

XP FACTORY PLC

Registered number 10184316

UNAUDITED CONDENSED INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2023

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27 September 2023

XP Factory plc
(“XP Factory”, the “Company” or the “Group”)

Interim Results

XP Factory plc (AIM: XPF), one of the UK's pre-eminent experiential leisure businesses operating the Escape Hunt® and Boom Battle Bar® brands, is pleased to announce its unaudited interim results for the six months ended 30 June 2023 (“H1 2023”).

	Half year ended 30 June 2023 (£'000)	Half year ended 30 June 2022 (£'000)	Change
Revenue	18,694	8,120	+130%
Gross Profit	11,697	5,096	+128%
Site level EBITDA	5,042	2,183	+131%
Pre IFRS 16 Adjusted EBITDA ¹	1,049	275	+281%
Adjusted EBITDA¹	2,356	1,070	+120%
Loss per share (pence)	(1.58)	(2.20)	

FINANCIAL HIGHLIGHTS

- Group revenue increased 130% to £18.7m (H1 2022: £8.1m) demonstrating the significant growth in scale:
 - Escape Hunt® owner operated site revenue increased 41% to £6.1m (H1 2022: £4.3m)
 - Boom Battle Bar® (“Boom”) owner operated revenue increased 416% to £11.3m (H1 2022: £2.2m)
- Gross margin maintained at 62.1% (H1 2022: 62.8%)
- Pre IFRS 16 Group Adjusted EBITDA¹ profit of £1.05m (H1 2022: £0.28m)
- Site level pre IFRS 16 EBITDA profit of £5.0m (H1 2022: profit £2.2m)
- Cash at 30 June 2023 of £3.7m (31 Dec 2022: £3.2m)

OPERATING HIGHLIGHTS

- Double digit like-for-like² sales growth delivered across both owner-operated brands:
 - Boom: up 19.6% in the 26 weeks to 2 July 2023
 - Escape Hunt® : up 20.4% in the 26 weeks to 2 July 2023
- Boom franchise sites in Chelmsford and Ealing acquired in June 2023
- Boom owner operated site level EBITDA margins 19% in sites trading over 12 months and 11% overall (H1 2022: loss 33%)
- Escape Hunt® owner operated site level EBITDA margins 40% (H1 2022: 40%) continue to exceed internal targets

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

² Comparatives adjusted for VAT benefit in 2022

POST PERIOD-END HIGHLIGHTS

- Group performance in July and August 2023 rebounded strongly after the typically quieter May and June period
- First international Boom site opened in Dubai on 21 July and is performing well
- New Boom site in Canterbury due to open on 29 September 2023 and in Southend on 14 October 2023
- Boom consumer ratings significantly outperforming peers and the industry
- New Escape Hunt® site opened in Woking on 17 July 2023 with strong early performance
- All UK Escape Hunt® owner operated sites operating for more than a year awarded 'Traveller's Choice Awards' by Tripadvisor®
- Owner operated estate now comprises 24 Escape Hunt® sites and 15 Boom sites
- Franchise estate now comprises 23 Escape Hunt® sites and 14 Boom sites
- Record pre-bookings for corporate sales provides confidence underpinning expectations for full year
- Group's financial year end moved to 31 March

Richard Harpham, Chief Executive of XP Factory, commented: *"We are delighted to have delivered such transformational growth compared to the same period in 2022, driven by the aggressive rollout of Boom Battle Bar. The performance in Escape Hunt® has been outstanding and we are delighted to see the young Boom business continue to mature with ongoing improvements to its operating metrics. Performance since the end of June 2023 has been encouraging with both Boom and Escape Hunt® delivering strong like for like growth over the summer months. Experiential leisure has displayed robust demand despite the current economic environment and our strategy to drive profitable growth and take market share continues to progress. Whilst mindful of ongoing short-term pressures on consumers and the second half weighting of the industry, we remain optimistic for the performance of both businesses over the short and medium term and expect to report full year numbers in line with market expectations."*

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About XP Factory plc

The XP Factory Group is one of the UK's pre-eminent experiential leisure businesses which currently operates two fast growing leisure brands. Escape Hunt® is a global leader in providing escape-the-room experiences

delivered through a network of owner-operated sites in the UK, an international network of franchised outlets in five continents, and through digitally delivered games which can be played remotely.

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

CHIEF EXECUTIVE'S REPORT

INTRODUCTION

The six-month period to 30 June 2023 represents the results of a transformed business, illustrated by the significant growth in all our key financial and operating metrics. The rapid expansion of our Boom Battle Bar® estate during 2022, and in particular the second half of 2022, saw the Group start 2023 with a footprint of 27 Boom Battle Bar® sites, of which 11 were owner operated, and 46 Escape Hunt® sites, of which 23 were owner operated. By comparison, we started 2022 with only nine Boom sites, of which two were owner-operated, and 41 Escape Hunt® sites, of which 18 were owner-operated.

Following the rapid expansion in 2022, focus in the first half of 2023 has been on optimising the performance within these new sites. In a number of cases, we have identified value adding changes that can be made through incremental capital expenditure which is expected to generate a rapid return. We have also re-assessed a number of the systems and operating procedures in sites with a view to increasing efficiency, accountability and providing better performance information. Within Escape Hunt®, we have re-invested in a number of sites by adding additional rooms. The early results of these efforts are being seen in the ongoing improvements in gross margins and other operating metrics in line with an expected maturity curve as well through strong like for like sales growth.

The experiential leisure sector continues to demonstrate robust structural growth, well ahead of more conventional leisure offerings. Both Boom and Escape Hunt® concepts continue to achieve above industry average return metrics with a strong focus on ROCE and margins in particular. Our older formats continue to experience strong LFL growth, demonstrating the resilience and longevity of our model and the ability to deliver strong returns over time. Whilst we will continue to actively manage our existing estate and will continue to add new sites in both formats, our strategic focus over the short term will remain on similar improvement and optimisation opportunities as we aim to create a robust platform to support the longer-term aspirations for significant further site expansion both in the UK and abroad.

BOOM BATTLE BARS

Owner operated

The Boom owner operated business delivered turnover of £11.3m, a 416% increase over the same period in 2022 (H1 2022: £2.2m). Like for like growth in the 26 weeks to 2 July 2023 was 19.6%. Performance was ahead of expectations over the first quarter and April, although the seasonally quieter periods in May and June 2023 were exacerbated somewhat by hotter weather and train strikes. Pleasingly, performance in July and August 2023 saw an acceleration with like for like growth for the 8 weeks to 27 August at 27%.

We have made significant progress in a number of areas within the Boom owner-operated estate. At the start of the year, we invested in our corporate sales capability. As a result, we have seen the average order value for B2B sales grow 30% compared to the same period in 2022. Whilst we have significantly more inventory to sell with the expanded estate, it has nevertheless been extremely satisfying to see corporate bookings grow six-fold in the period to 30 June 2023. Bookings have continued to increase month on month since the period end, with Christmas bookings already well-advanced underpinning confidence in the expected performance for the rest of the year.

Our marketing team has been active with a number of initiatives focused on specific events and also in partnership with our suppliers promoting a range of activities. These initiatives have been successful both in generating new revenue and in building our brand. We have also continued to evolve our offering and develop our drinks and food menus.

Evidence of progress within the operations of Boom can be seen in the improving gross margin (after variable labour costs), which rose to 54% from 45% in the comparable prior period. It has been encouraging to see site level EBITDA margins reach 19% in sites open for 12 months, and given the seasonal nature of hospitality businesses, we would hope to see this improve through H2 with enhanced sales leverage. Importantly, we are seeing underlying improvements as sites progress through their expected maturity curves. On our internal EBITDA return on net capital invested metric, the first three owner operated sites which we have each been

operating for more than 15 months, have generated a return of 42% in the 12 months to August 2023.

Whilst no new sites were opened in the period, the team has been active on three new sites. Our first international Boom site opened in Dubai on 21 July 2023 and performance to date has been encouraging. Dubai provides an excellent opportunity for us to develop our international capability as we develop and optimise the support structures that can be provided from within the UK which will assist future international expansion accordingly. Further sites are due to open in Canterbury on 29 September 2023 and in Southend in mid- October.

The team remains resolutely focused on customer experience, so it is pleasing to see Boom's overall ratings consistently ahead of its peers and the industry as a whole. Boom achieved an overall customer satisfaction score of 97%, ahead of the 94% achieved by the competitive socialising industry as a whole, and significantly ahead of the broader leisure industry rating of 87%.

As at the date of approval of these interim results, the Group had 15 owner operated Boom sites, including the international site in Dubai.

Franchise

Boom franchise activities delivered unaudited revenue of £1.1m and EBITDA of £1.1m in the six months ended 30 June 2022. (H1 2022, revenue £1.4m and EBITDA of £0.9m). The prior period included £0.8m of revenue associated with the sale of a franchise venue, offset by £0.5m cost of sale. Hence the underlying growth of franchise fees was 83%. This was largely due to the number of franchise sites opened during 2022.

In June 2023, we opportunistically bought back the franchise sites operating in Chelmsford and Ealing with the acquisition funded by vendor loans. We expect the acquisition to deliver a highly attractive cash on cash return and we are likely to do similar deals in the future where the opportunity arises and the risk adjusted returns match the returns we can make from opening new sites.

Today our Boom franchise estate comprises 14 sites. We have no new franchise sites currently in build or in the advanced pipeline but are working with a number of existing and new potential franchisees to support future growth.

Escape HUNT®

Owner operated

The Escape Hunt® owner operated business delivered £6.1m of revenue, a 41% increase over the same period in 2022 (H1 2022: £4.3m). Like for like growth in the 26 weeks to 2 July 2023 was 20.4%. Within this, the original seven Escape Hunt® sites opened in 2018 delivered like for like growth of 15.1%, a pleasing result given they are still playing the same games installed at launch. The Board believes the strong like for like performances provide evidence of the attractions and enduring nature of the Escape Hunt® business and underpin the high return on capital thesis on which the concept has been developed. Corporate sales have also grown, with average order values for group bookings rising 31% compared to the same period in 2022 and the sales team delivering 29% growth in corporate sales in the first six months of the year. Corporate and block-booked sales represented approximately 5% of total sales within Escape Hunt® in H1 2023, with scope to grow significantly.

Site level EBITDA margins continued to exceed 40% during the period, despite meaningful wage increases which took effect over the first half of the year. We have been careful to maintain pricing in the face of considerable pressures on the consumer, such that the strong growth has been delivered largely through increased utilisation. On our internal EBITDA return on net capital invested metric, the UK sites opened before June 2022 have delivered a 40% return over the 12 months to August 2023.

Escape Hunt® continues to enjoy excellent consumer ratings, achieving a 97% customer satisfaction rating and all eligible Escape Hunt® sites in the UK again received the TripAdvisor Traveller's Choice® award in 2023, a performance significantly ahead of the industry as a whole.

Franchise

The Escape Hunt® franchise business returned to growth and delivered revenue of £282k, up 17% on the same

period in 2022 (H1 2022: £241k). The international franchise estate pre-dates the UK owner operated estate with many of the games at franchise sites having been in operation for five years or more. As with our older owner operated sites, this performance provides further evidence of the longevity and resilience of the business.

STRATEGY

Overview

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

Continued execution of our strategic priorities

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

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

Following the aggressive roll-out in 2022, we have consciously moderated the pace of roll out to ensure we optimise the performance and operations within the enlarged estate. Since the period end, we have opened a new Escape Hunt® site in Woking, and new Boom sites are due to open in Canterbury on 29 September 2023, and Southend in mid-October 2023.

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

We opened our first international Boom Battle Bar® in Dubai and are actively exploring possibilities in other territories. In the short term, however, our focus will remain the UK with the aim of developing a robust, defensible business capable of international franchise.

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

We put significant investment into our B2B sales capability at the start of the year with both Boom and Escape Hunt® benefitting from strong growth in corporate sales revenue. Escape Hunt® has also developed a new range of outdoor experiences which are being rolled out across the estate 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*

As mentioned previously, 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.

Current position and longer-term opportunity

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

- Modular formats – standardised lay-outs and automated games
- Growing data-sets, learning what does and does not work – all accelerating timescales for sites to reach maturity
- Increasingly trusted brand with strong customer review scores and industry recognition

- Cost advantages of room build through modular off-site construction with fit-out completed on site
- Favourable rent conditions with frequent landlord incentives provided on new builds
- Scaling of supplier relationships with the prospect of margin enhancement

The above factors are all helping to improve unit economics, with the potential for enhanced returns into 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 recently invested in 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.

Internationally, our Dubai site has opened ahead of expectations and we see a significant opportunity in time to roll out our proven concept overseas with reduced execution risk.

FINANCIAL REVIEW

Financial performance

Unaudited Group revenue in the six months to 30 June 2023 was £18.7m, an increase of 130% over the same period in 2022. The increase reflects the significant site expansion undertaken in 2022 together with strong like for like growth. Escape Hunt® owner-operated revenue grew 41% to £6.1m, reflecting the addition of turnover from new sites opened in H2 2022 in Edinburgh, Bournemouth and London Oxford Street, together with 20% like for like growth from the existing estate. Boom owner operated revenue grew 416%, reflecting like for like growth of 19.6% and the growth of the owner operated estate from 2 sites in January 2022 to 13 as at 30 June 2023.

Group adjusted EBITDA before IFRS16 grew strongly from £275k to £1.049m and to £2.356m (H1 2022: £1.07m) after IFRS 16 adjustments.

	Six months ended June 2023 £'000	Six months ended June 2022 £'000
Adjusted EBITDA – pre IFRS 16	1,049	275
IFRS 16 adjustments	1,307	795
Adjusted EBITDA post IFRS 16	2,356	1,070
Amortisation of intangibles	(393)	(455)
Depreciation	(2,936)	(1,720)
Rent credits recognised	-	25
Loss on disposal of tangible assets	(19)	(156)
Profit on closure/modification of leases	-	105
Branch closure costs and other exceptional costs	(49)	(288)
Branch pre-opening costs	(188)	(881)
Provision against loan to franchisee	0	(21)
Foreign currency gains / (losses)	7	44
Fair value movement on contingent consideration	(312)	
IFRS 9 provision for guarantee losses	7	(57)
Share-based payment expense	(42)	(34)
Operating loss	(1,569)	(2,368)

£188k of expenditure in the period related to pre-opening costs, largely for the new Boom sites in Dubai and Canterbury, as well as the new Escape Hunt® site in Woking. The £312k fair value movement arose on the final settlement of contingent consideration through the issue of 23.9m shares to MFT Capital Ltd and reflects the difference between the market value of the expected share issue as at 31 December 2022 and actual value on the date on which they were issued.

At a site level, Escape Hunt® owner operated segment continued to perform strongly, delivering site-level EBITDA of £2.4m at a margin of 40%. Within the Boom Battle Bar® owner operated segment, gross margins (inclusive of variable labour) improved strongly to 54% from 45% in the same period in 2022. The underlying site level EBITDA margins achieved (11%) reflect the seasonality in Boom's business but more significantly were diluted by the expected losses/lower margins generated from more recently opened sites with 19% EBITDA delivered by the more mature sites. It is nonetheless encouraging to see improvements continuing to be made in aggregate as the individual sites progress through their expected maturity curves.

H1 2023	Escape Hunt® Owned	Escape Hunt® Franchise	Boom Owned	Boom Franchise	Unallocated	H1 2023 £'000
Sales	6,063	282	11,260	1,089	-	18,694
Gross profit	4,240	282	6,086	1,089	-	11,697
Pre IFRS 16 Adjusted site level EBITDA	2,437	282	1,234	1,089	-	5,042
<i>Site level EBITDA margin</i>	40%	100%	11%	100%		27%
Centrally incurred costs	(718)	(54)	(632)	(21)	(2,567)	(3,993)
Pre-IFRS Adjusted EBITDA	1,718	228	602	1,068	(2,567)	1,049
IFRS adjustments (net of pre-opening)	276	-	1,031	-	-	1,307
Post IFRS 16 Adjusted EBITDA	1,995	228	1,634	1,068	(2,567)	2,356

H1 2022	Escape Hunt® Owned	Escape Hunt® Franchise	Boom Owned	Boom Franchise	Unallocated	H1 2022 £'000
Sales	4,313	241	2,183	1,384	-	8,121
Gross profit	2,956	241	992	907	-	5,097
Pre IFRS 16 Adjusted site level EBITDA	1,741	241	(729)	930	-	2,183
Site level EBITDA margin	40%	100%	-33%	67%	-	27%
Centrally incurred costs	(770)	-	(16)	(8)	(1,114)	(1,908)
Pre-IFRS Adjusted EBITDA	971	241	(745)	922	(1,114)	275
IFRS adjustments (net of pre-opening)	230	-	565	-	-	795
Post IFRS 16 Adjusted EBITDA	1,201	241	(180)	922	(1,114)	1,070

Central costs of £2.6m reflect the full year effects of growth in 2022 to support the larger estate, covering operations, marketing, finance and other support functions. There has also been an impact from inflation as salaries and other central costs have risen in line with market rates.

Interest costs of £115k reflect the additional fit out and vendor finance utilised.

Unaudited Group operating loss was £1.6m (2022: £2.4m) leading to a reduction in the loss per share from 2.2p to 1.58p.

Cashflow

The Group generated £3.4m of cash from operations (H1 2022: £0.8m). £2.8m was invested in plant and equipment and intangibles. This comprised total investment of £1.8m within Boom owner-operated sites and £1.0m investment in Escape Hunt® owner operated sites. Within Boom, £0.9m was invested in new sites in Dubai, Canterbury and Southend, £0.8m was directed to existing sites to make improvements to the original plans as management believes this expenditure will produce attractive returns, whilst £0.1m reflected maintenance capex. Within Escape Hunt®, £0.45m was invested in the new site in Woking with a further £0.25m being invested in extending existing sites through the addition of new rooms, and £0.2m represented maintenance capex.

£600k was paid for the second deferred consideration instalment for the acquisition of Boom Cardiff (shown within movements in provisions). The final instalment of £50k together with accrued interest was paid on the vendor loan relating to the acquisition of the Escape Hunt® master franchise in France and Belgium. The acquisitions of Boom Chelmsford and Boom Ealing were funded by vendor loans such that the acquisitions led to a modest inflow of cash on completion as the Group received the benefit of existing cash balances totalling £84k.

Rental payments, classified under IFRS16 as capital and interest payments totalled £1.03m, whilst £115k was paid in interest on fit out finance and other loans.

The Group has utilised various funding facilities during the period, comprising either vendor finance related to the acquisition of Chelmsford and Ealing, or fit-out finance supporting the capital expenditure programme. In total, £1.4m of new loans were raised, and £0.5m of repayments were made.

Cash at 30 June 2023 was £3.7m (30 Jun 2022: £5.2m; 31 Dec 2022: £3.2m).

Financial position

Movements on the balance sheet largely reflect the capital investment and related funding undertaken during the period. Fixed assets increased in aggregate by £4.0m, reflecting £2.8m of internal capex, £1.1m of fixed asset additions from the acquisitions of Chelmsford and Ealing Boom franchise sites, £1.5m of additional right of use assets from leases in Dubai and Southend as well as the acquisitions of Boom Chelmsford and Boom Ealing, offset by associated depreciation. The increase in right of use assets, which is stated net of landlord incentives, is offset by an increase in lease liabilities.

Current assets remained stable at £7.3m, masking an underlying reduction in franchisee debtors which was offset by an increase in prepayments and other debtors.

The reduction in short term provisions from £5.0m to £0.4m reflects the settlement of the Boom contingent consideration in June 2023.

As mentioned above, the Group has utilised various forms of funding to finance the ongoing expansion of the estate both through building new sites and the buy-back of franchise sites in Chelmsford and Ealing.

Net assets as at 30 June 2023 stood at £23.6m (31 December 2022: £21.6m). Group net cash / net debt was £nil (31 Dec 2022: net cash £0.8m).

As announced on 4 August 2023, the Company's year-end has been moved to 31 March. As a result of the change, the Group's current financial year will comprise 15 months from 1 January 2023 to 31 March 2024. Following these unaudited interim results for the six months to 30 June 2023, the Board intends to report as follows, in each case with appropriate comparatives:

- Unaudited interim results for the twelve months to 31 December 2023 – publication by 31 March 2024
- Audited final results for the fifteen months to 31 March 2024 – publication by 30 September 2024
- Unaudited interim results for the six months to 30 September 2024 – publication by 31 December 2024

POST PERIOD END TRADING AND OUTLOOK

Trading bounced back strongly in July after the seasonally quieter months of May and June. The resilient performance continued throughout the summer. Like for like growth within the Boom owner operated estate was 25% and within the Escape Hunt® owner operated estate was 23% in the nine weeks to 3 September 2023. Margins within Boom saw further, steady improvements and Escape Hunt® has continued to operate at margins in line with those achieved in the first six months of the year. Whilst remaining alert to the ongoing pressures on consumers, cost pressures in the business and the seasonal significance of the end of the year, strong corporate sales and ongoing operational improvements provide confidence of an outcome for the full year in line with current market expectations.

Richard Harpham

Chief Executive Officer

27 September 2023

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

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

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

The directors of XP Factory plc are listed on page 28 of this report. A list of current directors is maintained on the Company's web site: <https://www.xpfactory.com/investors/key-people>

By order of the Board

Richard Rose
Non-Executive Chairman

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	Note	Six months ended 30 June 2023 Unaudited £'000	Six months ended 30 June 2022 Unaudited £'000
Continuing operations			
Revenue		18,694	8,120
Cost of sales		(6,997)	(3,024)
		<hr/>	<hr/>
Gross profit		11,697	5,096
Other income		40	128
Administrative expenses		(13,306)	(7,592)
		<hr/>	<hr/>
Operating loss		(1,569)	(2,368)
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Adjusted EBITDA		2,356	1,070
Amortisation of intangibles		(393)	(455)
Depreciation		(2,936)	(1,720)
Rent credits recognised		-	25
Loss on disposal of tangible assets		(19)	(156)
Profit on closure/modification of leases		-	105
Branch closure costs and other exceptional costs		(49)	(288)
Branch pre-opening costs		(188)	(881)
Provision against loan to franchisee		-	(21)
Foreign currency gains / (losses)		7	44
Fair value movement on contingent consideration		(312)	-
IFRS 9 provision for guarantee losses		7	(57)
Share-based payment expense		(42)	(34)
		<hr/>	<hr/>
Operating loss		(1,569)	(2,368)
<hr/>			
Interest received		73	13
Interest expense		(115)	(583)
Lease finance charges	13	(828)	(367)
		<hr/>	<hr/>
Loss before taxation		(2,439)	(3,305)
Taxation	7	47	56
		<hr/>	<hr/>
Loss after taxation		(2,392)	(3,249)
<hr/>			
Other comprehensive income:			
Items that may or will be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(46)	(120)
		<hr/>	<hr/>
Total comprehensive loss		(2,438)	(3,369)
<hr/>			
Loss attributable to:			
Equity holders of XP Factory plc		(2,392)	(3,249)
		<hr/>	<hr/>
		(2,392)	(3,249)
<hr/>			
Total comprehensive loss attributable to:			
Equity holders of XP Factory plc		(2,438)	(3,369)
		<hr/>	<hr/>
		(2,438)	(3,369)
<hr/>			
Loss per share attributable to equity holders:			
Basic (Pence)	6	(1.58)	(2.20)
		<hr/>	<hr/>
		(1.58)	(2.20)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Note	As at 30 June 2022 Unaudited £'000	As at 31 December 2022 Audited £'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	14,576	12,753
Right-of-use assets	9	19,302	17,842
Intangible assets	10	23,370	22,696
Finance lease receivable	9	1,318	1,273
Rent deposits		59	61
		58,625	54,625
Current assets			
Inventories		320	323
Trade receivables		965	1,934
Other receivables and prepayments		2,684	1,839
Stocks and work in progress			3,189
Cash and bank balances		3,682	
		7,651	7,285
TOTAL ASSETS		66,276	61,910
LIABILITIES			
Current liabilities			
Trade payables		2,846	1,837
Contract liabilities		1,929	1,029
Loans	14	1,599	1,057
Lease liabilities	13	3,406	1,073
Other payables and accruals		5,351	5,259
Provisions	12	364	4,970
		15,495	15,215

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022 (continued)

		As at 30 June 2022 Unaudited £'000	As at 31 December 2022 Audited £'000
Non-current liabilities			
Contract liabilities		31	455
Provisions	12	481	413
Loans	14	2,076	423
Deferred tax liability		785	832
Lease liabilities	13	23,780	22,965
		27,153	25,088
TOTAL LIABILITIES		42,344	40,313
NET ASSETS		23,627	21,597
EQUITY			
Capital and reserves attributable to equity holders of XP Factory plc			
Share capital	15	2,182	1,883
Share premium account		48,832	44,705
Merger relief reserve		4,756	4,756
Accumulated losses		(32,703)	(30,312)
Currency translation reserve		233	279
Capital redemption reserve		46	46
Share-based payment reserve		281	240
		23,627	21,597
TOTAL EQUITY		23,627	21,597

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Merger relief reserve	Currency translation reserve	Capital redemption reserve	Share- based payment reserve	Convertible loan note reserve	Accumulated losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Six months ended 30 June 2023									
Balance as at 1 January 2023	1,883	44,705	4,756	279	46	240	-	(30,312)	21,597
Loss for the period	-	-	-	-	-	-	-	(2,392)	(2,392)
Other comprehensive income	-	-	-	(46)	-	-	-	-	(46)
Total comprehensive loss	-	-	-	(46)	-	-	-	(2,392)	(2,438)
Issue of shares	299	4,127	-	-	-	-	-	-	4,426
Share issue costs	-	-	-	-	-	-	-	-	-
Share-based payment charge	-	-	-	-	-	42	-	-	42
Transactions with owners	299	4,127	-	-	-	42	-	-	4,468
Balance as at 30 June 2023	2,182	48,832	4,756	233	46	281	-	(32,703)	23,627
Six months ended 30 June 2022									
Balance as at 1 January 2022	1,825	44,366	4,756	(83)	46	158	68	(29,317)	21,819
Loss for the period	-	-	-	-	-	-	-	(3,249)	(3,249)
Other comprehensive income	-	-	-	(120)	-	-	-	-	(120)
Total comprehensive loss	-	-	-	(120)	-	-	-	(3,249)	(3,369)
Issue of shares	55	338	-	-	-	-	(68)	-	325
Share issue costs	-	-	-	-	-	-	-	-	-
Share-based payment charge	-	-	-	-	-	35	-	-	35
Transactions with owners	55	338	-	-	-	35	(68)	-	359
Balance as at 30 June 2022	1,880	44,704	4,756	(203)	46	193	-	(32,566)	18,810

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

		Six months ended 30 June 2023 Unaudited £'000	Six months ended 30 June 2022 Unaudited £'000
Cash flows from operating activities	Note		
Loss before income tax		(2,439)	(3,305)
Adjustments:			
Depreciation of property, plant and equipment	8	2,008	1,127
Depreciation of right-of-use assets	9	928	589
Amortisation of intangible assets	10	393	455
Fair Value movement on contingent consideration		313	-
Provision against non-current assets		-	21
Loss on write-off of property, plant and equipment		18	156
Share-based payment expense		40	34
Foreign currency movements		5	(172)
Lease interest charges	12	828	367
Rent concessions received	12	-	(25)
Profit on closure/modification of leases		-	(105)
Profit on early redemption of Convertible Loan notes		-	(8)
Interest expense / (income)		42	570
Operating cash flow before working capital changes		2,136	(296)
Decrease in trade and other receivables		825	1,094
Increase in stock and WIP		31	343
Increase in trade and other payables		398	439
Increase in provisions		(424)	(393)
Increase / (decrease) in deferred income		452	(433)
Cash generated / (used) in operations		3,418	754
Income taxes paid		-	-
Net cash generated / (used) in operating activities		3,418	754
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(2,735)	(3,323)
Disposal of property, plant and equipment		-	-
Purchase of intangibles	10	(101)	(90)
Receipt of deposits		-	22
Movement in Loans advanced to franchisees		-	32
Acquisition of subsidiary, net of cash acquired		84	-
Interest received		28	21
Net cash used in investing activities		(2,724)	(3,338)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	13	-	-
Interest payments		(115)	
Finance lease interest payments	12	(522)	(362)
Finance lease capital payments	12	(513)	
Movements on loans		958	(167)
Net cash generated / (used) from financing activities		(192)	(529)
Net increase / (decrease) in cash and bank balances		502	(3,113)
Cash and cash equivalents at beginning of period		3,189	8,225
Exchange rate changes on cash held in foreign currencies		(9)	51
Cash and cash equivalents at end of period		3,682	5,163

NOTES TO THE UNAUDITED INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. General information

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

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

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

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

XP Factory Plc currently operates two fast growing leisure brands. Escape Hunt® is a global leader in providing escape-the-room experiences delivered through a network of owner-operated sites in the UK, an international network of franchised outlets in five continents, and through digitally delivered games which can be played remotely.

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

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

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

2. Basis of preparation

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

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

The interim financial information was approved and authorised for issue by the Board of Directors on 27 September 2023.

3. Going concern

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

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

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

4. Significant accounting policies

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

5. Segment information

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

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

1. The Escape Hunt® franchise business, comprising 23 sites, where all franchised branches are operating under effectively the same model;
2. The Escape Hunt® owner-operated branch business, which as at 30 June 2023 consisted of 20 Escape Hunt® sites in the UK, one in Dubai, one in Paris and one in Brussels;
3. The Boom Battle Bar® franchise business, comprising 14 sites, where all franchised branches operate under the same model within the Boom Battle Bar® brand; and
4. The Boom Battle Bar® owner-operated business, which as at 30 June 2022 comprised 13 Boom Battle Bar® sites in the.

The Group operates on a global basis. As at 30 June 2023, the Company had active Escape Hunt® franchisees in 10 countries. The Company does not presently analyse or measure the performance of the franchising business into geographic regions or by type of revenue, since this does not provide meaningful analysis to managing the business.

	Escape Hunt®					Total £'000
	Owner operated £'000	Escape Hunt® Franchise £'000	Boom Owner operated £'000	Boom Franchise £'000	Unallocated £'000	
Six months ended 30 June 2023						
Revenue	6,063	282	11,260	1,089	-	18,694
Cost of sales	(1,823)	-	(5,174)	-	-	(6,997)
Gross profit	4,240	282	6,086	1,089	-	11,697
Site level operating costs	(1,950)	-	(5,016)	-	-	(6,966)
Other income	29	-	4	-	-	40
IFRS 16 Adjustment	349	-	1,031	-	-	1,380
IFRS 16 Adjustment – pre-opening	-	-	12	-	-	12
Site level EBITDA	2,668	282	2,117	1,089	7	6,163
Centrally incurred overheads	(752)	(48)	(644)	(22)	(2,937)	(4,403)
Depreciation and amortisation	(1,340)	(68)	(1,628)	(184)	(108)	(3,329)
Operating profit / (loss)	574	166	(155)	883	(3,037)	(1,569)
Adjusted EBITDA	1,995	228	1,634	1,068	(2,569)	2,356
Depreciation and amortisation	(1,117)	(68)	(924)	(184)	(108)	(2,401)
Depreciation of right-of-use assets	(224)	-	(704)	-	-	(928)
Exceptional professional and branch closures	(34)	-	-	(1)	(14)	(49)
Pre-opening costs	(45)	-	(143)	-	-	(188)
Provision against guarantee losses	-	-	-	-	7	7
Fair Value Adjustment on Contingent consideration	-	-	-	-	(312)	(312)
Loss on disposal of assets	-	-	(19)	-	-	(19)
Foreign currency gains	-	6	1	-	-	7
Share-based payment expenses	-	-	-	-	(42)	(42)
Operating profit	574	166	(155)	883	(3,037)	(1,569)
Interest income	-	-	-	-	73	73
Interest expense	-	-	-	-	(115)	(115)
Finance lease charges	(142)	-	(686)	-	-	(828)
Profit/(loss) from operations before tax	1,150	166	(318)	883	(4,319)	(2,439)
Taxation	-	1	-	46	-	47
Profit / (loss) for the period	1,150	167	(318)	929	(4,319)	(2,392)
<u>Other information:</u>						
Non-current assets	6,308	140	28,526	4,420	19,231	58,625

	Escape Hunt®					Total
	Owner operated	Escape Hunt® Franchise	Boom Owner operated	Boom Franchise	Unallocated	
Six months ended 30 June 2022	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	4,313	241	2,183	1,383	-	8,120
Cost of sales	(1,355)	-	(1,192)	(477)	-	(3,024)
Gross profit	2,958	241	991	906	-	5,096
Site level operating costs	(1,289)	-	(1,720)	-	-	(3,009)
Other income	72	-	-	24	32	129
IFRS 16 profit on modification of lease	105	-	-	-	-	-
IFRS 16 Adjustment	230	-	565	-	-	900
Site level EBITDA	2,076	241	(164)	931	32	3,116
Centrally incurred overheads	(953)	-	(837)	(72)	(1,446)	(3,308)
Depreciation and amortisation	(1,300)	(57)	(593)	(219)	(7)	(2,176)
Operating profit / (loss)	(177)	184	(1,594)	640	(1,421)	(2,368)
Adjusted EBITDA	1,201	241	(180)	923	(1,115)	1,070
Depreciation and amortisation	(1,128)	(57)	(175)	(219)	(7)	(1,586)
Depreciation of right-of-use assets	(171)	-	(418)	-	-	(589)
Exceptional professional and branch closures	-	-	-	-	(288)	(288)
Profit on closure / modification of leases	105	-	-	-	-	105
Pre-opening costs	(52)	-	(821)	(7)	-	(880)
Provision against loan to franchisee	-	-	-	-	(21)	(21)
Provision against guarantee losses	-	-	-	(57)	-	(57)
Fair Value Adjustment on Contingent consideration	-	-	-	-	-	-
Loss on disposal of assets	(157)	-	-	-	-	(157)
Foreign currency gains	-	-	-	-	44	44
Rent credits recognised in year	25	-	-	-	-	25
Share-based payment expenses	-	-	-	-	(34)	(34)
Operating profit	(177)	184	(1,594)	640	(1,421)	(2,368)
Interest income	-	-	-	-	(570)	(570)
Interest expense	-	-	-	-	-	-
Finance lease charges	(338)	-	(29)	-	-	(367)
Profit/(loss) from operations before tax	(515)	184	(1,623)	640	(1,991)	(3,305)
Taxation	-	-	-	-	56	56
Profit / (loss) for the period	(515)	184	(1,623)	640	(1,935)	(3,249)
Other information:						
Non-current assets	7,613	474	18,019	3,944	17,669	47,719

6. Loss per share

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

	Six months ended 30 June 2023 Unaudited £	Six months ended 30 June 2022 Unaudited £
Loss after tax (£000)	(2,392)	(3,249)
Weighted average number of shares:		
- Basic and diluted	151,161,896	147,780,320
Loss per share (pence)		
- Basic and diluted	1.58	2.20

7. Taxation

The tax charge is based on the expected effective tax rate for the year. The Group estimates it has tax losses of approximately £24.5m as at 30 June 2023 (31 Dec 2022: £22.4m) which, subject to agreement with taxation authorities, would be available to carry forward against future profits. The estimated tax value of such losses amounts to approximately £6.1m (31 Dec 2022: £5.6m).

8. Property, plant and equipment

	Leasehold property	Office equipment	Computers	Furniture and fixtures	Games	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 31 December 2022	13,190	51	325	1,609	6,761	21,936
Additions arising from purchases	1,076	21	54	819	767	2,737
Disposals	-	-	(2)	(68)	-	(70)
Additions arising from acquisition	980	9	5	-	143	1,137
Conversion differences	(28)	(2)	(1)	(11)	(6)	(48)
As at 30 June 2023	<u>15,218</u>	<u>79</u>	<u>381</u>	<u>2,349</u>	<u>7,665</u>	<u>25,692</u>
Accumulated depreciation						
At 31 December 2022	(4,167)	(50)	(147)	(527)	(4,292)	(9,183)
Depreciation charge	(918)	-	(41)	(131)	(918)	(2,008)
Disposals	-	-	1	52	-	53
Additions arising from acquisitions	-	-	(1)	-	(8)	(9)
Conversion differences	25	1	2	1	2	31
As at 30 June 2023	<u>(5,060)</u>	<u>(49)</u>	<u>(186)</u>	<u>(606)</u>	<u>(5,215)</u>	<u>(11,116)</u>

	Leasehold property	Office equipment	Computers	Furniture and fixtures	Games	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Carrying amounts						
At 31 December 2022	9,023	1	178	1,082	2,469	12,753
t 30 June 2023	10,158	30	195	1,743	2,450	14,576

9. Right-of-use assets

	As at 30 June 2023 £'000	As at 31 Dec 2022 £'000
Land and buildings – right-of-use asset cost b/f	20,484	8,920
Closures / leases ended for renegotiation during the period	-	(411)
Additions during the year, including through acquisition	3,353	15,018
Lease incentives	(965)	(2,914)
Less: Accumulated depreciation b/f	(2,642)	(1,318)
Depreciation charged for the period	(928)	(1,463)
Net book value	19,302	17,842

The additions of in the period relate to new leases signed. The Group leases land and buildings for its offices and escape room venues under agreements of between five to fifteen years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

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

	Year ended 30 June 2023 £'000	Year ended 31 Dec 2022 £'000
Finance lease receivable		
Balance at beginning of period	1,273	-
Additions during the year	-	1,234
Interest charged	45	39
Payments received	-	-
Balance at end of period	1,318	1,273

10. Intangible assets

	Goodwill £'000	Trademarks and patents £'000	Intellectual property £'000	Internally generated IP £'000	Franchise agreements £'000	App Quest £'000	Portal £'000	Total £'000
Cost								
At 31 December 2022	19,640	86	10,195	1,864	4,623	100	377	36,885
Additions	-	-	-	53	-	-	48	101
Disposals	-	-	-	-	-	-	-	-
Additions arising from acquisition	778	-	74	-	-	-	-	852
Re-analysis from acquisitions	112	-	-	-	-	-	-	112
Conversion differences	-	-	-	-	-	-	-	-
As at 30 June 2023	20,530	86	10,269	1,917	4,623	100	425	37,950
Accumulated amortisation								
At 31 December 2022	(1,393)	(72)	(10,195)	(971)	(1,143)	(100)	(315)	(14,189)
Amortisation	-	(7)	-	(124)	(247)	-	(15)	(393)
Disposals	-	-	-	-	-	-	-	-
Additions arising from acquisitions	-	-	-	-	-	-	-	-
Conversion Differences	-	-	-	-	-	-	2	2
At 30 June 2023	(1,393)	(80)	(10,195)	(1,095)	(1,390)	(100)	(327)	(14,580)
Carrying amounts								
At 31 December 2022	18,247	14	-	893	3,480	-	62	22,696
At 30 June 2023	19,137	6	74	822	3,233	-	98	23,370

11. Business Combination

Acquisition of BBB Chelmsford Ltd and BBB Ealing Limited

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

The total purchase consideration is subject to potential adjustment based on a completion accounts process, with any adjustment being accounted for through varying the vendor loan amount. The vendor loan carries interest at 5% and is being paid off in twenty four equal monthly instalments. The balance payable as at 30 June 2023 was £288.2k, which is based on an initial assessment of the completion accounts balances. The Completion accounts are due to be finalized on or before 24 November 2023.

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

	BBB Chelmsford Ltd £'000	BBB Ealing Ltd £'000	Total £'000
Fair value of consideration transferred			
Amounts settled in cash	78	7	85
Vendor loan	288	15	303
Total purchase consideration	<u>366</u>	<u>22</u>	<u>388</u>

BBB Chelmsford Ltd	Book Value £'000	Fair Value Adjustment £'000	Fair Value £'000
Assets and liabilities recognised as a result of the acquisition			
Cash	98	-	98
Other receivables and deposits	67	-	67
Property, plant and equipment	630	-	630
Intangible assets	37		37
Right of use assets	-	917	917
Trade payables	(64)	-	(64)
Inventory	15		15
Lease liabilities	-	(1,077)	(1,077)
Loans	(531)	-	(531)
Other payables	(250)	160	(250)
Net identifiable assets acquired	<u>2</u>	<u>-</u>	<u>2</u>
Goodwill arising on consolidation	-	364	364
Total		<u>364</u>	<u>366</u>

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

The excess of the total consideration over the net identifiable assets acquired of £364k has been analysed and it has all been recognised as goodwill. This goodwill is primarily related to growth expectations, expected future profitability and the expertise and experience of BBB Chelmsford's workforce. Goodwill has been allocated to the owner operated segment and is not expected to be deductible for tax purposes.

BBB Chelmsford Ltd contributed revenues of £95k and a net loss of 29k in the period between acquisition and 30 June 2023.

BBB Ealing Ltd

	Book Value £'000	Fair Value Adjustment £'000	Fair Value £'000
Assets and liabilities recognised as a result of the acquisition			
Cash	70	-	70
Other receivables and deposits	172	-	172
Property, plant and equipment	499	-	499
Intangible assets	37		37
Right of use assets	-	1,177	1,177
Trade payables	(384)	-	(384)
Inventory	12		12
Lease liabilities	-	(1,483)	(1,483)
Loans	(426)	-	(426)
Other payables	(373)	306	(373)
Net identifiable assets acquired	(392)	-	(392)
Goodwill arising on consolidation	-	415	415
Total		415	22

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

The excess of the total consideration over the net identifiable assets acquired of £415k has been analysed and it has all been recognised as goodwill. This goodwill is primarily related to growth expectations, expected future profitability and the expertise and experience of BBB Ealing's workforce. Goodwill has been allocated to the owner operated segment and is not expected to be deductible for tax purposes.

BBB Ealing Ltd contributed revenues of £76k and a net loss of 28k in the period between acquisition and 30 June 2023.

12. Provisions

	As at 30 June 2023 £'000	As at 31 Dec 2022 £'000
Provision for contingent consideration	-	4,113
Provision for deferred consideration	364	857
Dilapidations provisions	394	314
Provision for financial guarantee contracts	87	94
Other provisions	-	5
Provisions at end of period	845	5,383
Due within one year	364	4,970
Due after more than one year	481	413
	845	5,383

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

	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000
Balance at beginning of period	5,383	9,885
Reduction in deferred consideration	(605)	(380)
Increase in deferred consideration	112	
Movement in dilapidations provision	80	54
IFRS 9 Provision for lease guarantees	(7)	57
Finance cost recognised on contingent consideration	-	586
Settlement of contingent consideration	(4,113)	-
Movement in other provisions	(5)	1
Provisions at end of period	845	10,203

13. Lease liabilities

	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000
In respect of right-of-use assets		
Balance at beginning of period	24,040	8,405
Closures / leases ended for renegotiation during the period	-	(508)
Additions during the period	3,353	11,819
Interest Incurred	828	367
Repayments during the period	(1,035)	(363)
Rent concessions received	-	(25)
Reallocated from accruals and trade payables	-	-
Lease liabilities at end of period	27,186	19,695

	As at 30 June 2022 £'000	As at 30 Dec 2021 £'000
Maturity		
< 1month	926	76
1 – 3 months	1,789	119
3 – 12 months	691	878
Non-current	23,780	22,965
Total lease liabilities	<u>27,186</u>	<u>24,039</u>

14. Loans and loan notes

	As at 30 June 2023 £'000	As at 31 December 2022 £'000
<i>Amounts due within one year</i>		
Vendor loans and loan notes	1,000	472
Fit out finance	492	361
Bank and other borrowings	107	224
	<u>1,599</u>	<u>1,057</u>
<i>Amounts due in more than one year:</i>		
Vendor loans and loan notes	650	-
Fit out finance	878	333
Bank and other borrowings	548	90
As at end of period / year	<u>2,076</u>	<u>423</u>
Total at end of period / year	<u><u>3,675</u></u>	<u><u>1,480</u></u>

On 22 November 2021, the Company issued £360,000 vendor loan notes to MFT Capital Limited as part of the consideration for the acquisition of Boom Battle Bars (“Boom Notes”). The Boom Notes are unsecured and carry interest at 5 per cent per annum. During 2022, the redemption date for the Boom Notes was extended to the second anniversary of the transaction in connection with the acquisition of Boom Battle Bar® Cardiff Limited. The acquisition of Boom East Limited (Boom Norwich) also utilised vendor financing, of which £8k was outstanding at 30 June 2023.

On 8 June 2023, the Group acquired BBB Chelmsford Limited and BBB Ealing Ltd more details of which are set out in note 11. Both companies had founder loans which have been taken on as part of the acquisitions. In addition, the purchases were funded by further vendor loans. Total loans outstanding to the vendors recorded at 30 June 2023 were £1,281k. The final loan amount due is subject to potential change following a completion accounts process.

The Group has utilised asset backed fit-out finance and has used an unsecured loan to fund fit outs in certain Boom and Escape Hunt® locations, has a number of small bank loans in certain subsidiaries, and uses a loan facility to spread the cost of insurance over the year. The total fit-out finance outstanding as at 30 June 2023 was £1,370k. Bank and other loans totaled £655k.

15. Share capital

	Six months ended 30 June 2023 Unaudited £'000	Year ended 31 December 2022 Audited £'000
As at beginning of period / year		
- 150,633,180 (2022: 146,005,098) Ordinary shares of 1.25 pence each	1,883	1,825
Issued during the period / year		
- 23,924,420 Ordinary shares (2022: 4,628,082 Ordinary Shares)	299	58
As at end of period / year		
- 174,557,600 (2021: 150,633,180) Ordinary shares of 1.25 pence each	2,182	1,883

During the six months ended 30 June 2023 the Company issued 23,924,420 to MFT Capital Limited in relation to the deferred earn-out consideration for the acquisition of Boom Battle Bars, as described in the announcement on 3 November 2021.

Share option and incentive plans

XP Factory plc Enterprise Management Incentive Plan

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

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

The Company has made three awards to date as set out in the table below. The options are exercisable at their relevant exercise prices and vest in three equal tranches on each of the first, second and third anniversary of the grants, subject to the employee not having left employment other than as a Good Leaver. The number of options that vest are subject to a performance condition based on the Company's share price. This will be tested in the period up to each vesting date and again between the third and fourth anniversaries of awards. If the Company's share price at testing equals the first vesting price, one third of the vested options will be exercisable. If the Company's share price at testing equals the second vesting price, 90 per cent of the vested options will be exercisable. If the Company's share price at testing equals or exceeds the third vesting price, 100% of the vested options will be exercisable. The proportion of vested options exercisable for share prices between the first and second vesting prices will scale proportionately from one third to 90 per cent. Similarly, the proportion of options exercisable for share prices between the second and third vesting prices will scale proportionately from 90 per cent to 100 per cent.

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

If not exercised, 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
Date of award	15-Jul-20	18-Nov-21	23-Nov-21
Date of expiry	15-Jul-25	18-Nov-26	23-Nov-26
Exercise price	7.5p	35.0p	35.0p
Qualifying awards - number of shares under option	13,333,332	700,001	533,334
Non-qualifying awards - number of shares under option	2,400,000	0	0
First vesting price	11.25p	43.75p	43.75p
Second vesting price	18.75p	61.25p	61.25p
Third vesting price	25.00p	70.00p	70.00p
Proportion of awards vesting at first vesting price	33.33%	33.33%	33.33%
Proportion of awards vesting at second vesting price	90.00%	90.00%	90.00%
Proportion of awards vesting at third vesting price	100%	100%	100%
Options vested	15,733,734	-	-

As at 30 June 2023, 16,700,000 options were outstanding under the 2020 EMI Plan (31 Dec 2022: 16,700,000) exercisable at the prices shown above. No options were exercised during the period, and no options expired or had lapsed. As at 30 June 2023 15,733,734 options had vested.

The sum of £34,278 has been recognised as a share-based payment and charged to the profit and loss during the period (6 months ended 30 Jun 2022: £34,268). The fair value of the options granted during the period has been calculated using the Black & Scholes formula with the following key assumptions:

Table 2

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

The performance conditions were taken into account as follows:

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

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

The weighted average remaining contractual life of the options outstanding at 30 June 2023 is 28.9 months (31 Dec 2022: 31.7 months).

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

Escape Hunt® Employee Share Incentive Scheme

In November 2020, the Company established the Escape Hunt® Share Incentive Plan ("SIP").

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

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

In the six months to 30 June 2023 74,701 matching shares were awarded through the scheme (H1 2022: 46,919). A charge of £6.9k has been recognised through the profit and loss account. (H1 2022: nil)

16. Key management personnel compensation

	Six months ended 30 June 2023 Unaudited £’000	Six months ended 30 June 2022 Unaudited £’000
Salaries and benefits (including directors)	433	427
Share-based payments	29	20
Social security costs	74	56
Other post-employment benefits	9	22
Less amounts capitalised	(41)	(7)
Total	504	518

Related party transactions

During the period under review, the Directors are not aware of any significant transactions with related parties (six months ended 30 June 2022: nil).

17. Subsequent Events

There are no material subsequent events requiring disclosure.

COMPANY INFORMATION

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Richard Harpham, Chief Executive Officer

Graham Bird, Chief Financial Officer

Martin Shuker, Non Executive Director

Philip Shepherd, Non Executive Director

Company Secretary

Joanne Briscoe

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