgets

DIGITAL & PLAY AT HOME GAMES
Location Neutral games for Consumers & Corporates

DRINKS
Our in venue bars offer pre-game or post game celebratory drinks

A unique bar vibe housing social lean-in entertainment

BOOM BATTLE BAR is a bar with a different dimension. Crowds of customers regularly flock to experience the collective high and energy of the BOOM facilitated by our epic team of **BOOM MAKERS**. From celebrating in-game moments and outcomes to singing, dancing and cheering teams on the big screen. From regular nights out to celebrations of all kinds, from casual after work drinks to exclusive venue hire. **BOOM BATTLE BAR** is a high tempo experience bar that is a vibrant, unforgettable destination for both consumers and corporates to let loose and have fun in the here and now.


AR AXES


AR DARTS


CRAZIER GOLF


SHUFFLEBOARD


BEER/PROSECCO PONG


KARAOKE


PING PONG


POOL

BOOM BATTLE BAR

96
Guest Opinion Score*

96.39%
Review Rating**

*A holistic measure combining NPS, social reviews (e.g. Google, Facebook and Tripadvisor), complaints and praise.

**An aggregated score expressed as a % from social reviews (e.g. Google, Facebook and TripAdvisor)

All data Jan–Dec 2023 Feed It Back

The modularity provided by our multi-experience proposition is distinctly advantageous.

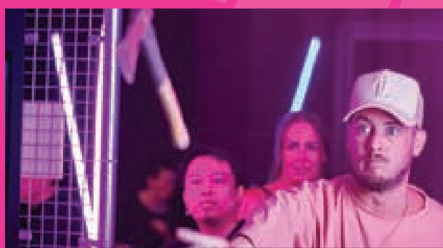
We can optimize the mix of games and experiences by venue size and location as well as continue to innovate and refresh the offer to remain current without the requirement for wholesale change.

DRINKS

A wide range of delicious instagrammable cocktails & drinks

FOOD

BOOM BITES offers delicious signature chicken wings, streetfood and fully loaded sharers



EXPERIENCES

Modular, multi-experience set up from AR Axe throwing to Crazier Golf & Karaoke

MUSIC

A rosta of local DJs elevate the vibe, and provide a backdrop to our popular themed brunches

LIVE EVENTS

From World Cup Fixtures to big pop culture moments like Eurovision & St Patricks day

Whatever the occasion, our amazing teams of **BOOM MAKERS** facilitate a unique unforgettable vibe aptly summed up in our tagline **FEEL THE BOOM.**

OUR DIGITAL JOURNEY

Building on 2022, this year has seen further substantial upgrades and system implementations aimed at streamlining operations, driving efficiencies, and enhancing customer experience.

> We have worked hard to integrate a broad suite of technology solutions.

We have introduced a new powerful point-of-sale (POS) system into our **BOOM BATTLE BAR** venues which provides detailed sales reporting and inventory management, allowing for better control over stock levels and improved financial oversight. A new advanced data analytics tool offers deep insights into customer behaviours, sales trends, and operational performance helping us make informed decisions to optimize our offerings and improve profitability. The new mobile ordering solution empowers our staff to take orders and process payments directly at the table, enhancing service speed and efficiency while reducing wait times for our guests and pre-authenticated table tabs that increase average spend per head have been enabled. The addition of an integrated online ordering system allows guests to place orders from their mobile devices both for in-venue and takeaway orders while a fully integrated Stock and Order solution gives us end-to-end, real-time visibility over every aspect of our stock management.

It has been important to simplify and enhance the tipping process to benefit team members, customers, and operational efficiency. In **BOOM BATTLE BAR**, we have upgraded to an innovative digital tipping and voluntary service charge solution whereby customers can leave tips electronically via various payment methods, including card payments and mobile wallets, ensuring convenience and ease of use. This system then provides transparency and fairness in tip distribution, allowing tips to be automatically pooled and distributed among staff according to predefined rules. With detailed reporting and analytics, we then get the

additional benefit of insights into tipping trends and staff earnings.

Our employee learning journey in **BOOM BATTLE BAR** has been transformed through the introduction of a brand-new Learning Management System. This system integrates with our Workforce Management System and allows us to start our employee learning journey the moment we send an offer letter. We can assign training modules, monitor competencies, and track compliance records. Adaptive learning solutions are tailored to an individual employee's needs, enhancing engagement and knowledge retention. Real-time analytics provide us with valuable insights into employee progress and areas for improvement, facilitating data-driven decision-making. Collaboration tools enable seamless interaction between our employees and their manager, fostering a dynamic learning environment that encourages best in class teamwork and communication.

We further improved the booking process through the deployment of a new market-leading booking system for **BOOM BATTLE BAR**; this has lowered our operational and support burden whilst delivering an improved guest experience.

ESCAPE HUNT Studios rolled out City Hunt game "Return to Wonderland" in 17 cities and brought further exciting innovation "beyond the room" with new digital product development such as the "A Christmas Sabotage" advent calendar and new City Hunt game "Vampire Hunters".

We continue to rollout digital signage across our **ESCAPE HUNT** & **BOOM BATTLE BAR** frontages allowing us to leverage the heavy passing footfall of our well-located venues as well as introduce new digital platforms such as Fanzo which enables our venues to advertise the live sporting events that we are screening and drive table bookings directly.

Our customer database continues to see rapid growth from in venue services such as Wireless Social and customer waivers. After every visit to our venues, we digitally collect data on customer satisfaction which enables smart optimisation and rapid tracked response.

Sustained investment in paid media continues to see efficiencies despite increasing competition and our share of voice is further bolstered by the growing sophistication of our SEO approach.

We strive to be an industry leader in sustainability and environmental responsibility, and have implemented several key initiatives to improve our ecological footprint.

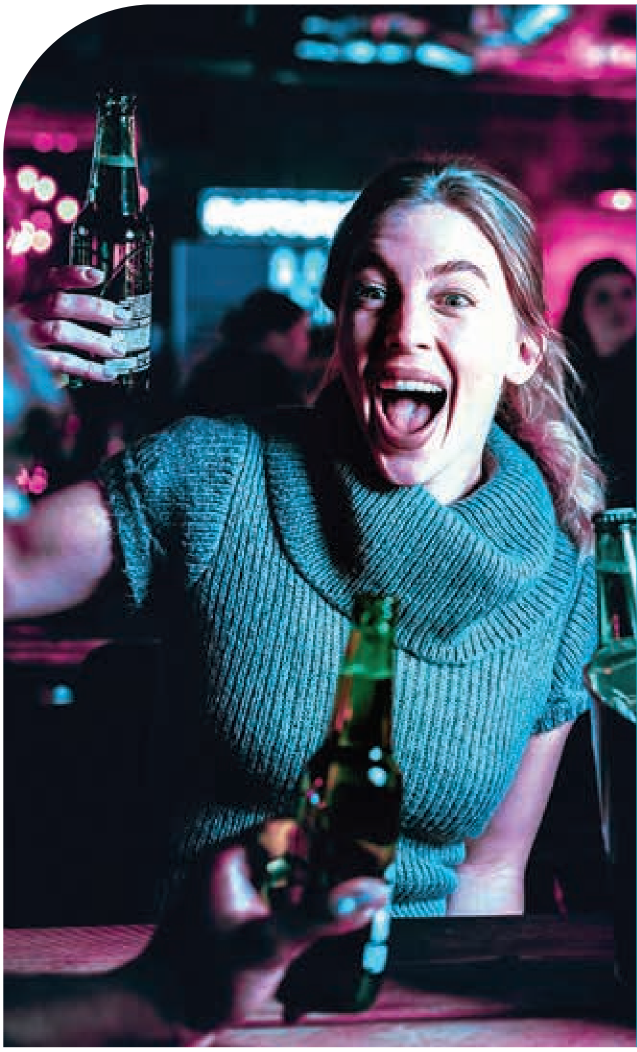
ENERGY AWARENESS AND EFFICIENCY

We have started public disclosure of total energy usage and intensity metrics – we actively monitor this at the site level to identify areas for further improvement. LED lighting has been installed throughout our venues, replacing energy-intensive neon lights and significantly reducing our energy consumption. To optimize heating usage, we conducted a comprehensive audit, lowering kitchen heat where feasible without compromising food quality. Additionally, we ensure that equipment activation is delayed until necessary, further reducing unnecessary energy consumption.

WASTE REDUCTION

To minimize waste across our operations, we have implemented strict recycling protocols in all our venues, supported by comprehensive training for our management teams on proper material separation. Our kitchen team is also trained in effective stock management and ordering practices to further reduce waste. Additionally, we have made conscious choices to reduce our equipment orders, aiming to place only one order per month by the end of 2023. We are exploring more sustainable chemical options and seeking to reduce plastic packaging. Furthermore, we have replaced single-use plastic straws with eco-friendly paper alternatives and introduced high-quality, reusable kitchen utensils to ensure durability and minimize breakages.

We have implemented digital axe throwing waivers via QR codes and in-venue tablets, and our onboarding processes, including contracts and right-to-work documentation, are entirely digital, eliminating paper usage.



Strategic Partnerships for Sustainability

We proudly collaborate with partners who share our dedication to sustainability, including:

Heineken: Our venues utilize their latest smart dispense systems, which save water and energy. Notably, 17% of Heineken's media budget is dedicated to promoting responsible consumption.

LWC: Our drinks distributor, LWC, uses computer-generated routes for fuel-efficient deliveries. Since 2019, their account managers' cars are either fully electric or hybrid, contributing to a reduced carbon footprint.

Tarsier: This gin brand offers eco-friendly packaging and donates 10% of profits to conservation efforts for the Tarsier, a species native to the Philippines.

Inch's Cider: Utilizing locally sourced apples and converting apple waste into green energy, Inch's Cider exemplifies sustainable practices.

As a people focused business, social responsibility is at the core of xpfactory plc and is summed up in our purpose "to help people win at life". We want to help everyone in our business thrive, and by ripple effect help improve the lives of those around us.

thrive

Helping people win at life

In 2024 we have been excited to launch thrive – the **xpfactory** plc well-being initiative. Thrive spans various pillars of employee well-being from physical and emotional to financial well-being and community connections.

As a first step we refreshed and relaunched the benefits already available to our teams such as pensions, life assurance, SIP & healthcare as well as adding fantastic new benefits including employee discounts, long service awards and karma days. We are now building and developing our wellbeing committee and thrive tribe – a team of specially trained and passionate individuals who will form the backbone of our wellbeing programme including a body of mental health first aiders (MHFAs).

In the community we worked closely with a social mobility charity for young people called MyBigCareer. In August 2023 on A-Level/BTEC results day, we were out in schools supporting underrepresented students on re-planning their next steps in the context of their missed results. Early in 2024 we ran an Insights Day in partnership with MyBigCareer where groups of young people from disadvantaged backgrounds got to develop their teamwork and critical thinking whilst learning about the different career paths in our industry through the inspiring personal stories of our team members.

In 2023, we supported Pride with afterparties and our donation programme in which 50p from every Pride Royale cocktail was donated to the national charity Stonewall. In 2024 our donation programme will go to local LGBTQ+ charities in line with feedback from our team members. Building strong local relationships with selected partners helps us become a place that deeply and authentically welcomes all.

Our team members have also proactively supported charities of their choice through a variety of activities from virtual bike rides to real bike rides, from climbing the 7 Peaks to scaling Everest. As a business we have been proud to support their causes and their achievements. The additional introduction of Karma Days – one paid working day a year to volunteer for a cause or organisation of their choice - will build on the passion to help others that our teams have already shown as individuals.

Our aim to help people win at life underpins all the decisions we are making and the actions we are taking, with every day seeing us become a fairer, more inclusive business.

We are working hard to ensure that our experiences are becoming increasingly accessible with wheelchair access where feasible, written clueing in multiple languages, hard of hearing signage and brail menus all available.

For our hourly paid team members, we do not offer "zero-hour contracts", we continue to pay above minimum wage, and do not age discriminate – regardless of whether you are 16 or 24.

We are delighted with the number of team members from all backgrounds and genders that we see developing and progressing through the business. The support and opportunities that we are giving are clearly resulting in industry leading employee engagement, loyalty and retention.

Whilst the gender and background diversity of our teams is strong with progression hugely evident once they are in the business, we are constantly working on the inclusivity of our recruitment strategy to ensure we are maximising and expanding the candidate pool we hire from.

We are proud of the voices of our teams on social media which are a strong reflection of our positive working culture and demonstrate to us that our overall aim to help people win at life is in motion.

CHIEF EXECUTIVE'S REPORT

In the 15 months to 31 March 2024 XP Factory delivered another period of impressive growth, with sales increasing to £57.3m (12 months 2022: £22.8m), and pre-IFRS16 Adjusted EBITDA increasing to £6.3m (12 months 2022: £2.6m). Post IFRS16 Adjusted EBITDA was £9.9m (12 months 2022: £4.0m). A significant milestone was achieved, as the business generated for the first time a positive underlying Operating Profit[1] of £1.9m, compared to a loss of £4.9m in 2022. While some of this growth came from the four sites opened in the year (three Boom, one Escape Hunt), most was driven by the underlying momentum in the business, the strong like-for-like sales performances across both brands, and the continual improvements in operating margins.

- Group revenue increased to £57.3m (12 months 2022: £22.8m)
- Adjusted EBITDA pre IFRS16 rose to £6.3m (12 months 2022: £2.6m)
- 20 owner-operated and 10 franchise Boom Battle Bar sites open as at 31 March 2024 (31 Dec 2022: 11 owner-operated and 16 franchise sites)
- 23 owner-operated and 22 franchise Escape Hunt sites open as at 31 March 2024 (2022: 23 owner-operated and 23 franchise sites)
- 98% customer satisfaction score earned on both businesses (Source: Feed It Back)

Following a year of significant opening activity in 2022, the 15 month period has been much more about optimising the estate and using the learnings from sites that have been operating for over a year to apply to new sites and retrospectively make changes to existing sites. Whilst the pace of new site roll-outs has been more gradual, revenue has continued to build driven by strong like-for-like growth, the full year effects of sites opened in 2022, and further new site openings in the period. Our investment into data and technology capability is already paying off and we are confident that the business continues to improve day by day.

The strong cash generation from the business has been a particular highlight, with £11.1m of cash generated from operations (£7.9m on a post IFRS16 basis) enabling us to continue to invest in growing the Group. The business has remained resilient in the face of the widely publicised cost of living crisis and high inflation impacting consumers and the leisure sector as a whole. In view of these challenges, we have deliberately avoided price increases in all but a few selected instances, instead aiming to absorb the additional costs and focus on driving volumes. To date, we believe this has been the right approach evidenced by our ability to grow both sales and margin.

The business has made further strategic progress, not only by continuing the roll out of new sites and the buy-back of franchise sites, but also in our approach to data and information within the business and at sites. Using insights learned from existing sites we are improving the layout of both new and existing sites, optimising the combination of games and the mix of sales and understanding our customers better. The period under review also saw the formal relaunch of the Boom Battle Bar brand identity which has put new energy into a number of sites and underpins the Group ethos, enabling both our customers and employees to feel that they are *winning at life*!

Since the year end, we have received credit approval from Barclays for a new £10 million Revolving Credit Facility. This represents a significant milestone for the Group, and an endorsement of the progress we have made in creating a more stable, mature business over the last few years. Whilst we plan to remain conservative in our use of debt, the facility will give us the flexibility to sign new sites and potentially accelerate plans for growth and shareholder value creation.

ESCAPE HUNT

Escape Hunt's performance in the period was exceptional. The Escape Hunt owner operated division delivered turnover of £16.7m, up 71% compared to the 12 month period to 31 December 2022. A new venue was added in Woking, opening in July 2023. We also consolidated our two venues in Norwich as planned into one site, providing our first real evidence of our ability to move the modular games which are now being produced. The result was that we ended the period with 23 owner operated Escape Hunt venues, the same number as at 31 December 2022. The underlying turnover growth therefore came from the full year effects of sites opened in 2022 and the strong like-for-like growth of 16.9% generated by existing sites over the 15 month period. Whilst double digit like-for-like growth is not expected to continue, the delivery of such a strong performance during a period of consumer weakness is testament to the team and the proposition. Corporate sales grew in line with consumer growth, representing 5% of total sales.

Pre IFRS16 site level EBITDA margins remained very strong at 42% (FY22 42%). This is notwithstanding the loss of the VAT benefit enjoyed in the first three months of 2022 which did not continue in 2023.

1 Underlying operating profit is before fair value gains / losses (2022: gain £6.2m; 15 Months to 31 March 2024, loss £0.3m) and profit on closure of subsidiary (15 months to 31 March 2024 £0.5m).

CHIEF EXECUTIVE'S REPORT

Consumer ratings have always been a key performance indicator for the business and we were delighted that, once again, to have so many of our sites being awarded the Tripadvisor™ consumer choice award. Ratings are monitored by third parties on our behalf, and it has been enormously satisfying to see average review ratings maintained at 98%, well above the experiential leisure industry as a whole.

The strong EBITDA conversion within Escape Hunt is driving attractive return on capital. Across the UK portfolio of owner operated sites, Escape Hunt delivered an annualised 48% return on capital over the 15 month period, significantly ahead of the Group's cost of capital, highlighting the attractions of continuing to invest in the business to grow shareholder value.

The consumer appeal for Escape Hunt's products within the experiential leisure sector seems to be continuing to grow, and evidence would suggest that the business is winning market share, underpinning the attractions of the segment and giving confidence to our strategy of further investment.

The Escape Hunt franchise estate now represents only a small proportion of the Group's activities. The underlying business performed satisfactorily after a couple of difficult years as a result of COVID. Activity was broadly flat as franchise revenue was £0.8m in the 15 month period, an increase of 18% compared to the 12 month period to 31 December 2022, delivered by a slightly reduced estate which comprised 22 sites at 31 March 2024.

BOOM BATTLE BAR

The 15 month period represents the first period of Boom's trading during which we have been able to start benchmarking performance with the benefit of some history. The owner operated estate delivered turnover of £37.5m in the 15 month period, up from £9.5m in the 12 month period to 31 December 2022. The growth was delivered by full year effects of sites opened or acquired in 2022, new site openings in the period, franchisee acquisitions and robust like-for-like growth of 22.4%. Christmas 2023 was the first festive season where we had significant inventory available well ahead of the critical corporate booking season, and this enabled strong corporate sales growth. Corporate sales in the 15 month period totalled £4.5m, representing 12% of sales up from 10% in 2022.

Margins in the business continue to improve in line with our expectations. Gross margins in the owner operated estate improved to 59% from 52%, helped by the positive benefits of operational gearing on labour costs as well as the significant operational efficiencies afforded by the implementation of new systems at site level. Pre IFRS 16 site level EBITDA margins were 17%, up from 13% in 2022. Whilst these remain below our longer term aspirations for the division of 20% – 25%, pre IFRS 16 site level EBITDA was 23% in the six months between July and December 2023. The overall year has been impacted by younger sites which typically operate at lower margins, and by certain of the franchise acquisitions, which in the period have tended to be smaller, less well performing sites where we believe performance can be improved under our ownership. We are already seeing steady improvement at sites we have bought back, and together with the maturity benefits from maturing younger sites, we remain confident that our mid-term aspiration of achieving a 20% – 25% EBITDA margin is realistic.

Return on capital within the Boom owner operated estate for the 15 month period was a market leading 53% annualised (based on sites owned and operated for twelve months to 31 March 2024). The high returns are helped by significant landlord contributions which we have typically been able to secure, but underpinned by an attractive operating model. During the year, we opened new sites in Canterbury and Southend in the UK, which together received £0.95m of capital contributions. We also opened a new site in Dubai, which is a good test to how we might be able to leverage the concept into new territories.

Boom's business model is inherently more exposed to cost pressures from suppliers than Escape Hunt. Despite significant increases in utilities, cost of sales and labour costs, we have sought to maintain prices and absorb the cost increases through volume growth. The improvement in gross margins delivered underpins that decision as we seek to maintain a strong customer proposition and build customer loyalty.

Operationally, we have continued to focus on improving our customer journey and adapting processes and layouts in line with our learnings. In a number of sites, we have built additional bar capacity where we were constrained previously, and across the board we have refined our offering significantly. This catalogue of small improvements has manifested itself in an average customer satisfaction score of 96% which sits materially ahead of the competition.

PEOPLE AND CULTURE

XP Factory has grown significantly over the last two years in particular. As the business matures, we are investing in our people, systems and capability to ensure the business is both sustainable and scalable. We aim to build a culture which nurtures and develops talents, embraces best practices, and operates with integrity, honesty and enthusiasm. A number of initiatives have been put in place to support employees in their roles and, importantly, the Group is investing in areas of the business which will help drive performance.

CHIEF EXECUTIVE'S REPORT

The investment made into data and technology is of paramount importance. Examples include the upgrades made to our POS systems and the online booking systems, as well as how we are using our CRM system. Further work will continue in this area as we aim to use insights gained from existing sites to improve customer experiences and ultimately business performance. Our data analysis is already being used to inform decisions on location and layout of sites, pricing, promotional activity and a range of other operational decisions. We are beginning to look at how AI might become a tool to further develop our customer propositions, capabilities, reporting and efficiency.

We are also increasingly aware of our environmental, social and governance responsibilities. Information is provided separately this year in our first SECR Report. We have also launched a new internal programme called THRIVE, which aims to enhance employee wellbeing and engagement.

STRATEGIC OBJECTIVES

Continued execution of our strategic priorities

Our strategic priorities remain as set out previously and we have continued to make progress in each of these areas during the period:

1. *Maximise the UK footprint by rolling out each brand, either through direct investment into owner operated sites or through franchise arrangements*

   Following the aggressive roll-out in 2022, we consciously moderated the pace of roll out during 2023 to ensure we optimise the performance and operations within the enlarged estate. During the period, we opened a new Escape Hunt site in Woking and new Boom in Dubai, Canterbury and Southend. We also acquired former Boom franchise sites in Chelmsford, Ealing, Liverpool, Glasgow and Watford. We completed our plan to merge our two Escape Hunt sites in Norwich into the larger unit, bringing the combined owner operated estate to 23 Escape Hunt venues and 19 Boom Battle Bar venues. Since the period end, we have made further acquisitions of franchise sites in Aldgate, Wandsworth and Bournemouth.

2. *Accelerate growth in international territories, ultimately through franchise*

   We opened our first international Boom Battle Bar in Dubai and continue actively to explore possibilities in other territories. In the short term, as before, our focus for both brands will remain the UK with the aim of developing a robust, defensible business capable of international franchise.

3. *Continue to develop new products and markets which facilitate the growth of B2B sales*

   We put significant investment into our B2B sales capability at the start of the reporting period with both Boom and Escape Hunt benefitting from strong growth in corporate sales revenue. Escape Hunt has also developed a new range of outdoor experiences which were rolled out across the estate during 2023 providing additional sales potential and catering to new customers.

4. *Integrate the businesses, exploit synergies where possible and develop an infrastructure that supports scale and future growth*

   This final objective has taken a greater degree of importance in the period under review as we aim to optimise the performance of the existing business and create a platform that is defensible, attractive to larger scale franchisees and capable of supporting a significantly larger business. During the year, we upgraded our in-store point of sale systems as well as migrating to new online booking solutions across the Boom estate. The new systems set the business on a stronger platform and will allow us to scale more efficiently in future.

CURRENT POSITION AND LONGER-TERM OPPORTUNITY

The Group is now beginning to see the benefits of our enhanced scale providing the foundations for improved efficiency and expanding our competitive advantage. By design, our model is capital efficient, with rapid payback and high return on investment, as well as being eminently scalable with an objective to achieve accelerated market share, superior returns and deliver a consistent customer experience. We aim to continue to receive industry leading satisfaction scores. Our key strengths are as follows:

- Modular formats – standardised lay-outs and automated games
- Growing data sets, learning what does and does not work – all accelerating timescales for sites to reach maturity

CHIEF EXECUTIVE'S REPORT

- Increasingly trusted brand with strong customer review scores and industry recognition
- Cost advantages of room build through modular off-site construction with fit-out completed on-site
- Ability to achieve favourable rent conditions with frequent landlord incentives provided on new-builds
- Scaling of supplier relationships with the prospect of margin enhancement

The above factors are all helping to drive attractive unit economics, with the potential for enhanced returns in the future. Areas of further potential opportunity include upgrading our games offering in existing sites, widening our food choice, harnessing data insights to a greater extent to optimise site layouts and game offering and using technology to enhance customer experience.

In summary, the experiential leisure industry has proven to be exceptionally robust despite the current pressures on the consumer. However, it remains in its infancy in terms of the wider leisure opportunity in the UK. Competitive socialising participation is growing quickly at 13% p.a. and the Group is ideally positioned to benefit from these structural growth trends. In the short-term, we are seeking to optimise the pace of site roll-out at the pace at which we are able to generate capital. We remain vigilant of evolving trends and continue to actively manage our existing estate as well as evaluating new opportunities to drive profitable growth. We have invested in our capability to analyse data from our sites more thoroughly, both to improve existing sites and to identify the optimal locations for new sites. Initial analysis supports our expectation that in the longer-term, we see an opportunity to scale the business considerably domestically and internationally, with a market opportunity of 50+ Escape Hunt and 100+ Boom Battle Bar sites in the UK alone.

POST PERIOD END TRADING AND OUTLOOK

The opportunity presented by the growth of experiential leisure remains as attractive today as it was when XP Factory (then Escape Hunt) started its journey. The addition of Boom Battle Bar to the Group has significantly enhanced the scale and prospects for the Group and we are well placed to continue to benefit from attractive property opportunities. Escape Hunt's financial performance has settled into an attractive rhythm, producing high site level margins and highly attractive return on capital, whilst Boom's performance has proven that our initial expectations of the opportunity were well founded.

Trading since the start of the financial year to March 2025 has been positive, with both brands delivering positive volume-driven like-for-like growth, 1.9% in the case of Escape Hunt, and 1.5% in the case of Boom in the 20 weeks to 18 August 2024. Whilst the rate of growth has slowed compared to the same period a year ago, the change reflects the gradual maturing of the estates. Both businesses have maintained margins whilst absorbing significant further labour cost increases, driven by the increases to minimum living wage levels and our desire to continue to pay a premium to attract talent. Whilst the summer uplift in sales in July and August has been modest, forward bookings for the end of year are well ahead in comparison to previous years providing confidence for the coming months and leaving the Board's expectations for the full year unchanged. Our recently approved banking facility is a strong endorsement of the progress made within the Group and provides us with flexibility to roll out new sites in line with our strategy and potentially to accelerate our plans for growth and shareholder value creation.

With the anticipation of further interest rate cuts on the horizon and a materially lower inflation rate which is being outstripped by labour inflation, we believe there is scope for improving consumer confidence underpinning optimism in our sector and we view the future with growing confidence.

Richard Harpham

Chief Executive Officer

31 August 2024

FINANCIAL REVIEW

GROUP RESULTS

REVENUE

Group revenue for the 15 month period increased by 151% to £57.3 million compared to £22.8 million in the twelve months of 2022, reflecting the full year effects of the new Boom and Escape Hunt sites opened during 2022, further site openings in the 15 month period and robust underlying like-for-like growth.

	Fifteen months ended 31 March 2024 £'000	Year ended 31 December 2022 £'000	Increase / (decrease)
New site upfront location exclusivity fees, support and administrative fees	354	1,368	(74%)
Franchise revenues	2,339	2,012	16%
Owned branch game revenues	31,085	13,535	130%
Owned branch food and drinks revenues	22,188	5,149	331%
Retros on food and drink purchases	1,012	645	57%
Other	361	125	189%
Total	57,339	22,834	151%

Within the Escape Hunt owner operated estate, revenue grew 71% to £16.7m from £9.8m in the 12 month period of 2022. The performance was underpinned by strong annualised like-for-like growth of 16.9% across the whole estate. The seven most mature sites in the estate which were originally opened in 2018 saw 17.2% like-for-like growth calculated on the same basis.

The Boom owner operated estate delivered revenue of £37.5m, up from £9.5m in the 12 month period of 2022, an increase of 295%. At the start of the reporting period, the estate comprised 11 owner operated sites. Three new sites were opened and a further five franchise sites were brought under owner operation. The results also include turnover from the site in Swindon, which is managed by our team through an operating agreement and which we now include in our owner operated site numbers, taking the total to 20 owner operated sites.

The Escape Hunt franchise network delivered turnover of £0.8m, an 18% increase on 2022. The Boom franchise business delivered turnover of £2.3m compared to £2.9m in 2022. However, of the 2022 revenue, £1.5m was royalty income whilst £0.8m related to the construction and resale of a franchise site, against which there was an associated £0.5m cost of sale. It is no longer our policy to build sites on behalf of franchisees, so this has not been repeated. The underlying increase in royalty income was due to the full year effects of franchise sites opened in 2022, offset by the conversion of franchise sites to owner-operated venues.

GROSS PROFIT

Cost of sales includes the variable labour cost at sites and other direct cost of sales, but not fixed salaries of site staff, whose costs are included as site level administration costs. The Board believes this categorisation best reflects the underlying performance at sites and provides a more useful measure of the business.

Gross profit rose 152% to £37.0m from £14.7m in the 12 month period of 2022. Gross margin at Group level is impacted by the mix of sales between Boom and Escape Hunt and between franchise and owner operated performance. Gross margin within the Escape Hunt owner operated network rose to 71% from 69% in 2022, helped by operating leverage of sales growth outstripping the associated labour costs. Boom gross margins improved from 52% to 59%. During the period the Group implemented new point of sales systems in all the Boom owner operated sites and there has been a concerted focus on continual operational improvement. This, together with the positive impact of operational gearing delivered from growing sales helped improve the gross margin.

COMPARISON OF JAN-MAR PERFORMANCE 2023 AND 2024

Revenue and gross profit in the three months to 31 March 2024 increased significantly over the same period in 2023, both periods of which are included in the 15 month reporting period. Within Escape Hunt owner operated sites, the growth largely reflected like-for like growth of 11.7%, with the balance being from the additional site opened in 2023 in Woking. Escape Hunt franchise revenue growth reflected underlying improvements in the franchise estate performance. Within Boom, like-for-like growth in the owner operated estate in the three month period was 11.6% with the additional revenue growth coming from the three new sites opened in 2023 in Dubai, Canterbury and Southend, together with the acquisitions of former franchise sites in Chelmsford, Ealing, Liverpool, Glasgow and Watford. The acquisition of these franchise sites accounts for the fall in Boom Franchise revenue and gross profit. The revenue and gross profit by operating division in the three months ended 31 March 2024 and the same period in 2023 was as follows:

		31 March 2024 £'000	31 March 2023 £'000	% change
Revenue				
	Escape Hunt Owner Operated	3,396	3,040	12%
	Escape Hunt Franchise	162	146	10%
	Boom Owner Operated	8,931	5,219	71%
	Boom Franchise	362	550	-34%
		12,851	8,955	43%
Gross profit				
	Escape Hunt Owner Operated	2,425	2,096	16%
	Escape Hunt Franchise	162	146	10%
	Boom Owner Operated	5,504	2,794	97%
	Boom Franchise	362	550	-34%
		8,452	5,586	51%

SITE LEVEL EBITDA AND ADJUSTED EBITDA

Site level Adjusted EBITDA is a key performance measure for the business and is calculated before IFRS 16 adjustments. Escape Hunt delivered £7.0m pre IFRS 16 site level EBITDA, a 72% increase on the 12 month period in 2022, and representing a 42% EBITDA margin, in line with the margin achieved in 2022, and significantly ahead of the original expectations set for Escape Hunt sites.

Boom owner operated estate delivered a site level EBITDA of £6.2m, up 384% on the £1.3m delivered in the 12 month period of 2022 and representing a margin of 16%. The margin for the 15 month period has been diluted by younger sites and also by the acquisition of franchise sites which in the period under review has included some lower performing sites where we believe the site performance can be improved under direct ownership.

Adjusted EBITDA is a key performance indicator for the Company. The Group recorded a significant increase in the reporting period, with pre IFRS16 Adjusted EBITDA profit rising 146% to £6.3m from £2.6m in the 12 month period in 2022. After IFRS16, Adjusted EBITDA was £9.9m, an increase of 150% from £4.0m in the 12 month period in 2022.

	Escape Hunt Owned	Escape Hunt Franchise	Boom Owned	Boom Franchise	Unallocated	15 months to Mar 2024 £'000
Sales	16,726	828	37,513	2,272	–	57,339
Pre IFRS 16 Adjusted site level EBITDA	7,035	799	6,245	2,256	–	16,335
Site level EBITDA margin	*42%*	*96%*	*17%*	*99%*	–	*28%*
Other income	–	–	3	–	–	3
Centrally incurred costs	(1,814)	(201)	(921)	(112)	(6,961)	(10,007)
Pre-IFRS Adjusted EBITDA	5,221	598	5,326	2,144	(6,961)	6,328
IFRS adjustments (net of pre-opening)	618	–	2,976	–	–	3,594
Adjusted EBITDA	5,839	598	8,302	2,144	(6,961)	9,922

FINANCIAL REVIEW

	Escape Hunt Owned	Escape Hunt Franchise	Boom Owned	Boom Franchise	Unallocated	12 months to Dec 2022 £'000
Sales	9,773	703	9,501	2,857	–	22,834
Pre IFRS 16 Adjusted site level EBITDA	4,095	703	1,270	2,279	–	8,347
Site level EBITDA margin	*42%*	*100%*	*13%*	*80%*		*37%*
Other income	141	–	–	–	6	147
Centrally incurred costs	(1,218)	(134)	(678)	(105)	(3,803)	(5,938)
Pre-IFRS Adjusted EBITDA	3,018	569	592	2,174	(3,797)	2,556
IFRS adjustments (net of pre-opening)	613	–	787	–	–	1,400
Adjusted EBITDA	3,631	569	1,379	2,174	(3,797)	3,956

The Group has revised the allocation of centrally incurred costs and restated the prior year segmental split to show a consistent treatment. Centrally incurred costs (before pre-opening costs) for the 15 months rose to £10.0m from £5.9 million in the 12 month period to December 2022 reflecting the longer reporting period, the full year effects of an increased head office function following the substantial growth of the Boom estate, together with increased costs to support the expanding business and the impact of a high inflationary environment.

OPERATING PROFIT

A reconciliation between statutory operating profit and Adjusted EBITDA is shown below.

	15 months ended 31 March 2024 £'000	Year ended 31 December 2022 £'000
Pre IFRS 16 and Adjusted EBITDA	6,328	2,556
IFRS 16 adjustments (excl pre-opening)	3,594	1,400
Adjusted EBITDA	9,922	3,956
Depreciation and amortisation	(6,913)	(5,164)
Loss on disposal of tangible and intangible assets	(202)	(126)
Profit on closure/modification of leases and rent credits	–	123
Branch closure costs and other exceptional items	124	(399)
Branch pre-opening costs	(915)	(2,018)
Provision against loan to franchisee	(14)	(26)
Foreign currency losses	(24)	(1,133)
IFRS 9 provision for guarantee losses	24	(68)
Gain on closure of subsidiary	480	–
Fair value adjustment	(313)	6,210
Share-based payment expense	(72)	(81)
Operating profit	**2,097**	**1,274**

Operating profit rose to £2.1m from £1.3m in 2022. The 2022 result included a £6.2m fair value adjustment profit relating to the contingent consideration for the acquisition of Boom, whilst the 15 month period to 31 March 2024 included a £312k fair valuation loss related to the same item. Excluding this and the £480k gain on closure of subsidiary in the current period, which arose on the final liquidation of the legacy subsidiaries in Seychelles, Malaysia and Thailand connected with the original acquisition of Experiential Ventures in 2017, the underlying operating profit rose to £1.9m from a 12 month 2022 loss of £4.9m.

FINANCIAL REVIEW

The operating profit is after £0.9m pre-opening costs (2022: £2.0m) relating to openings of both Boom and Escape Hunt sites during the year. £0.6m related to Boom sites and £0.3m to Escape Hunt sites. Pre-opening costs comprised the following:

Pre-opening costs	Boom £'000	EH £'000	Total £'000
Admin and marketing	232	84	316
Property costs	35	–	35
Cost of sales – consumables	109	–	109
Training	107	5	112
Central staff marketing and training	235	128	363
Pre IFRS 16	718	217	935
Rent accruals	(20)	–	(20)
Post IFRS 16	698	217	915

2022 operating profit includes £1.1m of foreign exchange costs. These related principally to an intercompany balance between Experiential Ventures and Escape Hunt IP Limited, both 100% owned subsidiaries within the Group. Experiential Ventures has since been voluntarily wound down with intercompany balances being offset and giving rise to a gain on closure of subsidiary of £480k in the current period. There is no cash impact.

Branch closure and exceptional costs / gains comprise costs associated with the closure of the previous Escape Hunt site in Norwich, other costs of an exceptional nature are offset by a fair value gain of £240k recorded in relation to the finalisation of completion accounts relating to the acquisition of the Boom Battle Bar in Cardiff.

The fair value adjustment of £0.3m relates to the settlement of the contingent liability connected with the acquisition of Boom in June 2023. (2022: £6.2m gain)

The Board has re-assessed the useful life of certain of the Group's fixed assets, notably games and leasehold improvements. Previously, games in both Escape Hunt and in Boom Battle Bar were depreciated over two years, whilst leasehold improvements were depreciated over five years. The success of the early Escape Hunt sites which have continued to show strong like-for-like growth with the original games installed over five years ago, has provided strong evidence that the policy for games was aggressive. The games are regularly maintained with maintenance costs expensed as incurred. The Board has therefore re-assessed the useful life of games to be five years in both Escape Hunt and Boom. Similarly, the leasehold improvements were being depreciated over five years on the basis that the original Escape Hunt leases had five-year break clauses. Boom sites generally have break clauses after ten years and the success of Escape Hunt has given confidence that the useful life of leasehold improvements is expected to be at least ten years. The change is regarded as a change in estimate rather than a change in accounting policy. As such, no change has been made to prior year numbers, but depreciation in the 15 months to 31 March 2024 reflects the new estimates. The impact in the current period has been a reduction in depreciation of approximately £3.1m compared to what would have been charged under the previous estimates.

CASHFLOW AND CAPITAL EXPENDITURE

The Group generated £11.1m of cash from operations (2022: £3.3m), benefitting from positive working capital inflows of £2.1m. £8.3m was invested in plant and equipment and intangibles. This comprised total investment of £6.5m within Boom owner-operated sites and £1.6m in Escape Hunt owner-operated sites, with £0.2m invested centrally on intangibles. The spend was offset by landlord capital contribution receipts of £1.3m.

Within Boom, a total of £3.5m related to investment in new sites, including final capex on sites opened in late 2022, but principally the new sites opened during the year in Dubai, Canterbury and Southend as well as a modest amount of capex in acquired franchise sites. £2.1m was directed to existing sites to make improvements and expand capacity, £0.7m reflects maintenance capex, and £0.2m reflects the conversion of operating leases on certain games to finance leases following a re-negotiation with the supplier.

A total of £1.6m was invested into Escape Hunt of which £0.9m was invested in new sites, including Woking (£0.5m) and games pre-ordered for further new sites planned in Glasgow and Cambridge. £0.4m was invested in extending existing sites through the addition of new rooms, and £0.4m represented maintenance capex.

FINANCIAL REVIEW

£600k was paid for the second deferred consideration instalment for the acquisition of Boom Cardiff (shown within movements in provisions), whilst the final deferred consideration payment of £257k was paid relating to the original Boom acquisition as well as the related £360k loan notes. In total, £2.7m of debt repayments were made (inclusive of the Cardiff and MFT Capital deferred consideration payments), whilst £2.1m of new debt was raised (excluding vendor finance), comprising £0.8m fit-out finance, £1.2m of bank and other borrowings and £0.2m of equipment rentals treated as finance leases.

The acquisitions of Boom franchises in Chelmsford, Ealing, Liverpool, Glasgow and Watford were all partly funded by vendor loans such that the acquisitions led to only a modest outflow of cash of £50k on completion as the Group received the benefit of existing cash balances totalling £236k. Vendor loans in respect of the acquisitions made during the year totalled £2.1m. £1.2m of vendor loans remained outstanding at 31 March 2024.

Cash at 31 March 2024 was £3.9m (31 December 2022: £3.2m), and net cash, excluding IFRS 16 lease liabilities was £0.1m (2022: net cash £0.8m).

BALANCE SHEET

Net assets as at 31 March 2024 were £25.0m (31 December 2022: £21.6m).

The net book value of property plant and equipment rose to £19.4m from £12.7m reflecting the capital investment programme, offset by depreciation in the year.

Right of use assets rose from £17.8m to £20.3m, reflecting the IFRS 16 treatment of new leases signed in the year as well as acquisitions of franchise sites, offset by depreciation. Landlord incentives of £1.6m, were offset against the value of right of use assets in accordance with IFRS treatment during the 15 month period. The increase is reciprocated by an increase in lease liabilities to £29.8m from £24.0m. Whilst ordinarily the value of right of use assets would offset the value of lease liabilities exactly, there are three factors which cause a significant mismatch between the two balance sheet items, firstly on inception and subsequently over the period of the lease. Firstly, as mentioned above, landlord incentives are offset against right of use asset under IFRS16 treatment. As the majority of Boom sites have received substantial cash contributions from landlords, this has led to a significant difference between the value of the lease liability and the value of the right of use asset at the inception of the lease. Secondly, where sites benefit from rent free or reduced rental periods at the start of the lease, the value of the lease liability will increase until the full rental is payable. However, the right of use asset is depreciated from the date of inception, further exacerbating the difference in values. Finally, the right of use assets are depreciated on a straight line basis, whereas the treatment of the lease liabilities leads to higher interest charges in the early years of the lease. As a result, the liability will reduce more slowly at the start of the lease than towards the end.

The intangibles balance of £23.6m predominantly includes goodwill and acquired intangibles (franchise contracts) from the acquisitions in prior years of Boom, the French, Belgian and Middle East master franchises for Escape Hunt, and in 2023 the acquisitions of Boom franchise sites.

The total balance in provisions has reduced during the year to £0.6m from £5.4m. The balance in 2022 included £4.1m of contingent consideration which was settled by the issue of 23.9m shares to MFT Capital in June 2023, representing 95.7% of the maximum payout. The final settlement of the consideration gave rise to a fair value loss in 2023 of £312k. There was no cash impact.

The balance sheet includes a total of £3.9m of loans. £1.2m of this relates to loans connection with the acquisitions of Boom Battle Bar franchise sites in the period. Loans related to the acquisitions of Boom in Cardiff and Boom in Norwich have been fully repaid. £1.3m relates to fit-out finance utilised to fund aspects of the Boom Battle Bar site roll out, £1.2m bank and other similar loans, and the balance is equipment leases treated as finance leases.

The deferred tax liability was recognised to offset future amortisation of acquired intangibles (franchise contracts) arising from the acquisitions of the French and Belgian Escape Hunt master franchise and the acquisition of Boom Battle Bars both in 2021. £118k has been credited to the statement of comprehensive income during the period.

FINANCIAL REVIEW

KEY PERFORMANCE INDICATORS

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

- Numbers of owner-operated sites: 23 Escape Hunt sites and 20 Boom Battle Bar sites as at 31 March 2024 (2022: 23 Escape Hunt and 11 Boom Battle Bar)
- Numbers of franchised sites: 22 Escape Hunt and 10 Boom Battle Bar sites as at 31 March 2024 (2022: 23 Escape Hunt and 16 Boom Battle Bar)
- Site level revenue: £54.2m in the 15 months to 31 March 2024 (£19.3m in the year to 31 December 2022)
- Site level EBITDA: £19.0m in the 15 months to 31 March 2024 (£7.7m in the year to 31 December 2022)
- Franchise revenue: £3.1m in the 15 months to 31 March 2024 (£3.6m in the year to 31 December 2022)
- Central costs: £9.9m in the 15 months to 31 March 2024 (£5.9m in the year to 31 December 2022)
- Adjusted EBITDA, before IFRS 16 for the Group: £6.3m in the 15 months to 31 March 2024 (£2.6m in the year to 31 December 2022)

The Company monitors performance of the owner-operated sites on a weekly basis. The Board also receives monthly updates on the progress on site selection, site openings and weekly as well as monthly information on individual site revenue and site operating costs. Monthly management accounts are also reviewed by the Board which focuses on revenue, site profitability and adjusted EBITDA as the key figures.

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

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

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

Graham Bird

Chief Financial Officer

31 August 2024

CORPORATE RESPONSIBILITY

The Company takes its responsibilities as a corporate citizen seriously and recognises that its success is deeply connected with the integrity of its operations, the sustainability of the environment, and the wellbeing of the communities in which it operates. The board's primary goal is to create shareholder value but in a responsible way which serves all stakeholders.

GOVERNANCE

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

More information on our corporate governance can be found below.

ENVIRONMENTAL AND CLIMATE RELATED RESPONSIBILITY

The Board oversees all climate-related matters, regularly reviewing and updating policies to ensure alignment with the latest climate science and regulatory requirements. Senior management is responsible for implementing these policies and integrating climate considerations into strategic planning and operations. To identify, assess, and manage climate-related risks and opportunities, the Company conducts regular climate risk assessments as part of its overall risk management framework and uses scenario analysis to evaluate the potential impact on the company's operations. Risk mitigation strategies are developed and implemented based on these assessments, focusing on areas such as energy efficiency, renewable energy adoption, and waste reduction. The impact of climate change on the Company's business model is likely to be indirect rather than direct, impacted by consumer choices and spending habits rather than through a direct impact on the ability to operate.

The Company is committed to minimizing its environmental impact and proactively addressing climate change. Significant progress has been made in our environmental initiatives this year, with efforts focused on improving energy efficiency and increasing the use of renewable energy sources. In addition to reducing our carbon footprint, we are dedicated to waste reduction and promoting recycling across our operations. Various initiatives have been implemented to minimize waste sent to landfill and enhance recycling programs. We also prioritize sustainable resource management, focusing on the responsible use of water, raw materials, and other natural resources. This includes optimizing processes to reduce consumption and investing in technologies that support sustainability. The Company remains steadfast in its commitment to environmental sustainability, integrating these practices into our business strategy to ensure a positive impact on the planet.

SOCIAL RESPONSIBILITY

The Company's commitment to social responsibility is reflected in its efforts to create positive impacts in the communities it serves and to promote a diverse and inclusive workplace.

Employees and their development

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

Employees' performance is aligned to the Group's goals through a performance review process and via incentive programmes. We provide employees with information about our activities through regular briefings and other media. The Group operates a number of incentive schemes and a share option scheme operated at the discretion of the remuneration committee. An employee share incentive scheme has been put in place and is available to all UK-based employees who have been employed within the Group for at least three months.

CORPORATE RESPONSIBILITY

Diversity and inclusion

The Group values diversity in all its forms, and strives to create an environment where everyone, regardless of age, gender, nationality, ethnic or racial origin, disability, sexual orientation, or marital status, has the opportunity to thrive. We give due consideration to all applications and provide training and the opportunity for career development wherever possible. The board favours merit-based appointments, reinforcing our dedication to equal opportunity and fostering a workplace where all individuals can succeed based on their abilities and contributions.

Health and safety

The Group is dedicated to providing a safe and healthy working environment that supports the well-being of its employees and allows them to balance work and family commitments. The health and safety at work policy, reviewed regularly by the board, underscores this commitment. We prioritize the health and safety of our customers, employees, sub-contractors, and anyone affected by our activities. To ensure employees can perform their duties effectively, the group provides the necessary information, instruction, training, and supervision. Health and safety procedures comply with all legal and regulatory requirements, as well as our own internal standards.

Anti-bribery and corruption, modern slavery

The Group is committed to upholding the highest standards of personal and professional ethical behaviour. To this end, we have implemented a comprehensive anti-bribery and corruption policy which is designed to ensure that all employees and affiliates conduct themselves with integrity and in compliance with legal and ethical standards. The Group also maintains a modern slavery policy aimed at preventing any form of forced labour or human trafficking within our supply chain and operations. Our policies are regularly reviewed and updated to address evolving risks and regulatory changes. In doing so, the Group ensures that we remain vigilant and proactive in promoting human rights and combating corruption in all its forms.

PRINCIPAL RISKS AND UNCERTAINTIES

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

MACRO-ECONOMIC

The economic outlook continued to pose significant risks to the Group during the period, impacting the wider sector. Despite inflation falling from its peak in 2022, the rate remained high by historic standards, driven mainly by elevated energy and food prices resulting from the ongoing conflicts in Ukraine and the Middle East. The Group retains the ability to offset inflation with price increases, but generally a high proportion of revenue is derived from high-margin games sales, particularly in Escape Hunt, so with only a few exceptions, price rises have been avoided. Since the period end, inflation has fallen to within the range targeted by the Bank of England.

Interest rates continued to climb during the reporting period, with the Bank of England base rate peaking at 5.25%. This has increased the cost of some asset financing and made access to new funding significantly more expensive, but rates on most other facilities are fixed, thereby limiting exposure. With greater scale, the Group has more recently been able to engage with providers of more traditional forms of debt funding at a lower cost. If successful, this would offset in large part the increases that flowed through to asset finance facilities. The consensus view amongst economists is that the UK should receive the benefit of further rate cuts in the near to medium term.

POLITICAL AND GEOPOLITICAL

A change in government became increasingly likely during the period and indeed materialised after the period close. A key policy of the incoming Labour government is to restore economic growth, and it is expected that retail and hospitality will benefit from this initiative, with a particular focus on restoring the high street. The Labour government's immediate legislative priorities include aspects of labour law which may impact the Group in time. Nevertheless, the impact from this political development is, in aggregate, deemed low.

The wider geopolitical environment is riskier, as tensions between Russia, China, and the West remain high and pose a risk of economic decline. The Board regularly reviews the Group's exposure to a downturn and the associated need for maintaining sufficient financial headroom to be able to absorb the impact of any future developments.

MARKET

The threat of new entrants into both markets in which the Group operates is high. Despite the Group having established two strong brands, barriers to entry remain relatively low and there is a risk that the markets quickly become saturated, especially as the experiential leisure industry is still immature. This increase in competition could have a significant impact on revenue growth and margins. To mitigate this, the Company maintains a high level of investment in game design and has protected its IP by registering trademarks in the UK and internationally.

As the market continues to develop, the Group is exposed to changing trends in consumer demands and expectations. The Company closely monitors customer feedback for signs of fluctuating demand and the modular nature of both businesses offers the flexibility to quickly adapt its offering at relatively low cost.

STRATEGIC

Owner-operated sites

The Group's long-term strategy is to expand its owner-operated site base, but there is no guarantee that it will be able to locate or secure enough sites to meet its growth and financial targets. Furthermore, any significant changes in the property market could influence the financial viability of new sites, affecting both the landlord contributions to capital outlay, the cost of rent, and the overall favourability of lease terms. Presently the Company does not anticipate any such changes, given the condition of the high street and consequent downward pressure on lease costs. Further, it believes that its existing network of sites is sufficient to maintain profitability and generate cashflow. In the absence of new viable sites, the Group will prioritise existing site investment where ROC is higher.

The Group has assessed the further risk that once opened, new sites fail to deliver on expectations. To address this, the Group's strategy director carefully evaluates the suitability of all new sites prior to opening based on demographic and other economic

PRINCIPAL RISKS AND UNCERTAINTIES

data. However, this is not a guarantee of success. Where possible, the Company seeks to negotiate turnover linked rents to keep the fixed rental costs as low as possible and reduce operational gearing. The risk is also reduced through strong staff recruitment and training processes and investment in both operational and marketing activities.

Franchise sites

Whilst the Group may in future open new franchise sites in the UK and internationally, it is more likely that future franchise agreements will be focussed on fewer agreements to open several sites in a particular territory. The Group does not perceive a significant risk from failure to roll out its franchise portfolio and its strategy in the short term will focus on owner-operated sites with no further franchise openings assumed in the forecasts.

OPERATIONAL

The Group works closely with a number of key suppliers. Termination of any of these key relationships could adversely affect performance in the short term. The Group continues to develop relationships with alternative suppliers where possible and, in the case of critical software which cannot be easily replaced, has trained staff on the application and implementation of software. Failure of a key supplier would slow expansion rather than having a direct impact on business.

The threat of a major health and safety (H&S) incident impacting one or more customers or employees presents a pervasive risk across the portfolio of sites. The Company has implemented clear H&S policies to minimise the risk of any major incident and has recently hired a full-time head of H&S. The operations team reviews performance regularly and maintains detailed incident logs. The Company has also engaged with a crisis communications provider to assist in the event of a major incident.

Revenue from the franchise estate currently accounts for a meaningful but diminishing proportion of both revenue and operating cashflow for the Group. Franchisees may become unable to pay contractual fees to the Group or lease payments, which could have an adverse impact on future performance and results. As co-tenant or guarantor on the leases, XP Factory could be called on by the landlord to make any such defaulted lease payments. To mitigate this, the Company has structured its contracts to enable it to assume control of the site's assets and operations in the event of default. The Group's expertise in running owner-operated sites should allow it to minimise any financial exposure.

Despite controls in place, the Group may be unable to prevent its franchisees from operating outside of the Group's operational regulations, franchise manual and business model. The board has responded to this risk by appointing directors and staff with the appropriate skills and experience and by identifying KPIs to monitor risk management. In particular, franchise agreements have been considerably strengthened to enable greater control over new franchisees and enforce a forfeit of the franchise in the event of any breach.

TECHNOLOGICAL

The Group relies on technology across the business in areas such as marketing, finance, legal, operations, bookings, e-commerce, staff rotas and other functions. Failure in any one or more critical technology solution could have a material adverse impact on the short-term performance of the Group and may incur fines if GDPR regulations were breached as a result. The Group now has a technology director who has conducted a review of critical systems. The board regularly reviews the risks associated with technology, has appropriate policies and controls in place, and carries cyber insurance. The overall risk associated with technological failure, including the susceptibility to cyber-attack, is also mitigated by using cloud-based solutions from an array of independent suppliers. The Group maintains appropriate cyber insurance.

FINANCIAL

The effective management of its financial exposures is central to preserving the Group's profitability. The Group is exposed to financial market risks and may be impacted negatively by fluctuations in foreign exchange rates, which may create volatility in the Group's results from its international franchise operations. These currently form a relatively small component of the Group's operations and are perceived as low risk.

The Group's finance team provides support to management to ensure accurate financial reporting and tracking of business performance. Monthly reporting on financial performance is provided to senior management and the board. Weekly reports provide high-level summaries of site-by-site performance. The Group has invested in the improvement of its systems and processes to ensure sound financial management and reporting during the year.

PRINCIPAL RISKS AND UNCERTAINTIES

HUMAN RESOURCES

As a relatively small business, the Group relies heavily on the skills and experience of a few key personnel. Whilst no employee is irreplaceable, losing a key individual could be costly in the short term and delay the implementation of Group strategy, which would have an adverse impact on the Group's financial performance. To address this, the Group aims to be an engaging and rewarding place to work. Senior employees are incentivised through equity participation and operations managers participate in a performance-related bonus scheme. In addition, the Group has recently taken out Key Man insurance to mitigate the financial cost of losing key members of the leadership team.

Potential changes to labour legislation could impact the flexibility of new and existing employment contracts, leading to an increase in costs. To mitigate this risk, the Company is constantly seeking to reduce its reliance on labour and improve efficiency, for example by using technological enhancements to improve games management and lower labour costs.

CLIMATE-RELATED

The board monitors and assesses the climate-related risks and opportunities to which it is exposed over the following time horizons:

- Short-term: less than 1 year
- Medium-term: 2 to 5 years
- Long-term: greater than 5 years

Transition risks

Stricter regulations and enhanced reporting obligations are expected to increase operating costs, including higher compliance expenses and increased insurance premiums. To mitigate this, the Company has implemented robust compliance management.

Shifts in customer preferences towards more sustainable products and services could lead to reduced revenue as demand declines. Whilst this is not perceived as a significant risk, the Group continues to innovate and diversify its offerings to include sustainable options.

The increased cost of raw materials, energy, and other inputs is anticipated to reduce profit margins. By developing sustainable sourcing strategies and investing in energy-efficient processes to reduce energy consumption, this risk can be managed.

Costs associated with transitioning to lower-emissions technologies may result in the early retirement of existing assets and consequent losses on disposal. The Group conducts cost-benefit analyses to identify the most cost-effective and efficient technologies to avoid this outcome.

Physical Risks

Extreme weather events such as flooding could cause significant disruption to services, negatively impacting revenue and profitability. The Group has developed comprehensive disaster recovery and business continuity plans to address this risk.

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006

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

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

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

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

Long term benefit

Our strategy was designed to have a long-term beneficial impact on the Company and to contribute to its success in delivering an engaging and enjoyable service for customers across the world. The Board's strategy to increase the range of experiential brands within the Group and to expand both the owner-operated and franchise estates within both experiential brands as well as developing new digital and remote play options is aimed at building long term value for shareholders and other stakeholders alike.

Shareholders

The Board engages regularly with its shareholders and seeks to build a mutual understanding of the objectives of shareholders and those of the Board by discussing long-term strategy, shorter term challenges and issues and to receive feedback. For further information see page 46.

Within the practical constraints of being able to access all shareholders directly, the Board actively seeks to treat all shareholders equally.

Employees

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

The safety and wellbeing of our staff is of utmost importance to the Board. The Board implemented a 'work from home' policy for all office based staff during the COVID pandemic and implemented protocols and standards to safeguard employees in each owner-operated site. The board receives a report on all health and safety issues on a monthly basis. Many of the policies allowing flexible working have been retained to allow employees flexibility and choice. Head office staff are provided with memberships to a flexible office working facility and are regularly brought together both formally and for social interaction.

Customers

As an experiential leisure business, a primary goal is to delight our customers and provide the best immersive experience we can. TripAdvisor and other publicly available ratings form one of our key internal measures and we continually seek to improve the user journey before, during, and after their experience.

Suppliers

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

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006

Community and environment

The board has overall responsibility for Corporate Social Responsibility ("CSR").

The Group is committed to maintaining and promoting high standards of business integrity. The XP Factory Group's values, which incorporate the principles of corporate social responsibilities (CSR) and sustainability, guide the Group's relationships with clients, employees and the communities and environment in which it operates. The XP Factory Group's approach to sustainability addresses both environmental and social impacts, supporting the XP Factory Group's vision to remain an employer of choice, while meeting client demands for socially responsible partners.

The XP Factory Group respects laws and customs while supporting international laws and regulations. These policies have been integral in the way Group companies have done business in the past and continue to play a central role in influencing the Group's practice in the future.

Specific CSR initiatives are promoted by the senior executive management and are communicated to others in the organisation as needed. Initiatives include matters such as recycling and minimising waste, recognition of companies and individuals in the community for whom we have offered discounted or free participation in our games, as well as local community issues and interests. Many of our employees are actively engaged with charities and other causes for which we will allow the use of Company property and facilities.

Culture and values

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

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

Section 414CA of the CA2006 requires the company to include within its Strategic Report a non-financial and sustainability information statement setting out such information as is required by Section 414CB of the CA2006. The table below references where further detail regarding the group's response to each of these requirements can be found.

Requirement	Description	Further Detail
(a) a description of the company's governance arrangements in relation to assessing and managing climate-related risks and opportunities;	The board oversees all climate-related matters, with senior management responsible for implementation and integration into strategic planning.	p.30
(b) a description of how the company identifies, assesses, and manages climate-related risks and opportunities;	The company conducts regular climate risk assessments and uses scenario analysis to evaluate potential impacts, developing mitigation strategies based on these assessments.	p.30
(c) a description of how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management process;	The company identifies, assesses, and manages climate-related risks as part of its overall risk management framework.	p.30
(d) a description of—		
(i) the principal climate-related risks and opportunities arising in connection with the company's operations, and	Key risks include stricter regulations, shifts in customer preferences, increased costs of materials and energy, and physical risks from extreme weather events.	p.34
(ii) the time periods by reference to which those risks and opportunities are assessed;	The company assesses risks and opportunities over short-term (<1 year), medium-term (2-5 years), and long-term (>5 years) horizons.	p.34
(e) a description of the actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy;	Potential impacts include increased operating costs, reduced revenue from changing consumer preferences, and disruption to services from extreme weather events.	p.34
(f) an analysis of the resilience of the company's business model and strategy, taking into consideration different climate-related scenarios;	The company uses scenario analysis to evaluate potential impacts on operations and develop appropriate risk mitigation strategies.	p.30
(g) a description of the targets used by the company to manage climate-related risks and to realise climate-related opportunities and of performance against those targets; and	The company is developing targets for reducing greenhouse gas emissions and improving energy efficiency, with plans to enhance waste reduction and recycling programs.	p.30
(h) a description of the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and of the calculations on which those key performance indicators are based.	The group incorporates energy intensity ratios as a key performance indicator alongside other waste and recycling measures to assess progress.	p.39

This Strategic Report was approved by the Board on 31 August 2024 and signed by order of the Board by the Chief Executive Officer.

Richard Harpham

Chief Executive Officer

31 August 2024

DIRECTORS’ REPORT FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2024

The Directors present their report together with the audited financial statements of the Group for the 15-month period ended 31 March 2024.

PRINCIPAL ACTIVITIES

The principal activities of the Group are that of operating consumer facing leisure brands offering immersive experiences.

The Group currently operates two brands, each of which is developing a network of locations, either owned and operated directly or franchised. Escape Hunt 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, and through digitally delivered games which can be played remotely.

Boom Battle Bar is a fast-growing network of owner-operated and franchise sites in the UK and UAE that combine competitive socialising activities with themed cocktails, drinks and street food in a setting aimed to be high energy and fun.

CAUTIONARY STATEMENT

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

RESULTS AND DIVIDENDS

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

Given the nature of the business and its growth strategy, the Board does not recommend a dividend this year, nor does it expect to in the near future. The Directors believe the Company should focus on improving performance to generate profits to fund the Company’s growth strategy over the medium term.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

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

BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHERS

Details of how the business has considered relationships with suppliers, customers and others, and the effect this regard has had, including on the principal decisions made in the year, can be found in the Strategic Report.

STREAMLINED ENERGY AND CARBON REPORTING

The Group presents its global greenhouse gas (GHG) emissions and energy use data under Streamlined Energy and Carbon Reporting (SECR) for the 15-month period ended 31 March 2024.

DIRECTORS' REPORT FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2024

Emissions (tCO_2e)	15-month period ended 31 March 2024	Year ended 31 December 2022*
Scope 1: Combustion of gas	60.6	N/A
Scope 2: Purchased electricity	709.5	N/A
Total Scope 1 and 2	**770.1**	**N/A**
Scope 3: Other indirect	166.2	N/A
Total Scope 1, 2 and 3	**936.3**	**N/A**
Energy Consumption (kWh)		
Scope 1: Combustion of gas	331,197	N/A
Scope 2: Purchased electricity	3,341,140	N/A
Total Scope 1 and 2	**3,672,337**	**N/A**
Scope 3: Other indirect	343,856	N/A
Total Scope 1, 2 and 3	**4,016,193**	**N/A**
Intensity Ratio (kgCO2e per m2)	34.3	N/A
Intensity Ratio (kgCO2e per £1k turnover)	**16.3**	**N/A**

* Previous usage is not available as this represents the first SECR report produced by the Group

Methodology

- Base data was provided to the external consultant and converted using DEFRA 2023 Conversion Factors in line with Environmental Reporting Guidelines (2019) as most of the financial year falls into the calendar year 2023, and International Carbon Factors for Global Energy
- Global energy has been included for sites situated in the UAE, France and Belgium, with International Energy Agency data sets, or country specific reports for 2023 emissions
- Spend based data was provided for business travel, and this was converted to total distance (km) based on cost per km, extracted from Department for Transport, Office of Rail and Road, Transport for London, or other appropriate regulatory bodies
- No market-based reporting is included as no energy is purchased from a renewable energy tariff
- 29 franchise locations have been excluded from the environmental reporting boundary as they fall outside the Group's financial control
- Due to a lack of available data, energy use and emissions at the Woking site were estimated using a benchmark derived from other Escape Hunt locations. The site's energy consumption was calculated at 96 kWh/m2, resulting in an estimated total of 26,845 kWh for its 280 m2 area.

As this is the first year of reporting under the SECR framework, the Group has engaged an external consultant to establish a comprehensive and accurate baseline of energy usage across all operational sites. The Group has also engaged an operational consultant to review energy usage across the portfolio of sites and recommend measures to reduce overall usage. The Group predominantly occupies sites that use electric HVAC systems and stands to benefit from the ongoing decarbonisation of the UK's electricity grid. As the grid continues to integrate more renewable energy sources, the carbon intensity of electricity consumption is expected to decrease, thereby contributing to an overall reduction in carbon emissions. Using the current information as a base year, the Group will in future incorporate energy intensity ratios as a key performance indicator alongside other waste and recycling measures to assess progress. Further information on the Group's non-financial, sustainability and corporate governance matters is set out in the strategic report.

RESEARCH AND DEVELOPMENT ACTIVITIES

The Group has historically invested in research and development activities relating to software and intellectual property that supports the Group's experiential leisure activities. It remains part of the Group's strategy to further invest in selected areas which will enhance the Group's operating and data analytic capabilities. Further details of the Group's strategic objectives are set out in the strategy report.

DIRECTORS' REPORT FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2024

EMPLOYMENT POLICIES

The Group has employment policies which give full and fair consideration for the employment of disabled persons, having regard to their particular aptitudes and abilities. Where possible, the Group will make appropriate, sympathetic changes and provide training to continue the employment of any employees who become disabled whilst in the employment of the Group and will otherwise provide training and support the career development and promotion of any such employees.

EMPLOYEE ENGAGEMENT

The Group attaches importance to good communications and relations with employees. Information that is or may be relevant to employees in the performance of their duties is circulated to them on a regular basis, or immediately if it requires their immediate attention. There is regular consultation with employees through meetings or other lines of communication, so that their views are known and can be taken into account in making decisions on matters that will or may affect them. Employee participation in their venue's performance is encouraged and there is regular communication with all employees on the performance of their particular venue or central function and on the financial and economic factors affecting the overall performance of the Group.

DISCLOSURE OF INFORMATION TO AUDITOR

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Disclosures regarding financial instruments are provided within Note 30 to the Financial Statements.

CAPITAL STRUCTURE AND ISSUE OF SHARES

Details of the Company's share capital, together with details of the movements during the period are set out in Note 23 to the Financial Statements. The Company has one class of ordinary share which carries no right to fixed income.

POST BALANCE SHEET EVENTS

Since the period end, there has been a change of government in the UK with the Labour party winning a significant majority in the house of commons. Inflation has fallen from the historically high levels experienced over the previous 12 – 24 months, and as at the date of this report seems to have stabilised at around 2% per annum. Whilst interest rates have not yet been cut, the consensus view is that the UK will benefit from a rate cut before the end of the calendar year. These changes should all be positive for consumers and sentiment generally, but they do not provide any further information impacting the financial performance or position of the Group as at 31 March 2024.

Since the period end, the Group bought back a further three Boom franchise sites in the UK. More details can be found in note 34 of the Consolidated Financial Statements.

BOARD OF DIRECTORS

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

Director	Role	Date of appointment	Date of resignation	Board Committee
Richard Rose	Independent Non-Executive Chairman	25/5/2016		N A R
Richard Harpham	Chief Executive Officer	3/5/2017		
Graham Bird	Chief Financial Officer	6/1/2020		
Martin Shuker	Independent Non-Executive Director	29/6/2022		N A R
Philip Shepherd	Independent Non-Executive Director	29/6/2022		N A R

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

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

The Board comprises two Executive and three Non-Executive directors.

DIRECTORS' REPORT FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2024

Richard Rose, Independent Non-Executive Chairman

Richard has a wealth of experience chairing high profile boards. Previously he has been CEO of two multi-site quoted businesses where he significantly increased shareholder value. Since then he has held a number of Chairman roles including Booker Group plc (retiring in 2015 after three terms) and AO World plc where he retired in 2016. He has been Non-Executive Chairman of Watchstone Group plc since May 2015 is also Chairman of IB Group Ltd since October 2018.

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

Richard Harpham, Chief Executive Officer

Richard joined the Company on its admission to AIM in May 2017 having worked since November 2016 with the Escape Hunt (now XP Factory) management team. Richard's prior role was with Harris + Hoole, having been Chief Financial Officer and then Managing Director, responsible for its turnaround. Before this, Richard spent over four years at Pret A Manger as Global Head of Strategy. Richard has also held a number of strategic and financial positions at companies including Constellation Brands, Shire Pharmaceuticals and Fujitsu Siemens Computers.

Graham Bird, Chief Financial Officer

Graham, who joined the Company in January 2020, has significant experience in financial and City matters and in growing small businesses. He is a chartered accountant, having qualified with Deloitte in London, and has worked in advisory, investment, commercial and financial roles. Prior to joining XP Factory, Graham was one of the founding employees at Gresham House plc ("Gresham House") where, in addition to supporting the growth of Gresham House, he was responsible for establishing and managing the successful strategic equity business unit which focuses on both quoted and unquoted equity investments. Prior to joining Gresham House, Graham spent six years in senior executive roles at PayPoint Plc ("PayPoint"), including director of strategic planning and corporate development and executive chairman and president of PayByPhone. Before joining PayPoint, he was head of strategic investment at SVG Investment Managers, having previously been at JPMorgan Cazenove, where he served as a director in the corporate finance department.

Martin Shuker, Independent Non-Executive Director

Martin has had a long and distinguished career with Yum Brands, the US Fortune 500 Global hospitality business. He spent 24 years in a variety of leadership roles, most recently as Managing Director KFC Western Europe where he had full strategic, growth and operational responsibility over 1,700 restaurants and 165 franchisees which generated £2.3 billion in sales and £120 million of profit.

As MD of KFC UK, he more than doubled sales in the UK to £1.3 billion and met or exceeded targets in 11 of 13 years.

Martin has demonstrated his ability in consistently achieving growth and bottom-line performance of established owner-operated and franchise businesses over a long period of time and has relevant experience in entering new territories through franchise routes. He successfully opened new markets in a number of European countries and has demonstrated his ability to both manage an established franchise network as well as establishing new networks in new territories.

Prior to YUM, Martin had a variety of marketing roles with United Biscuits.

Martin is chairman of the Company's Remuneration Committee.

Philip Shepherd, Independent Non-Executive Director

Philip is a former partner of PricewaterhouseCoopers ("PwC"), where he originally trained in audit and tax, qualifying as an ACA in 1987.

Following a career in corporate finance and transaction advisory services, Philip returned to PwC in 2004 working both in the UK and overseas, leading Strategy and Deals practices, with a particular focus on the hospitality and leisure sectors. Since leaving PwC in 2018, he has held a number of board and advisor roles, again with a focus on hospitality and leisure. He regularly travels abroad where he advises, and speaks, on the experiential leisure market and start up opportunities. Philip combines his experience in accounting and audit with deal evaluation and execution and has a deep understanding of the hospitality and leisure markets both in the UK and globally.

Philip is chairman of the Company's Audit Committee.

DIRECTORS' REPORT FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2024

DIRECTORS' INTERESTS IN SHARES

Directors' interests in the shares of the Company at the date of this report are disclosed below. Directors' interests in contracts of significance to which the Company was a party during the financial period are disclosed in note 28 to the Financial Statements.

Director	Ordinary shares held	% held
Richard Rose	53,666	0.03
Richard Harpham	935,246	0.53
Graham Bird	1,939,373	1.11
Philip Shepherd	62,163	0.04
Martin Shuker	Nil	0.00

XP Factory Plc owns all the ordinary shares in its subsidiary, Escape Hunt Group Ltd ("EHGL"). EHGL issued a total of 1,000 Growth shares in 2017 to three then directors and employees. These have subsequently all been bought back. As at 31 March 2024, XP Factory owns 100% of the Growth shares. The Growth shares carry no voting rights and are not entitled to any dividends that may be paid by EHGL.

DIRECTORS' INTERESTS IN OPTIONS

The following options have been granted to certain Directors under the Escape Hunt Plc 2020 EMI Share Option Scheme. The options vested over three years and were subject to achieving certain performance conditions related to share price appreciation over a four year period. These conditions were all fulfilled.

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

No directors exercised any options during the year.

SUBSTANTIAL INTERESTS

As at 31 March 2024 the Company has been advised of the following significant interests (greater than 3%) in its ordinary share capital:

Shareholder	Ordinary shares held	% held
Canaccord Genuity Group Inc	32,484,656	18.61
MFT Capital Ltd	23,924,420	13.71
Lansdowne Partners	13,333,731	7.64
Hargreaves Lansdown PLC	11,222,261	6.43
Allianz SE	9,250,000	5.30
Mr Stephen Lucas	7,233,024	4.14
Abrdn PLC	6,907,548	3.96
Mr John E Story	5,934,529	3.40
Raymond James Financial	5,411,777	3.10

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

DIRECTORS' INSURANCE

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

DIRECTORS' REPORT FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2024

INDEPENDENT AUDITORS

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

GOING CONCERN

The time horizon required for the Going Concern Statement is a minimum of 12 months from the date of signing the financial statements. Consistent with prior periods, the Directors have adopted an assessment period of 18 months and run forecasts for a three-year period from the period end date of 31 March 2024.

In determining whether there are material uncertainties, the Directors consider the Group's business activities and principal risks. The Directors' reviewed the Group's cash flows, liquidity positions and borrowing facilities for the going concern period.

There has been no material uncertainty identified which would cast significant doubt upon the Group's ability to continue using as a going concern. As such, the Directors considered it appropriate to adopt the going concern basis of accounting in the preparation of the Group's financial statements.

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) will be held on 30 September 2024.

Signed by order of the board

Graham Bird

Chief Financial Officer

31 August 2024

CORPORATE GOVERNANCE REPORT

CHAIRMAN'S GOVERNANCE OVERVIEW

I am pleased to present the corporate governance report for the 15-month period ended 31 March 2024.

The board believes that strong governance is a central element of the successful growth and development of the group. The board and its committees play a key role in the group's governance by providing an independent perspective to the senior management team, and by seeking to ensure that an effective system of internal controls and risk management procedures is in place. This section of the annual report describes our corporate governance structures and processes and how they have been applied throughout the period.

The AIM Rules for Companies require companies to formally adopt a corporate governance code

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

OUR GOVERNANCE FRAMEWORK

The board currently comprises two executive and three non-executive directors.

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

The chairman, who is non-executive and independent, is responsible for leading an effective board, overseeing corporate governance culture and ensuring appropriate strategic direction.

The chairman is primarily responsible for the working of the board of the company and for assessing the individual contributions of each board member to ensure that:

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

In accordance with current best practice and the QCA Code, the board undertakes an annual formal evaluation of its performance and effectiveness and that of each director and its committees. This evaluation is overseen by the chairman, co-ordinated by the company secretary and concluded by chairman interviews where necessary. In addition, the directors meet, informally, without the chairman present and evaluate his performance. The board currently considers that the use of external consultants to facilitate the board evaluation process is unlikely to be of significant benefit to the process, although the option of doing so is kept under review.

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

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

CORPORATE GOVERNANCE REPORT

DELIVER GROWTH

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

   See the section "Communication with shareholders" on page 46 and the "Corporate governance" section of our website, www.xpfactory.com.
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success:

   See the "Corporate governance" section of our website, www.xpfactory.com
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation:

   See "Principal risks and uncertainties" on page 32.

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

5. Maintain the board as a well-functioning, balanced team led by the chairman:

   See this section
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities:

   See this section and "Board of Directors" on page 40.
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement:

   See this section and the "Corporate governance" section of our website, www.xpfactory.com
8. Promote a corporate culture that is based on ethical values and behaviours:

   See this section and the "Corporate governance" section of our website www.xpfactory.com
9. Maintain governance structures and processes that are fit for purpose and support good decision making by the board:

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

BUILD TRUST

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

    See this section "Our governance framework" and the "Corporate governance" section of our website, www.xpfactory.com

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

OUR GOVERNANCE FRAMEWORK

See below for the role of the board and its committees.

Board of Directors

The board is responsible for formulating, reviewing and approving the company's strategy, budgets and corporate actions.

Biographical details of the directors are included above.

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

CORPORATE GOVERNANCE REPORT

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

The board regulations define a framework of high-level authorities that maps the structure of delegation below board level, as well as specifying issues which remain within the board's preserve. The board typically expects to meet monthly (other than in December and August) and in any event at least four times a year to consider a formal schedule of matters including the operating performance of the business and to review the company's financial plan and business model. Whilst specific risks are considered as they arise, a more detailed review of the potential risks facing the company and what action is being taken to mitigate the risks is considered on an annual basis. The board obtains feedback from the company's auditors on the effectiveness of the control environment, together with recommendations for continued improvement.

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

It is the responsibility of the chairman and the company secretary to ensure that board members receive sufficient and timely information regarding corporate and business issues to enable them to discharge their duties.

COMMUNICATION WITH SHAREHOLDERS

The board attaches great importance to communication with both institutional and private shareholders. Investors are also an important source of feedback on the business model and plans for future growth.

Regular communication is maintained with all shareholders through company announcements, the half-year statement and the annual report and financial statements.

The directors seek to build on a mutual understanding of objectives between the company and its shareholders. Institutional shareholders are in contact with the directors through presentations and meetings to discuss issues and to give feedback regularly throughout the year. With private shareholders, this is not always practical, although the directors are increasingly seeking and are investing in communication channels to create an opportunity for retail shareholders to communicate directly through online and other retail-focused forums.

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

Following the presentation there would ordinarily be an opportunity to meet and ask questions of directors and to discuss development of the business.

The company operates a website at. http://xpfactory.com/investors

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

Board Committees

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

Audit Committee

The Audit Committee was formed in May 2017 on completion of the acquisition of Experiential Ventures Limited and comprises Philip Shepherd who chairs the committee, Martin Shuker and Richard Rose. The Committee held 4 meetings in the 15 month period to 31 March 2024 and has so far held 2 meetings in since the period end being the meeting held to discuss the progress of the audit and a second to approve the results announcement on 31 August 2024. Further details on the Audit Committee are provided below in the Report of the Audit Committee.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Remuneration Committee was formed in May 2017 on completion of the acquisition of Experiential Ventures Limited and comprises Martin Shuker, who chairs the committee, Philip Shepherd, and Richard Rose. The Committee holds at least two meetings each year. The committee adopted the arrangements for Directors' remuneration and the share incentive plans currently in place. Further details on the Remuneration Committee are provided below in the Report of the Remuneration Committee.

Nomination Committee

The Nomination Committee was formed in May 2017 on completion of the acquisition of Experiential Ventures Limited and comprises Richard Rose, who chairs the committee, Martin Shuker and Philip Shepherd. The Committee holds two meetings each year. The appointments of Martin Shuker and Philip Shepherd were made recommended by the Nomination Committee which at the time comprised Karen Bach and Richard Rose. Further details on the Nomination Committee are provided below in the Report of the Nomination Committee.

REPORT OF THE AUDIT COMMITTEE

AUDIT COMMITTEE

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

INTERNAL CONTROLS

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

REPORT OF THE REMUNERATION COMMITTEE

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

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

The duties of the Committee are to:

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

The Committee is authorised by the Board to:

- seek any information it requires from any employee in order to perform its duties;
- be responsible for establishing the selection criteria and then for selecting, appointing and setting the terms of reference for any remuneration consultants providing advice to the Committee, at the Group's expense; and
- obtain, at the Group's expense, outside legal or other professional advice where necessary in the course of its activities.

SERVICE CONTRACTS

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

INCENTIVE SCHEMES

2020 EMI Share option scheme

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

CORPORATE GOVERNANCE REPORT

Escape Hunt Plc Share incentive plan

In November 2020 the Company established a new HMRC tax-advantaged all employee share scheme, namely the Escape Hunt Plc Share Incentive Plan ("SIP"), now renamed the XP Factory Plc Share Incentive Plan. The SIP has been adopted to promote and support the principles of wider share ownership amongst all the Company's employees. The Plan is available to all eligible employees, including XP Factory's executive directors, and invites individuals to elect to purchase ordinary shares of 1.25p each in the Company ("Ordinary Shares") via the SIP trustee using monthly salary deductions. Shares are purchased monthly by the SIP trustee on behalf of the participating employees at the prevailing market price. Individual elections can be as little as £10 per month, but may not, in aggregate, exceed £1,800 per employee in any one tax year. The Ordinary Shares acquired in this manner are referred to as "Partnership Shares" and, for each Partnership Share purchased, participants will be awarded one further Ordinary Share, known as a "Matching Share", at nil cost.

Matching Shares must normally be held in the SIP for a minimum holding period of 3 years and, other than in certain exceptional circumstances, will be forfeited if, during that period, the participant in question ceases employment or withdraws their corresponding Partnership Shares from the Plan. The first purchases under the scheme took place in March 2021.

REPORT OF THE NOMINATION COMMITTEE

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

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

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

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

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards as issued by the International Accounting Standards Board and applicable law and they have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted International Accounting Standards;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

CORPORATE GOVERNANCE REPORT

- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

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

WEBSITE PUBLICATION

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

DIRECTORS' CONFIRMATIONS

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and parent Company's position and performance, business model and strategy.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and parent Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and parent Company's auditors are aware of that information.

Signed by order of the Board

Richard Rose

31 August 2024

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XP FACTORY PLC

OPINION

We have audited the financial statements of XP Factory Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the period ended 31 March 2024, which comprise:

- the consolidated Statement of Comprehensive Income;
- the consolidated and Parent Company Statements of Financial Position,
- the consolidated and Parent Company Statement of Changes in Equity;
- the consolidated Statement of Cash Flows;
- the related notes to the Consolidated and Parent Company financial statements including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted International Accounting Standards ('IAS'). The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion;

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2024 and of the Group's loss for the period then ended;
- the Group's financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards ('IAS');
- the Parent Company financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

SUMMARY OF OUR AUDIT APPROACH

Context

There are thirty six components of the Group, twenty nine located and operating in the United Kingdom (UK) and seven located and operating overseas. Of the twenty nine located and operating in the UK, three were dissolved during the period. Of the seven located and operating overseas, three were dissolved during the period. One of the components located and operating in the UK is not a subsidiary of the Group, but has been consolidated as part of the results of the Group on the basis of control. Please refer to Note 14 to the Consolidated financial statements for more information. The audits of XP Factory Plc and its UK subsidiary undertakings requiring statutory audits were conducted from the UK by the audit engagement team. Financial information from other components not considered to be individually significant was subject to limited review procedures carried out by the audit engagement team.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XP FACTORY PLC

Key audit matters

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

The key audit matters that we identified in the current period were:

- Revenue recognition arising from occurrence, completeness and cut-off in the period;
- Management override of controls;
- IFRS 16 and the adoption of IFRS 16;
- Valuation and impairment of goodwill and other intangible assets arising from business combinations; and
- Going Concern.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The key audit matters identified above are discussed further in this section. This is not a complete list of all risks identified by our audit.

We identified going concern as a key audit matter and have detailed our response in the conclusions relating to going concern section below.

Area of focus	How our audit addressed the area of focus
Revenue recognition arising from occurrence, completeness and cut-off in the period There is a presumed risk of misstatement arising from lack of completeness or inaccurate cut-off relating to revenues.	Our audit work included, but was not restricted to the following: • We evaluated the sales controls system in place to determine the controls surrounding the income. • We checked a sample of the franchise agreements and contracts through to the income recognised in the accounts and invoices. • We checked a sample of sales from the booking systems through to the income recognised in the accounts. • We also completed checks on deferred and accrued income. • We reviewed the revenue recognition accounting policy to ensure the application was consistent. Based on our audit work detailed above, we confirm that we have nothing material to report, and or draw attention to in respect of these matters.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XP FACTORY PLC

Area of focus	How our audit addressed the area of focus
Management override of controls Management is in a unique position to override controls that otherwise appear to be operating effectively.	Our audit work included, but was not restricted to the following: • We undertook a review to gain an understanding of the overall governance and oversight process surrounding management's review of the financial statements. • We examined the significant accounting estimates and judgements relevant to the financial statements for evidence of bias by the directors. • We reviewed the financial statements and considered whether the accounting policies are appropriate and have been applied consistently. • We undertook a review of the journals posted through the nominal ledger for significant and unusual transactions and investigated them, reviewing and confirming the journal entry postings. • We undertook a review of the consolidation journals to ensure they were reasonable. Based on our audit work detailed above, we confirm that we have nothing material to report, and or draw attention to in respect of these matters.
IFRS 16 and the adoption of IFRS 16 The Group holds multiple property leases and judgement is required regarding the recognition of right of use assets and lease liabilities.	Our audit work included, but was not restricted to the following: • We obtained management's calculation of the recognition of right of use assets and lease liabilities. • We reviewed a sample of lease agreements and re-performed calculations to verify the accuracy the calculation. • We reviewed the calculation for completeness based on our knowledge of leases within the business. • We reviewed the significant judgements made in the recognition of the right of use assets and lease liabilities, particularly with respect to the discount rate implicit in the lease. • We reviewed the appropriateness of the disclosures made and its consistency with our knowledge of the lease agreements and the application of IFRS 16. Based on our audit work detailed above, we confirm that we have nothing material to report, and or draw attention to in respect of these matters.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XP FACTORY PLC

Area of focus	How our audit addressed the area of focus
Valuation and impairment of goodwill and other intangible assets arising from business combinations The Group's intangibles comprise of goodwill, trademarks, intellectual property, franchise agreements, and the portal. Intangibles arising from business combinations in the year amounted to £1.9m (2022: £1.5m). The total carrying value of intangible assets was £23.6m (2022: £22.7m). The uncertainty of future cash flows indicate there could be an impairment in the carrying value of the intangible assets and as such we considered this to be a key audit matter.	Our audit work included, but was not restricted to the following: **Valuation** • We obtained management's valuation of the acquired intangibles and discussed the key inputs into the assessment with management. • We performed procedures, including challenge regarding reasonableness of the inputs into the model. • We reviewed the significant judgements made in the model, particularly with respect to the discount rate applied, the calculation of tax amortisation benefits and the recognition of deferred tax liabilities. • We tested to ensure the mathematical accuracy of the model presented. **Impairment** • We obtained management's assessment of impairment and discussed the key inputs into the assessment with management. • We performed procedures, including challenge regarding reasonableness of the inputs into the model. • We considered management's sensitivity analysis and also performed an additional range of sensitivities to assess whether a reasonably likely change to a key input would result in an impairment charge. • We tested to ensure the mathematical accuracy of the model presented. Based on our audit work detailed above, we confirm that we have nothing material to report, and or draw attention to in respect of these matters.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XP FACTORY PLC

OUR APPLICATION OF MATERIALITY

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

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £1,147,000, based on 2% of Group turnover.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included obtaining and reviewing the forecast financial projections.

Management prepared two main scenarios for the future business following the planned opening of new sites in the UK. As part of their assessment, the following scenarios were presented:

- A central case for which revenue forecasts are based on a regression analysis of previous performance for the twelve months, adjusted for seasonality. The central case includes the planned roll out of new sites and buy-back of franchise sites and is based on existing property deals which are in legal stages, heads of terms or final negotiations and management have a high degree of visibility. The central case represents the targets considered achievable by divisional management. Central case produces a cash generative, profitable business.
- A downside case which reflects a combination of downside sensitivities in each of the Boom and Escape Hunt businesses. The downside case reflects a reduction in activity for both Boom and Escape Hunt. Sensitivities include a sales reduction of 10% in both Boom and Escape Hunt leading to reduced margins, cost inflation of a further 2% in Boom, a reduction of discretionary capex by 75% in Boom and 50% in Escape Hunt, controllable central costs reduced by 30%, a delay in the construction and timing of the opening of new sites until early 2025. The downside case significantly reduces turnover and profitability, however demonstrates that even if a wide range of targets are missed, the business has sufficient cash to meet its obligations.

In both scenarios the Group has surplus working capital to meet its working capital requirements for the foreseeable future.

We performed audit procedures, including but not restricted to the following:

- We reviewed the forecast revenues and resulting cash flows within the assessment period;
- We compared the forecast to available management information for the business post year-end;
- We considered management's sensitivity analysis and also performed an additional range of sensitivities to assess whether a reasonably likely change to a key input would result in an erosion of the revised headroom on working capital available in the downside model used by management;
- We reviewed the announcements and considered if any items will have a financial impact affecting the going concern;
- We reviewed the appropriateness of the disclosures made and its consistency with our knowledge of the business.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so,

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XP FACTORY PLC

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

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XP FACTORY PLC

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

As part of our planning process:

- We enquired of management the systems and controls the Group and Parent Company has in place, the areas of the financial statements that are most susceptible to the risk of irregularities and fraud, and whether there was any known, suspected or alleged fraud. The Group and Parent Company did not inform us of any known, suspected or alleged fraud.
- We obtained an understanding of the legal and regulatory frameworks applicable to the Group and Parent Company. We determined that the following were most relevant: UK-adopted International Accounting Standards, FRS 102, Companies Act 2006, Planning Consent, Alcohol Licencing, Health & Safety Standards, Food Hygiene, US Regulations relating to US Franchises.
- We considered the incentives and opportunities that exist in the Group and Parent Company, including the extent of management bias, which present a potential for irregularities and fraud to be perpetuated, and tailored our risk assessment accordingly.
- Using our knowledge of the Group and Parent Company, together with the discussions held with the Group and Parent Company at the planning stage, we formed a conclusion on the risk of misstatement due to irregularities including fraud and tailored our procedures according to this risk assessment.

The key procedures we undertook to detect irregularities including fraud during the course of the audit included:

- Identifying and testing journal entries and the overall accounting records, in particular those that were significant and unusual.
- Reviewing the financial statement disclosures and determining whether accounting policies have been appropriately applied.
- Reviewing and challenging the assumptions and judgements used by management in their significant accounting estimates, particularly regarding the value of right of use assets and lease liabilities arising from long term leases under IFRS16, valuation and impairment of intangible fixed assets including goodwill and valuation, impairment of investments and recoverability of amounts owed from fellow group companies.
- Assessing the extent of compliance, or lack of, with the relevant laws and regulations.
- Testing key revenue lines, in particular cut-off, for evidence of management bias.
- Performing a physical verification of key assets and stock items.
- Obtaining third-party confirmation of material bank and loan balances.
- Documenting and verifying all significant related party and consolidated balances and transactions.
- Reviewing documentation such as the Group's and Parent Company's board minutes for discussions of irregularities including fraud.
- Testing all material consolidation adjustments.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements even though we have properly planned and performed our audit in accordance with auditing standards. The primary responsibility for the prevention and detection of irregularities and fraud rests with the directors.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XP FACTORY PLC

USE OF OUR AUDIT REPORT

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Gary Miller (Senior Statutory Auditor)
For and on behalf of HW Fisher LLP
Chartered Accountants
Statutory Auditor

Acre House
11/15 William Road
London
NW1 3ER
United Kingdom

31 August 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 15 Month Period Ended 31 March 2024

All figures in £'000s Continuing operations	Note	15 month period ended 31 March 2024	Year ended 31 December 2022
Revenue	4	57,339	22,834
Cost of sales	6	(20,291)	(8,122)
Gross profit		37,048	14,712
Other income	33	3	74
Fair value adjustment on contingent consideration	22	(313)	6,210
Administrative expenses	6	(34,641)	(19,724)
Operating profit	6	2,097	1,272
Adjusted EBITDA		9,922	3,954
Amortisation of intangibles	13	(786)	(886)
Rent concessions recognised in the year	12	–	33
Depreciation of property plant and equipment	11	(3,653)	(2,825)
Depreciation of right-of-use assets	12	(2,474)	(1,453)
Loss on disposal of tangible assets	11	(104)	(126)
Loss on disposal of intangible assets	13	(98)	–
Profit on termination / change of leases	12	–	90
Branch closure costs		(50)	(106)
Branch pre-opening costs		(915)	(2,018)
Provision against loan to franchisee	16	(14)	(26)
Provision for guarantee losses	22	24	(68)
Exceptional costs and gains	6	174	(293)
Gain on closure of subsidiary	14	480	–
Foreign currency losses		(24)	(1,133)
Fair value movements on provisions	22	(313)	6,210
Share-based payment expense	25	(72)	(81)
Operating profit		2,097	1,272
Net Interest charged	8	(242)	(1,292)
Lease finance charges	12	(2,394)	(1,086)
Loss before taxation		(539)	(1,106)
Taxation	9	119	112
Loss after taxation		(420)	(994)
Other comprehensive income:			
Items that may or will be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(670)	363
Total comprehensive loss		(1,090)	(631)
Loss attributable to:			
Equity holders of XP Factory Plc		(420)	(994)
Non-controlling interests		–	–
		(420)	(994)
Total comprehensive loss attributable to:			
Equity holders of XP Factory Plc		(1,090)	(631)
Non-controlling interests		–	–
		(1,090)	(631)
Loss per share attributable to equity holders:			
Basic and diluted (Pence)	10	(0.27)	(0.66)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2024

	Note	As at 31 March 2024 £'000	As at 31 December 2022 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	19,360	12,753
Right-of-use assets	12	20,326	17,842
Intangible assets	13	23,639	22,696
Finance Lease receivable	12	1,389	1,273
Rent deposits		71	61
Loan to franchisee	16	–	–
		64,785	54,625
Current assets			
Inventories and work in progress	18	348	323
Trade receivables	17	1,635	1,934
Other receivables and prepayments	17	2,444	1,839
Cash and cash equivalents	19	3,935	3,189
		8,362	7,285
TOTAL ASSETS		73,147	61,910
LIABILITIES			
Current liabilities			
Trade payables	20	3,758	1,837
Contract liabilities	21	1,809	1,029
Other loans	24	1,941	1,057
Lease liabilities	12	2,032	1,073
Other payables and accruals	20	7,546	5,259
Provisions	22	–	4,970
		17,086	15,225

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2024 continued

	Note	As at 31 March 2024 £'000	As at 31 December 2022 £'000
Non-current liabilities			
Contract liabilities	21	419	455
Provisions	22	609	413
Other loans	24	1,917	423
Deferred tax liability	9	326	832
Lease liabilities	12	27,786	22,965
		31,057	25,088
TOTAL LIABILITIES		48,143	40,313
NET ASSETS		25,004	21,597
EQUITY			
Capital and reserves attributable to equity holders of XP Factory Plc			
Share capital	23	2,182	1,883
Share premium account	27	48,832	44,705
Merger relief reserve	27	–	4,756
Accumulated losses	27	(25,977)	(30,312)
Currency translation reserve	27	(391)	279
Capital redemption reserve	27	46	46
Share-based payment reserve	27	312	240
		25,004	21,597
Non-controlling interests		–	–
TOTAL EQUITY		25,004	21,597

The notes on pages 65 to 114 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 31 August 2024 and are signed on its behalf by:

Graham Bird
Director

Registered company number 10184316

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 15 Month Period Ended 31 March 2024

	Attributable to owners of the parent								
15 month period ended 31 Mar 2024	Share capital £'000	Share premium account £'000	Merger relief reserve £'000	Currency translation reserve £'000	Capital redemption reserve £'000	Share-based payment reserve £'000	Convertible loan note reserve £'000	Accumulated losses £'000	Total £'000
Balance as at 1 Jan 2023	1,883	44,705	4,756	279	46	240	–	(30,312)	21,597
Loss for the year*	–	–	–	–	–	–	–	(421)	(421)
Other comprehensive income	–	–	–	(670)	–	–	–	–	(670)
Total comprehensive loss	–	–	–	(670)	–	–	–	(421)	(1,091)
Issue of shares	299	4,127	–	–	–	–	–	–	4,426
Reclassification of merger reserve	–	–	(4,756)	–	–	–	–	4,756	–
Share-based Payment Charges	–	–	–	–	–	72	–	–	72
Transactions with owners	299	4,127	–	–	–	72	–	–	4,498
Balance as at 31 Mar 2024	**2,182**	**48,832**	**–**	**(391)**	**46**	**312**	**–**	**(25,977)**	**25,004**
Year ended 31 Dec 2022:									
Balance as at 1 Jan 2022	1,825	44,366	4,756	(83)	46	158	68	(29,318)	21,817
Loss for the year*	–	–	–	–	–	–	–	(994)	(994)
Other comprehensive income	–	–	–	363	–	–	–	–	363
Total comprehensive loss	–	–	–	363	–	–	–	(994)	(631)
Issue of shares	3	–	–	–	–	–	–	–	3
Redemption of convertible loan notes	55	339	–	–	–	–	(68)	–	326
Share-based payment charges	–	–	–	–	–	82	–	–	82
Transactions with owners	58	339	–	–	–	82	(68)	–	411
Balance as at 31 Dec 2022	1,883	44,705	4,756	279	46	240	–	(30,312)	21,597

* Includes amortisation of intangible assets

The notes on pages 65 to 114 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the 15 Month Period Ended 31 March 2024

	Note	15 month period ended 31 March 2024 £'000	Year ended 31 December 2023 £'000
Cash flows from operating activities			
Loss before income tax		(540)	(1,106)
Adjustments:			
Depreciation of property, plant and equipment	11	3,653	2,825
Depreciation of right-of-use assets	12	2,474	1,453
Amortisation of intangible assets	13	786	886
Fair value movements	22	313	(6,210)
Movement in provision against franchisee loan	16	14	26
Loss on disposal of plant and equipment	11	104	126
Loss on disposal of intangibles	13	98	–
Net foreign exchange differences		(148)	348
Profit of disposal of subsidiary	14	(480)	–
Share-based payment expense	25	72	81
Lease interest charge	12	2,394	1,086
Rent concessions received	12	–	(33)
Profit on closure / modification of leases	12	–	(90)
Interest charge	8	242	1,292
Operating cash flow before working capital changes		8,983	684
(Increase) / decrease in trade and other receivables		(234)	1,359
Decrease in inventories		39	184
Decrease in provisions		(577)	(160)
Increase in trade and other payables		3,168	1,571
Decrease in deferred income		(318)	(317)
Cash generated in operations		**11,061**	**3,321**
Income taxes paid	9	21	–
Net cash generated in operating activities		**11,082**	**3,321**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(7,223)	(8,998)
Purchase of intangibles	13	(209)	(217)
Landlord incentives received	12	1,300	2,914
Payment of deposits		(11)	(16)
Loan made to master franchisee		–	84
Acquisition of subsidiaries, net of cash acquired	15	(50)	(436)
Interest received		60	82
Net cash used in investing activities		(6,133)	(6,587)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	23	–	6
Proceeds from new loans	24	1,169	820
Repayment of loans	24	(1,809)	(1,271)
Interest paid		(418)	(147)
Repayment of leases	12	(3,135)	(1,185)
Net cash used in financing activities		(4,193)	(1,777)
Net increase / (decrease) in cash and cash equivalents		756	(5,043)
Cash and cash equivalents at beginning of period		3,189	8,225
Effects of exchange rate changes on the balance of cash held in foreign currencies		(10)	7
Cash and cash equivalents at end of period		3,935	3,189

CONSOLIDATED STATEMENT OF CASH FLOWS continued

For the 15 Month Period Ended 31 March 2024

RECONCILIATION OF MOVEMENTS IN NET DEBT

£'000	As at 31 December 2022	Cash movements	Assumed through acquisition, including vendor finance	Equipment fit out and lease funding	Foreign exchange movements	Balance at 31 March 2024
Cash	3,189	756	–	–	(10)	3,935
Borrowings	1,479	(641)	2,096	923	–	3,858
Net debt	1,710	1,397	(2,096)	923	(10)	77

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

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

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

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

On 2 May 2017, the Company's name was changed to Escape Hunt Plc and became the holding company of the enlarged Escape Hunt Group. Thereafter the group established the Escape Hunt owner operated business which operates through a UK subsidiary. All of the Escape Hunt franchise activity was subsequently transferred to a UK subsidiary. On 22 November 2021, the Company acquired BBB Franchise Limited, together with its subsidiaries operating collectively as Boom Battle Bars. At the same time, the group took steps to change its name to XP Factory Plc with the change taking effect on 3 December 2021.

XP Factory Plc currently operates two fast-growing leisure brands. Escape Hunt 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.

Boom Battle Bar is a fast-growing network of owner-operated and franchise sites in the UK that combine competitive socialising activities with themed cocktails, drinks and street food in a high energy, fun setting. Activities include a range of games such as augmented reality darts, Bavarian axe throwing, 'crazier golf', shuffleboard and others.

The Company's registered office is Boom Battle Bar Oxford Street Ground Floor And Basement Level, 70-88 Oxford Street, London, England, W1D 1BS.

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

During the year the Group moved its accounting reference date from 31 December to 31 March. As such, the results for the current period represent a fifteen month period from 1 January 2023 to 31 March 2024 and are therefore not directly comparable with the prior year results which represent a 12 month period from 1 January 2022 to 31 December 2022. Both Boom and Escape Hunt have peak trading periods that coincide with Christmas and the Board believes that there will be a number of benefits to the change including:

- Earlier and better visibility of the likely outturn for any financial year given the significance of December trading for the full year results
- The audit will take place during the Group's quietest months between April and June, which is expected to lead to greater efficiency of process for both internal staff and auditors
- The change will align the Group with several other leisure operators.

Basis of preparation

The audited consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards ("IFRSs").

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Changes in accounting policy

New standards, interpretations and amendments effective from 1 January 2023

In the current year a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) and endorsed by the UK Endorsement Board became mandatorily effective for an accounting period that beings on or after 1 January 2023. The relevant amendments for the Group are:

Disclosure of Accounting Policies (Amendments to IAS 1) – 1 January 2023

Changes requirements from disclosing 'significant' to 'material' accounting policies and provides explanations and guidance on how to identify material accounting policies.

Definition of Accounting Estimates (Amendments to IAS 8) – 1 January 2023

Clarifies how to distinguish changes in accounting policies from changes in accounting estimates.

There are no other new standards impacting the Group adopted in the annual financial statements for the period ended 31 March 2024. The Directors do not expect any material impact on the Group's reporting from new accounting standards, interpretations and amendments not yet effective but currently under contemplation by the International Accounting Standards Board.

2. Material accounting policies

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

Basis of consolidation

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

Going Concern

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

The Directors have assessed the Group's ability to continue in operational existence for the foreseeable future which is at least, but not limited to, twelve months from the end of the reporting period 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 three year period from the reporting date.

The Group plans to continue the roll out of new sites under both the Escape Hunt and Boom Battle Bar brands in the UK which are expected to contribute to performance in future.

The central case is based on opening a limited number of new Escape Hunt and Boom owner operated sites in the UK in line with the Board's stated strategy. Sites are expected to take a period of time to reach maturity based on previous experience. The central case does not assume any openings other than sites for which leases have already been secured.

The Group has also considered a 'downside' scenario. In this scenario the Group has assessed the potential impact of a reduction in sales across the group and cost increases. In the 'downside' scenario, the Directors believe it can take mitigating actions to preserve cash. Principally the roll-out of further sites would be delayed and cost saving measures would be introduced at head office central services. Reductions could be targeted in both people and areas such as IT, professional services and marketing. Other areas of planned capital expenditure would also be curtailed. These include planned expenditure system improvements and capital expenditure at sites. Taking into account the mitigating factors, the Group believes it would have sufficient resources for its present needs.

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

Merger relief

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

Foreign currency transactions and translation

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

The functional currency of the Company's subsidiaries which operate overseas are as follows:

Escape Hunt Entertainment LLC	Arab Emirates Dinar
Boom Battle Facilities Management Services LLC	Arab Emirates Dinar
BGP Escape France	Euro
BGP Entertainment Belgium	Euro
E V Development Co. Limited	Thai Baht
Experiential Ventures Limited	US Dollar
Escape Hunt Operations Limited	US Dollar
Escape Hunt USA Franchises Limited	US Dollar

These subsidiaries, when recording their own foreign transactions follow the principles below. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

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

Property, plant and equipment

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

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

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

Office equipment	5 years
Furniture and fixtures	5 years
Leasehold improvements	10 years
Computers	3 years
Games	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date. During the current reporting period, the management of the company conducted a review of the useful lives of its assets. As a result of this review, the useful lives of leasehold improvements has been revised from 5 years to 10 years, and the useful lives of games has been revised from 2 years to 5 years. This change in estimate has been applied prospectively from the beginning of the current reporting period. The effect of this change in estimate on the current reporting period is an increase in profit before tax of approximately £3.0m due to a reduction in the depreciation expense. The impact on future periods is expected to be similar, subject to any other changes in estimates.

Research and development expenditure

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

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

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

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

(iii) its future economic benefits are probable;

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

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

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

Intangible assets

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

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

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

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

The estimated useful lives are as follows:

Trademarks	3 years
Intellectual property:	
– Trade names and domain names	3 years
– Rights to system and business processes	3 years
– Internally generated intellectual property	5 years
Franchise agreements	Term of franchise
App development	2 years
Portal	3 years

During the current reporting period, the management of the company conducted a review of the useful lives of its assets. As a result of this review, the useful lives of internally generated intellectual property has been revised from 2 years to 5 years in line with the change made to the useful lives of games. This change in estimate has been applied prospectively from the beginning of the current reporting period. The effect of this change in estimate on the current reporting period is an increase in profit before tax of approximately £0.1m due to a reduction in the amortisation expense. The impact on future periods is expected to be similar, subject to any other changes in estimates.

Impairment of assets

Financial assets

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

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

Non-financial assets

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

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

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

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

Employee benefits

Short-term benefits

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

Revenue recognition

The Group is operating and developing a network of franchised, licensed and owner-operated branches and offsite "escape the room" type games under the Escape Hunt™ brand and a network of owner-operated and franchised competitive socialising cocktail bar venues under the Boom Battle Bar™ brand. The Group receives revenues from its directly owned branches but also from franchisees, master-franchisees and sub-franchisees.

The Group, as franchisor, develops original escape games and other fun competitive socialising games and supporting materials and provides management, creative, technical and marketing services based on its knowledge of and expertise in the relevant disciplines to enable delivery of proprietary consumer experiences.

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

The Group derives "upfront exclusivity fees" as well as training fees and documentation fees from the sale and set up of franchises and subsequent "Service Revenues" in the form of revenue shares, administration fees, and other related income.

New branch upfront location exclusivity fees

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

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

- Assist the franchisee to establish, manage and operate the business within the territory;
- Provide advice on the choice of branch location;
- Identify equipment, furniture, props and other items required to conduct the business;
- Assist in designing the layout and fit-out of any chosen branch location;
- Provide full game and other activity design to be installed in each branch;

- Provide guidance on setting up website, booking and other online services;
- Provide the franchisee with the franchise manual;
- Train the franchisee and its staff;
- Give the franchisee continuing assistance and advice for the efficient running of the franchise business;
- Regularly update the franchisee on any changes to the services and know-how;
- Design and provide territory-specific, and branch-specific, logos for use in advertising, merchandise and uniforms; and
- Communicate at all times with the franchisee in a timely manner.

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

Fees related to future periods are carried forward as deferred income within current and non-current liabilities, as appropriate. The amounts of deferred revenue at each reporting date are disclosed in Note 21 to the financial statements.

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

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

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

Documentation fees are recognised when the franchise agreement and associated leases and other legal documents are exchanged and have reached practical completion. Training fees are recognised when the franchise site is opened.

In some instances, the Group will take on the full responsibility on a franchise new build, fitting out a franchise site and will have a direct relationship with the suppliers. The cost of the build will then be billed to the franchisee in stage payments, including a markup to cover internal costs and provide margin. In these instances, the cost of the build is carried as work in progress until it is invoiced to the franchisee. The total value of the build is recognised as revenue when invoiced. Profit is not recognised until completion of the build.

Franchise revenues

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

Service revenues comprise:

- An agreed share of the franchisee’s monthly revenues, payable weekly or monthly;
- Fixed monthly fees payable quarterly in advance;
- Extra costs in respect of site visits and website set-up fees; and
- Fees charged for additional services, such as management of marketing and social media on behalf of a franchisee, for which franchisees opt in.

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

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Owner-operated branch and offsite games

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

Retros from suppliers

Retrospective rebates from food and drink suppliers are recognised to match the relevant purchase volumes.

Deferred revenue

The amounts of deferred revenue at each reporting date are disclosed in Note 21.

Contract costs

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

Government Grants

Grants relating to revenue are recognised on the performance model through the consolidated statement of comprehensive income by netting off against the costs to which the grants were intended to compensate. Where the grant is not directly associated with costs incurred during the period, the grant is recognised as 'other income'. Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset.

Leases

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

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

Identifying Leases

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

a) There is an identified asset;

b) The Group obtains substantially all the economic benefits from use of the asset; and

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

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

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

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term. The discount rate is the rate implicit in the lease, if readily determinable. If not, the Company's incremental borrowing rate is used, which the Company has assessed to be 6% above the Bank of England base rate.

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

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

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option;

- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

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

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provisions recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations – see Note 22).

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

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

Nature of leasing activities (in the capacity as lessee)

During the financial year, the Group leased owner-operated Escape Hunt and Boom Battle Bar venues. The Group also leases certain items of plant and equipment, but these are not significant to the activities of the Group.

Nature of leasing activities (in the capacity as lessor)

During the financial year, the Group sub-let part of the space in Bournemouth which the group leases under a master lease agreement. The sub-let is to a Boom Battle Bar franchisee and is treated as a finance lease receivable.

Financing income and expenses

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

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

Taxation

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

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

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

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

Share-based payment arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Equity-settled share based payments to non-employees are measured at the fair value of services received, or if this cannot be measured, at the fair value of the equity instruments granted at the date that the Group obtains the goods or counterparty renders the service. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 25 to the consolidated financial statements.

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

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

Cash and cash equivalents

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

Trade and other receivables

Trade receivables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If the arrangement constitutes a financing transaction, the receivable instrument is measured at the present value of the future payments discounted at a market rate of interest.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. In the process, the probability of the non-payment of the trade receivables is assessed. This probability is multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables.

Inventories

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

Provisions

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

The Group has recognized provisions for liabilities of uncertain timing or amount including those for leasehold dilapidations, contingent consideration and losses arising of financial guarantee contracts.

Dilapidation provisions

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

Contingent and deferred consideration

Contingent consideration is consideration that is payable in respect of acquisitions which is contingent on the achievement of certain performance or events after the date of acquisition. Deferred consideration is consideration payable in respect of acquisitions which is deferred, but is not dependent on any future performance or events.

The likely value of contingent consideration is estimated based on the anticipated future performance of the business acquired and a probability of the necessary performance being achieved. The expected future value of the contingent consideration is discounted from the anticipated date of payment to the present value. For cash settled contingent consideration, the discount rate is the risk free rate together with the Consumer Price index for inflation. For Equity settled contingent consideration, the future value is discounted using the Directors' assessment of the company's cost of equity. The present value is recognised as a liability at the date of transaction. The implied interest is recognised over the period between the date of acquisition and anticipated date of payment of the contingent consideration.

Deferred consideration is recognised as a liability at its face value at the date of acquisition.

Losses arising on financial guarantee contracts

Provision for losses on financial guarantee contracts uses the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected losses. In the process, the probability of the guarantee being called is assessed. This probability is multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the financial guarantee contract.

Contingent liabilities

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

Financial Liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank and other loans and loans from fellow group companies that are classified as debt are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Group's contractual obligations are discharged, cancelled or they expire.

Equity instruments

Equity instruments including share capital issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

3. Critical accounting estimates and judgements

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Key judgements

Initial upfront exclusivity fees

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

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

Recognition of deferred tax assets

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

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

Based on detailed forward-looking analysis and the judgement of management, it has been concluded that a deferred tax asset should not yet be recognised for the carry forward of unused tax losses and unused tax credits totalling approximately £15.4m, as the timing and nature of future taxable profits remains uncertain given the relatively young stage of development and the of the group and the rate of planned expansion which under current rules gives rise to certain accelerated capital allowances reducing taxable income. Whilst the Directors do expect the business in its current form to become profitable, the Directors do not yet regard the timing and future scale of taxable profits against which the unused tax losses and unused tax credits can be utilised in the near term to be sufficiently probable to justify recognition of deferred tax assets. In forming this conclusion, management have considered the same cash flow forecasts used for impairment testing purposes. Impairment testing adjusts for risk through the discounting of future cash flows and focus on cash generation rather than taxable profits.

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

Recognition of R&D credits and other government grants

Research and development credits and other government grants are recognised as an asset when it has become probable that the grant will be received.

Companies within the Group have previously made successful applications for grants relating to research and development and in respect of support related to the COVID-19 pandemic.

In relation to research and development grants, no claims are outstanding, but the company expects to make claims in respect of activity undertaken in future, but not in respect of activity undertaken in 2022 or the 15 months to 31 March 2024. As such, no claims in relation to 2022 or 2023 have been recognised as an asset.

Contingent consideration

The likely value of contingent consideration is estimated based on the anticipated future performance of the business acquired and a probability of the necessary performance being achieved. The expected future value of the contingent consideration is discounted from the anticipated date of payment to the present value. For cash settled contingent consideration, the discount rate is the risk free rate together with the Consumer Price index for inflation. For Equity settled contingent consideration, the future value is discounted using the Director's assessment of the company's cost of equity, being 13.7 per cent. The present value is recognised as a liability at the date of transaction. The implied interest is recognised over the period between the date of acquisition and anticipated date of payment of the contingent consideration.

Key estimates

Impairment of intangible assets

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

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

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

The Group prepares and approves a detailed annual budget and strategic plan for its operations, which are updated regularly to take account of actual activity and are used in the fair value calculations. The forecasts perform a detailed analysis for three years, apply an anticipated growth rate for years 4 and 5 of between 3% and 10% per annum and apply a 2% growth rate thereafter. Further details are provided in the sensitivity analysis below.

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

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

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

Site level EBITDA

If the site level EBITDA is 10% lower in each business unit within the Group than as set out in the strategic plan, this would lead to reduction in the net present value of intellectual property of £12.1m (2022: £12.9m) but would not result in the need for an impairment charge.

Discount rate

The discount rate used for the fair value calculation has been assumed at 13.7%. A 100 basis point increase in the discount rate reduces the net present value of intellectual property across the group by £4.0m (2022: £5.6m) but would not result in the need for an impairment charge.

The discount rate used was the same as in prior years, notwithstanding the significant increase in base interest rates between 31 December 2022 and 31 March 2024, impacting the risk free rates and cost of borrowing used in the calculations of the group's weighted average cost of capital. Whilst interest rates have increased, it is the Directors' view that the risk premium associated with XP Factory will have reduced significantly over the same period given the following:

- The group has achieved a scale at which it is capable of operating profitably where previously it lacked such scale
- The group is significantly more diversified with the addition of the Boom business to the group

- The network of owner operated sites is significantly more diversified with a much larger estate and the group is consequently less exposed to any single site
- The group has developed a proven operating history with Escape Hunt in particular, operating at attractive growth rates and margins
- The group exited the financial year ended 31 March 2024 with sites generating positive cashflow and EBITDA. This has continued into the current financial year.

Furthermore, external estimates of the group's cost of capital, which are based on historic numbers which do not take account of these factors, indicate a level not materially different to the director's assessment. The cost of capital indicated for similar competitors further supports the directors' view.

Long-term growth rates

The growth rate used for the fair value calculation after year 5 has been assumed at 2% per annum. If this rate was decreased by 100 basis points the net present value of intellectual property across the group would fall by £2.7m (2022: £2.8m) but would not result in the need for an impairment charge.

Capital expenditure

If capital expenditure over the forecast period were to be 10% higher than in the strategic plan, the net present value of intellectual property across the group would fall by £1.1m (2022: £1.0m) but would not result in the need for an impairment charge.

Estimation of useful life and amortisation rates for intellectual property assets

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

The estimated useful life principally reflects management's view of the average economic life of each asset and is assessed by reference to historical data and future expectations. Any reduction in the estimated useful life would lead to an increase in the amortisation charge. The average economic life of the intellectual property has been estimated at 5 years. If the estimation of economic lives was reduced by one year, the amortisation charge for IP would have increased by £114k (year ended 31 December 2022: £204k).

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

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

Property, plant and equipment represent a significant proportion of the asset base of the Group being 26% (2022: 21%) of the Group's total assets. Therefore, the estimates and assumptions made to determine their carrying value and related depreciation are critical to the Group's financial position and performance.

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

The useful economic lives of property, plant and equipment has been estimated at between 2 and 10 years. If the estimation of economic lives was reduced by one year, the depreciation charge for property, plant and equipment would have increased by £895k (year ended 31 December 2022: £995k).

Estimation of the value of right of use assets and lease liabilities arising from long term leases under IFRS16

The value of right of use assets and the associated lease liability arising from long term leases is estimated by calculating the net present value of future lease payments. In doing so, the Directors have used the discount rate implicit in the lease, if readily determinable. If not, the Company's incremental borrowing rate is used which the Company has assessed to be 6% above the Bank of England base rate.

Estimation of dilapidations provision

The provision for dilapidations is estimated by anticipating the cost of stripping out a site at the end of the contracted lease to restore the property to the condition required under the terms of the lease. The liability is accrued over the period of the lease. The judgement of the cost of the strip out is based on a management estimate and represents a key estimate.

Estimation of share base payment charges

The calculation of the annual charge in relation to share based payments requires management to estimate the fair value of the share-based payment on the date of the award. The estimates are complex and consider a number of factors including the vesting conditions, the period of time over which the awards are recognised, the exercise price of options which are the subject of the award, the expected future volatility of the company's share price, interest rates, the expected return on the shares, and the likely future date of exercise. The charge recognized in the period ended 31 March 2024 was £47k (2022: £69k).

The Group also operates a broader share based Incentive scheme available to all employees, allowing employees to purchase shares tax efficiently each month. For each share purchased (a "Partnership Share"), the employee is granted a further matching share ("Matching Share"). The Management has estimated the cost of the Matching Shares recognized in the period ended 31 March 2024 was £26k (2022: £12k) Further details are provided in note 25.

Estimation of liabilities arising from Financial Guarantee Contracts – Franchise lease guarantees

The Company is a co-tenant or has provided a guarantee on a number of property leases for which a franchisee is the primary lessee. IFRS 9 requires the recognition of expected credit losses in respect of financial guarantees, including those provided by the Group. Where there has been a significant increase in credit risk, the standard requires the recognition of the expected lifetime losses on such financial guarantees. The assessment of whether there has been a significant increase in credit risk is based on whether there has been an increase in the probability of default occurring since previous recognition. An entity may use various approaches to assess whether credit risk has increased. The assessment of the probability of default is inherently subjective and requires management judgement.

In all cases where the Group is co-tenant or has provided guarantees for underlying leases, the Group has taken security in the form of personal guarantees from the lessee and, in addition, has step-in rights which enable the relevant company in the group to take over the assets and operations of the franchisee and to operate the site as an owner-operated site. Management believes that the personal guarantees and step in rights significantly reduce the probability of incurring losses and provide a mechanism to mitigate any adverse impact on the group in the event of any guarantees being called upon.

Details of the number of lease guarantees provided, the average length of the guarantee and the average annual rental are given in note 22.

Each guarantee is assessed separately. Management's view of the probability of the lessee defaulting on its lease obligations is assigned to the specific guarantee. Lessees are categorized on a rating of 1 – 5, which allocates a probability of default to each banding, with category 1 representing very limited risk, and 5 representing extreme risk. Management then assesses the likelihood of the personal guarantee from the lessee, together with the step-in rights being insufficient to fully cover the payments required to be made under the guarantee provided to the landlord. This is based on historic experience of the former owner of Boom Battle Bars which has, on a number of occasions, taken on existing franchisees within other parts of its business which have either been re-sold or have since become owner-operated sites. Based on this experience and taking account of the current economic environment, Management has judged that 1 in 6 sites where the guarantee is called would result in a loss. Finally, management applies an assessment as to the proportion of the future lease liability that might be suffered in the event that the guarantee is not fully covered by the personal guarantees and/or the step in rights. The proportion used in the calculation was 50%. This cumulative probability is applied to the net present value of the future lease liability. The net present value is calculated by reference to the expected future cash payments required under the lease using a discount rate of 11.25%.

In the period to March 2024, the average probability of default used across the portfolio was assessed as between 10% and 20% (2022: between 10% and 15%). This was made on the basis that the franchisees are all relatively new and remain inexperienced in operating Boom sites. The overall expected loss provision at 31 March 2024 was £69,719 (2022: £93,505).

Sensitivities.

The key assumptions impacting the assessment of the expected loss provision are the discount rate used to calculate the net present value of the leases under guarantee; the probability of default assigned to each guaranteed lease; the proportion of defaulted leases that would give rise to a credit loss; and the proportion of the total liability that would not be covered by security and step-in rights. The sensitivity to each of these assumptions in the period to 31 March 2024 and the year to 31 December 2022 is shown in the table below:

			Increase in Expected loss provision (£'000)	
Assumption	Base case	Sensitivity applied	2024	2022
Discount rate	11.3%	1% decrease	3.7	4.7
Probability of default	Individually assessed	10% increase in probability of default	6.9	9.4
Proportion of defaulted leases giving rise to a loss	16.67% (1 in 6)	Increase by 3.33% (1 in 5)	2.2	18.7
Proportion of liability not covered by guarantee / step-in right	50%	10% increase in loss	6.9	9.4

Estimation of the value of Contingent consideration and implied interest charges

The value of the contingent consideration in relation to Boom Battle Bars was initially estimated using a share price of 35.8p per XP Factory share, being the share price on 23 November 2021, the date that the Acquisition of Boom Battle Bars completed, and assuming all 25,000,000 shares potentially due under the provisions of the sale agreement are issued. The valuation is considered a level 2 valuation under IFRS 13, indicating that it is a financial liability that does not have regular market pricing, but whose value can be determined using other data values or market prices. The future value of the deferred consideration, was again estimated at 31 December 2022 using a cost of capital of 13.7 per cent, an implied share price of 18.5 pence per share and an expectation of issuing 23.5m shares. The final value of the contingent consideration was settled on 23 June 2023 by the issue of 23.9m shares at a share price of 18.5 pence per share. The difference between the fair value estimated at 31 December 2022 and the final value gave rise to a revaluation charge of £0.3m being recognised in the period to 31 March 2024 (2022: revaluation gain of £6.2m and a finance charge of £1.3m).

Estimation of valuation of acquired intangibles

As part of the acquisition of Boom Battle Bars, the Directors recognised £4,386k as relating to franchise contracts in place at the date of acquisition. The valuation took into account the forecast revenue from the relevant franchise contracts over the remaining life of the contracts, net of tax and allocated costs to service the contracts, discounted at the estimated cost of capital, 13.7 per cent. During the period to 31 March 2024, three of the franchise sites to which the acquired intangible applied were acquired. The value of the acquired intangibles attributable to these three sites as at 31 December 2022 has been reclassified to goodwill associated with the acquisition Boom Battle Bars. The remaining value of acquired intangibles will be amortised over the remaining franchise term. As at 31 March 2024, the value of acquired intangibles was £1.31m (2022: £3.48m).

The Directors have re-assessed the value of the acquired intangibles based on the latest forecasts for specific franchisee sites and an allocation of central costs using a cost of capital of 13.7 per cent to determine whether an impairment was necessary. The analysis concluded that no impairment is necessary. A 1% increase in the cost of capital applied would reduce the value of acquired intangibles in the year by £313k (2022: £116k), but would not lead to an impairment of the carrying value.

4. Revenue

	15 Month Period Ended 31 March 2024 £'000	Year Ended 31 December 2022 £'000
Upfront location exclusivity fees, support and administration fees	354	1,368
Franchise revenue share	2,339	2,012
Revenues from owned branches	31,085	13,535
Food and drinks revenue from owned branches	22,188	5,149
Retros/rebates received on food and drinks purchases	1,012	645
Other	360	125
	57,339	22,834

Revenues from contracts with customers:

	15 Month Period Ended 31 March 2024 £'000	Year Ended 31 December 2022 £'000
Revenue from contracts with franchise customers	3,028	3,380
Revenue from customers at owner operated branches	53,298	19,454
Total revenue from contracts with customers	56,326	22,834

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

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

A total of £53.3m (2022: £19.5m) of revenues relate to the owner-operated segment. All other revenues in the table refer to the franchise segment as detailed in Note 5 (Segment Information).

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

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

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5. Segment information

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

Management considers that the Group has four operating segments. Revenues are reviewed based on the nature of the services provided under each of the Escape Hunt™ and Boom Battle Bar™ brands as follows:

1. The Escape Hunt franchise business, where all franchised branches are operating under effectively the same model;
2. The Escape Hunt owner-operated branch business, which as at 31 March 2024 consisted of 23 Escape Hunt sites (2022: 23), comprising 20 in the UK, one in Dubai, one in Paris and one in Brussels; and
3. The Boom Battle Bar franchise business, where all franchised branches operate under the same model within the Boom Battle Bar™ brand.;
4. The Boom Battle Bar owner-operated business, which as at 31 March 2024 consisted of 20 Boom Battle Bar sites (2022: 12), comprising 19 in the UK and one in Dubai.

The Group operates on a global basis. As at 31 March 2024, the Group had active Escape Hunt franchisees in 7 countries (2022: 10). The Group 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. The geographic split of revenue was as follows:

	15 Month Period Ended 31 March 2024 £'000	Year Ended 31 December 2022 £'000
United Kingdom	54,015	20,872
Europe	1,398	1,291
Rest of world	1,926	671
	57,339	22,834

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 variable site staff costs and other costs directly related to revenue generation.

Period Ended 31 March 2024	Escape Hunt Owner operated £'000	Escape Hunt Franchise operated £'000	Boom Owner operated £'000	Boom Franchise operated	Unallocated £'000	Total £'000
Revenue	16,726	828	37,513	2,272	–	57,339
Cost of sales	(4,896)	–	(15,395)	–	–	(20,291)
Gross profit	11,830	828	22,118	2,272	–	37,048
Site level operating costs	(4,477)	–	(13,456)	–	–	(17,933)
Other income	–	–	3	–	–	3
Site level EBITDA	7,353	828	8,665	2,272	–	19,118
Centrally incurred overheads	(1,915)	(202)	(1,180)	(113)	(7,352)	(10,762)
Depreciation and amortisation	(1,875)	(169)	(4,389)	(408)	(72)	(6,913)
Exceptional items	(57)	–	44	236	431	654
Operating profit	3,506	457	3,140	1,987	(6,993)	2,097
Adjusted EBITDA	5,840	597	8,302	2,142	(6,959)	9,922
Depreciation and amortisation	(1,296)	(169)	(2,494)	(408)	(72)	(4,439)
Depreciation – right-of-use assets	(579)	–	(1,895)	–	–	(2,474)
Foreign currency losses	–	29	(53)	–	–	(24)
Share-based payment expenses	–	–	–	–	(72)	(72)
Provision against loan to franchisee	–	–	–	17	(31)	(14)
Provision for guarantee losses	–	–	–	–	24	24
Gain / (loss) of disposal of assets	(125)	–	(85)	–	19	(202)
Exceptional Professional & Branch Closure Costs	(107)	–	44	236	(49)	174
Gain on disposal of subsidiary	–	–	–	–	480	480
Branch pre-opening costs	(217)	–	(698)	–	–	(915)
Fair value adjustments	–	–	–	–	(313)	(313)
Rent credits recognised	–	–	–	–	–	–
Operating profit	3,506	457	3,140	1,987	(6,993)	2,097
Interest expense/receipt	–	–	–	–	(242)	(242)
Finance lease charges	(390)	–	(2,004)	–	–	(2,394)
Profit / (Loss) before tax	3,116	457	1,136	1,987	(7,235)	(539)
Taxation	(3)	–	24	98	–	119
Profit/(loss) after tax	3,113	457	1,160	2,085	(7,235)	(420)
Other information:						
Non-current assets	7,686	39	32,913	2,663	21,484	64,785

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Year ended 31 December 2022	Escape Hunt Owner operated £'000	Escape Hunt Franchise operated £'000	Boom Owner operated £'000	Boom Franchise operated	Unallocated £'000	Total £'000
Revenue	9,773	703	9,501	2,857	–	22,834
Cost of sales	(2,990)	–	(4,541)	(591)	–	(8,122)
Gross profit/(loss)	6,783	703	4,960	2,266	–	14,712
Site level operating costs (restated)	(2,561)	–	(4,609)	–	–	(7,170)
Other income	141	–	–	–	–	141
Site level EBITDA	4,363	703	351	2,266	–	7,683
Centrally incurred overheads (restated)	(1,222)	(188)	(678)	(173)	(5,202)	(7,462)
Depreciation and amortization	(2,552)	(136)	(1,798)	(439)	(240)	(5,165)
Other income	–	–	–	–	6,216	6,216
Operating profit (restated)	589	379	(2,125)	1,654	774	1,272
Adjusted EBITDA (restated)	3,626	569	1,380	2,174	(3,784)	3,955
Depreciation and amortisation	(2,102)	(136)	(795)	(439)	(240)	(3,712)
Depreciation – right-of-use assets	(450)	–	(1,003)	–	–	(1,453)
Foreign currency losses	–	4	–	–	(1,137)	(1,133)
Share-based payment expenses	–	–	–	–	(81)	(81)
Provision against loan to franchisee	–	(26)	–	–	–	(26)
Provision for guarantee losses	–	–	–	(68)	–	(68)
Gain / (loss) of disposal of assets	(126)	–	–	–	–	(126)
Exceptional Professional & Branch Closure Costs	(107)	(31)	(64)	(13)	(184)	(399)
Branch pre-opening costs	(375)	–	(1,643)	–	–	(2,018)
Profit on closure / modification of leases	90	–	–	–	–	90
Fair value adjustments	–	–	–	–	6,210	6,210
Rent credits recognised	33	–	–	–	–	33
Operating profit (restated)	589	379	(2,125)	1,654	774	1,272
Interest expense/receipt	–	–	(56)	39	(1,275)	(1,292)
Finance lease charges	(229)	–	(857)	–	–	(1,086)
Profit / (Loss) before tax (restated)	360	379	(3,038)	1,693	(501)	(1,106)
Taxation	–	2	–	110	–	112
Profit/(loss) after tax (restated)	360	381	(3,038)	1,803	(501)	(994)
Other information:						
Non-current assets	6,851	195	24,473	4,559	18,247	54,325

Significant customers:

No customer provided more than 10% of total revenue in either the 15 month period ended 31 March 2024 or the year ended 31 December 2022.

6. Operating loss before taxation

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

	15 Month Period Ended 31 March 2024 £'000	Year Ended 31 December 2022 £'000
Auditor's remuneration:		
– Audit of the Parent and Group financial statements	225	150
– Review of interim financial statements	–	13
Impairment of trade receivables	69	21
Foreign exchange losses	24	1,133
Staff costs including directors, net of amounts capitalized	10,656	4,997
Depreciation of property, plant and equipment (Note 11)	3,653	2,825
Depreciation of right-of-use assets (Note 12)	2,474	1,453
Amortisation of intangible assets (Note 13)	786	886
Share-based payment costs (non-employees)	72	81

Detailed information on statement of profit or loss items:

Cost of sales	15 Month Period Ended 31 March 2024 £'000	Year ended 31 December 2022 £'000
Wages and salaries	11,245	4,254
Food and beverages	6,728	1,880
Other costs of sale	2,318	1,988
	20,291	8,122

Administrative expenses	15 Month Period Ended 31 March 2024 £'000	Year Ended 31 December 2022 £'000
Depreciation of property, plant and equipment	3,653	2,825
Depreciation of right-of-use assets	2,474	1,453
Amortisation	786	886
Loss on disposal of non-current assets	202	–
Staff costs including directors, net of amounts capitalised	10,656	4,997
Share-based payments	72	81
Gain on disposal of subsidiary	(480)	
Foreign currency losses	24	1,133
Other administrative expenses	17,254	8,348
	34,641	19,724

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7. Staff costs

	15 Month Period Ended 31 March 2024 £'000	Year Ended 31 December 2022 £'000
Wages salaries and benefits (including directors)	20,260	8,820
Share-based payments	73	81
Social security costs	1,332	675
Other post-employment benefits	488	272
Less amounts capitalised	(252)	(596)
	21,901	9,251
Included in cost of sales	11,245	4,254
Included in Admin expenses	10,656	4,997
	21,901	9,251

Key management personnel:

	15 Month Period Ended 31 March 2024 £'000	Year Ended 31 December 2022 £'000
Wages, salaries and benefits (including directors)	1,263	653
Share-based payments	26	40
Social security costs	164	90
Pensions	54	26
Other post-employment benefits	15	8
Less amounts capitalised	(93)	(85)
	1,429	732

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

15 Month Period Ended 31 March 2024	Salary and fees £'000	Bonus £'000	Share-based payments £'000	Pension contributions £'000	Other benefits £'000	Total £'000
Graham Bird	254	70	7	12	5	348
Richard Rose	75	–	–	–	–	75
Richard Harpham	295	82	9	14	3	403
Philip Shepherd	38	–	–	–	–	38
Martin Shuker	38	–	–	–	–	38
Total Board of directors	700	152	16	26	8	902
Joanne Briscoe	159	23	4	19	3	208
Other key management	191	40	6	9	5	250
	1,048	215	26	54	15	1,360
Amounts capitalised	(93)	–	–	–	–	(93)
Profit and loss expense	956	215	26	54	15	1,267

Year Ended 31 December 2022	Salary and fees £'000	Bonus £'000	Share-based payments £'000	Pension contributions £'000	Other benefits £'000	Total £'000
Graham Bird	188	–	12	9	3	212
Richard Rose	60	–	–	–	–	60
Richard Harpham	218	–	17	10	2	247
Karen Bach	15	–	–	–	–	15
Philip Shepherd	15	–	–	–	–	15
Martin Shuker	15	–	–	–	–	15
Total Board	511	–	29	19	5	564
Other key management	142	–	11	7	4	164
	653	–	40	26	8	728
Amounts capitalised	(85)	–	–	–	–	(85)
Total	568	–	40	26	8	643

Only two directors are accruing retirement benefits, being Richard Harpham and Graham Bird. Both make personal contributions and receive company contributions into defined contribution (money purchase) pensions schemes. There are no defined benefit schemes in the group and the Group has no pension commitments other than monthly contributions for employees.

The average monthly number of employees was as follows:

	15 Month Period Ended 31 March 2024 No.	Year Ended 31 December 2022 No.
Management	6	4
Administrative	54	49
Operations	990	663
	1,049	716

8. Interest

	15 Month Period Ended 31 March 2024 £'000	Year Ended 31 December 2022 £'000
Interest income	176	82
Interest expense	(418)	(1,376)
Net interest (expense) / income	(242)	(1,292)

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9. Taxation

	15 Month Period Ended 31 March 2024 £'000	Year Ended 31 December 2022 £'000
Current tax expense		
Current tax on profits for the year	–	–
Total Current tax	–	–
Deferred tax expense		
Origination and reversal of Temporary differences	(526)	(269)
Effects of Business combinations	408	157
Total deferred tax	(118)	(112)
Total tax expense	(118)	(112)

A reconciliation of income tax expense applicable to the loss before taxation at the statutory tax rate to the income tax expense at the effective tax rate of the Group is as follows:

	15 Month Period Ended 31 March 2024 £'000	Year Ended 31 December 2022 £'000
Loss before taxation	(540)	(1,106)
Tax calculated at the standard rate of tax of 23.82% (2022:19%)	(128)	(210)
Tax effects of:		
Expenses not deductible for tax purposes	168	280
Non-taxable income	(75)	(1,132)
Enhanced relief for qualifying additions	(9)	(101)
Movement in unrecognised tax losses	398	619
Tax on foreign operations	105	224
Non qualifying amortisation	56	22
Depreciation on ineligible assets	373	186
Increase in dilapidation provision	56	28
Remeasurement of deferred tax for changes in tax rates	(1,191)	–
Timing differences on right of use assets	271	–
Foreign exchange differences in relation to closure of foreign subsidiary	(119)	–
Amounts written off from connected company not taxable	(22)	–
Other	(1)	(28)
	(118)	(112)

Changes in tax rates and factors affecting the future tax charge

Changes to the UK corporation tax rates were made as part of the 2021 Budget. These were substantially enacted on 24 May 2021. This included an increase in the main rate from 19% to 25% from 1 April 2023. The company is taxed at a rate of 25% unless its profits are sufficiently low enough to qualify for a lower rate of tax, the lowest being 19%.

Deferred tax

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered.

The Group has tax losses of approximately £22,340k as at 31 March 2024 (£22,527k as at 31 December 2022) which, subject to agreement with taxation authorities, are available to carry forward against future profits. The tax value of such losses amounted to approximately £5,585k (£5,632k as at 31 December 2022). A deferred tax asset has been recognised in respect of £6,976k (2022: £3,023k) of these losses to offset the deferred tax liability in respect of fixed asset temporary differences. A deferred tax asset has therefore not been recognised in respect of the remaining tax losses of £15,364k (2022: £19,504k) due to there being insufficient certainty that profits will be recognised in future years.

Recognised temporary differences as at 31 December:

	15 Month Period Ended 31 March 2024 £'000	Year ended 31 December 2022 £'000
Fixed asset temporary differences	1,744	756
Unused tax losses	(1,744)	(756)
Intangibles acquired through business combination	326	832
	326	832

Estimates and assumptions, including uncertainty over income tax treatments

The Group is subject to income tax in several jurisdictions and significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due.

These tax liabilities are recognised when, despite the Directors' belief that its tax return positions are supportable, the Directors believe it is more likely than not that a taxation authority would not accept its filing position. In these cases, the Group records its tax balances based on either the most likely amount or the expected value, which weights multiple potential scenarios. The Directors believe that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law.

No material uncertain tax positions exist as at 31 March 2024. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

In the Year Ended 31 December 2021 upon acquisition of both the French master franchise in March 2021 and the Boom group of companies in November 2021, there were intangibles acquired as part of the purchase. These acquired intangibles were deemed to create a deferred tax liability and calculated at 25.75% for France and 25% for Boom. In total, these amounted to £1,112k. These deferred tax liabilities were recognised in the period ended 31 December 2021 and are being amortised over the same periods as the acquired intangible. As at 31 March 2024 these have been amortised to £326k (2022: £832k).

10. Loss per share

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

Because XP Factory is in a net loss position, diluted loss per share excludes the effects of ordinary share equivalents consisting of stock options and warrants, which are anti-dilutive. The total number of shares subject to share options and conversion rights outstanding excluded from consideration in the calculation of diluted loss per share for the 15 Month Period Ended 31 March 2024 was 19,699,481 shares (Year Ended 31 December 2022: 19,699,481 shares).

	15 Month Period Ended 31 March 2024	Year Ended 31 December 2022
Loss after tax attributable to owners of the Company (£'000)	(420)	(994)
Weighted average number of shares:		
– Basic and diluted	165,271,148	150,043,518
Loss per share		
– Basic and diluted (Pence)	(0.26)	(0.66)

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11. Property, plant and equipment

	Leasehold improvements £'000	Office equipment £'000	Computers £'000	Furniture and fixtures £'000	Games £'000	Total £'000
Cost:						
As at 1 January 2022	5,465	50	165	824	5,526	12,030
Additions	6,968	1	135	425	1,470	8,999
Additions arising from acquisition	1,001	–	32	389	67	1,489
Disposals	(246)	–	(7)	(29)	(302)	(584)
As at 31 December 2022	13,188	51	325	1,609	6,761	21,934
Additions	3,872	140	326	1,294	2,514	8,146
Additions arising from acquisition	2,140	35	33	395	156	2,759
Transfers	–	498	–	(493)	(5)	–
Translation differences	(27)	(29)	(2)	(17)	(8)	(83)
Disposals	(334)	–	(2)	(8)	(183)	(527)
As at 31 March 2024	18,839	695	680	2,780	9,235	32,229
Accumulated depreciation:						
As at 1 January 2022	(2,785)	(49)	(101)	(270)	(3,308)	(6,514)
Additions arising from acquisition	(195)	–	(7)	(94)	(14)	(310)
Depreciation charge	(1,335)	(1)	(46)	(193)	(1,250)	(2,825)
Translation differences	3	–	–	–	4	7
Disposals	147	–	7	30	277	461
As at 31 December 2022	(4,165)	(50)	(147)	(527)	(4,292)	(9,181)
Additions arising from acquisition	(380)	(13)	(6)	(75)	(15)	(489)
Depreciation charge	(1,929)	(40)	(153)	(529)	(1,002)	(3,653)
Translation differences	53	1	–	7	(11)	50
Disposals	289	–	1	26	88	404
As at 31 March 2024	(6,132)	(102)	(305)	(1,098)	(5,232)	(12,869)
Net book value						
As at 31 March 2024	12,707	593	375	1,682	4,003	19,360
As at 31 December 2022	9,023	1	178	1,082	2,469	12,753

The amount of expenditure recognised in the carrying value of leasehold improvements in the course of construction at 31 March 2024 is £nil (2022: £36,625).

12. Right-of-use assets and lease liabilities

Right-of-use assets	15 Month Period ended 31 March 2024 £'000	Year ended 31 December 2022 £'000
Land and buildings – right-of-use asset cost b/f	20,484	8,920
Closures / modification of leases during the period	275	(411)
Additions during the period, including through acquisition	6,245	15,018
Lease incentives	(1,563)	(2,914)
Less: Accumulated depreciation b/f	(2,641)	(1,318)
Depreciation charged for the period	(2,474)	(1,453)
Net book value	20,326	17,842

The Group leases land and buildings for its offices and escape room and battle bar 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.

During the year ended 31 December 2022 the Group entered into a lease on a premises in Bournemouth where a portion of the property is sub-let to a Boom franchisee. The total value of the master lease is recognised within lease liabilities whilst the underlease has been recognised as a finance lease receivable.

Finance lease receivable	15 Month Period ended 31 Mar 2024 £'000	Year ended 31 Dec 2022 £'000
Balance at beginning of period	1,273	–
Additions during the year	–	1,234
Interest charged	116	39
Payments received	–	–
Balance at end of period	1,389	1,273

During the 15 Month Period Ended 31 March 2024, £nil of rent concessions have been recognised in the profit and loss (2022: £33k) to reflect credits provided by landlords during the COVID-19 pandemic. Only those rent concessions which adequately fulfil the criteria of paragraph 46A of the amendment to IFRS 16 on this subject have been included in the profit and loss.

Where leases have been renegotiated during the year, these have been treated as modifications of leases and included as separate items in the note above.

Lease liabilities	15 Month Period ended 31 Mar 2024 £'000	Year ended 31 Dec 2022 £'000
In respect of right-of-use assets		
Balance at beginning of period	24,039	8,405
Closures / modification of leases during the period	275	(501)
Additions during the year	6,245	16,252
Interest incurred	2,394	1,086
Rent concessions received	–	(33)
Repayments during the period	(3,135)	(1,186)
Reallocated (to) / from accruals and trade payables	–	16
Lease liabilities at end of period	29,818	24,039

	As at 31 Mar 2024 £'000	As at 31 Dec 2022 £'000
Maturity		
< 1 month	232	76
1 – 3 months	463	119
3 – 12 months	1,337	878
Non-current	27,786	22,965
Total lease liabilities	29,818	24,039

In the Escape Hunt group of companies, leases are generally 10 years with a 5 year break clause. Where the break clause is tenant only the leases are accounted for over the full period of the lease as it is assumed the break clause will not be enacted, whereas where the break clause is both ways, leases are accounted for over the period to the initial break clause years.

In the Boom group of companies, leases are generally over 15 years with a 10 year tenant only break clause, which are therefore accounted over 15 years. Only leases with a break that can be invoked by the landlord are accounted for over 10 years.

The group has no short term leases of properties.

None of the leases imposed restrictions or covenants.

The group also leases laptops for a small number of staff on leases of 3 years. The charge to the profit and loss for the 15 Month Period Ended 31 March 2024 for these computers was £10k (2022: £7k). These leases are all cancellable on short notice.

There are a number of properties for which turnover rent is payable. The amount charged to the profit and loss for these turnover rent payments in the 15 Month Period Ended 31 March 2024 was £1,191k (2022: £191k).

As at 31 March 2024 there were no leases that had not commenced to which the group was committed.

13. Intangible assets

	Goodwill £'000	Trademarks £'000	Intellectual property £'000	Internally generated IP £'000	Franchise agreements £'000	App Quest £'00'	Portal £'000	Total £'000
Cost								
At 1 January 2022	17,696	78	10,195	1,715	5,248	100	316	35,348
Additions arising from internal development	–	8	–	149	–	–	61	218
Additions arising from acquisition	1,475	–	–	–	–	–	–	1,475
Transfers arising from acquisition	469	–	–	–	(625)	–	–	(156)
Disposals	–	–	–	–	–	–	–	–
At 31 December 2022	19,640	86	10,195	1,864	4,623	100	377	36,885
Additions arising from internal development	–	14	–	101	–	–	93	208
Additions arising from acquisition	1,896	–	–	–	–	–	–	1,896
Re-analysis	1,339	–	–	–	(1,635)	–	–	(296)
Disposals	–	–	–	–	–	–	(149)	(149)
Translation differences	–	(4)	–	14	–	–	9	19
As at 31 March 2024	22,875	96	10,195	1,979	2,988	100	330	38,563
Accumulated amortisation / impairment								
At 1 January 2022	(1,393)	(60)	(10,195)	(669)	(580)	(100)	(306)	(13,303)
Amortisation for the year	–	(12)	–	(302)	(563)	–	(9)	(886)
Additions arising from acquisition	–	–	–	–	–	–	–	–
Translation differences	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–	–
At 31 December 2022	(1,393)	(72)	(10,195)	(971)	(1,143)	(100)	(315)	(14,189)
Amortisation for the year	–	(9)	–	(192)	(532)	–	(53)	(786)
Additions arising from acquisition	–	–	–	–	–	–	–	–
Translation differences	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	51	51
As at 31 March 2024	(1,393)	(81)	(10,195)	(1,163)	(1,675)	(100)	(317)	(14,924)
Carrying amounts								
At 31 March 2024	21,482	15	–	816	1,313	–	14	23,639
At 31 December 2022	18,247	14	–	893	3,480	–	62	22,696

Goodwill and acquisition related intangible assets recognised have arisen from the acquisition of Experiential Ventures Limited in May 2017, Escape Hunt Entertainment LLC in September 2020, BGP Escape France, BGP Entertainment Belgium in March 2021 and the Boom group of companies in November 2021, Boom East in August 2022, Boom Battle Bar Cardiff in September 2022, BBB Chelmsford and BBB Ealing in June 2023, BBB Liverpool and BBB Five in November 2023. Goodwill has also been recognised on the consolidation of BBB Nine Limited (Boom Battle Bar Swindon) which is managed by the group under an operating agreement. Refer to Notes 14 and 15 for further details.

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

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

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

The key assumptions for the fair value less costs to sale approach are those regarding capital expenditure which supports a consequent growth in revenues and associated earnings and a discount rate. The Group monitors its pre-tax Weighted Average Cost of Capital and those of its competitors using market data. In considering the discount rate applying to the CGU, the Directors have considered the relative sizes, risks and the inter-dependencies of its CGUs. The impairment reviews use a discount rate adjusted for pre-tax cash flows. The Group prepares cash flow forecasts derived from the most recent financial plan approved by the Board and extrapolates revenues, net margins and cash flows for the following three years based on forecast growth rates of the CGU. Cash flows beyond this period are also considered in assessing the need for any impairment provisions. A discount rate of 13.7% and capex of £9.1 million over the three years has been assumed. Growth in years 4- 6 is assumed at 5% per annum. The rate used for the fair value calculation thereafter is 2%. The directors consider these assumptions are consistent with that which a market participant would use in determining fair value.

Intellectual property

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

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

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

Franchise agreements

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

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

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

- Economic life – The valuation did not assume income for a period longer than the asset's economic life (the period over which it will generate income). The contractual nature of the Franchise Agreements (with terms typically between 6 and 10 years) means it is possible to forecast with a reasonable degree of certainty the remaining term of each agreement and therefore the period in which it will generate revenue. Only contracts which were signed at the acquisition date were included.
- Renewal – No provision for the renewal of existing Franchise Contracts has been included with the valuation. This reflects the fact that potential contract renewals will only take place several years in the future, and the stated strategy of management has been to focus on the development of owner-managed sites rather than renewing the franchises when they are due for renewal – as they may be bought out.
- Contributory Asset Charges (CAC–) – The projections assumed after returns are paid/charged to complementary assets which are used in conjunction with the valued asset to generate the earnings associated with it. The only CAC identified by management is the charge relating to IP – a charge has been included to take into account the Intellectual Property used within the franchise operation. This is considered key in generating earnings at the franchised sites. Management has applied the same royalty rate of 10% used to value this asset.
- Discount Rate – The Capital Asset Pricing Model ("CAPM") was used to calculate a discount rate of 13.7%.

- Taxation – At the time of acquisition, the franchise profits were earned within a group subsidiary which was incorporated in the Labuan province of Malaysia. The tax rate applicable in Labuan was applied to the earnings generated from franchise operations for franchise contracts acquired at that time. The acquisitions in France and the UK during 2021 have used anticipated tax rates of 25.75% and 25% respectively.

During the period ended 31 March 2024,, the Franchise businesses BBB Chelmsford, BBB Ealing, BBB Liverpool, BBB Five and the business and assets of Boom Watford were purchased. As such amounts that were previously being held as Franchise agreement intangibles have been transferred to goodwill to reflect the new group ownership and management of these companies.

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

14. Subsidiaries

Details of the Company's subsidiaries as at 31 March 2024 are as follows:

Name of subsidiary	Country of incorporation	Principal activity	Effective equity interest held by the Group (%)	Ref
Escape Hunt Group Limited	England and Wales	Operator of escape rooms	100	#1
Escape Hunt IP Limited	England and Wales	IP licensing	100	#1
Escape Hunt Franchises Limited	England and Wales	Franchise holding	100	#1
Escape Hunt Innovations Limited	England and Wales	Game design	100	#1
Escape Hunt Limited	England and Wales	Dormant	100	#1
Escape Hunt USA Franchises Ltd	England and Wales	Franchise holding	100	#1
Escape Hunt Entertainment LLC	United Arab Emirates	Operator of Escape Rooms in Dubai and master franchise to the Middle East	100	#1
BGP Escape France	France	Operator of Escape Rooms in Paris and master franchise to France, Belgium and Luxembourg	100	#1
BGP Entertainment Belgium	Belgium	Operator of Escape Rooms in Brussels	100	#1
BBB Franchise Limited	England and Wales	Franchise holding	100	#1
BBB Ventures Limited	England and Wales	Intermediate holding company	100	#2
BBB UK Trading Limited	England and Wales	Central administration and employment entity for the Boom owner-operated division	100	#2
Boom BB One Limited	England and Wales	Operator of battle bar Lakeside	100	#2
BBB Six Limited	England and Wales	Operator of battle bar Edinburgh	100	#2
BBB UK Property Limited (formerly BBB Seven Limited)	England and Wales	Operator of battle bars in O2, Leeds, Birmingham, Canterbury, Southend, Watford, Liverpool and Glasgow	100	#2
BBB Eleven Limited	England and Wales	Operator of battle bar Plymouth	100	#2
BBB Twelve Limited	England and Wales	Operator of battle bar Manchester	100	#2
BBB Thirteen Limited	England and Wales	Operator of battle bar Oxford Street	100	#2
BBB Fourteen Limited	England and Wales	Operator of battle bar Exeter	100	#2
BBB Sixteen Limited	England and Wales	Dormant	100	#2
BBB IP Limited (formerly BBB Seventeen Limited)	England and Wales	Holder of Boom IP	100	#2
Boom East Limited	England and Wales	Operator of battle bar Norwich	100	#2
Boom Battle Bar Cardiff Limited	England and Wales	Operator of battle bar Cardiff	100	#2
BBB Chelmsford Limited	England and Wales	Operator of battle bar Chelmsford	100	#2
BBB Ealing Limited	England and Wales	Operator of battle bar Ealing	100	#2
BBB Five Limited	England and Wales	Former operator of battle bar Glasgow	100	#2
BBB Liverpool Limited	England and Wales	Former operator of battle bar Liverpool	100	#2
Boom Battle Facilities Management Services LLC	United Arab Emirates	Operator of battle bar Dubai	100	#1

Each of the companies incorporated in England and Wales have their registered office at 70-88 Oxford Street, London, England, W1D 1BS.

Each of the subsidiaries for which reference 1 is shown is directly held by the Company. Those referenced 2 are held indirectly through one of the directly held subsidiaries.

The registered address of each overseas subsidiary is as follows:

Escape Hunt Entertainment LLC

Retail Space 26, Galleria Mall, Al Wasl Road, Bur Dubai, Dubai

Boom Battle Facilities Management Services LLC

Office no. 1506-7, The One Tower, Al Thanya First, Dubai, UAE

BGP Escape France

112 bis rue cardinet 75017, France

BGP Entertainment Belgium

13-15 rue de Livourne, 1060 Brussels

The registered address of each previously held entity is as follows:

Escape Hunt Operations Ltd

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

E V Development Co. Ltd

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

Experiential Ventures Limited

103 Sham Peng Tong Plaza, Victoria, Mahe, Seychelles.

Boom BB Two Limited

70-88 Oxford Street, London, England, W1D 1BS

BBB Three Limited

70-88 Oxford Street, London, England, W1D 1BS

BBB Fifteen Limited

70-88 Oxford Street, London, England, W1D 1BS

BBB Sixteen Limited

70-88 Oxford Street, London, England, W1D 1BS

During the year the liquidation of Experiential Ventures Limited, and along with it its wholly owned subsidiaries Escape Hunt Operations Ltd and E V Development Co. Limited were finalised. The subsequent writing off of final intercompany balances and the foreign exchange differences that had arisen to that point owed gave rise to a gain of £498k which has been presented on the P&L as part of exceptional costs.

On 21 November 2023 Boom BB Two Limited, BBB Three Limited and BBB Fifteen Limited were dissolved. On 9 April 2024, BBB Sixteen Limited was also dissolved. These businesses were originally expected to each hold the lease of a site but it was decided that leases would be signed into BBB UK Property Limited going forwards to consolidate the business. The subsequent writing off of final intercompany balances owed gave rise to a loss of £13k, £3k, £0.3k and £3k respectively (being £19k total) which have all been presented on the P&L as part of exceptional costs.

15. Business Combination

Acquisition of BBB Chelmsford Ltd

On 8 June 2023, the XP Factory Group acquired 100% of the equity interest in BBB Chelmsford Ltd, thereby obtaining control. BBB Chelmsford Ltd runs an owner operated Boom Battle Bar site situated in Chelmsford.

The details of the business combination are as follows:

	£'000
Fair value of consideration transferred	
Amounts settled in cash	44
Vendor loan	252
Total purchase consideration	296

The vendor loan is being repaid in 24 monthly instalments. The balance payable as at 31 March 2024 was £132k

Further acquisition related costs of £7.5k that were not directly attributable to the issue of shares are included in administrative expenses under the owner operated segment.

	Book Value £'000	Fair Value Adjustment £'000	Fair Value £'000
Assets and liabilities recognised as a result of the acquisition			
Cash	98	–	98
Other receivables and deposits	27	–	27
Inventory	15		15
Property, plant and equipment	630	–	630
Right of use assets	917	–	917
Trade payables	(64)	–	(64)
Lease liabilities	(1,077)	–	(1,077)
Loans	(549)	–	(549)
Other payables	(232)	–	(232)
Net identifiable assets acquired	(235)	–	(235)
Goodwill arising on consolidation	–	531	531
Total	(235)	531	296

There were no trade receivables present in the company as at the date of acquisition.

The goodwill of £531k is attributable to growth expectations, expected future profitability and the expertise and experience of BBB Chelmsford Ltd's workforce. Goodwill has been allocated to the owner operated segment and is not expected to be deductible for tax purposes.

BBB Chelmsford Ltd contributed revenues of £1.43m and net profits of £205k in the period between acquisition and 31 March 2024. If the acquisition had occurred on 1 January 2023, consolidated revenue would have been £671k higher, however consolidated net profits would have been £231k lower due to the recognition of rent accruals during the rent free period which had previously not been accounted for.

Acquisition of BBB Ealing Ltd

On 8 June 2023, the XP Factory Group acquired 100% of BBB Ealing Ltd, thereby obtaining control. BBB Ealing Ltd runs an owner operated Boom Battle Bar site situated in Ealing.

The details of the business combination are as follows:

	£'000
Fair value of consideration transferred	
Amounts settled in cash	104
Vendor loan	84
Total consideration	188

The vendor loan is being repaid in 24 monthly instalments. The balance payable as at 31 March 2024 was £44k

Further acquisition related costs of £7.5k that were not directly attributable to the issue of shares are included in administrative expenses under the owner operated segment.

	Book Value £'000	Fair Value Adjustment £'000	Fair Value £'000
Assets and liabilities recognised as a result of the acquisition			
Cash	70	–	70
Other receivables and deposits	13	–	13
Inventory	12	–	12
Property, plant and equipment	673	–	673
Right of use assets	1,178	–	1,178
Trade payables	(191)	–	(191)
Lease liabilities	(1,483)	–	(1,483)
Loans	(439)	–	(439)
Other payables	(398)	–	(398)
Net identifiable liabilities acquired	(566)	–	(566)
Goodwill arising on consolidation	–	754	754
Total	(566)	754	188

There were no trade receivables present in the company as at the date of acquisition.

The goodwill of £700k is attributable to growth expectations, expected future profitability and the expertise and experience of the BBB Ealing Ltd's workforce. Goodwill has been allocated to the owner operated segment and is not expected to be deductible for tax purposes.

BBB Ealing Ltd contributed revenues of £892k but net losses of £99k in the period between acquisition and 31 March 2024. If the acquisition had occurred on 1 January 2023, consolidated revenue would have been £467k higher, however consolidated net profits would have been £592k lower due to the recognition of rent accruals during the rent free period along with rates costs which had previously not been accounted for.

Acquisition of BBB Five Ltd

Effective 1 November 2023, the XP Factory Group acquired 100% of BBB Five Ltd, thereby obtaining control. BBB Five Ltd runs an owner operated Boom Battle Bar site situated in Glasgow.

The details of the business combination are as follows:

	£'000
Fair value of consideration transferred	
Amounts settled in cash	14
Vendor loan	138
Total consideration	152

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The vendor loan is being repaid in 24 monthly instalments. The balance payable as at 31 March 2024 was £134k

Further acquisition related costs of £10k that were not directly attributable to the issue of shares are included in administrative expenses under the owner operated segment.

	Book Value £'000	Fair Value Adjustment £'000	Fair Value £'000
Assets and liabilities recognised as a result of the acquisition			
Cash	73	–	73
Other receivables and deposits	10	–	10
Inventory	27	–	27
Property, plant and equipment	206	–	206
Right of use assets	1,578	–	1,578
Trade payables	(39)	–	(39)
Lease liabilities	(1,825)	–	(1,825)
Loans	(190)	–	(190)
Other payables	(172)	–	(172)
Net identifiable liabilities acquired	(333)	–	(333)
Goodwill arising on consolidation	–	485	485
Total	(333)	485	

There were no trade receivables present in the company as at the date of acquisition.

The goodwill of £483k is attributable to growth expectations, expected future profitability and the expertise and experience of the BBB Five Ltd's workforce. Goodwill has been allocated to the owner operated segment and is not expected to be deductible for tax purposes.

BBB Five Ltd contributed revenues of £654k net profits of £134k in the period between acquisition and 31 March 2024. If the acquisition had occurred on 1 January 2023, consolidated revenue would have been £1.1m higher, however consolidated net profits would have been £404k lower due to the recognition of rent accruals during the rent free period which had previously not been accounted for.

Acquisition of BBB Liverpool Ltd

Effective 1 November 2023, the XP Factory Group acquired 100% of BBB Liverpool Ltd, thereby obtaining control. BBB Liverpool Ltd runs an owner operated Boom Battle Bar site situated in Liverpool.

The details of the business combination are as follows:

	£'000
Fair value of consideration transferred	
Amounts settled in cash	90
Total consideration	90

Further acquisition related costs of £14k that were not directly attributable to the issue of shares are included in administrative expenses under the owner operated segment.

	Book Value £'000	Fair Value Adjustment £'000	Fair Value £'000
Assets and liabilities recognised as a result of the acquisition			
Cash	6	–	6
Trade receivables	20	–	–
Other receivables and deposits	26	–	26
Inventory	3	–	3
Property, plant and equipment	252	–	252
Right of use assets	135	–	135
Trade payables	(29)	–	(29)
Lease liabilities	(169)	–	(169)
Loans	(114)	–	(114)
Other payables	(341)	196	(145)
Net identifiable liabilities acquired	(232)	196	(36)
Goodwill arising on consolidation	–	126	126
Total	(232)	322	90

The fair value of acquired trade receivables is £20k. The gross contractual amount for trade receivables due is £20k of which none had been provided against as at the date of acquisition.

The goodwill of £126k is attributable to growth expectations, expected future profitability and the expertise and experience of the BBB Liverpool Ltd's workforce. Goodwill has been allocated to the owner operated segment and is not expected to be deductible for tax purposes.

BBB Liverpool Ltd contributed revenues of £301k and net profits of £27k in the period between acquisition and 31 March 2024. If the acquisition had occurred on 1 January 2023, consolidated revenue would have been £583k higher, however consolidated net profits would have been £330k lower due to the write off of debts receivable.

Acquisition of business and assets of Boom Battle Bar Watford

On 8 December 2023, the XP Factory Group acquired the business and assets of AK Leisure Investments Ltd. AK Leisure Investments Ltd runs an owner operated Boom Battle Bar site situated in Watford.

The details of the business combination are as follows:

	£'000
Fair value of consideration transferred	
Amounts settled in cash	134
Vendor loan	229
Total consideration	363

No further acquisition related costs were incurred.

	Book Value £'000	Fair Value Adjustment £'000	Fair Value £'000
Assets and liabilities recognised as a result of the acquisition			
Other receivables and deposits	10	–	10
Inventory	7	–	7
Property, plant and equipment	509	–	509
Right of use assets	541	–	541
Trade payables	(23)	–	(23)
Lease liabilities	(541)	–	(541)
Loans	(95)	–	(95)
Other payables	(45)	–	(45)
Net identifiable liabilities acquired	363	–	363
Goodwill arising on consolidation	–	–	–
Total	363	–	363

No cash or trade receivables were acquired.

The fair value of the total consideration is equal to the net identifiable assets acquired and there is no goodwill arising from the acquisition.

16. Loan to franchisee

A loan of £300,000 is due from a master franchisee which bears interest at 5% per annum plus 2% of the franchisee's revenues and is repayable in instalments between January 2020 and June 2023.

The majority of income receivable under the terms of the loan relates to interest at a fixed rate. The impact of COVID-19 on the borrower in 2020 has been significant, as a result of which it is considered unlikely that the loan will be repaid. The pandemic caused the franchisee to fall into arrears on rent at one of his sites and on loan repayments. As at 31 March 2024 this loan, together with accrued interest, has been provided for in full.

17. Trade and other receivables

	As at 31 March 2024 £'000	As at 31 December 2022 £'000
Trade receivables (customer contract balances)	1,636	1,934
Prepayments	1,840	1,140
Accrued income (customer contract balances)	481	421
Deposits and other receivables	122	278
	4,079	3,773

The Group's exposure to credit risk and impairment losses related to trade receivables is disclosed in Note 30.

Significant movements in customer contract assets during the 15 Month Period Ended 31 March 2024 are summarised below:

15 Month Period Ended 31 March 2024:	Trade Receivables £'000	Accrued income £'000
Contract assets:		
Balance at 1 January 2023	1,934	782
Transfers from contract assets recognised at the beginning of the period to receivables	782	(782)
Net (decreases)/increases as a result of changes in the measure of progress	(669)	633
Provisions for doubtful amounts	(410)	(31)
Balance at 31 March 2024	1,636	603

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

The group receives payments from customers based on terms established in its contracts. In the case of franchise revenues in Escape Hunt, amounts are billed within five working days of a month end and settlement is due by the 14th of the month. In the case of franchise revenues in Boom Battle Bar, amounts are billed every Tuesday and settlement is due by Friday each week.

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

18. Inventories

	As at 31 March 2024 £'000	As at 31 December 2022 £'000
Branch consumables (at cost)	348	323
Total inventories	348	323

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and other costs in bringing them to their existing location and condition. As items are sold, the costs of those items are drawn down from the value of inventory and recorded as an expense under costs of sale in the profit and loss for the period.

The movement in stocks was as follows:

	As at 31 March 2024 £'000	As at 31 December 2022 £'000
Balance brought forward	323	462
Utilised in the year	(6,736)	(2,316)
Acquired through acquisition	64	44
Purchases / cost incurred	6,697	2,133
Total inventories	348	323

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Cash and cash equivalents

	As at 31 March 2024 £'000	As at 31 December 2022 £'000
Bank balances	3,935	3,189
Cash and cash equivalents in the statement of cash flow	3,935	3,189

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

	As at 31 March 2024 £'000	As at 31 December 2022 £'000
Pounds Sterling	3,350	2,644
Australian Dollars	100	92
United States Dollars	165	77
Euros	223	272
United Arab Emirates Dirhams	97	103
	3,935	3,189

20. Trade and other payables (current)

	As at 31 March 2024 £'000	As at 31 December 2022 £'000
Trade payables	3,757	1,837
Accruals	5,544	3,657
Deferred income	1,809	1,438
Taxation	320	–
Loans due in < 1yr	1,941	1,101
Other taxes and social security	1,595	957
Other payables	87	645
	15,054	9,635

21. Deferred income

	As at 31 March 2024 £'000	As at 31 December 2022 £'000
Contract liabilities (deferred income):		
Balance at beginning of year	1,484	1,692
Revenue recognised in the year that was included in the deferred income balance at the beginning of the year and from balances acquired during the year	(1,484)	(1,002)
Drawdown of landlord contributions	(15)	–
Increases due to cash received, excluding amounts recognised as revenue during the period	1,620	686
Increases on acquisition of new businesses	611	109
Decreased on termination of franchises	(18)	(8)
Translation differences	6	7
Reclassification	24	–
Transaction price allocated to the remaining performance obligations	2,228	1,484

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

	As at 31 March 2024 £'000	As at 31 December 2022 £'000
Upfront exclusivity, legal and training fees	173	550
Landlord contributions	250	–
Escape room advance bookings	504	135
Boom Battle Bar advance bookings	943	233
Gift vouchers	358	566
	2,228	1,484

Upfront exclusivity, legal and training fees	As at 31 March 2024 £'000	As at 31 December 2022 £'000
Within one year	30	95
After more than one year	143	455
	173	550

Deferred revenues in respect of upfront exclusivity fees are expected to be recognised as revenues over the remaining lifetime of each franchise agreement. Deferred legal fees are recognised on the earlier of the date of completion of the franchise lease and the date of occupation and training fees are recognised on the date the franchise site is opened. The average remaining period of the Escape Hunt franchise agreements is approximately three years. The average remaining life on all Boom franchise leases is approximately eight years. All other deferred revenue is expected be recognised as revenue within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Provisions

The following provisions have been recognised in the period:

	15 Month Period ended 31 Mar 2024 £'000	Year ended 31 Dec 2022 £'000
Provision for contingent consideration	–	4,113
Provision for deferred consideration	–	857
Dilapidations provisions	539	314
Provision for financial guarantee contracts	70	94
Other provisions	–	5
	609	5,383

Provisions represent future liabilities and are recognised on an item by item basis based on the Group's best estimate of the likely committed cash outflow.

Movements on provisions can be illustrated as follows:

	Contingent consideration £'000	Deferred consideration £'000	Dilapidations £'000	Financial guarantee contracts £'000	Other £'000	Total £'000
Cost:						
As at 31 December 2022	4,113	857	314	94	5	5,383
Provisions recognised	–	112	225	–	–	337
Releases recognised	(4,113)	(969)	–	(24)	(5)	(5,111)
As at 31 March 2024	**–**	**–**	**539**	**70**	**–**	**609**

The ageing of provisions can be split as follows:

	As at 31 March 2024 £'000	As at 31 December 2022 £'000
Within one year	–	4,970
After more than one year	609	413
	609	5,383

The contingent consideration in 2022 related to an earnout payment in connection with the Boom acquisition in the 2021. The valuation is considered a level 2 valuation under IFRS 13, indicating that it is a financial liability that does not have regular market pricing, but whose value can be determined using other data values or market prices.

The value of the contingent consideration was initially estimated using a share price of 35.8p per XP Factory share, being the share price on 23rd November 2021, the date that the Acquisition of Boom Battle Bars completed, and assuming all 25,000,000 shares potentially due under the provisions of the sale agreement would be issued. The future value of the deferred consideration, was again estimated at 31 December 2022 using a cost of capital of 13.7 per cent, an implied share price of 18.5 pence per share and an expectation of issuing 23.5m shares. The final value of the contingent consideration was settled on 23 June 2023 by the issue of 23.9m shares at a share price of 18.5 pence per share. The difference between the fair value estimated at 31 December 2022 and the final value gave rise to a revaluation charge of £0.3m being recognised in the period to 31 March 2024 (2022: revaluation gain of £6.2m and a finance charge of £1.3m).

	As at 31 March 2024 £'000	As at 31 December 2022 £'000
Fair value of contingent consideration at acquisition	8,950	8,950
Financing charges recognised in year to 31 December 2021	106	106
Financing charges recognised during the year to 31 December 2022	1,267	1,267
Fair value adjustment	(6,210)	(6,210)
Financing charges recognised during the 15 months to 31 March 2024	–	–
Releases during the 15 months to 31 March 2024	(4,113)	
Provision for contingent consideration as at 31 March 2024	–	4,113

Financial guarantee contracts relate to leases where the Group has signed as co-tenant or has provided a guarantee for a site operated by a franchisee.

	31 Mar 2024 £'000	31 Dec 2022 £'000
Provision for financial guarantee contracts at start of period	94	26
Additional provision in period		68
Releases in period	(24)	
Provision at 31 March 2024	70	94
Number sites for which guarantees provided	6	7
Average term of lease remaining (years)	12.9	14.2
Average annual rent (£'000)	165	166

At the end of the reporting period, the directors of the Company have assessed the past due status of the debts under guarantee, the financial position of the debtors as well as the economic outlook of the industries in which the debtors operate. There has been no change in the estimation techniques or significant assumptions made during the reporting periods in assessing the loss allowance for these financial assets.

23. Share capital

	As at 31 March 2024 £'000	As at 31 December 2022 £'000
Issued and fully paid:		
At beginning of the year: 150,633,180 (2022: 146,005,098) Ordinary shares of 1.25 pence each	1,883	1,825
Issued during the year: 23,924,420 Ordinary shares	299	58
As at end of period / year – 174,557,600 (2022: 150,633,180) Ordinary shares of 1.25 pence each	2,182	1,883

XP Factory Plc does not have an authorised share capital and is not required to have one.

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

During the 15 Month Period Ended 31 March 2024, the following changes in the issued share capital of the Company occurred:

- 23,924,420 shares were issued to MFT Capital Ltd in final settlement of the Contingent Consideration in connection with the acquisition of the Boom Battle Bar group of companies in November 2021. The shares were issued at 18.5 pence per share, being a total consideration of £4.4m. The settlement represented 95.7% of the maximum payout.

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24. Borrowings

	As at 31 March 2024 £'000	As at 31 December 2022 £'000
Amounts due within one year		
Vendor loans	922	40
Rolled up interest	–	5
Fit out finance, including equipment finance leases	795	–
Bank and other borrowings	224	1,012
	1,941	1,057
Amounts due in more than one year:		
Vendor loans	234	–
Fit out finance	683	–
Bank and other borrowings	1,000	–
Other loans	–	423
As at end of period / year	1,917	1,480

€100,000 vendor loan notes were issued on 9 March 2021 ("France Notes") as part of the consideration for the acquisition of the French and Belgian master franchise. The France Notes carry interest at 4 per cent per annum and are repayable, together with accrued interest, in two equal tranches on the first and second anniversary of issue. The France Notes are secured by means of a pledge of the shares in BGP Entertainment Belgium.

On 9 March 2023, the final €50,000 outstanding on the France Notes was repaid in full.

On 22 November 2021, the Company issued £360,000 vendor loan notes to MFT Capital Limited as part of the consideration for the acquisition of Boom Battle Bars ("Boom Notes"). The Boom Notes were unsecured and carried interest at 5 per cent per annum. During 2022, the redemption date for the Boom Notes was extended to the second anniversary of the transaction in connection with the acquisition of Boom Battle Bar Cardiff Limited. The £360,000 Boom Notes were fully repaid in November 2023.

During the period, the Group bought back five franchise sites in Chelmsford, Ealing, Glasgow, Liverpool and Watford. Each of these acquisitions used vendor finance in form of deferred payments to the franchisee to help fund the respective acquisitions. Details are set out in note 15. As at 31 March 2024, £1,156k of this vendor finance remained outstanding.

During the 15 months ended 31 March 2024, the group made use of certain fit out finance facilities from a range of different suppliers. The total fit-out finance outstanding at the end of the period was £1,478k.

25. Share option and incentive plans

XP Factory Plc (formerly 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.

It is the Board's intention to make awards under the 2020 EMI Plan to attract and retain senior employees. The 2020 EMI Plan is available to employees whose committed time is at least 25 hours per week or 75% of his or her "working time" and who is not precluded from such participation by paragraph 28 of Schedule 5 (no material interest). The 2020 EMI Plan will expire on the 10th anniversary of its formation.

The Company has made four awards to date as set out in the table below. The options are exercisable at their relevant exercise prices 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 the Company's share price at testing equals the first vesting price, one third of the vested options will be exercisable. If the Company's share price at testing equals the second vesting price, 90 per cent of the vested options will be exercisable. If the Company's share price at testing equals or exceeds the third vesting price, 100% of the vested options will be exercisable. The proportion of vested options exercisable for share prices between the first and second vesting prices will scale proportionately from one third to 90 per cent. Similarly, the proportion of options exercisable for share prices between the second and third vesting prices will scale proportionately from 90 per cent to 100 per cent.

The options will all vest in the case of a takeover. If the takeover price is at or below the exercise price, no options will be exercisable. If the takeover price is greater than or equal to the second vesting price, 100 per cent of the options will be exercisable. The proportion of options exercisable between the first and second vesting prices will scale proportionately from nil to 100 per cent.

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.

Awards	#1	#2	#3	#4
Date of award	15-Jul-20	18-Nov-21	23-Nov-21	15-Dec-23
Date of expiry	15-Jul-25	18-Nov-26	23-Nov-26	29-Nov-31
Exercise price	7.5p	35.0p	35.0p	15.0p
Qualifying awards – number of shares under option	13,333,332	700,001	533,334	666,667
Non-qualifying awards – number of shares under option	2,400,000	0	0	0
First vesting price	11.25p	43.75p	43.75p	18.75p
Second vesting price	18.75p	61.25p	61.25p	25.05p
Third vesting price	25.00p	70.00p	70.00p	26.25p
Proportion of awards vesting at first vesting price	33.33%	33.33%	33.33%	33.33%
Proportion of awards vesting at second vesting price	90.00%	90.00%	90.00%	90.00%
Proportion of awards vesting at third vesting price	100%	100%	100%	100%

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As at 31 March 2024, 17,366,667 options were outstanding under the 2020 EMI Plan (2022: 16,700,000).

	As at 31 March 2024 '000	As at 31 December 2022 '000
Options outstanding at the beginning of the period	16,700	16,966
Awards made during the year	667	–
Options exercised	–	–
Options lapsed or forfeited	–	(266)
Options outstanding at the end of the period	17,367	16,700
Options vested and exercisable at the end of the period	16,700	–

The sum of £72,852 has been recognised as a share-based payment and charged to the profit and loss during the year (2022: £68,535). The fair value of the options granted during the period has been calculated using the Black & Scholes formula with the following key assumptions:

Awards	#1	#2	#3	#4
Exercise price	7.5p	35.0p	35.0p	15.0p
Volatility	34.60%	31%	31%	35.0%
Share price at date of award	7.375p	33.50p	32.00p	15.00p
Option exercise date	15-Jul-24	18-Nov-25	23-Nov-25	31-Jul-29
Dividend yield	0%	0%	0%	0%
Risk free rate	-0.05%	1.55%	1.55%	3.50%

The performance conditions were taking into account as follows:

The value of the options have then been adjusted to take account of the performance hurdles by assuming a lognormal distribution of share price returns, based on an expected return on the date of issue. This results in the mean expected return calculated using a lognormal distribution equalling the implied market return on the date of issue validating that the expected return relative to the volatility is proportionately correct. This was then used to calculate an implied probability of the performance hurdles being achieved within the four year window and the Black & Scholes derived option value was adjusted accordingly.

Time based vesting: It has been assumed that there is between a 90% and 95% probability of all share option holders for each award remaining in each consecutive year thereafter.

The weighted average remaining contractual life of the options outstanding at 31 March 2024 is 18.9 months (2022: 31.7 months).

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

During the year ended December 2022, 266,667 options lapsed due to a vesting condition not being met. No adjustment has been made to the share based payment charge as a result.

Escape Hunt Employee Share Incentive Scheme

In January 2021, the Company established the Escape Hunt Share Incentive Plan ("SIP").

The SIP has been adopted to promote and support the principles of wider share ownership amongst all the Company's employees. The Plan is available to all eligible employees, including Escape Hunt's executive directors, and invites individuals to elect to purchase ordinary shares of 1.25p each in the Company via the SIP trustee using monthly salary deductions. Shares are be purchased monthly by the SIP trustee on behalf of the participating employees at the prevailing market price. Individual elections can be as little as £10 per month, but may not, in aggregate, exceed £1,800 per employee in any one tax year. The Ordinary Shares acquired in this manner are referred to as "Partnership Shares" and, for each Partnership Share purchased, participants are awarded one further Ordinary Share, known as a "Matching Share", at nil cost.

Matching Shares must normally be held in the SIP for a minimum holding period of 3 years and, other than in certain exceptional circumstances, will be forfeited if, during that period, the participant in question ceases employment or withdraws their corresponding Partnership Shares from the Plan.

As at 31 March 2024, 415,045 matching shares (31 December 2022, 173,904) had been awarded and were held by the trustees for release to employees pending satisfaction of their retention conditions . A charge of £26,167 (2022: £12,592) has been recognised in the accounts in respect of the Matching Shares awards.

26. Capital management

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

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

The Company is not subject to externally imposed capital requirements.

27. Reserves

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

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

The merger relief reserve arose from the issue of shares to by the Company in exchange for shares in Experiential Ventures Limited and is not distributable by way of dividends. Upon the liquidation of Experiential Ventures Limited, the merger reserve has been transferred to retained income.

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

The convertible loan note reserve represents the equity component of the convertible loan notes on the date of issue.

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

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

28. Related party transactions

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

During the period under review there were no material related party transactions.

29. Directors and key management remuneration

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

30. Financial risk management

General objectives, policies and processes

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

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

Categories of financial assets and liabilities

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

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

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

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

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

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

Financial assets at amortised cost:

	As at 31 March 2024 £'000	As at 31 December 2022 £'000
Trade receivables	1,636	1,934
Other receivables and deposits	2,152	2,132
Cash and cash equivalents	3,935	3,189
	7,723	7,256

Financial liabilities at amortised cost:

	As at 31 March 2024 £'000	As at 31 December 2022 £'000
Trade payables	3,758	1,837
Accruals and other payables	7,548	5,259
Loan notes	–	45
Other loans	3,858	1,435
Deferred consideration	–	857
Contingent consideration	–	4,113
	15,164	13,546

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. The Group will provide against the carrying value receivables when the board considers that there is no reasonable expectation of full recovery. The provision reflects the extent to which a loss is expected. The financial asset will be fully written off and removed from the books when there is no longer any prospect of enforcement action.

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

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

Impairment of financial assets

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

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

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

Gross amounts (before impairment):	As at 31 March 2024 £'000	As at 31 December 2022 £'000
Not past due	1,330	983
Past due 0-30 days	52	271
Past due 31-60 days	123	98
Past due more than 60 days	541	923
	2,046	2,275

Impairment losses:

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

	As at 31 March 2024 £'000	As at 31 December 2022 £'000
At beginning of year	(341)	(264)
Impairment losses recognised	(396)	(77)
Bad debts written off	15	–
Other adjustments	312	–
At end of year	(410)	(341)

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

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

During the year ended 2020 the Group recognised an impairment in full against both the capital and accrued interest portions of the loan receivable from a master franchise. Further impairments have been recognised against all interest due in the current financial period. Therefore as at 31 March 2024 the net balance outstanding on this loan per these financial statements is nil (2021: £nil).

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Liquidity risk

The ageing of financial liabilities at the reporting date was as follows:

	As at 31 March 2024 £'000	As at 31 December 2022 £'000
Not past due	13,818	12,427
Past due 0-30 days	731	567
Past due 31-60 days	205	171
Past due more than 60 days	410	381
	15,164	13,546

As at 31 March 2024 £3,650k (2022: £2,912k) of the cash and bank balances, as detailed in Note 19 to the financial statements are held in financial institutions which are regulated and located in the UK, which management believes are of high credit quality. Management does not expect any losses arising from non-performance by these counterparties.

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

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

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The principal liabilities of the Group arise in respect of trade and other payables which are all payable within 12 months. At 31 March 2024, total trade payables within one year were £3,675k (2022: £1,837k), which is considerably less than the Group's cash held at the year-end of £3,936k (2022: £3,189k). The Board receives and reviews cash flow projections on a regular basis as well as information on cash balances.

Market risk

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

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

Foreign currency risk

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

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

As at 31 March 2024	UK Pound Sterling £'000	United States Dollar £'000	Euro £'000	Australian Dollar £'000	Other £'000	Total £'000
Financial assets:						
Trade receivables	1,510	–	76	–	51	1,636
Other receivables and deposits	2,076	–	76	–	–	2,152
Cash and bank balances	3,455	60	223	100	97	3,935
	7,040	60	374	100	148	7,723
Financial liabilities:						
Trade payables	3,496	–	170	–	92	3,758
Other payables and accruals	7,224	–	276	–	47	7,548
Other loans	3,507	–	–	–	351	3,858
	14,227	–	446	–	490	15,088
Foreign currency exposure (net)	–	60	(71)	100	(342)	(253)

As at 31 December 2022	UK Pound Sterling £'000	United States Dollar £'000	Euro £'000	Australian Dollar £'000	Other £'000	Total £'000
Financial assets:						
Trade receivables	1,453	8	420	–	53	1,934
Other receivables and deposits	2,011	–	122	–	–	2,132
Cash and bank balances	2,506	41	446	92	104	3,189
	5,970	49	987	92	157	7,256
Financial liabilities:						
Trade payables	1,697	1	108	–	31	1,837
Other payables and accruals	5,068	6	185	–	–	5,259
Loan notes	0	–	45	–	–	45
Other loans	1,419	–	16	–	–	1,435
Deferred consideration	857	–	–	–	–	857
Contingent consideration	4,113	–	–	–	–	4,113
	13,154	7	353	–	31	13,546
Foreign currency exposure (net)	–	43	634	92	126	895

Sensitivity analysis

A 10% strengthening of the Pound against the following currencies at 31 March 2024 would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Increase/ (Decrease) £'000 2023/24	Increase/ (Decrease) £'000 2022
Effects on profit after taxation/equity		
United States Dollar:		
– strengthened by 10%	(6)	(4)
– weakened by 10%	6	4
Euro:		
– strengthened by 10%	(7)	(63)
– weakened by 10%	7	63
Australian Dollar:		
– strengthened by 10%	(10)	(9)
– weakened by 10%	10	9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Commitments

As at 31 March 2024, the Group had capital expenditure commitments in respect of leasehold improvements totalling £nil (2022: £36,625).

32. Contingencies

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

33. Government grants

The following Government grants have been recognised during the period:

	15 month period ended 31 Mar 2024 £'000	Year ended 31 Dec 2022 £'000
Local authority Small Business Grants	–	68
R&D Claims made under the SME Scheme	–	–
Total	–	68

In addition, the Company benefitted from Business Rates Relief introduced for the retail, hospitality and leisure industries. The benefit in the period was £147k (2022: £458k)

None of the other income in the 15 Month Period Ended 31 March 2024 related to government grants.

34. Events after the reporting period

Since the reporting date, the Group has acquired a further three Boom sites from franchisees. Sites in Aldgate East and Wandsworth were acquired through exercising termination rights under the respective franchise agreements. The site in Aldgate East was acquired for a consideration of £0.1m with payment being offset against amounts owed to the Group by the franchisee. The site in Wandsworth was acquired for a consideration of £0.1m with payment being offset against amounts owed to the Group by the franchisee. The Group also acquired a Boom site in Bournemouth for a net consideration of £0.4m. £0.1m was paid on completion and the balance is structured as a vendor loan repayable over three years.

There are no other significant events since the reporting date that require disclosure.

35. Ultimate controlling party

As at 31 March 2024, no one entity owns greater than 50% of the issued share capital. Therefore, the Company does not have an ultimate controlling party.

COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 March 2024

	Note	As at 31 March 2024 £'000	As at 31 December 2022 £'000
ASSETS			
Non-current assets			
Intangible assets	4	–	57
Property, plant and equipment	5	27	22
Fixed asset investments	6	26,292	13,979
Deposits		11	–
		26,330	14,058
Current assets			
Trade and other receivables	7	382	189
Amounts due from subsidiaries	8	11,452	17,455
Cash at bank balances	9	32	182
		11,869	17,826
TOTAL ASSETS		38,199	31,884
LIABILITIES			
Current liabilities			
Trade and other payables	10	(1,761)	(656)
Other provisions	12	–	(4,370)
Loan notes and other loans	11	(217)	(552)
Non-current liabilities			
Loan notes and other loans	11	(1,045)	–
TOTAL LIABILITIES		(3,023)	(5,578)
NET ASSETS		35,176	26,306
EQUITY			
Share capital	14	2,182	1,883
Share premium account	15	48,831	44,704
Merger relief reserve	15	–	4,756
Accumulated losses	15	(16,195)	(25,323)
Capital redemption reserve	15	46	46
Share-based payment reserve	15	312	240
TOTAL EQUITY		35,176	26,306

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included a Profit and Loss account in these separate financial statements. The profit attributable to members of the Company for the period ended 31 March 2024 is £4,372k (2022: loss of £4,429k).

The Financial Statements on pages 115 to 129 were authorised for issue by the board of Directors on 31 August 2024 and were signed on its behalf by

Graham Bird
Director

The notes on pages 117 to 129 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
For the Period Ended 31 March 2024

	Share Capital £'000	Share premium account £'000	Capital redemption reserve £'000	Convertible loan note reserve £'000	Share based payment reserve £'000	Merger relief reserve £'000	Accumulated losses £'000	Total equity £'000
At 1 January 2022	1,825	44,365	46	68	158	4,756	(20,894)	30,324
Loss for the year	–	–	–	–	–	–	(4,429)	(4,429)
Issue of shares	3	–	–	–	–	–	–	3
Conversion of convertible loan note	55	339	–	(68)	–	–	–	326
Share based payment charge	–	–	–	–	82	–	–	82
Total transactions with owners	58	339	–	(68)	82	–	–	411
At 1 January 2023	1,883	44,704	46	–	240	4,756	(25,323)	26,306
Profit for the period							4,372	4,372
Issue of shares	299	4,127	–	–	–	–	–	4,426
Reclassification of merger reserve	–	–	–	–	–	(4,756)	4,756	–
Share based payment charge	–	–	–	–	72	–	–	72
Total transactions with owners	299	4,127	–	–	72	–	–	4,498
At 31 March 2024	2,182	48,831	46	–	312	–	(16,195)	35,176

The notes on pages 117 to 129 form part of these financial statements

COMPANY NOTES TO THE FINANCIAL STATEMENTS
For the Period Ended 31 March 2024

1. General information

XP Factory Plc (the "Company" is a public limited company limited by shares incorporated in England and Wales. The Company's registered office is Boom Battle Bar Oxford Street, Ground Floor And Basement Level, 70-88 Oxford Street, London, W1D 1BS.

2. Material accounting policies

(a) Basis of preparation of financial statements

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

These financial statements are prepared in UK pounds sterling, the company's functional currency, under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange of assets. Numbers are rounded to the nearest thousand. The principal accounting policies are set out below.

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included a Profit and Loss account in these separate financial statements. The profit attributable to members of the Company for the period ended 31 March 2024 is £4,372k (year ended 31 December 2022: loss of £4,429k).

During the period, the reporting date was extended to 31 March 2024. The reporting period is the period from 1 January 2023 to 31 March 2024 and therefore the comparatives for the year ended 31 December 2022 are not entirely comparable.

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

- the requirements of Section 7: Statement of Cash Flows
- the requirements of Section 11: Financial Instruments
- The disclosure of the compensation of Key Management Personnel of the Company
- The disclosures required by Section 26 Share Based Payments in respect of Group settled share-based payments for its own separate financial statements.

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

(b) Going concern

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

The Company relies on the performance of the Group and the ability to access and utilize cash resources within its subsidiaries. The Group plans to continue the roll out new sites under both the Escape Hunt and Boom Battle Bar brands in the UK which are expected to contribute to performance in future. The Directors have confirmed that there is no intention to restrict access by the Company to the operating decisions of the rest of the Group, and consequently believe that the going concern review, which looks at the group as a whole, is appropriate for the Company.

The Directors have assessed the Company's ability to continue in operational existence for the foreseeable future which is at least, but not limited to, twelve months from the end of the reporting period 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 three-year period from the reporting date.

The central case is based on opening a limited number of new Escape Hunt and Boom owner operated sites in the UK in line with the Board's stated strategy. Sites are expected to take a period of time to reach maturity based on previous experience. The central case does not assume any openings other than sites for which leases have already been secured.

The Directors has also considered a 'downside' scenario. In this scenario the Directors have assessed the potential impact of a reduction in sales across the Group, delays in the opening of sites, and cost increases. In the 'downside' scenario, the Directors believe they can take mitigating actions to preserve cash. Principally the roll-out of further sites would be stopped and cost saving measures would be introduced at head office and in capital expenditure. The Group has previously made significant reductions

COMPANY NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 31 March 2024

in its head office property costs, and further cost reductions could be targeted in both people and areas such as IT, professional services and marketing. Other areas of planned capital expenditure would also be curtailed. These include planned expenditure on website and system improvements and capital expenditure at sites. Taking into account the mitigating factors, the Group believes it would have sufficient resources for its present needs.

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

(c) Fixed asset investments

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

(d) Foreign currencies

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

(e) Cash and cash equivalents

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

(f) Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Customer Portal	- 33%

(g) Property, plant and equipment

Property, plant and equipment under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold Furniture and Fixtures	- 20%
Office Equipment	- 20%
Computer Hardware	- 33%

(h) Trade and other receivables

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

(i) Impairment of assets

Financial assets

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

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

Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

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

(j) Employee benefits

Short-term benefits

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

(k) Provisions

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

The Company has recognized provisions for liabilities of uncertain timing or amount including contingent and deferred consideration.

Contingent and deferred consideration

Contingent consideration is consideration that is payable in respect of acquisitions which is contingent on the achievement of certain performance or events after the date of acquisition. Deferred consideration is consideration payable in respect of acquisitions which is deferred, but is not dependent on any future performance or events.

The likely value of contingent consideration is estimated based on the anticipated future performance of the business acquired and a probability of the necessary performance being achieved. The expected future value of the contingent consideration is discounted from the anticipated date of payment to the present value. For cash settled contingent consideration, the discount rate is the risk free rate together with the Consumer Price index for inflation. For Equity settled contingent consideration, the future value is discounted using the Director's assessment of the company's cost of equity. The present value is recognised as a liability at the date of transaction. The implied interest is recognised over the period between the date of acquisition and anticipated date of payment of the contingent consideration.

Deferred consideration is recognised as a liability at its face value at the date of acquisition.

(l) Leases

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

(m) Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Equity-settled share based payments to non-employees are measured at the fair value of services received, or if this cannot be measured, at the fair value of the equity instruments granted at the date that the Company obtains the goods or counterparty renders the service. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 25 to the consolidated financial statements.

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

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

(n) Trade and other payables

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

(o) Share capital

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

(p) Financial instruments

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

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

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

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

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

(i) Financial liabilities

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

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

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

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

(ii) Equity instruments

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

(iii) Other financial instruments

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

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

(q) Merger relief

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

In the case of the Company's acquisition of Experiential Ventures Limited, where certain shares were acquired for cash and others on a share for share basis, then merger relief was applied to those shares issued in exchange for shares in Experiential Ventures Limited. Experiential Ventures Limited was finally liquidated during the period, and as a result the balance carried in the merger relief reserve has been transferred to accumulated losses.

COMPANY NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 31 March 2024

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Impairment of fixed asset investments and amounts due from subsidiaries

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

At each reporting date fixed asset investments and loans made to subsidiaries are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss. During the period, the Company subscribed for further shares in Escape Hunt Group Limited and reduced its receivables from company by £12m in consideration for the share issue. The share issue gave rise to the reversal of a historic provision of £10m which had been made against the receivable. The Directors have carried out an impairment test on the value of the remaining loans due from subsidiaries and have concluded that no further impairment provision (2022: £Nil) is required to write down the loans to their estimated recoverable amount. The directors have determined that the recoverable amount relating to the equity investment in Escape Hunt Group Limited exceeds the carrying value.

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

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

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

Estimation of share based payment charges

The calculation of the annual charge in relation to share based payments requires management to estimate the fair value of the share-based payment on the date of the award. The estimates are complex and take into account a number of factors including the vesting conditions, the period of time over which the awards are recognized, the exercise price of options which are the subject of the award, the expected future volatility of the company's share price, interest rates, the expected return on the shares, and the likely future date of exercise. A new executive scheme was established during the year ended 31 December 2020 and awards have been made under the scheme in the years ended 31 December 2022 and the 15-month period ended 31 March 2024, details of which are set out in note 25 to the consolidated accounts. Management has estimated the annual charge in the period to 31 March 2024 related to the awards made to be £72,857 (2022: £81,127) and recognized this charge accordingly.

Contingent consideration

Where acquisitions include an element of consideration which is contingent on the performance of the business acquired, an estimate is made of the amount which the Directors believe will become payable based on the anticipated performance of the business acquired and the probability of the performance requirements being met. Where these amounts are significant, the estimated total contingent consideration is discounted back to the present value at the date of acquisition using the risk free rate of interest and the consumer price inflation index at the date of acquisition for cash settled contingent consideration and the Directors' estimate of the cost of equity for equity settled contingent consideration. The discounted value is recognised as part of the consideration. The implied interest is recognised in the period between acquisition and the expected date of payment of the contingent consideration. Further details are set out in notes 3 and 22 of the consolidated financial statements.

4. Intangible assets

	Customer portal £'000
Cost	
Cost at 1 January 2023	61
Additions	88
Disposals	(149)
Cost at 31 March 2024	–
Accumulated depreciation	
Accumulated depreciation at 1 January 2023	4
Depreciation charge for the period	47
Depreciation on disposal	(51)
Accumulated depreciation at 31 March 2024	–
Carrying amounts	
At 31 March 2024	**–**
At 31 December 2022	57

5. Property, plant and equipment

	Furniture and fittings £'000	Office equipment £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2023	9	14	48	71
Additions	–	–	25	25
Disposals	–	–	(2)	(2)
At 31 March 2024	9	14	71	94
Accumulated depreciation				
At 1 January 2023	8	14	27	49
Depreciation charge	1	–	18	19
Depreciation on disposal	–	–	(1)	(1)
At 31 March 2024	9	14	44	67
Carrying amounts				
At 31 March 2024	–	–	27	27
At 31 December 2022	1	–	21	22

COMPANY NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 31 March 2024

6. Fixed asset investments

	As at 31 March 2024 £'000	As at 31 December 2022 £'000
Balance brought forward	13,979	21,177
Additions	12,313	12
Re-measurement of contingent consideration	–	(6,210)
Balance at end of period	26,292	13,979

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

- Escape Hunt Group Limited
- Escape Franchises Limited
- Escape Hunt IP Limited
- Escape Hunt Innovations Limited
- Escape Hunt USA Franchises Limited
- Escape Hunt Entertainment LLC (registered in Dubai)
- Escape Hunt Limited
- BGP Escape France (registered in France)
- BGP Entertainment Belgium (registered in Belgium)
- Boom Battle Facilities Management Services LLC (registered in Dubai)
- Boom BB One Limited
- BBB UK Trading Limited
- BBB UK Property Limited
- BBB Franchise Limited
- BBB Thirteen Limited
- BBB Ventures Limited
- BBB Sixteen Limited
- BBB Six Limited
- BBB Eleven Limited
- BBB Twelve Limited
- BBB IP Limited
- BBB Fourteen Limited
- Boom Battler Bar Cardiff Limited
- Boom East Limited
- BBB Chelmsford Limited
- BBB Ealing Limited
- BBB Liverpool Limited
- BBB Five Limited

No impairment provision has been made against the investments in subsidiaries. Note 14 to the consolidated financial statements contains further information on the Company's holdings in subsidiaries including their activities and address of registered office.

7. Trade and other receivables

	As at 31 March 2024 £'000	As at 31 December 2022 £'000
Trade receivables	53	96
Prepayments	265	52
Other receivables	64	41
	382	189

8. Amounts due from subsidiaries

	As at 31 March 2024 £'000	As at 31 December 2022 £'000
Gross receivable	27,460	24,687
Provision made in prior years	(10,005)	(10,005)
Balance brought forward at beginning of year	17,455	14,312
Reclassification from loans to franchisees	–	105
Provision reversed	10,000	
Amounts repaid in period	(16,003)	
Amounts advanced net of repayments	–	3,038
Balance at end of year	11,452	17,455

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

9. Cash and cash equivalents

	As at 31 March 2024 £'000	As at 31 December 2022 £'000
Bank balances	32	182
	32	182

COMPANY NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 31 March 2024

10. Trade and other payables

	As at 31 March 2024 £'000	As at 31 December 2022 £'000
Trade payables	76	180
Accruals	812	387
Taxes and social security	83	77
Other payables	37	2
Amounts due to subsidiaries	753	10
	1,761	656

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

Accruals includes an amount for the audit of the parent financial statements for the period ended 31 March 2024 of £57k (2022: £50k).

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

11. Loan Notes

	As at 31 March 2024 £'000	As at 31 December 2022 £'000
Amounts due within one year		
Loan notes and vendor loans	–	402
Rolled up interest on vendor loan notes	–	3
Other loans	217	147
	217	552
Amounts due in more than one year		
Other loans	1,045	–
	1,045	–

€100,000 vendor loan notes were issued on 9 March 2021 ("France Notes") as part of the consideration for the acquisition of the French and Belgian master franchise. The France Notes carry interest at 4 per cent per annum and are repayable, together with accrued interest, in two equal tranches on the first and second anniversary of issue. The France Notes are secured by means of a pledge of the shares in BGP Entertainment Belgium.

The France Notes were fully repaid in March 2023.

On 22 November 2021, the Company issued £360,000 vendor loan notes to MFT Capital Limited as part of the consideration for the acquisition of Boom Battle Bars ("Boom Notes"). The Boom Notes were unsecured and carried interest at 5 per cent per annum. During 2022, the redemption date for the Boom Notes was extended to the second anniversary of the transaction in connection with the acquisition of Boom Battle Bar Cardiff Limited. The Boom Notes were fully repaid in November 2023.

On 28 June 2023 the company obtained a £1m unsecured loan from a high net worth individual, drawn down in two instalments of £500,000 on 28 June 2023 and 23 November 2023. Interest is accrued monthly at 15.5% per annum and repaid quarterly. The loan principal is repayable in full after 2 years. As at 31 March 2024 the loan balance, including accrued interest, was £1m, all of which is due in more than one year.

The company entered into a credit agreement on 1 November 2023 to pay for its insurance policy by monthly instalments. The loan is repayable monthly and interest accrues at 14.3% per annum. As at 31 March 2024 the loan balance, including accrued interest, was £163,477, all of which is due within one year.

On 4 January 2023, the company arranged a finance lease on behalf of its subsidiary to finance fit-out costs. The lease has a 3-year term and is repayable monthly and accrues interest at 14.0% per annum. As at 31 March 2024 the loan balance, including accrued interest, was £98,242, of which £53,372 is due within one year and £44,870 is due in more than one year.

12. Provisions

	As at 31 March 2024 £'000	As at 31 December 2022 £'000
Provision for contingent consideration	–	4,113
Provision for deferred consideration	–	257
	–	4,370

Provisions represent future liabilities and are recognised on an item by item basis based on the Group's best estimate of the likely committed cash outflow.

The balance of deferred consideration was paid on 7 July 2023.

The contingent consideration in 2022 related to an earnout payment in connection with the Boom acquisition in the 2021. The valuation is considered a level 2 valuation under IFRS 13, indicating that it is a financial liability that does not have regular market pricing, but whose value can be determined using other data values or market prices.

The value of the contingent consideration was initially estimated using a share price of 35.8p per XP Factory share, being the share price on 23rd November 2021, the date that the Acquisition of Boom Battle Bars completed, and assuming all 25,000,000 shares potentially due under the provisions of the sale agreement would be issued. The future value of the deferred consideration, was again estimated at 31 December 2022 using a cost of capital of 13.7 per cent, an implied share price of 18.5 pence per share and an expectation of issuing 23.5m shares. The final value of the contingent consideration was settled on 23 June 2023 by the issue of 23.9m shares at a share price of 18.5 pence per share. The difference between the fair value estimated at 31 December 2022 and the final value gave rise to a revaluation charge of £0.3m being recognised in the period to 31 March 2024 (2022: revaluation gain of £6.2m and a finance charge of £1.3m).

	As at 31 March 2024 £'000	As at 31 December 2022 £'000
Fair value of contingent consideration at acquisition / beginning of year	4,113	9,056
Financing charges recognised in year to 31 December 2022	–	1,267
Released in the period 31 March 2024	(4,113)	
Fair value adjustment to the cost of investment	–	(6,210)
Provision for contingent consideration at the end of the year	–	4,113

COMPANY NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 31 March 2024

The ageing of provisions can be split as follows:

	As at 31 March 2024 £'000	As at 31 December 2022 £'000
Within one year	–	4,370
After more than one year	–	–
	–	4,370

13. Share capital

Details of the Company's allotted, called-up and fully paid share capital are set out in Note 23 to the Consolidated Financial Statements.

14. Reserves

Share premium account

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

Merger relief reserve

The merger relief reserve arose from the issue of shares to by the Company in exchange for shares in Experiential Ventures Limited and was previously not distributable. Experiential Ventures Limited was dissolved during the period, the merger relief reserve was consequently realized and has been transferred to accumulated losses and is now forms part of distributable reserves.

Accumulated losses

Accumulated losses represent the cumulative losses net of dividends distributed to shareholders.

Capital redemption reserve

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

Share-based payment reserve

The share-based payment reserve arises from the requirement to value share options and warrants in existence at the year end at fair value (see note 25 to the Consolidated Financial Statements).

Convertible loan note reserve

The convertible loan note reserve represents the equity component of the convertible loan notes on the date of issue.

15. Share based payments

Details of the Company's share options and warrants are contained in note 25 to the Consolidated Financial Statements.

16. Segment information

Operating segments are identified on the basis of internal components of the Company that are regularly reviewed by the Board. Until its acquisition of Experiential Ventures Limited on 2 May 2017, the Company was an investing company (as defined in the AIM Rules for Companies) and did not trade. On the completion of the acquisition of Experiential Ventures Limited and its subsidiaries, the Company became the holding company of the Group. The Company's subsidiaries currently operate two fast growing leisure brands. Escape Hunt 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, and through digitally delivered games which can be played remotely. Boom Battle Bar is a fast-growing network of owner-operated and franchise sites in the UK that combine competitive socialising activities with themed cocktails, drinks and street food in a high energy, fun setting. Activities include a range of games such as augmented reality darts, Bavarian axe throwing, 'crazier golf', shuffleboard and others.

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

17. Related party transactions

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

Details of amounts due between the Company and its subsidiaries are shown in Notes 7 and 10 above.

18. Subsequent events

There are no significant events since the reporting date that require disclosure.

19. Financial commitments and guarantees

For the financial period ended 31 March 2024, the below subsidiaries are exempt from the requirements stipulating that they be audited since they fulfil all the conditions for exemption under section 479A of the Companies Act 2006.

Escape Hunt Limited
BBB Ventures Limited
BBB IP Ltd

The outstanding liabilities at the balance sheet date of the above subsidiary undertakings have been guaranteed by XP Factory Plc pursuant to s479A to s479C of the Companies Act 2006. The aggregate liabilities of these subsidiaries at 31 March 2024 was £423k.

20. Ultimate controlling party

As at 31 March 2024, no one entity owns greater than 50% of the issued share capital. Therefore, the Company does not have an ultimate controlling party.

COMPANY INFORMATION

Directors
Richard Rose, Independent Non-Executive Chairman
Richard Harpham, Chief Executive Officer
Graham Bird, Chief Financial Officer
Martin Shuker, Non-Executive Director
Philip Shepherd, Non-Executive Director

Company secretary
Joanne Briscoe

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