Escape Hunt Group Limited

Financial Statements for the year ended 31 December 2021

Company Registration No: 10676408 (England and Wales)

Contents **Page Number**

COMPANY INFORMATION

Directors	Richard Harpham Andrew Jacobs Graham Bird
Registered Office	Belmont House Station Way Crawley RH10 1JA
Auditors	HW Fisher LLP Acre House 11-15 William Road London NW1 3ER

STRATEGIC REPORT

Overview of financial performance and position

Despite the unprecedented challenges faced by the Company in 2020 and the first half of 2021 brought about by COVID, the Company made significant progress during the year. The Key Performance Indicators which the directors use to manage the business are:

- Turnover
- EBITDA
- Operating profit / loss
- Number of sites operating
- Customer ratings
- Return on invested capital

Turnover
Turnover in the year rose 137 per cent compared to the prior year to £4.8m. The Company's sites were able to re-open in May 2021, following the lifting of Covid restrictions. The increase reflected an increase in underlying site level turnover in the months the sites were open as well as a larger estate compared to 2020.

EBITDA
EBTIDA improved from an EBITDA loss of £899k in 2020 to an EBITDA profit of £341k in 2021. The improvement was supported by the increased turnover and positive operating leverage at site level.

Number of sites
Over the year, the Escape Hunt owner-operated footprint was bolstered with openings in Watford, Kingston, Milton Keynes and Lakeside. At the year end, the Company had 19 owner operated sites.

Customer ratings
Team members continued to delight customers and the 5 star ratings in all sites were maintained across TripAdvisorTM. Moreover, each eligible site received a TripAdvisorTM Traveller's Choice award, which showcase the top 10% of leisure venues globally.

Return on Capital
Return on capital is a key performance measure for the Company, with each site being commissioned based on an anticipated cash return on investment, payback and net present value generated. For the 14 Escape Hunt UK sites that operated throughout the second half of the year, the annualised cash return on investment (calculated as site EBITDA divided by total investment in the site) was 34%.

Financial Position
The company had total assets of £15.6m as at 31 December 2021, offset by £24.6m liabilities, leaving a net liability position of £8.9m. £21.1m of the liabilities relate to amounts due to the parent company. The directors have made enquiries of the parent company and confirm that there is no intention of the parent company to seek repayment of the amounts due that would jeopardise the financial viability of the Company.

Principal Risks and Uncertainties

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

Further outbreak of COVID-19 or other pandemics
COVID-19 had a dramatic impact on the leisure sector as a whole. Measures introduced by governments around the world to combat the spread of COVID-19 included temporary closures, the introduction of social distancing rules, rules over the number of people permitted in gatherings, use of face coverings, cleaning protocols, and other measures which have a direct impact on the operation of sites for both owned and operated sites and franchisee sites. Whilst the measures have now been lifted in the UK, there can be no certainty that previous restrictions will not be re-imposed or new restrictions introduced in the UK, including full closure. The re-imposition of such measures, or new measures could have a materially adverse impact

on the Company's ability to operate and could result in the business model becoming unviable or forcing closure.

During much of 2020 and 2021, whilst the UK Government's imposition of COVID-19 restrictions were in force, the Company was able to benefit from UK Government support through the Job Retention Scheme, the reduction of business rates, and through grants introduced directly as a result of COVID-19. Without this support, the Company would have had to make much more severe decisions regarding staffing and costs and may not have been in a position to re-open without incurring significant additional costs. There can be no certainty that any of these schemes, or any other support measures provided by the UK or other governments in other jurisdictions, would be re-introduced in the event of a further outbreak of COVID-19 or any other pandemic. The company has taken action to implement more flexible employment contracts and, where possible, more flexible leases to reduce the breakeven point at sites, as well as launching new revenue streams which are not dependent on sites being open. These actions will serve to mitigate some of the impact of a future outbreak.

Economic and political risks
The impact of the COVID-19 pandemic has been widely felt and all major global economies experienced a significant contraction in 2020 and depressed output in early 2021. Whilst most economies have experienced a bounce back of activity, inflation has risen sharply and supply chains around the world remain disrupted. Energy prices in particular have increased significantly. Russia's recent invasion of Ukraine has led to significant political tension globally, further impacting energy prices and creating significant uncertainty. Sanctions imposed by Western economies are expected to have a severe impact on Russia, whilst the war in Ukraine will impact the region's ability as a major agricultural producer, both factors in turn impacting food prices. It is possible that the combination of all these factors leads to a broader consumer recession which might adversely impact consumer discretionary spending. The Company's activities are exposed directly to discretionary spend, and as a result, a consumer recession would be expected to have an adverse impact on performance. The Board regularly reviews the Company's ability to cope with a downturn and the associated need for maintaining sufficient financial headroom to be able to absorb the impact of reduced sales activity.

Financial risks
The effective management of its financial exposures is central to preserving the Company's profitability.

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

The Company is not materially exposed to third party credit risk, as customers pay in advance. Credit risk in relation to receivables is within the parent company group.

The Company does not make significant purchases from third parties and is therefore not materially exposed to pricing risks. Energy payments form a small proportion of total costs and therefore increases in energy payments, where inflation has been very high, are not expected to have a material impact on the financial performance of the Company. The most significant costs incurred by the Company relate to people and property. Increases in wage demands and the minimum wage levels could have an adverse impact on the Company's performance.

Cashflow and liquidity is managed centrally within the Company's parent group. Adverse trading in other parts of the Company's parent group could therefore impact the availability of funding and liquidity in the short term.

Roll-out of owner-operated sites
The Company has opened a number of Escape Hunt owner-operated sites, including sites which are co-located with Boom Battle Bar sites, a brand operated by the Company's parent group. This expansion of owner-operated sites under the Company's parent group's two brands offer the Company growth opportunities.

The Company plans to open more sites and was in negotiations with a number of landlords at the end of the year. However, there is no guarantee that the Company will be able to locate or secure a sufficient number of appropriate sites to meet its growth and financial targets. As announced previously, obtaining sites, together with appropriate planning permissions and completing legal documentation impacted the roll-out pace in 2018 and 2019 and with the consequent impact on revenues and profits. It is also possible each site may take some time from its opening date to reach profitable operating levels due to inefficiencies typically associated with new sites, including lack of awareness, competition, the need to hire and train sufficient staff and other factors. The Company has worked to reduce this risk through strong staff recruitment and training processes and investment in both operational and marketing activities.

The ability of the Company to fund the capital expenditure is dependent on access to funding in the form of internally generated cashflow, landlord contributions, and funding from other companies within the Company's parent group.

The threat of new entrants into both the escape room market and the market in which Boom operates is high
A single site or a small number of sites offering an escape game experience would be relatively simple for a new entrant to establish. The barriers to entry for such competition at that level is relatively low and there is a risk that such entrants could dilute the market place or adversely impact the consumer's perception of escape game experiences in the event that the quality of experience offered by these new entrants was poor or at worst, attracted negative publicity related to the health and safety of participants in escape room games or poor customer reviews which adversely affect the perception of the industry. The escape game experience market is in its infancy and consumer perceptions may be more easily influenced by a poor quality offering or negative publicity due to their limited experience which in turn could negatively impact on the perception of the Company's business and could adversely affect profitability and results of operations.

However, the Company's strategy is to develop an international quality escape room experience and the Directors believe the barriers to entry for new global entrants adopting the same strategy are higher than a single-site opening due to the complexities of designing games and managing them across international operations. However, there is a risk that established corporations in the leisure market, who may have the capital and resources to compete with the Company's business, may wish to enter the escape room market.

The market is immature and therefore forecast growth and application of regulation is unpredictable
The market for escape game experiences is immature and growth will be characterised by changes in consumer needs and expectations, continued evolution in technology and increased competition. If the Company fails to develop new offerings or modify or improve existing offerings in a timely and cost-effective manner in response to these changes in technology, consumer demands and expectations, competition or product introductions, the Company's business, results of operations and financial condition may be adversely affected.

Changing trends could impact on the Company's revenues and profits as well as the Company's goodwill. Whilst the Directors believe that the Company's own escape game designs have longevity and, therefore the potential to deliver substantial growth in sales, there can be no guarantee that they will evolve to fulfil this potential. The Company will also need to innovate and create new experiences which are market leading. This applies to not just the number of new experiences which are created but the quality and reflection of consumer tastes in the experiences. If the Company fails to anticipate, identify or react swiftly enough to trends in consumer preferences then this could result in lower sales, margins and profits for the Company.

The Company's owner-operated sites are leased. Increases in rental payments or the early termination of any of the leases, or the failure to renew or extend the terms of any of the leases could adversely affect the Company's profitability
The Company's operating performance depends in part on its ability to secure and retain leases in desired locations at rents it believes to be reasonable. The leases for the Company's new owner-operated sites may generally require that their annual rent be reviewed on a periodic basis and which may be on an "upwards-only" basis. The annual rent for the premises then becomes the greater of such open market rental value and the previous contractually agreed rent. As a result, the Company may be unable to predict or control the amount of any future increases in its rental costs arising from the review of rents it pays for its sites and would be unable to benefit from any decline in the open market rental value of its sites. Any substantial increase in the business rates or rent paid by the Company on its owner-operated sites or the early termination of any of its leases could adversely affect the Company's business, financial and other conditions, profitability and results of operations.

The Company analyses the suitability of all new sites prior to opening, however this is not a guarantee that any new site will be a success. If a site is not successful, the Company may need to cease its operations on that site and seek to assign or sub-let the premises. However, suitable tenants may not be found and any lease may have restrictions on assignment or subletting which may mean that this is either prevented or delayed. A failure to find tenants and/or a prohibition or delay in assigning or sub-letting unsuccessful sites would result in the Company paying rent and satisfying the tenant's obligations under the lease of a site which is not operational and with total rental costs being higher than necessary.

The Company works closely with a number of key suppliers. Termination of any of these key relationships could adversely affect performance in the short term
The Company has invested significant time and resource into relationships with a number of key suppliers, notably those involved in the production, delivery and installation of escape games as well as the technology used to run the games and in the production and fit-out of Boom Battle Bar sites. Whilst the Company owns the intellectual property related to the escape games and these relationships can be replaced, the games played in Boom sites are mostly generic games available to competitors. The replacement of a key supplier could take time and could adversely affect the pace and cost at which the Company is able to execute its growth plans in the short term. It could also adversely impact the short term ongoing maintenance cost of existing games where the key supplier has been involved. Within Boom in particular, the directors believe that this risk is mitigated by the fact that the games and fit-out is less specialised than for an Escape Hunt site.

Ability to recruit and retain staff and the impact of wage inflation
As the Company grows, the need for experienced personnel with specific skill is expected to grow too. Salary expectations in certain professions have recently increased significantly, driven by growing demand for specific skills and a shortage of supply. The Company's growth plans are supported by growth in the employee base and rely on the Company being able to fill the positions earmarked. The Company has also been impacted by increases in the minimum wage and national living wage. Tax changes have also increased the rate of national insurance payable by employees, adding to the total cost of employment. These increased employment costs, coupled with the longer time taken to recruit certain roles could have an adverse impact on the Company's financial results and ability to execute on its strategy.

Information Technology
The Company relies on technology for the operation of its escape games. Other functions within the Company, such as marketing, finance, operations at sites, bookings, e-commerce, staff rostering and other functions all rely on technology for their efficient operation. Failure in any one or more critical technology solution, could have a material adverse impact on the short term performance of the Company and / or could incur fines if as a result, GDPR regulations were seen to have been breached. The Company regularly reviews the risks associated with technology, has appropriate policies and controls in place and carries cyber insurance. The directors also believe that the overall risk associated with technology failure, including the susceptibility to cyber-attack, is mitigated by using cloud based solutions from different suppliers who are not connected.

Future developments and outlook

The Company intends to continue to build its network of Escape Hunt venues in the UK. Since the year end, further sites have opened in Exeter and Norwich and we have completed the build of a new site in Edinburgh. Sites are in build in Oxford Street, London, and in Bournemouth.

Overall, Escape Hunt's performance across a challenging year, and in H2 particularly, gave cause for optimism about its future.

This Strategic Report was approved by the Board on 28 September 2022 and signed by order of the Board by the Chief Executive Officer.

Signed by order of the board

Graham Bird ....

Graham Bird
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their report on the Company, together with the audited Financial Statements for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company's principal activity is that of an operator of escape rooms. The Company is a wholly owned subsidiary of XP Factory plc.

DIRECTORS

The Directors of the Company who served during the year were:

Richard Harpham
Andrew Jacobs
Graham Bird

DIRECTORS' INDEMNITY INSURANCE

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

RECOMMENDED DIVIDEND

The company does not recommend paying a dividend for the year ended 31 December 2021 (31 December 2020: nil).

STRATEGIC REPORT

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report.

POST BALANCE SHEET EVENTS

Since the year end, energy prices have risen very materially, notably since the invasion of Ukraine by Russian armed forces. The impact is being felt most notably through inflationary pressures, notably in energy. Whilst the cost of energy represents only a small component of the Company's costs, the potential impact on consumers from higher inflation may impact consumer spending and the performance of the business. These are considered to be non-adjusting post balance sheet events and so the measurement of assets and liabilities in the accounts have not been adjusted for their potential impact.

The company is will attempt to mitigate these events by monitoring usage of utilities to keep costs down, keeping a flexible workforce to ensure that labour costs can be flexed down in times of slow trading and monitoring weekly cash takings in order to better forecast and foresee future issues before they arise.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice) including Financial Reporting Standard 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 Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards, subject to any material departures disclosed and explained in the financial statements;
- assess the 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 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the 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 company and to prevent and detect fraud and other irregularities.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

The directors of the company who held office at the date of approval of this directors' report confirm that:

- so far as they are aware, there is no relevant audit information, information needed by the company's auditors in connection with preparing their report, of which the 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 company's auditors are aware of that information.

AUDITORS

HW Fisher LLP were appointed as auditors to the Company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Signed by order of the board

Graham Bird

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Graham Bird
Director

28 September 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESCAPE HUNT GROUP LIMITED

Opinion

We have audited the financial statements of Escape Hunt Group Limited (the 'company') for the year ended 31 December 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 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 , 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.

Material uncertainty related to going concern

We draw attention to note 2(b) in the financial statements, which indicates that the company had net current liabilities of £13,375,134 at 31 December 2021 and is reliant on support from the ultimate parent company, XP Factory plc, to meet its financial obligations as and when they fall due, including not recalling amounts within 12 months of the financial statements being signed.

As stated in note 2(b), as with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. These events or conditions, together with the other matters set out in note 2(b), indicate a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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 director is 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 our audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 director's responsibilities statement, the director is 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 director determines 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 director is responsible for assessing the 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 director either intends to liquidate the company or to cease operations, or has 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 company has in place, the areas of the financial statements that are mostly susceptible to the risk of irregularities and fraud, and whether there was any known, suspected or alleged fraud. The 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 company. We determined that the following were most relevant: FRS 102, Companies Act 2006, health and safety, alcohol licenses, planning consent.
- We considered the incentives and opportunities that exist in the 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 company, together with the discussions held with the 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.
- 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.
- Obtaining third-party confirmation of material bank balances.
- Documenting and verifying all significant related party balances and transactions.
- Reviewing documentation such as the company board minutes and correspondence with solicitors, for discussions of irregularities including fraud.
- Completing analytical review of key expenditure and revenue items and seeking explanations from management for exceptions.

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 and management.

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 report
This report is made solely to the company's member 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 company's member those matters we are required to state to him 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 company and the company's member for our audit work, for this report, or for the opinions we have formed.

Gary Miller

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

28 Sep 2022

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ESCAPE HUNT GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Continuing operations:			
Revenue	4	4,754,570	2,003,856
Cost of sales		(1,750,904)	(1,339,117)
Gross profit		3,003,666	664,739
Administrative expenses		(5,196,812)	(4,401,256)
Other income	5	877,414	1,019,996
Operating loss		(1,315,732)	(2,716,521)
Interest Income / (Expense)	6	932	-
Loss before taxation	7	(1,314,800)	(2,716,521)
Corporation tax	9	-	-
Loss after taxation		(1,314,800)	(2,716,521)
Total comprehensive loss for the year		(1,314,800)	(2,716,521)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 15 to 29 form an integral part of these Financial Statements.

ESCAPE HUNT GROUP LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	As at 31 December 2021 £	As at 31 December 2020 £
ASSETS			
Non-current assets			
Property, plant and equipment	10	4,434,610	3,844,855
Intangible assets	11	-	6,585
		4,434,610	3,851,440
Current assets			
Receivables, deposits and prepayments	12	10,897,907	12,684,980
Inventory	13	24,360	14,614
Cash and cash equivalents	14	277,424	200,029
		11,199,691	12,899,623
TOTAL ASSETS		15,634,301	16,751,063
LIABILITIES			
Creditors – amounts falling due within one year			
Trade creditors		865,712	726,108
Amounts due to fellow subsidiaries	16	794,806	717,188
Amounts due to parent company	15	21,063,090	21,577,212
Accruals and deferred income		1,618,737	1,265,678
Taxes and social security		165,547	26,405
Other creditors		66,933	64,196
		24,574,825	24,376,787
NET LIABILITIES		(8,940,524)	(7,625,724)
EQUITY			
Share capital	17	1,001	1,001
Accumulated losses		(8,941,525)	(7,626,725)
TOTAL SHAREHOLDERS' FUNDS		(8,940,524)	(7,625,724)

The notes on pages 15 to 29 form an integral part of these Financial Statements. The Financial Statements were approved by the Board of Directors on 28 September 2022 and signed on its behalf by:

Graham Bird
Director

Company Number: 10676408

ESCAPE HUNT GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2021

	Share capital	Accumulated losses	Total
	£	£	£
Balance at 31 December 2019	**1,001**	**(4,910,204)**	**(4,909,203)**
Total comprehensive loss for the year	-	(2,716,521)	(2,716,521)
Balance at 31 December 2020	**1,001**	**(7,626,725)**	**(7,625,724)**
Total comprehensive loss for the year	-	(1,314,800)	(1,314,800)
Balance at 31 December 2021	**1,001**	**(8,941,525)**	**(8,940,524)**

The notes on pages 15 to 29 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The Company was incorporated and registered in England and Wales on 17 March 2017 as a private company limited by shares with registered number 10676408. The Company's registered office is Belmont House, Station Way, Crawley, RH10 1JA. Its principal activity is that of an operator of escape rooms. The Company is a wholly owned subsidiary of XP Factory plc.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied unless otherwise stated.

(a) Basis of preparation

These Financial Statements are prepared under the historical cost convention as explained in the accounting policies below, and in accordance with Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and the requirements of the Companies Act 2006.

The principal accounting policies are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements , including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' : Carrying amounts,
- interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair
- values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in
- profit or loss and in other comprehensive income ;
- Section 33 'Related Party Disclosures' : Compensation for key management personnel.

This information is included in the consolidated financial statements of XP Factory plc as at 31 December 2021 and these financial statements may be obtained from Companies House.

(b) Going concern

Notwithstanding net current liabilities of £13,375,134 as at 31 December 2021 and a loss for the year ended 31 December 2021 of £1,314,800, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its ultimate parent company, XP Factory plc, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on XP Factory plc and other subsidiaries not seeking repayment of the amounts currently due to the group, which at 31 December 2021 amounted to £21,857,896, and providing additional financial support, if required, during that period. XP Factory plc has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

(c) Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable taking into account discounts given.

The Company recognises revenue from the sale of goods when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(d) Foreign currencies

The Company's financial statements are presented in sterling, which is also the Company's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the Company's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(e) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses, if any. The cost of an item of plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

- Leasehold property acquisition costs	- the life of the lease
- Leasehold property improvements	- 20%
- Fixtures and fittings	-50-20%
- Computer equipment	- 33%
- Escape Room games	- 50%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably.

The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Company is obligated to incur when the asset is acquired, if applicable.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in the income statement.

(f) Intangible assets

Software development

Software development costs are 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 the Company 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 software development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in subsequent periods.

Capitalised software development expenditure is amortised on a straight-line method over a period of three years and begins when development is complete and the asset is available for sale or use. In the event that it is no longer probable that the expected future economic benefits will be recovered, the development expenditure is written down to its recoverable amount.

(g) Impairment

(i) Impairment of financial assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period as to whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In the case of equity investments classified as available-for sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the asset is impaired. If any such evidence exists, the cumulative loss, measured as the difference between the acquisition costs and the current fair value, less any impairment loss on that asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of the asset increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is revered through profit or loss.

(ii) Impairment of non-financial assets

The carrying values of intangible assets are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

(h) Inventory

Inventory relates to consumables such as food and beverages and merchandise, and is valued at the lower of cost and net realisable value.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

(i) Income taxes

Income tax for each reporting period comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax assets to be recovered.

Deferred tax relating to acquired intangible assets is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity.

(j) Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including payables and loans from fellow group companies, 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. Financial liabilities classified as payable within one year are not amortised.

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

(k) Leases

The Company leases certain property and equipment under operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

There were no leases classified under the category of finance leases.

(l) Government Grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met . Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable . A grant received before the recognition criteria are satisfied is recognised as a liability.

(m) Employee benefits and retirement benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

3. Summary of critical accounting estimates and judgements

In the application of the Company's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Dilpaidations provisions
Dilapidations provisions are estimated based on the amount expected to be payable on exiting the lease and returning the property back to the state demanded by the lease. This differs for each lease based on size of venue, complexity of build and landlord requirements for condition.

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. The company has 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 2021. The amount of such potential claim is not yet known. Notwithstanding previous success in making such claims, recognition of these claims involves a judgement by management. Given the uncertainty of the amount and detailed nature of potential claims relating to 2021, Management does not consider it sufficiently probable that claims relating to 2021 will be paid and, as such, no claims in relation to 2021 have been recognised as an asset.

Estimation of useful life and depreciation rates for property, plant and equipment
The useful life used to depreciate 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. Property, plant and equipment represent a significant proportion of the asset base of the company being 28% (2020: 23%) of the company's total assets. Therefore, the estimates and assumptions made to determine their carrying value and related depreciation are critical to the company'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 income statement. The useful lives and residual values of the 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 depreciation charge.

4. Revenue

The following revenue from UK owned and operated branches have been recognised in the period

	Year ended 31 Dec 2021 £	Year ended 31 Dec 2020 £
Revenues from escape rooms	4,754,570	2,003,856
	4,754,570	2,003,856

5. Government Grants and Government Assistance

The following Government grants have been recognised during the period:

	Year ended 31 Dec 2021 £	Year ended 31 Dec 2020 £
Coronavirus Job Retention Scheme grants	390,039	699,194
Local authority Small Business Grants	370,976	134,668
R&D Claims made under the SME Scheme	116,399	186,134
Total	877,414	1,019,996

In addition, the Company benefitted from Business Rates Relief introduced for the retail, hospitality and leisure industries. The benefit in the period was £230,044 (2020: £188,000)

The claims made under the SME R&D Scheme related to 2017, 2019 & 2020. As at the year end £45,674 was received as cash, however the remaining £71,111 was received in Jan 2022. In previous years, the grants were not recognised as the claims were pending and unapproved by HMRC. Therefore when the claims for finally approved in 2021, all of the income became recognisable in the year.

6. Interest income

	Year ended 31 Dec 2021 £	Year ended 31 Dec 2020 £
Interest on HMRC R&D claims paid late	932	-
	932	-

7. Loss before taxation

Loss before taxation is arrived at after charging / (crediting): -

	Year ended 31 Dec 2021 £	Year ended 31 Dec 2020 £
Fees payable for the audit of the Company's financial statements	7,025	8,094
Depreciation of plant and equipment	1,650,356	1,770,719
Amortisation of intangibles	6,585	46,762
Net foreign exchange differences	654	234
Abnormal site closure costs	4,000	51,803
Rental of offices	439,818	399,781

8. Staff Costs

	Year ended 31 Dec 2021 No.	Year ended 31 Dec 2020 No.
The average monthly number of employees including Directors was:		
Administrative	7	5
Operations	163	120
Total	170	125

Aggregate remuneration (including directors):	Year ended 31 Dec 2021 £	Year ended 31 Dec 2020 £
Wages and salaries (including bonuses)	2,107,477	1,549,479
Social security costs	107,516	78,486
Pension costs	57,451	44,257
	2,272,444	1,672,222

No remuneration was paid to the Directors in the year ended 31 December 2021 (2020: £Nil).

9. Taxation

	Year ended 31 Dec 2021 £	Year ended 31 Dec 2020 £
Corporation tax		
Current tax on losses for the year	-	-
Total corporation tax	-	-
Deferred Tax		
Fixed asset timing differences	189,989	154,613
Recognised losses arising during the period	(189,989)	(154,613)
Total deferred tax	-	-
Taxation on loss on ordinary activities	-	-

Factors affecting tax charge for the year

The tax assessed for the year is the same (2021: same) as the standard rate of corporation tax in the UK of 19% (2021: 19%) as set out below:

	Year ended 31 Dec 2021 £	Year ended 31 Dec 2020 £
Loss on ordinary activities before tax	(1,314,800)	(2,716,521)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	(249,812)	(516,139)
Effect of:		
Expenditure/(Income) not taxable for tax purposes	(21,874)	18,955
Depreciation less capital allowances	-	(1,096)
Depreciation on ineligible assets	79,268	-
Enhanced relief for qualifying additions	(21,122)	-
Loss on disposal of ineligible assets	586	-
Increase in dilapidation provision	14,371	-
Movement in unrelieved tax losses	198,583	526,603
Others	-	(28,323)
Total tax charge for the year	-	-

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantially enacted as part of the 2021 Budget on 3 March 2021. This included an increase to the main rate from 19% to 25% from 1 April 2023. From that date the company would have been taxed at a rate of 25% unless its profits were sufficiently low enough to qualify for a lower rate of tax, the lowest being 19%.

Where applicable, deferred taxes at the balance sheet date have therefore been measured using tax rates between 19% and 25% to reflect the rates at which the timing differences are likely to unwind.

The Company has tax losses of £7,647,880 (2020: £6,656,500) which, subject to agreement with taxation authorities, are available to carry forward against future profits. A deferred tax asset has been recognised in respect of £759,957 (2020: 813,753) of these losses to offset the deferred tax liability in respect of fixed asset timing differences.

At the 'Mini Budget' on 23 September 2022 it was announced that the changes to UK corporation tax rates discussed above would be abolished, however at the date of signing this has not been enacted.

10. Property, plant and equipment

	Leasehold improvements	Leasehold property	Fixtures, fittings and computers	Escape Room Games	Total
	£	£	£	£	£
Cost					
At 1 January 2021	3,201,313	367,781	307,206	3,953,897	7,830,197
Additions	658,800	52,648	23,613	1,514,283	2,249,344
Disposals	(13,540)	(8,038)	(716)	(20,042)	(42,336)
Capital contributions	-	-	-	-	-
As at 31 December 2021	3,846,573	412,391	330,103	5,448,138	10,037,205
Accumulated depreciation					
At 1 January 2021	1,243,446	89,879	139,242	2,512,775	3,985,342
Depreciation on disposals	(7,402)	(4,955)	(716)	(20,030)	(33,103)
Charge for the year	728,183	47,468	65,468	809,237	1,650,356
As at 31 December 2021	1,964,227	132,392	203,994	3,301,982	5,602,595
Carrying amounts					
At 31 December 2020	1,957,867	277,902	167,964	1,441,122	3,844,855
At 31 December 2021	1,882,346	279,999	126,109	2,146,156	4,434,610

The amount of expenditure recognised in the carrying value of leasehold improvements in the course of construction at 31 December 2021 is £nil (2020: £62,000).

11. Intangible assets

	Portal £	Total £
Cost		
At 1 January 2021	140,285	140,285
Additions during the year	-	-
As at 31 December 2021	140,285	140,285
Accumulated Amortisation		
At 1 January 2021	133,700	133,700
Charge for the year	6,585	6,585
As at 31 December 2021	140,285	140,285
Net Book Value		
At 31 December 2020	6,585	6,585
At 31 December 2021	-	-

12. Receivables, deposits and prepayments

	As at 31 Dec 2021 £	As at 31 Dec 2020 £
Trade receivables	15,490	101,770
Amounts due from fellow subsidiary	10,573,196	12,002,305
Recoverable VAT	-	164,852
Recoverable corporation tax	71,111	186,134
Prepayments and accrued income	238,110	229,919
	10,897,907	12,684,980

The amounts due from fellow subsidiaries are unsecured, interest-free and repayable on demand. The amounts owing are to be settled in cash.

13. Inventory

Inventory comprises the following:-

	As at 31 Dec 2021 £	As at 31 Dec 2020 £
Inventory	24,360	14,614

14. Cash and cash equivalents

Cash and cash equivalents comprise the following:-

	As at 31 Dec 2021 £	As at 31 Dec 2020 £
Cash and cash equivalents	277,424	200,029

15. Amounts due to parent company

	As at 31 Dec 2021 £	As at 31 Dec 2020 £
XP Factory plc	21,063,090	21,577,212

The amounts owing to the parent company are unsecured, interest-free and repayable on demand. The amounts owing are to be settled in cash. The directors consider that the carrying amounts approximate to their fair values.

16. Amounts due to fellow subsidiaries

	As at 31 Dec 2021 £	As at 31 Dec 2020 £
Amounts due to fellow subsidiaries	794,806	717,188

The amounts owing to the fellow subsidiaries are unsecured, interest-free and repayable on demand. The amounts owing are to be settled in cash. The directors consider that the carrying amounts approximate to their fair values.

17. Share capital

The allotted, called-up and fully paid share capital of the Company is as follows: -

	As at 31 Dec 2021	As at 31 Dec 2020
Issued and fully paid:		
1 ordinary share of £1 each	1	1
1,000 G shares of £1 each	1,000	1,000
	1,001	1,001

The XP Factory plc Executive Growth Share Plan ("EGSP") was established on 2nd May, 2017. Three directors and full-time employees of the Group were invited to participate under the EGSP.

Under the EGSP invitations were issued to three eligible employees inviting such employees to subscribe for a specified number of G Shares each at a specified price per G Share. In accordance with the Articles of Association, a Call Option Period commenced on 3 May 2020 which entitles a Designated Purchaser (being the Company or its Majority Shareholder) to issue a Call Option Notice to acquire all the outstanding G Shares at the 'G' Share Call Price.

During the year to 31 December 2019, 280 G shares were transferred to XP Factory plc following the resignation of a director. Subsequent to the year end, the Company's majority shareholder has issued a Call Option Notice to all other G Shareholders, with the relevant 'G' Share Call Price being zero pence per G Share. The G Shares are now all held by XP Factory plc.

18. Dividends

The Directors do not propose a dividend for the year ended 31 December 2021 (2020: nil).

19. Operating lease commitments

Commitments under operating leases can be split into the following periods

	As at 31 Dec 2021 £	As at 31 Dec 2020 £
<1 year	476,392	416,269
2–5 years	2,057,392	1,891,575
>5years	1,473,775	1,694,506
	4,007,559	4,002,350

20. Subsequent events

Since the year end, energy prices have risen very materially, notably since the invasion of Ukraine by Russian armed forces. The impact is being felt most notably through inflationary pressures, notably in energy. Whilst the cost of energy represents only a small component of the Company's costs, the potential impact on consumers from higher inflation may impact consumer spending and the performance of the business. These are considered to be non-adjusting post balance sheet events and so the measurement of assets and liabilities in the accounts have not been adjusted for their potential impact.

The company is will attempt to mitigate these events by monitoring usage of utilities to keep costs down, keeping a flexible workforce to ensure that labour costs can be flexed down in times of slow trading and monitoring weekly cash takings in order to better forecast and foresee future issues before they arise.

21. Related party transactions

The company has not disclosed transactions with key management personnel and other Group companies, as it has taken advantage of the exemption contained within FRS102.33.7 and FRS102.33.1A respectively, on the grounds that the subsidiary is wholly owned.

22. Ultimate controlling party

The Directors consider XP Factory plc, a company incorporated in England, to be the controlling party of the Company. The results of the Company are shown within the Consolidated Financial Statements of XP Factory plc. Copies of the Group accounts are available from the Chief Financial Officer, Graham Bird, Belmont House, Station Way, Crawley, RH10 1JA.