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19 March 2024

XP Factory plc
("XP Factory", the "Company" or the "Group")

Interim Results

XP Factory plc (AIM: XPF), one of the UK's pre-eminent experiential leisure businesses operating the Escape Hunt® and Boom Battle Bar® brands, is pleased to announce its unaudited interim results for the twelve months ended 31 December 2023 ("2023").

	Year ended 31 December 2023 (£'000)	Year ended 31 December 2022 (£'000)	% Change
Revenue	44,754	22,834	+96.0%
Gross Profit	28,720	14,712	+95.2%
Site level EBITDA	15,301	7,683	+99.2%
Pre IFRS 16 Adjusted EBITDA ¹	5,519	2,555	+116.0%
Adjusted EBITDA¹	8,038	3,955	+103.2%
Operating profit / (loss) before fair value movements²	1,763	(4,938)	nm
Loss per share (pence)	(0.26)	(0.66)	nm

FINANCIAL HIGHLIGHTS

- Group revenue increased 96% to £44.7m (2022: £22.8m) demonstrating the significant growth in scale:
 - Escape Hunt® owner operated site revenue increased 38% to £13.5m (2022: £9.8m)
 - Boom Battle Bar® ("Boom") owner operated revenue increased 201% to £28.6m (2022: £9.5m)
- Gross margin maintained at 64.2% (2022: 64.4%)
- Pre IFRS 16 Group Adjusted EBITDA¹ increased 116% to £5.5m (2022: £2.6m)
- Site level pre IFRS 16 EBITDA increased 64% to £13.6m (2022: £8.3m)
- Group Adjusted EBITDA rose 103% to £8.0m (2022: 4.0m)
- Operating profit² of £1.7m was £6.7m ahead of prior year (2022: loss £4.9m)
- £9.5m cash generated from operations (2022: £3.2m) - £6.9m invested in capital expenditure
- £4.4m cash balance at 31 December 2023 (31 Dec 2022: £3.2m)

OPERATING HIGHLIGHTS

- Double digit like-for-like² sales growth delivered across both owner-operated brands:
 - Boom: up 29 % in the 52 weeks to 31 December 2023
 - Escape Hunt®: up 17% in the 52 weeks to 31 December 2023
- 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 site level EBITDA margin of 18% (2022: 13%)
- New owner operated Escape Hunt site opened in Woking in July 2023

- Escape Hunt® owner operated site level EBITDA margin of 42% (2022: 42%) continue to exceed internal targets
- Pipeline of further site openings developed
- Continued strong like for like growth in first 10 weeks of 2024 underpins confidence in the future

¹ Earnings before interest, tax, depreciation and amortization, calculated before pre-opening losses, exceptional items, and other non-cash items. A full reconciliation to operating loss is provided below in the text of the announcement.

² Excluding £6.2m 'fair value gain' on revaluation of contingent consideration in 2022 and £312k 'fair value loss' in 2023.

Richard Harpham, Chief Executive of XP Factory, commented "I'm delighted with the Company's performance over the last 12 months, and doubling in scale for the second year running is testament to the extraordinary efforts of our team. Both brands have significant runways ahead of them, and I'm excited to have such a robust foundation in place from which to grow further".

Enquiries

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About XP Factory plc

The XP Factory Group is one of the UK's pre-eminent experiential leisure businesses which 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 franchised sites in the UK that combine competitive socialising activities with themed cocktails, drinks and street food in a high energy setting. Activities include a range of games such as augmented reality darts, Bavarian axe throwing, 'crazier golf', shuffleboard and others. The Group's products enjoy premium customer ratings and cater for leisure or teambuilding, in small groups or large, and are suitable for consumers, businesses and other organisations. The Company has a strategy to expand the network in the UK and internationally, creating high quality games and experiences delivered through multiple formats and which can incorporate branded IP content. (<https://xpfactory.com/>)

CHIEF EXECUTIVE'S REPORT

INTRODUCTION

2023 saw XP Factory deliver another year of transformational growth, with sales almost doubling to £44.8m (2022: £22.8m), and pre-IFRS16 Adjusted EBITDA increasing 116% to £5.5m (2022: £2.6m). A significant milestone was achieved, as the business generated for the first time a positive Operating Profit³ of £1.7m, compared to a loss of £4.9m in 2022. While some of this growth came from the four sites opened in the year (3 Boom, 1 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.

Following such an active year of site openings in 2022, focus in 2023 was much more about optimising the estate that we had built, and looking for opportunities to create additional capacity where possible. With Boom the much younger brand, we took a particularly analytical approach to its early performance and identified several areas where we could improve operationally, create better customer flows, and target a narrower group of guests in our brand efforts. For Escape Hunt, we were able to build some additional rooms in the existing estate, where peak hours saw us constrained by our capacity. Across both brands, these efforts have yielded a high return on capital and have further cemented our foundation for future growth.

We are extremely pleased with the resilience the business has demonstrated in a challenging consumer environment and believe that our obsession with affordability and customer satisfaction has paid dividends. Whilst the experiential leisure sector continues to exhibit robust structural growth, we are delighted that both Escape Hunt and Boom have delivered LFL sales growth, return on capital employed ("ROCE"), customer review scores and margins significantly ahead of their industry peers. Moreover, the double digit LFL sales growth seen in even our earliest Escape Hunt® sites, some of which have now been trading for six years, reinforces our confidence in the longevity of the model. This has enabled us to re-assess the expected lives of games and leasehold improvements, reducing the annual depreciation charge, described in more detail below. Our overall strategy for the Group has not changed and we look forward to leveraging the robust platform we have created to support significant expansion in the UK and beyond.

3. Before Fair value adjustments relating to share based contingent consideration. 2022: £6.2m gain; 2023: £0.3m loss

BOOM BATTLE BAR®

Owner operated

Boom's owner-operated estate delivered £28.6m sales in the period, a 201% increase versus £9.5m in 2022. The drivers behind this growth include £12.8m from the full year effect of sites opened in 2022, 29% (£2.6m) LFL sales growth from the maturing estate, £1.6m from the three new sites built towards the back end of the year (Dubai, Southend and Canterbury), and £2.1 from the franchisee sites which we bought back. Sales performance over the Christmas period was remarkably strong, with corporate sales 393% ahead of prior year representing 16% of sales (2022: 10%), and consumer demand causing all-time sales records to be beaten in six consecutive weeks.

Margins within the business continue to improve in line with our expectations, with gross profit margins improving to 58% for the year, up from 52% in 2022. Site level EBITDA was 23% in the second half of 2023, resulting in a site level EBITDA margin of 18% for the full year, with this latter number being diluted by young sites making expected losses in their first few weeks of trading. The trajectory is very much as anticipated and provides confidence that our mid-term aspiration of a 20-25% EBITDA margin (pre IFRS 16) is realistic.

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 and a ROCE which, at 48%, is market leading.

At 31 December 2023, the Group had 19 owner-operated Boom sites trading.

Franchise

Boom's franchise business delivered £1.9m revenue in the year. This anticipated reduction of £1m vs prior year (2022: £2.9m) is largely from the fact that the 2022 revenue included £0.9m relating to the build and subsequent sale of a franchise unit for which there was an associated, offsetting cost of sale. Other changes were driven by the full year effect of sites opened in 2022, offset by Group having bought back Chelmsford, Ealing, Liverpool, Watford and Glasgow in the period, and the full year effect of the buy-backs of franchise sites in Cardiff and Norwich in 2022. These vendor-financed deals are attractive to XP Factory, and we will continue to do similarly if opportunities present themselves and if we believe the risk-adjusted returns match the returns we can make from opening new sites.

ESCAPE HUNT®

Owner-operated

In another encouraging year for Escape Hunt, the owner-operated estate generated £13.5m sales, 38% ahead of prior year (FY22: £9.7m). Like for like sales growth was 17% while the earliest cohort of seven sites, which have been operating for over six years and are still playing their original games, grew 19% vs last year. The exceptional LFL growth underpins our confidence in the enduring nature of the concept, and with escape rooms moving ever forwards in the consumer psyche, we remain particularly optimistic about the future of the brand.

Site level EBITDA margins held steady at 42%, even after absorbing meaningful wage increases during the year. Rather than increasing prices to offset rising cost lines, instead we sought to create capacity and drive volume, and in so doing, we proved remarkably resilient, even in a challenging consumer market.

The bolstered corporate sales team delivered 40% more business than in the prior year and the Christmas period again proved to be popular, with corporate bookings representing 5% of total sales, a similar percentage to what has been achieved previously. Our focus on delivering outstanding customer service continued as always, and we were delighted to receive a market leading 99% satisfaction rating, compared to an average of 88% for the leisure industry as a whole and 94% for the competitive socialising sub sector.

The return on capital within Escape Hunt remains extremely high at 46%. Interestingly we are typically seeing an upwards trend in the returns profile, since the new sites being opened tend to mature more quickly now that the brand is becoming better known, and our build costs are holding stable.

Within the year we opened a new Escape Hunt in Woking, bringing our UK site total to 20, and our owner operated total to 23 with the inclusion of Dubai, Paris and Brussels.

Franchise

Franchise sales of £0.8m represent a 9% increase vs prior year, and since the units are almost all more than five years old, the performance further demonstrates the longevity and reliance of the business.

STRATEGY

Overview

Following our recent expansion, the Group is the largest escape room and competitive socialising operator in the UK. This is a fast growing and resilient niche of the leisure sector, with our sites benefiting from industry leading unit economics with further improvement potential. Our experience to date demonstrates the opportunity to expand in the UK and the rationale for taking our proven concept overseas with reduced execution risk. Our strategy to deliver profitable growth is supported by a clear focus on the strength and longevity of return on capital employed available, with accelerated payback periods following initial investment.

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. Since the period end, we have 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.

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 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 year 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
- 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
- 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.

FINANCIAL REVIEW

Financial performance

Unaudited Group revenue in the twelve months to 31 December 2023 was £44.8m, an increase of 96% over the same period in 2022. The increase reflects the significant site expansion undertaken in 2022 together with strong like for like sales growth. Escape Hunt® owner-operated revenue grew 38% to £13.5m, reflecting the full year benefit of turnover from new sites opened in 2022 together with 17% like for like sales growth from the existing estate. Boom owner operated revenue grew 201%, reflecting like for like sales growth of 29% and the growth of the owner operated estate from two sites in January 2022 to 19 at 31 December 2023.

Group adjusted EBITDA pre IFRS16 adjustments grew strongly from £2.6m to £5.5m and to £8.0m (2022: £4.0m) after IFRS 16 adjustments.

	Twelve months ended Dec 2023 £'000	Twelve months ended Dec 2022 £'000
Adjusted EBITDA - pre IFRS 16	5,519	2,555
IFRS 16 adjustments	2,518	1,400
Adjusted EBITDA post IFRS 16	8,037	3,955

Amortisation of intangibles	(712)	(886)
Depreciation of Fixed assets	(2,731)	(2,825)
Depreciation of Right of Use assets	(1,934)	(1,453)
Rent credits recognised	-	-
Loss on disposal of tangible assets	(89)	(126)
Profit on closure/modification of leases	-	90
Branch closure costs and other exceptional costs	(57)	(399)
Branch pre-opening costs	(734)	(2,018)
Provision against loan to franchisee	4	(26)
Foreign currency gains / (losses)	18	(1,133)
IFRS 9 provision for guarantee losses	24	(68)
Share-based payment expense	(63)	(81)
Operating profit (loss) before fair value movement	1,763	(4,938)
Fair value movement on contingent consideration	(312)	6,210
Operating profit	1,451	1,272

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 for games 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 twelve months to 31 December 2023 reflects the new estimates. The impact in the current period has been a reduction in depreciation of approximately £2.3m compared to what would have been charged under the previous estimates.

In 2022, the Group recorded a fair value gain on the revaluation of contingent consideration of £6.2m. The treatment is an IFRS requirement and arose from the fall in value of the expected contingent consideration due to the fall in share price between the date on which Boom was acquired (November 2021) and the end of 2022. The contingent consideration 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.

£734k of expenditure in the period related to pre-opening costs, largely for the new Boom sites in Dubai, Canterbury and Southend, as well as the new Escape Hunt® site in Woking, but also in relation to sites in Cambridge where we plan both an Escape Hunt® and Boom Battle Bar® site, and Glasgow where a new Escape Hunt® site is planned.

At a site level, Escape Hunt® owner operated segment continued to perform strongly, delivering site-level EBITDA of £5.6m at a margin of 42%. Within the Boom Battle Bar® owner operated segment, gross margins (inclusive of variable labour) improved to 58% from 52% over the same period in 2022. The underlying site level EBITDA margin of 18% (2022: 13%) reflects a site level EBITDA of 23% in H2 2023 versus 11% achieved in the first six months of the year. Whilst the overall result is still below our medium-term target of 20% - 25%, the significant improvement over the first half reflects a strong second half of the year in Boom's business and more significantly continuing maturity of the sites where initial losses and lower margins generated from more recently opened sites diluted the margins achieved in both 2022 and H1 2023.

2023	Escape Hunt®	Escape Hunt®	Boom	Boom	Unallocated	H1 2023 £'000
	Owned	Franchise	Owned	Franchise		
Sales	13,470	791	28,583	1,909	-	44,753
Gross profit	9,459	791	16,560	1,909	-	28,719
Pre IFRS 16 Adjusted site level EBITDA	5,631	791	5,246	1,905	-	13,573
Site level EBITDA margin	42%	100%	18%	100%	-	30%
Centrally incurred costs	(480)	(94)	(103)	(27)	(7,350)	(8,054)
Pre-IFRS Adjusted EBITDA	5,151	697	5,143	1,878	(7,350)	5,519
IFRS adjustments (net of pre-opening)	564	-	1,954	-	-	2,518
Post IFRS 16 Adjusted EBITDA	5,715	697	7,097	1,878	(7,350)	8,037

2022	Escape Hunt®	Escape Hunt®	Boom	Boom	Unallocated	2022 £'000
	Owned	Franchise	Owned	Franchise		
Sales	9,773	703	9,501	2,857	-	22,834
Gross profit	(2,990)	-	(4,541)	(591)	-	(8,122)
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	(63)	(134)	(188)	(105)	(5,449)	(5,939)
Pre-IFRS Adjusted EBITDA	4,173	569	1,082	2,174	(5,443)	2,555
IFRS adjustments (net of pre-opening)	613	-	787	-	-	1,400
Post IFRS 16 Adjusted EBITDA	4,786	569	1,869	2,174	(5,443)	3,955

Central costs of £8.1m reflect the full year effects of growth in 2022 to support the larger estate, covering operations, marketing, finance and other support functions as well as further growth in 2023 commensurate with the addition of further sites. There has also been an impact from inflation as salaries and other central costs have risen in line with market rates.

Interest costs of £294k reflect the fit out, finance lease and vendor finance utilised.

Unaudited Group operating profit was £1.5m (2022: £1.3m). Loss before tax was £0.5m leading to a basic loss per share of 0.26p. (2022: 0.66p loss) Note that the 2022 results included a £6.2m gain on revaluation of contingent consideration relating to the earn out payment for Boom.

Cashflow

The Group generated £9.5m of cash from operations (2022: £3.3m). £6.9m was invested in plant and equipment and intangibles. This comprised total investment of £5.3m within Boom owner-operated sites and £1.4m in Escape Hunt®

owner operated sites.

Within Boom, a total of £3.4m 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. £1.0m was directed to existing sites to make improvements and expand capacity, which has provided very attractive returns, £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 £1.4m 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. £0.3m was invested in extending existing sites through the addition of new rooms, and £0.2m represented maintenance capex.

£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 £360k was paid relating to the original Boom acquisition. In total, £2.1m of debt repayments were made (inclusive of the Cardiff and MFT Capital deferred consideration payments), whilst £2.2m 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 £61k 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. £1.5m of vendor loans remained outstanding at 31 December 2023.

Cash at 31 December 2023 was £4.4m (31 Dec 2022: £3.2m), and net debt/net cash, excluding IFRS 16 lease liabilities was £0.0m (2022: net cash £0.8m).

Balance sheet

As mentioned above, the Group has utilised various forms of funding to finance the ongoing expansion of the estate both through building new sites and the buy-back of franchise sites. As a result, gross debt inclusive of provisions for deferred consideration increased from £2.4m to £4.5m.

Net assets as at 31 December 2023 were £24.5m (31 December 2022: £21.6m). Group net debt was £0.0m (31 Dec 2022: net cash £0.8m).

As announced on 4 August 2023, the Company's year-end has been moved to 31 March. As a result, the Group's current financial year will comprise 15 months from 1 January 2023 to 31 March 2024. Following these unaudited interim results for the twelve months to 31 December 2023, the Board intends to report as follows, in each case with appropriate comparatives:

- Audited final results for the fifteen months to 31 March 2024 - publication by 30 September 2024
- Unaudited interim results for the six months to 30 September 2024 - publication by 31 December 2024

POST PERIOD END TRADING AND OUTLOOK

Both Escape Hunt® and Boom Battle Bar® have continued to deliver strong like for like sales growth in the first 10 weeks of 2024 (11% and 9% respectively), and the new sites and recently acquired former franchise sites are performing in line our anticipated maturity profiles. As we have come to expect, half term in February proved particularly successful for Escape Hunt, and at Boom, the operational focus over the last 12 months continues to yield the margin and customer improvements that were targeted. We remain confident about the outlook for the business and the board is confident that the results to 31 March 2024 will be in line with market expectations.

Richard Harpham

Chief Executive Officer

19 March 2024

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

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

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

The directors of XP Factory plc are listed on page 33 of this report. A list of current directors is maintained on the Company's web site: <https://www.xpfactory.com/investors/key-people>

By order of the Board

Richard Rose

Non-Executive Chairman

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE TWELVE MONTHS ENDED 31 December 2023

		Twelve months ended 31 Dec 2023	Twelve months ended 31 Dec 2022
	Note	Unaudited £'000	Audited £'000
Continuing operations			
Revenue		44,574	22,834
Cost of sales		(16,034)	(8,122)
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Gross profit		28,720	14,712
Other income		42	74
Fair Value adjustment on contingent consideration		(312)	6,210
Administrative expenses		(26,999)	(19,724)
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Operating profit		1,451	1,272
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Adjusted EBITDA		8,037	3,954
Amortisation of intangibles		(712)	(886)
Depreciation of tangible fixed assets		(2,731)	(2,825)
Depreciation of Right of Use assets		(1,934)	(1,453)
Rent credits / concessions recognised		-	33
Loss on disposal of tangible assets		(89)	(126)
Profit on closure/modification of leases		-	90
Branch closure costs and other exceptional costs		(57)	(399)
Branch pre-opening costs		(734)	(2,018)
Provision against loan to franchisee		4	(26)
Foreign currency gains / (losses)		18	(1,133)
Fair value movement on contingent consideration		(312)	6,210
IFRS 9 provision for guarantee losses		24	(68)
Share-based payment expense		(63)	(81)
Operating profit		1,451	1,272
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Interest received		144	82
Interest expense		(294)	(1,374)
Lease finance charges	13	(1,836)	(1,086)
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Loss before taxation		(535)	(1,106)
Taxation	7	104	112
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Loss after taxation		(431)	(994)
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Other comprehensive income:			
Items that may or will be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(169)	363
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Total comprehensive loss		(600)	(631)
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Loss attributable to:			
Equity holders of XP Factory plc		(431)	(994)
<hr/>			
		(431)	(994)
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Total comprehensive loss attributable to:			
Equity holders of XP Factory plc		(600)	(631)
<hr/>			
		(600)	(631)
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Loss per share attributable to equity holders:			
Basic (Pence)	6	(0.26)	(0.66)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 December 2023

		As at 20122012 31 December 2023 Unaudited £'000	As at 20122012 31 December 2022 Audited £'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	8	19,419	12,753
Right-of-use assets	9	20,329	17,842
Intangible assets	10	23,653	22,696
Finance lease receivable	9	1,366	1,273
Rent deposits		60	61
		<hr/>	<hr/>
		64,827	54,625
		<hr/>	<hr/>
Current assets			
		435	323
Inventories		1,5941,	
Trade receivables		897	1,934
Other receivables and prepayments		2,140	1,839
Cash and bank balances		4,431	3,189
		<hr/>	<hr/>
		7,903	7,285
		<hr/>	<hr/>
TOTAL ASSETS		73,034	61,910
		<hr/>	<hr/>
LIABILITIES			
Current liabilities			
Trade payables		3,157	1,837
Contract liabilities		2,095	1,029
Loans	14	2,185	1,057
Lease liabilities	13	1,819	1,073
Other payables and accruals		7,248	5,259
Provisions	12	41	4,970
		<hr/>	<hr/>
		16,545	15,215
			15,225
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (continued)

		As at 31 December 2022 Unaudited £'000	As at 31 December 2022 Audited £'000
	Note		
Non-current liabilities			
Contract liabilities		74	455
Provisions	12	525	413
Loans	14	2,269	423
Deferred tax liability		337	832
Lease liabilities	13	27,495	22,965
-		<hr/>	<hr/>
		30,700	25,088
		<hr/>	<hr/>
TOTAL LIABILITIES		17,245	10,313

TOTAL LIABILITIES		47,643	40,313
NET ASSETS		25,485	21,597
EQUITY			
Capital and reserves attributable to equity holders of XP Factory plc			
Share capital	15	2,182	1,883
Share premium account		48,832	44,705
Merger relief reserve		4,756	4,756
Accumulated losses		(30,742)	(30,312)
Currency translation reserve		110	279
Capital redemption reserve		46	46
Share-based payment reserve		301	240
TOTAL EQUITY		25,485	21,597

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Merger relief reserve	Currency translation reserve	Capital redemption reserve	Share-based payment reserve	Convertible loan note reserve	Accumulated losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Twelve months ended 31 December 2023									
Balance as at 1 January 2023	1,883	44,705	4,756	279	46	240	-	(30,312)	21,597
Loss for the period	-	-	-	-	-	-	-	(431)	(431)
Other comprehensive income	-	-	-	(169)	-	-	-	-	(169)
Total comprehensive loss	-	-	-	(169)	-	-	-	(431)	(600)
Issue of shares	299	4,127	-	-	-	-	-	-	4,426
Share-based payment charge	-	-	-	-	-	62	-	-	62
Transactions with owners	299	4,127	-	-	-	62	-	-	4,488
Balance as at 31 December 2023	2,182	48,832	4,756	110	46	301	-	(30,742)	25,485
Twelve months ended 31 December 2022									
Balance as at 1 January 2022	1,825	44,366	4,756	(83)	46	158	68	(29,318)	21,817
Loss for the period	-	-	-	-	-	-	-	(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 charge	-	-	-	-	-	82	-	-	82
Transactions with owners	58	339	-	-	-	82	(68)	-	411
Balance as at 31 December 2022	1,883	44,705	4,756	279	46	240	-	(30,312)	21,597

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED 31 December 2022

		Twelve months ended 31 December 2023	Twelve months ended 31 December 2022
		Unaudited £'000	Audited £'000
Cash flows from operating activities	Note		
Loss before income tax		(535)	(1,106)
Adjustments:			
Depreciation of property, plant and equipment	8	2,731	2,825
Depreciation of right-of-use assets	9	1,934	1,453
Amortisation of intangible assets	10	712	886
Fair Value movement on contingent consideration		312	(6,210)
Provision against non-current assets		(4)	26
Loss on write-off of property, plant and equipment		89	126
Share-based payment expense			81
Foreign currency movements		(179)	348
Lease interest charges	12	1,836	1,086
Rent concessions received	12	-	(33)
Profit on closure/modification of leases		-	(90)
Interest expense / (income)		151	1,292
Operating cash flow before working capital changes		7,109	684
Decrease in trade and other receivables		805	1,359
Increase in stock and WIP		(48)	184
Increase in trade and other payables		2,646	1,571
Increase in provisions		(816)	(160)
Increase / (decrease) in deferred income		(201)	(317)
Cash generated / (used) in operations		9,495	3,321
Income taxes paid		17	-
Net cash generated / (used) in operating activities		9,512	3,321
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(6,750)	(8,998)
Landlord incentive received		500	2,914
Purchase of intangibles	10	(181)	(217)
Payment of deposits		-	(16)
Movement in Loans advanced to franchisees		-	84
Acquisition of subsidiary, net of cash acquired		(64)	(436)
Interest received		103	82
Net cash used in investing activities		(6,392)	(6,587)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	13	-	6
Interest payments		(346)	(147)
Finance lease interest payments	12	(464)	(444)
Finance lease capital payments	12	(1,850)	(741)
Movements on loans		790	(451)
Net cash generated / (used) from financing activities		(1,870)	(1,777)
Net increase / (decrease) in cash and bank balances		1,250	(5,043)

Cash and cash equivalents at beginning of period	3,189	8,225
Exchange rate changes on cash held in foreign currencies	(8)	7
		3
Cash and cash equivalents at end of period	4,431	3,189

NOTES TO THE UNAUDITED INTERIM REPORT

FOR THE TWELVE MONTHS ENDED 31 December 2022

1. General information

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

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

On 2 May 2017, the Company ceased to be an investing company on the completion of the acquisition of the entire issued share capital of Experiential Ventures Limited. Experiential Ventures Limited 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 Ground Floor and Basement Level, 70-88 Oxford Street, London, England, W1D 1BS.

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

2. Basis of preparation

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2022 annual report. The statutory financial statements for the year ended 31 December 2022 were prepared in accordance with International Financial Reporting Standards in accordance with the requirements of the Companies Act 2006. The auditors reported on those financial statements; their Audit Report was unqualified.

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

The interim financial information was approved and authorised for issue by the Board of Directors on 19 March 2024.

3. Going concern

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

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

The Board has prepared detailed cashflow forecasts covering a thirty-nine-month period from the reporting date. The forecasts take into account the Group's plans to continue to expand the network of both Boom Battle Bar® and Escape Hunt® sites through organic growth. The forecasts consider downside scenarios reflecting the potential impact of an economic slowdown, delays in the roll out of sites and inflationary pressures. Based on the assumptions contained in the scenarios considered and taking into account mitigating actions that could be taken in the event of adverse circumstances, the directors consider there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable, as well as to fund the Group's future operating expenses. The going concern basis preparation is therefore considered to be appropriate in preparing these financial statements.

4. Significant accounting policies

The Company has applied the same accounting policies, presentation, methods of computation, significant judgements and the key sources of estimation of uncertainties in its interim consolidated financial statements as in its audited financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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, comprising 22 sites, where all franchised branches are operating under effectively the same model;
2. The Escape Hunt® owner-operated branch business, which as at 31 December 2023 consisted of 21 Escape Hunt® sites in the UK, one in Dubai, one in Paris and one in Brussels;
3. The Boom Battle Bar® franchise business, comprising 11 sites, where all franchised branches operate under the same model within the Boom Battle Bar® brand; and
4. The Boom Battle Bar® owner-operated business, which as at 31 December 2022 comprised 19 Boom Battle Bar® sites in the.

The Group operates on a global basis. As at 31 December 2023, the Company had active Escape Hunt® franchisees in 10 countries. The Company does not presently analyse or measure the performance of the franchising business into geographic regions or by type of revenue, since this does not provide meaningful analysis to managing the business.

	Escape Hunt®					
	Owner operated	Escape Hunt® Franchise	Boom Owner operated	Boom Franchise	Unallocated	Total
Twelve months ended 31 December 2023	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	13,470	791	28,584	1,909	-	44,754
Cost of sales	(4,011)	-	(12,023)	-	-	(16,034)
Gross profit	9,459	791	16,561	1,909	-	28,720
Site level operating costs	(4,162)	-	(11,984)	-	-	(16,146)
Other income	29	-	6	-	-	35
IFRS 16 Adjustment	710	-	1,954	-	-	2,664
IFRS 16 Adjustment - pre-opening			27			27
Site level EBITDA	6,036	791	6,564	1,909	-	15,300
Centrally incurred overheads	(524)	(133)	(59)	(28)	(7,735)	(8,479)
Depreciation and amortisation	(1,862)	(136)	(2,973)	(357)	(49)	(5,377)
Other Income	-	-	-	-	7	7
Operating profit / (loss)	3,650	522	3,532	1,524	(7,777)	1,451
Adjusted EBITDA	5,716	696	7,098	1,878	(7,351)	8,037
Depreciation and amortisation	(941)	(136)	(1,960)	(357)	(49)	(3,443)

Depreciation of right-of-use assets	(921)	-	(1,013)	-	-	(1,934)
Exceptional professional and branch closures	(46)	-	14	(1)	(24)	(57)
Pre-opening costs	(117)	-	(617)	-	-	(734)
Provision against guarantee losses	-	-	-	-	24	24
Reverse provision against loan to franchisee	-	-	-	4	-	4
Fair Value Adjustment on Contingent consideration	-	-	-	-	(312)	(312)
Loss on disposal of assets	(41)	-	(46)	-	(2)	(89)
Foreign currency gains	-	(38)	56	-	-	18
Share-based payment expenses	-	-	-	-	(63)	(63)
Operating profit	3,650	522	3,532	1,524	(7,777)	1,451
Interest income					144	144
Interest expense					(294)	(294)
Finance lease charges	(298)	-	(1,538)	-	-	(1,836)
Profit/(loss) from operations before tax	3,352	522	1,994	1,524	(7,927)	(535)
Taxation	(6)	3	24	83	-	104
Profit / (loss) for the period	3,346	525	2,018	1,607	(7,927)	(431)

Other information:

Non-current assets	7,200	89	33,503	2,662	21,373	64,827
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	Escape Hunt®					
	Owner operated	Escape Hunt® Franchise	Boom Owner operated	Boom Franchise	Unallocated	Total
Twelve months ended 31 December 2022	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	9,773	703	9,501	2,857	-	22,834
Cost of sales	(2,990)	-	(4,541)	(591)	-	(8,122)
Gross profit	6,783	703	4,960	2,266	-	14,712
Site level operating costs	(3,227)	-	(6,008)	-	-	(9,235)
Other income	141	-	-	-	-	141
IFRS 16 Adjustment	666	-	1,399	-	-	2,065
Site level EBITDA	4,363	703	351	2,266	-	7,683
Centrally incurred overheads	(156)	(188)	(188)	(173)	(6,847)	(7,552)
Depreciation and amortisation	(2,552)	(136)	(1,798)	(439)	(240)	(5,165)
Other income	-	-	-	-	6,216	6,216
IFRS16 adjustment	90	-	-	-	-	90
Operating profit / (loss)	1,745	379	(1,635)	1,654	(871)	1,272
Adjusted EBITDA	4,782	569	1,870	2,174	(5,440)	3,955
Depreciation and amortisation	(2,102)	(136)	(795)	(439)	(240)	(3,712)
Depreciation of right-of-use assets	(450)	-	(1,003)	-	-	(1,453)
Exceptional professional and branch closures	(107)	(31)	(64)	(13)	(184)	(399)
Profit on closure / modification of leases	90	-	-	-	-	90
Pre-opening costs	(375)	-	(1,643)	-	-	(2,018)
Provision against loan to franchisee	-	(26)	-	-	-	(26)
Provision against guarantee losses	-	-	-	(68)	-	(68)
Fair Value Adjustment on Contingent consideration	-	-	-	-	6,210	6,210
Loss on disposal of assets	(126)	-	-	-	-	(126)
Foreign currency gains	-	4	-	-	(1,137)	(1,133)
Rent credits recognised in year	33	-	-	-	-	33
Share-based payment expenses	-	-	-	-	(81)	(81)
Operating profit	1,745	380	(1,635)	1,654	(872)	1,272
Interest income / expense	-	-	(56)	39	(1,275)	(1,292)
Finance lease charges	(229)	-	(857)	-	-	(1,086)
Profit/(loss) from operations before tax	1,516	380	(2,548)	1,693	(2,147)	(1,106)
Taxation	-	2	-	110	-	112
Profit / (loss) for the period	1,516	382	(2,548)	1,803	(2,147)	(994)

Other information:

Non-current assets	6,851	195	24,473	4,559	18,247	54,325
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6. Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders by the weighted average number of ordinary shares in issue during the period. Diluted loss per share is not presented as the potential issue of ordinary shares from the exercise of options are anti-dilutive.

	Twelve months ended 31 December 2023 Unaudited £	Twelve months ended 31 December 2022 Audited £
Loss after tax (£000)	(431)	(994)
Weighted average number of shares:		
- Basic and diluted	162,955,895	150,043,518
Loss per share (pence)		
- Basic and diluted	(0.26)	(0.66)

7. Taxation

The tax charge is based on the expected effective tax rate for the year. The Group estimates it has tax losses of approximately £24.5m as at 31 December 2023 (31 Dec 2022: £22.4m) which, subject to agreement with taxation authorities, would be available to carry forward against future profits. The estimated tax value of such losses amounts to approximately £6.1m (31 Dec 2022: £5.6m).

8. Property, plant and equipment

	Leasehold property £'000	Office equipment £'000	Computers £'000	Furniture and fixtures £'000	Games £'000	Total £'000
Cost						
At 31 December 2022	13,190	51	325	1,609	6,761	21,936
Additions arising from purchases	3,016	28	282	1,238	2,186	6,750
Disposals	(201)	-	(8)	(129)	(89)	(427)
Additions arising from acquisition	2,026	25	28	373	246	2,698
Reclassification	400	-	-	-	-	400
Conversion differences	(27)	-	(1)	13	5	(10)
As at 31 December 2023	<u>18,404</u>	<u>104</u>	<u>626</u>	<u>3,104</u>	<u>9,109</u>	<u>31,347</u>
Accumulated depreciation						
At 31 December 2022	(4,167)	(50)	(147)	(528)	(4,291)	(9,183)
Depreciation charge	(1,469)	(3)	(108)	(383)	(769)	(2,732)
Disposals	180	-	8	110	41	339
Additions arising from acquisitions	(340)	(4)	(2)	(29)	(7)	(382)
Conversion differences	35	1	2	(10)	2	30
As at 31 December 2023	<u>(5,761)</u>	<u>(56)</u>	<u>(247)</u>	<u>(840)</u>	<u>(5,024)</u>	<u>(11,928)</u>
Carrying amounts						
At 31 December 2022	9,023	1	178	1,081	2,470	12,753
At 31 December 2023	<u>12,643</u>	<u>48</u>	<u>379</u>	<u>2,264</u>	<u>4,085</u>	<u>19,419</u>

9. Right-of-use assets

	As at 31 December 2023 £'000	As at 31 Dec 2022 £'000
Land and buildings - right-of-use asset cost b/f	20,484	8,920
Closures / leases ended for renegotiation during the period	-	(411)
Additions during the year, including through acquisition	5,634	15,018
Lease incentives	(1,213)	(2,914)
Less: Accumulated depreciation b/f	(2,642)	(1,318)
Depreciation charged for the period	(1,934)	(1,453)

Depreciation charges for the period

	2023	2022
Net book value	20,329	17,842

The additions in the period relate to new leases signed together with leases recognised under IFRS 16 at the point of acquisition. The Group leases land and buildings for Escape Hunt® and Boom 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 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	Year ended	Year ended
	31 December	31 Dec
	2023	2022
	£'000	£'000
Balance at beginning of period	1,273	-
Additions during the year	-	1,234
Interest charged	93	39
Payments received	-	-
Balance at end of period	1,366	1,273

10. Intangible assets

	Goodwill	Trademarks and patents	Intellectual property	Internally generated IP	Franchise agreements	App Quest	Portal	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
At 31 December 2022	19,640	86	10,195	1,864	4,623	100	377	36,885
Additions	-	-	-	101	-	-	80	181
Disposals	-	-	-	-	-	-	-	-
Additions arising from acquisition	1,785	-	-	-	-	-	-	1,785
Re-analysis	1,339	-	-	-	(1,636)	-	-	(297)
Conversion differences	-	-	-	-	-	-	-	0
As at 31 December 2023	22,764	86	10,195	1,965	2,987	100	457	38,554
Accumulated amortisation								
At 31 December 2022	(1,393)	(73)	(10,195)	(971)	(1,143)	(100)	(314)	(14,189)
Amortisation	-	(7)	-	(206)	(460)	-	(38)	(712)
Disposals	-	-	-	-	-	-	-	-
Additions arising from acquisitions	-	-	-	-	-	-	-	-
Conversion Differences	-	-	-	-	-	-	-	-
At 31 December 2023	(1,393)	(80)	(10,195)	(1,177)	(1,603)	(100)	(352)	(14,901)
Carrying amounts								
At 31 December 2022	18,247	13	-	893	3,480	-	63	22,696
At 31 December 2023	21,371	6	-	788	1,384	-	105	23,653

11. Business Combinations

Acquisition of BBB Chelmsford Ltd and BBB Ealing Limited

On 8 June 2023 XP Factory Plc acquired 100% of the equity interest in BBB Chelmsford Limited, and 100% of the equity interest in BBB Ealing Limited from the same seller and thereby obtaining control of both entities. BBB Chelmsford Ltd runs a Boom Battle Bar® site situated in Chelmsford. BBB Ealing Ltd runs a Boom Battle Bar® site in Ealing and previously operated as franchise sites.

The total purchase consideration is subject to potential adjustment based on a completion accounts process, with any adjustment being accounted for through varying the vendor loan amount. The vendor loan carries interest at 5% and is being paid off in twenty four equal monthly instalments. The balance payable as at 31 December 2023 was £230.2k, which is based on an initial assessment of the completion accounts balances. The Completion accounts are due to be finalized on or before 1 June 2024.

The details of the business combination and the allocation of the estimated fair value of the consideration are as follows:

	BBB Chelmsford Ltd £'000	BBB Ealing Ltd £'000	Total £'000
Fair value of consideration transferred			
Amounts settled in cash	78	7	85
Vendor loan	254	191	445
Total purchase consideration	<u>332</u>	<u>198</u>	<u>530</u>

BBB Chelmsford Ltd	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	62	-	62
Property, plant and equipment	630	-	630
Right of use assets	-	917	917
Trade payables	(64)	-	(64)
Inventory	15	-	15
Lease liabilities	-	(1,077)	(1,077)
Loans	(534)	-	(531)
Other payables	(441)	160	(281)
Net identifiable assets acquired	<u>(234)</u>	<u>-</u>	<u>(234)</u>
Goodwill arising on consolidation	-	566	566
Total	<u>(234)</u>	<u>566</u>	<u>332</u>

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

The excess of the total consideration over the net identifiable assets acquired of £566k has been analysed and it has all been recognised as goodwill. This goodwill is primarily related to growth expectations, expected future profitability and the expertise and experience of BBB Chelmsford'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 £985k and a net profit of 112k in the period between acquisition and 31 December 2023.

BBB Ealing Ltd	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	12	-	172
Property, plant and equipment	673	-	673
Right of use assets	-	1,177	1,177
Trade payables	(193)	-	(193)
Inventory	12	-	12
Lease liabilities	-	(1,483)	(1,483)
Loans	(426)	-	(426)
Other payables	(732)	306	(436)
Net identifiable assets acquired	<u>(584)</u>	<u>-</u>	<u>(584)</u>
Goodwill arising on consolidation	-	782	782
Total	<u>(584)</u>	<u>782</u>	<u>198</u>

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

The excess of the total consideration over the net identifiable assets acquired of £782k has been analysed and it has all been recognised as goodwill. This goodwill is primarily related to growth expectations, expected future profitability and the expertise and experience of BBB Ealing'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 £638k and a net loss of 42k in the period between acquisition and 31 December 2023.

Acquisition of BBB Liverpool Ltd

Effective 1 November 2023 XP Factory Plc acquired 100% of the equity interest in BBB Liverpool Limited thereby obtaining control of the entity. BBB Liverpool Ltd runs a Boom Battle Bar® site situated in Liverpool and previously operated as a franchise site.

The total purchase consideration is subject to potential adjustment based on a completion accounts process, with any adjustment being accounted for through varying the deferred consideration. The deferred consideration carries no interest and is repayable in a single instalment at the later of six months after completion and the date on which the completion accounts are finalised. The deferred consideration provided as at 31 December 2023 was £31k, which is based on an initial assessment of the completion accounts balances. .

The details of the business combination and the allocation of the estimated fair value of the consideration are as follows:

	Total £'000
Fair value of consideration transferred	
Amounts settled in cash	69
Deferred consideration	31
Transfer of debt payable to XP Factory group	(85)
Total purchase consideration	<u>15</u>

BBB Liverpool Ltd	Book Value £'000	Fair Value Adjustment £'000	Fair Value £'000
Assets and liabilities recognised as a result of the acquisition			
Cash	6	-	6
Other receivables and deposits	13	-	19
Property, plant and equipment	278	-	278
Trade payables	(37)	-	(37)
Inventory	3	-	3
Loans	(132)	-	(132)
Other payables	(282)	112	(108)
Net identifiable assets acquired	<u>(150)</u>	-	<u>(38)</u>
Goodwill arising on consolidation	-	53	53
Total	<u>(150)</u>	<u>165</u>	<u>15</u>

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

The excess of the total consideration over the net identifiable assets acquired of £54k has been analysed and it has all been recognised as goodwill. This goodwill is primarily related to growth expectations, expected future profitability and the expertise and experience of BBB Ealing'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 £145k and a net profit of 36k in the period between acquisition and 31 December 2023.

Acquisition of BBB Five Ltd

Effective 1 November 2023 XP Factory Plc acquired 100% of the equity interest in BBB Five Limited thereby obtaining control of the entity. BBB Five Ltd runs a Boom Battle Bar® site situated in Glasgow

and previously operated as a franchise site.

The total purchase consideration is subject to potential adjustment based on a completion accounts process, with any adjustment being accounted for through varying the vendor loan. The vendor loan carries interest at 5% per annum and is repayable in monthly instalments over 18 months. The outstanding vendor consideration provided as at 31 December 2023 was £65k, which is based on an initial assessment of the completion accounts balances. .

The details of the business combination and the allocation of the estimated fair value of the consideration are as follows:

	Total £'000
Fair value of consideration transferred	
Amounts settled in cash	10
Vendor loan	65
Total purchase consideration	<u>75</u>

BBB Five Ltd	Book Value £'000	Fair Value Adjustment £'000	Fair Value £'000
Assets and liabilities recognised as a result of the acquisition			
Cash	59		59
Other receivables and deposits	3		3
Property, plant and equipment	230		230
Right of use assets		1,576	1,576
Trade payables	(40)		(40)
Inventory	27		27
Lease liabilities		(1,825)	(1,825)
Loans	(199)		(199)
Other payables	(390)	249	(141)
Net identifiable assets acquired	<u>(310)</u>	-	(310)
Goodwill arising on consolidation	-	385	385
Total	<u>(310)</u>	<u>385</u>	<u>75</u>

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

The excess of the total consideration over the net identifiable assets acquired of £782k has been analysed and it has all been recognised as goodwill. This goodwill is primarily related to growth expectations, expected future profitability and the expertise and experience of BBB Ealing'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 £273k and a profit of 112k in the period between acquisition and 31 December 2023.

Acquisition of Boom Battle Bar Watford

Effective 10 December 2023 XP Factory Plc acquired the operating assets and trade relating to the Boom Battle Bar® site in Watford ("Boom Watford").

The total purchase consideration is subject to potential adjustment based on a completion accounts process, with any adjustment being accounted for through varying the vendor loan. The vendor loan carries no interest and is repayable in monthly instalments over 24 months. The outstanding vendor consideration provided as at 31 December 2023 was £229k, which is based on an initial assessment of the completion accounts balances.

The details of the business combination and the allocation of the estimated fair value of the consideration are as follows:

Total

	Total £'000
Fair value of consideration transferred	
Amounts settled in cash	134
Vendor loan	229
Total purchase consideration	<u>363</u>

Boom Battle Bar® Watford	Book Value £'000	Fair Value Adjustment £'000	Fair Value £'000
Assets and liabilities recognised as a result of the acquisition			
Other receivables and deposits	9	-	9
Property, plant and equipment	509	-	509
Trade payables	(23)	-	(23)
Inventory	7	-	7
Loans	(95)	-	(95)
Other payables	(44)	-	(44)
Net identifiable assets acquired	<u>363</u>	-	<u>363</u>
Goodwill arising on consolidation	-	-	-
Total	<u>363</u>	-	<u>363</u>

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

Boom Watford contributed revenues of £93k and a profit of 35k in the period between acquisition and 31 December 2023.

12. Provisions

	As at 31 December 2022 £'000	As at 31 Dec 2022 £'000
Provision for contingent consideration	-	4,113
Provision for deferred consideration	41	857
Dilapidations provisions	455	314
Provision for financial guarantee contracts	70	94
Other provisions	-	5
Provisions at end of period	<u>566</u>	<u>5,383</u>
Due within one year	41	4,970
Due after more than one year	<u>525</u>	<u>413</u>
	<u>566</u>	<u>5,383</u>

The movement on provisions in the period can be analysed as follows:

	Contingent consideration £'000	Deferred consideration £'000	Dilapi- dations £'000	Financial guarantee contracts £'000	Other £'000	Total £'000
Cost:						
As at 31 December 2021	9,056	637	162	26	5	9,886
Additions arising from acquisition	-	600	-	-	-	600
Provisions recognised	1,267	-	152	68	-	1,487
Fair value revaluation	(6,210)	-	-	-	-	(6,210)
Releases recognised	-	(380)	-	-	-	(380)
As at 31 December 2022	4,113	857	314	94	5	5,383
Additions arising from acquisition	-	41	-	-	-	41
Provisions recognised	-	112	141	-	-	253
Releases in the year	(4,133)	(969)	-	(24)	(5)	(5,111)
As at December 2023	-	41	455	70	-	566

13. Lease liabilities

	Twelve months ended 31 December 2023 £'000	Twelve months ended 31 December 2022 £'000
In respect of right-of-use assets		
Balance at beginning of period	24,039	8,405
Closures / leases ended for renegotiation during the period	-	(501)
Additions during the period	5,734	16,252
Interest Incurred	1,836	1,086
Repayments during the period	(2,331)	(1,186)
Rent concessions received	-	(33)
Reallocated from accruals and trade payables	36	16
Lease liabilities at end of period	<u>29,314</u>	<u>24,039</u>

	As at 31 December 2022 £'000	As at 30 Dec 2021 £'000
Maturity		
< 1 month	256	76
1 - 3 months	442	119
3 - 12 months	1,122	878
Non-current	27,494	22,965
Total lease liabilities	<u>27,314</u>	<u>24,039</u>

14. Loans and loan notes

	As at 31 December 2023 £'000	As at 31 December 2022 £'000
<i>Amounts due within one year</i>		
Vendor loans and loan notes	996	472
Fit out finance, including equipment finance leases	802	361
Bank and other borrowings	387	224
	<u>2,185</u>	<u>1,057</u>
<i>Amounts due in more than one year:</i>		
Vendor loans and loan notes	489	-
Fit out finance	838	333
Bank and other borrowings	942	90
As at end of period / year	<u>2,269</u>	<u>423</u>
Total at end of period / year	<u>4,454</u>	<u>1,480</u>

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 are unsecured and carry 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 acquisition of Boom East Limited (Boom Norwich) also utilised vendor financing, of which £8k was outstanding at 31 December 2022. All these amounts were fully repaid during the year.

During the year, the Group acquired BBB Chelmsford Limited, BBB Ealing Ltd, BBB Liverpool Limited, BBB Five Limited and the trade and business of Boom Battle Bar® Watford, more details of which are set out in note 11. Some of these acquisitions had founder loans which have been taken on as part of the acquisitions, and in all cases part of the purchase prices has been funded by further vendor loans. Total vendor loans outstanding at 31 December 2023 was £1,485k.

The Group has utilised asset backed fit-out finance and has used an unsecured loan to fund fit outs in certain Boom and Escape Hunt® locations, has a number of small bank loans in certain subsidiaries, and uses a loan facility to spread the cost of insurance over the year.

15. Share capital

	Twelve months ended 31 December 2023 Unaudited £'000	Year ended 31 December 2022 Audited £'000
As at beginning of period / year		
- 150,633,180 (2022: 146,005,098) Ordinary shares of 1.25 pence each	1,833	1,825
Issued during the period / year		
- 23,924,420 Ordinary shares (2022: 4,628,082 Ordinary Shares)	299	58
As at end of period / year		
- 174,557,600 (2021: 150,633,180) Ordinary shares of 1.25 pence each	<u>2,182</u>	<u>1,883</u>

During the twelve months ended 31 December 2023 the Company issued 23,924,420 to MFT Capital Limited in relation to the deferred earn-out consideration for the acquisition of Boom Battle Bars, as described in the announcement on 3 November 2021.

Share option and incentive plans

XP Factory plc Enterprise Management Incentive Plan

On 15 July 2020, the Company established the XP Factory 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 in the period up to 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 by the expiry date, the options will expire. 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	31-Jul-30
Exercise price	7.5p	35.0p	35.0p	15.0p
Qualifying awards - number of shares under option	13,333,333	700,001	533,334	0

Option	15,733,734	16,700,000	16,700,000	0
Non-qualifying awards - number of shares under option	2,400,000	0	0	666,666
First vesting price	11.25p	43.75p	43.75p	
Second vesting price	18.75p	61.25p	61.25p	18.75p
Third vesting price	25.00p	70.00p	70.00p	25.00p
Proportion of awards vesting at first vesting price	33.33%	33.33%	33.33%	26.25p
Proportion of awards vesting at second vesting price	90.00%	90.00%	90.00%	33.33%
Proportion of awards vesting at third vesting price	100%	100%	100%	90.00%
Options vested	15,733,734	-	-	

As at 31 December 2023, 17,366,666 options were outstanding under the 2020 EMI Plan (31 Dec 2022: 16,700,000) exercisable at the prices shown above. No options were exercised during the period, and no options expired or had lapsed. As at 31 December 2023 15,733,734 options had vested.

The sum of £45,422 has been recognised as a share-based payment and charged to the profit and loss during the period (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:

Table 2

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
Risk free rate	-0.05%	1.55%	1.55%	3.50%

The performance conditions were taken 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 equaling 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 December 2023 is 21.9 months (31 Dec 2022: 31.7 months).

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

Escape Hunt® Employee Share Incentive Scheme

In November 2020, 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.

In the twelve months to 31 December 2023 182,080 matching shares were awarded through the scheme (2022: 119,831). A charge of £16.3k has been recognised through the profit and loss account. (2022: £12.6k)

16. Key management personnel compensation

	Twelve months ended 31 December 2023 Unaudited £'000	Twelve months ended 31 December 2022 Unaudited £'000
Salaries and benefits (including directors)	898	653
Share-based payments	20	40
Social security costs	151	90
Other post-employment benefits	18	26
Less amounts capitalised	(108)	(85)
Total	979	732

17. Related party transactions

During the period under review, the Directors are not aware of any significant transactions with related parties (twelve months ended 31 December 2022: nil).

18. Subsequent Events

There are no material subsequent events requiring disclosure.

19. Principal Risks and uncertainties

A detailed description of the principal risks and uncertainties associated with the Group can be found on pages 25 to 28 of the 2022 Annual Report and remain relevant at the date of this interim report. A copy of the 2022 Group Annual Report is available on the Group's website at <https://www.xpfactory.com/investors/documents>

COMPANY INFORMATION

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