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XP Factory PLC
02 September 2024

XP Factory Plc

2 September 2024

XP Factory plc (AIM: XPF)

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

Final audited results for the 15 months ended 31 March 2024

XP Factory is pleased to announce its audited final results for the 15 months ended 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% (2022: 64.4%)
- 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 IFRS 16 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 IFRS 16 site level EBITDA margin of 42% (2022: 42%) continues to exceed internal targets
- Escape Hunt Pre IFRS 16 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.

Richard Harpham, Chief Executive of XP Factory, commented:

"I am delighted to report on another exceptional period of growth which has delivered results ahead of market expectations. Our focus on incremental improvements alongside ongoing expansion in the estate has helped deliver market leading returns on investment in both our brands and strong operating cash generation. Since the period end, we have continued to see positive like-for-like growth and performances well ahead of the industry as a whole. With record advance bookings for the busy end of year season and improving consumer sentiment, the Board's expectations for the full year are unchanged and we continue to view the prospects for the business with optimism."

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Notes to Editors:

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 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 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/)

STRATEGIC REPORT

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 built the platform we have today.

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

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)

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)

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 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 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.

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.

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
- 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 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:

£'000		***3 Months to 31-Mar-24***	***3 Months to 31-Mar-23***	***% 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**

	Escape Hunt	Escape Hunt	Boom	Boom	Unallocated	12 months to Dec 2022
	Owned	Franchise	Owned	Franchise		£'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	*Year ended 31 December 2022*
	£'000	*£'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 gains / (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.

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*	*EH*	*Total*
	£,000	*£'000*	*£'000*
Admin and marketing	232	84	316
Property costs	35	0	35
Cost of sales - consumables	109	0	109
Training	107	5	112
Central staff marketing and training	235	128	363
Pre IFRS 16	718	217	935
Rent accruals	-20	0	-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 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 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.

£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 2023 was £3.9m (31 Dec 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 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.

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 within the management accounts.

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

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.

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 ($kgCO_2e$ per m^2)	**34.3**	**N/A**
Intensity Ratio ($kgCO_2e$ 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/m^2, resulting in an estimated total of 26,845 kWh for its 280 m^2 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 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.

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.

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' 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.

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

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;
- 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:

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

<u>Context</u>

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.

<u>Key audit matters</u>

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.
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.
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.

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, 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.

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

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

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

Date 31 August 2024

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

All figures in £'000s	**Note**	**15 month period ended 31 March 2024**	**Year ended 31 December 2022**
Continuing operations			
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 / (loss)	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 / (loss)		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		-	-
		(451)	(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 57 to 115 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	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
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 57 to 115 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 15 month period ended 31 March 2024

		15 month period ended 31 March 2024	Year ended 31 December 2022
		£'000	£'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

	Note		
Interest charge	[illegible]	[illegible]	[illegible]
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) / increase 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
			(554)
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) / generated from financing activities		(4,193)	(1,777)
Net (decrease) / increase 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

Reconciliation of movements in net debt

£'000	**As at 31 Dec 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.

Changes in accounting policy

a) 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.

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.

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

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

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:

Assumption	**Base case**	**Sensitivity applied**	**Increase in Expected loss provision (£'000)**	
			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 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 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).

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/(loss)	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 amortization	(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

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 (gains) / losses	24	1,133
Other administrative expenses	17,254	8,348
	34,641	19,724

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	Bonus	Share-based payments	Pension contributions	Other benefits	Total
	£'000	£'000	£'000	£'000	£'000	£'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	Bonus	Share-based payments	Pension contributions	Other benefits	Total
	£'000	£'000	£'000	£'000	£'000	£'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	Year Ended 31 December 2022
	No.	No.
Management	6	4
Administrative	54	49
Operations	990	663
	1,049	716

8. Interest

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

9. Taxation

	15 Month Period Ended	Year Ended

	Ended 31 March 2024 £'000	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	Year ended

	Period Ended 31 March 2024 £'000	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)

11. Property, plant and equipment

	Leasehold improvements	Office equipment	Computers	Furniture and fixtures	Games	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'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

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, BCP

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

Name of subsidiary	Country of incorporation	Principal activity	Effective equity interest held by the Group (%)	Ref
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

Previously held entities

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 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)

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

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	152

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

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)

acquired during the year		
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.

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	Deferred consideration	Dilapi-dations	Financial guarantee contracts	Other	Total

	£'000	£'000	£'000	£'000	£'000	£'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 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.

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%

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.

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 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:

	As at 31 March 2024 £'000	**As at 31 December 2022 £'000**
Gross amounts (before impairment):		
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).

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:

	UK Pound Sterling	United States Dollar	Euro	Australian Dollar	Other	Total
As at 31 March 2024	£'000	£'000	£'000	£'000	£'000	£'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

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 INFORMATION

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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

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