Making friends and families happy

Ten Entertainment Group plc
Annual Report and Accounts 2017

"Ten Entertainment Group operates with a simple, profitable, proven business model."

Nick Basing
Chairman

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Find out more at tegplc.co.uk

Ten in Ten

In addition to approximately a thousand bowling lanes across our estate, we also offer a broad selection of family entertainment options including amusement machines, table-tennis, pool tables, soft play and laser games, plus we have a great food and drink offering that customers can enjoy while they play.

- Broad family entertainment offering
- Fully integrated technology platform
- Clear focus on return on investment
- Successful Tenpinisation model
- Customers at the heart of everything we do
- 42 bowling sites
- Experienced leadership team
- Effective site optimisation
- 12% CAGR revenue increase from FY13 to FY17
- Strong employee engagement

Highlights 2017

Operational

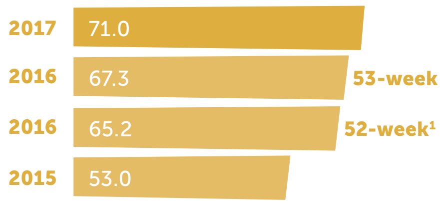
- IPO completed with no operational disruption
- Three site acquisitions successfully completed
- Refurbishments completed at six sites
- Transformative Pins & Strings technology extended to five further sites
- Net Promoter Score improved from 49% to 66%
- Games played per stop up 39% to 259
- Accreditation from "Great Place to Work"

Financial

- Reported total sales up 5.5% to £71.0m
- Proforma[1] total sales up 8.9%
- Like-for-like sales growth of 3.6%
- Group adjusted EBITDA up 14% to £19.0m (FY16 PF[1]: £16.6m)
- Adjusted profit before tax up 18% to £13.0m (FY16 PF[1]: £11.0m)
- Reported profit after tax up 43% to £5.2m (FY16: £3.6m). IPO exceptional costs of £3.1m
- Final dividend per share of 7.0p recommended, full-year dividend of 10.0p

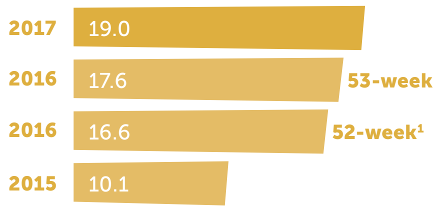
Revenue

£71.0m



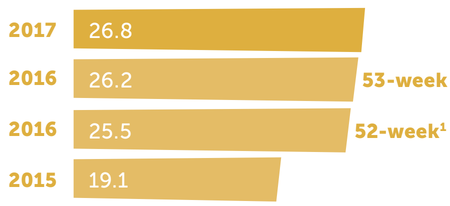
Adjusted EBITDA

£19.0m



Adjusted EBITDA margin

26.8%



1 Against proforma results, which represent comparison to the 52 weeks ended 1 January 2017. More information on the reasons for the inclusion of this proforma comparison can be found on page 26.

At a glance

Our focus is on providing a fantastic family experience

Our mission is to make friends and families happy; to entertain and enthral profitably.

We are a leading UK operator of bowling and family entertainment centres. As well as tenpin bowling, we offer a broad selection of family entertainment options including amusement machines, table-tennis, pool tables, soft play and laser games.

We also have a great food and drink offering that customers can enjoy while they play, without the need to step away from their lanes thanks to our iServe technology.

We have 42 sites across the country, with an average of 24 lanes per site. In 2017, we welcomed around 5.1 million customers through our doors.

We put our customers at the heart of everything we do, and our 1,100 employees all strive to ensure our customers have a fantastic customer experience every time they visit us.

42
SITES ACROSS THE UK

1,100
EMPLOYEES

c.5.1
MILLION VISITORS

66%
NET PROMOTER SCORE

2-4
per year
SITE ACQUISITION PROGRAMME

30%
ROI ON ACQUISITIONS

Chairman's statement

The business is well positioned for future growth

Nick Basing
Chairman

"Our growth strategy is designed to support and strengthen our business model, and is focused on three simple routes: incremental organic growth; growth through acquisition; and ongoing investment into both our estate and our support platform."

FULL-YEAR DIVIDEND

10.0p

year ended 31 December 2017

Ten Entertainment Group is focused on delivering family entertainment in a growing sector of the leisure market. Our mission is to make families and friends happy; to entertain and enthral profitably. The way that people and families interact has changed rapidly in recent times and we are able to bring families and friends together to play, and to have fun in a very modern way through the Tenpin brand. Our growth strategy is designed to support and strengthen our business model, and is focused on three simple routes: incremental organic growth; growth through acquisition; and ongoing investment into both our estate and into our support platform.

This is because firstly, many more marginal gains exist across our operations; secondly, because value has been proven in acquiring single units, converting them to "The Tenpin Way" and of course accruing scale benefits; and lastly, because sustainability of profit growth derived from the lifeblood of a steady drip feed of capital to maintain modernity and relevance to our consumers and attract high-quality operating talent. The logic is entirely evident.

We have made very good progress with this strategy during recent years.

Our self-managed growth strategy is clearly defined and is driven by the three routes, but we are also determined to see our available market grow as consumers gain enthusiasm for spending time and their income on more experiences and less traditional product purchases. Ten Entertainment Group operates with a simple, profitable, proven business model and with a proposition that is entirely customer driven, underpinned by a strong culture formed and protected by our colleagues.

2017 was a year of significant progress for the Group with the successful listing on the Main Market of the London Stock Exchange. During April 2017, we welcomed our new shareholders to benefit from our robust, de-leveraged but growing business.

Ten Entertainment Group plc has performed well during FY17: good like-for-like sales growth again, the successful completion of a further three acquisitions and refurbishments at six of our centres. Following the successful pilot of a business transformation project, Pins & Strings, we are now extending this technology into ten more of our locations in 2018 and in time, across each of our venues. The combination of these achievements has resulted in strong EBITDA growth of 14% during the year and therefore we can confidently propose a payment of a maiden full-year dividend. I am pleased to report Group adjusted earnings per share of 16.2p.

A key aspect of our sustained and most recent performance is our highly experienced and motivated leadership team, together with a very special culture which is focused on delivering consistently great experiences for our customers. One way we can see this is the most crucial measure: our impressive, sector-leading Net Promoter Score of 66%, up from 49% in 2016. We know it is a crucial correlate to sales growth, and therefore core underlying profit growth.

I believe operating teams across the Group, served by the senior leadership team and support group, has the right skillset to execute the Group's strategy, deliver significant further growth and drive strong returns for shareholders. On behalf of the Board, I would like to personally thank all of our teams and colleagues across the Group for their commitment and dedication to the Group during 2017. They are a remarkable group of people and we are privileged to enjoy their efforts and enjoyment in working for Tenpin.

"This ought to be a compelling case for many shareholders seeking security of income returns coupled with longer term prospects of capital upside."

To develop and protect our business further we apply good corporate governance through a strong and independently minded Board which has been appointed to assist the Group achieve its aspirations and deliver its potential. It meets on a regular basis and all have already made substantial progress.

Our strong balance sheet is currently de-levered specifically to protect against any downside risk on future covenants and give us scope for assurance and flexibility to sensibly use free cash for dividends or acquisitions. The balance sheet also provides us with good access to capital to take advantage of current and future potential to deliver long-term value to our shareholders.

The Board are recommending a final dividend of 7.0p per share, resulting in a full-year dividend of 10.0p per share.

The business is in strong shape, with much potential remaining and has a simple and proven, low risk, but high growth strategy that will enable Ten Entertainment to continue to prosper further, delight its customers more and deliver consistent and stronger returns for shareholders.

I strongly believe our business is well positioned in a growing sector of the wider leisure market, and can continue to provide our customers with great value, family-oriented entertainment, differentiated to many leisure propositions.

This ought to be a compelling case for many shareholders seeking security of income returns coupled with longer-term prospects of capital upside.

Nick Basing
Chairman
21 March 2018

Exceptional
customer service

We put our customers at the heart of everything we do

At Ten Entertainment Group, our people are focused on making each customer's visit a memorable one, and our culture supports our teams to provide those consistently great customer experiences. This has resulted in our Net Promoter Score increasing 17 percentage points to 66% in 2017.

The Group believes that engaged employees leads to high customer satisfaction, and we are proud to have been accredited as a "Great Place to Work". We have also maintained our Investors in People Gold standard since 2014. These awards are reflected by our own colleagues, with 90% saying they would recommend Tenpin as a great place to work.

We provide our people with bespoke training modules to ensure they have the skills required to provide great service, with both a management development programme and an area management programme available to colleagues. We also introduced our apprenticeship programme "Tenpin's Got Talent" this year.

66%

NET PROMOTER SCORE

Chief Executive's statement

Putting families and friends at the heart of our strategy has been instrumental in driving our sustainable growth model

Alan Hand
Chief Executive Officer

"We believe that the Group's commitment to people and their development in turn results in exceptional customer service."

We are pleased with the Group's performance during FY17, achieving the Board's expectations delivering total sales growth of 8.9%, adjusted EBITDA growth of 14% and adjusted earnings per share of 16.2p. Reported profit after tax grew by 43%.

Putting families and friends at the heart of our strategy has been instrumental in driving our sustainable growth model. Our strategy of organic growth, growth through acquisition and growth through ongoing investment in our estate have all combined to support our growth during FY17.

Revenue grew by 8.9% to £71.0m when compared to the proforma 52-week sales for FY16 (proforma sales reflect comparison to the 52 weeks between week 2-53 of FY16 to adjust for the impact of the 53rd week in FY16, explained further on page 26). This growth was driven by an encouraging combination of both like-for-like sales growth of 3.6%, driven by a combination of spend per head and footfall, and growth from the addition of new sites of 5.3%. Three site acquisitions were completed during the year, in line with our estate growth target range of two to four acquisitions per year. On a 52-week vs. 53-week reported basis revenue grew by 5.5%.

Like-for-like sales growth was driven by our continuing focus on good value family entertainment, improving our customer service standards and Net Promoter Score and our ongoing investment into the estate. The refurbishments completed at the end of FY16 at five of the sites acquired in FY15 supported strong like-for-like growth in these sites, in what was their second year under the Tenpin brand. This is supportive of our unique Tenpinisation strategy, our proven process of converting acquisitions to the Tenpin model, whereby on acquisition sites go through a seven-step integration plan, introducing new company controls and IT and embedding operational systems to create multi-channel connectivity, maximise yield and review for further capital investment, all supported by our skilled people. Over and above this, we know there is further opportunity and potential for us to enhance our sales by better use of digital marketing. We have increased the size of our contactable database by 25% during the year and recruited a new digital marketing Director to drive engagement with both our existing and potential new customers.

Group adjusted EBITDA on the same proforma basis grew by 14.4% to £19.0m (FY16 PF: £16.6m), with growth driven by a combination of the like-for-like sales growth and sales growth from increasing the number of sites in the estate, together with good underlying cost control from our self-help programmes. These self-help programmes included the implementation of a new payroll management system late in FY16 and improved rents at four sites as a result of negotiated lease re-gears, both of which combined to drive underlying operating cost reductions of around 1%. On a 52-week vs. 53-week reported basis EBITDA grew by 8.0%.

As planned, we made good further progress with our acquisition programme during FY17, completing the acquisitions of three sites in Blackburn, Eastbourne and Rochdale. Tenpinisation has been completed at all three sites. Both Blackburn and Eastbourne were also refurbished during the year with Rochdale planned for refurbishment during FY18. The sites have transitioned well to the Tenpin model and, overall, are performing in line with our original expectations.

We remain confident in the pipeline of acquisition opportunities as we look ahead, and during FY18 we expect to grow the estate further, in line with previous guidance of two to four sites per year. We have made good early progress with this objective having completed the acquisition of two sites in Warrington and Chichester in February.

These sites have started their Tenpinisation programme and will undergo significant refurbishments during FY18.

During the second half of FY17, we completed refurbishments of existing estate sites in line with our plans at Derby, Swansea and Leamington Spa, together with a refurbishment at Ipswich (acquired in FY16). In total, across both the existing estate and acquired sites, six sites benefitted from Tenpinisation and refurbishment investment during FY17 at a total cost of £1.3m. During FY18 we will continue to invest in our sites, including a planned refurbishment and extension of our site in Fountain Park, and selective, return-focused, investment in refurbishments at a small number of further sites in the existing estate.

Finally, on investment expenditure, and in line with our previous guidance, we completed the installation of the innovative Pins & Strings technology at a further five sites (Croydon, Parrs Wood, Northampton, Glasgow and Derby) during the second half of FY17 at a total cost of £1.0m. Pins & Strings is an innovative, new generation bowling machine that requires less maintenance, is simpler to operate and provides improved reliability for customers, demonstrated by improvements in the key games played per stop metric. We are encouraged with the early results at these sites and evidence confirms that Pins & Strings has the potential to both improve the cost efficiency of our sites and also improve the overall customer experience. As a result of the successful trial, we now plan to roll out Pins & Strings across the estate over time, and expect to introduce the technology to around a further ten sites during FY18.

Securing the future of our estate continues to be a key priority. During FY17 we completed lease re-gears, both extending the leases and improving the terms at Derby, Colchester and Stafford, reduced the rent at Maidenhead and also successfully renewed an expiring lease at our site in Swansea. We will continue to look for opportunities to both improve rental terms and secure the future of our estate during FY18.

I stated in our interim results in September that I was pleased with how our teams throughout the business performed during a very busy period which also included the completion of a successful IPO process, and I am delighted with how they continued to perform during a busy second half, allowing us to deliver results in line with our strategy. This hard work, together with the Group's focus on people, achieved deserved recognition from the "Great Place to Work" awards, and enabled the Group to maintain the prestigious Investors in People Gold standard. We believe that the Group's commitment to people and their development in turn results in exceptional customer service thereby delivering an exceptional experience. As a result, we achieved significant improvements in our Net Promoter Score during the year, moving from 49% in FY16 to 66% in FY17. I would like to thank all our colleagues for their support in providing our customers with a great experience.

Outlook

We have plans in place to continue to drive growth in line with our strategy during the current financial year and expect to perform in line with the Board's expectations. We continue to believe that there is further potential for growth in the experiential leisure market and the Group is well positioned to benefit from this trend.

Alan Hand
Chief Executive Officer
21 March 2018

Acquisition performance

We have acquired three sites this year and plan to acquire two to four per year for the medium term

Growth through acquisition of existing bowling sites is a key part of our strategy, and we are pleased to have acquired three sites this year, which is good progress on our strategy to add between two and four sites to our portfolio per year.

We look for sites in good locations that are typically underinvested and that we feel can be improved by our Tenpinisation process, which aligns the sites with the Tenpin brand and processes. There is a good identified pipeline of sites that match our criteria and we are confident we can continue to deliver on our strategy.

TARGET
2-4
SITES PER YEAR


Rochdale


Eastbourne


Blackburn

Operating review

Delivering sustainable growth in three key areas

In April 2017, as part of its IPO process, the Group outlined its strategy to the market. The strategy has been designed to deliver sustainable growth in three key areas:

- organic growth;
- growth through investment in refurbishment and technology; and
- site acquisition and Tenpinisation.

Organic growth

Like-for-like sales growth in the period was 3.6%. Encouragingly, this growth was driven by a combination of both increased footfall and higher spend per head per visit. Spend per head grew by 0.6% in the year to £14.21 (FY16 PF: £14.12) with footfall growing by 3.0%.

Like-for-like sales growth was underpinned by our continued focus on offering our customers great value family entertainment through our well-established deals and promotions, our ongoing focus on customer service to improve Net Promoter Scores and an improved reliability of our lanes as measured by games played per stop. In addition, our investment into refurbishments at both acquired sites and sites within the existing estate are delivering good returns and higher sales. There was growth across all four of our sales segments: bowling, food, beverage and other amusements, with bowling revenue growing at the strongest rate as we improved both the quality and reliability of our offer. Games played per stop is our key measure of reliability and this metric improved by 39% to 259 (FY16: 186) during the year, underpinning the growth in bowling revenue.

During FY18 we will develop our online presence primarily through focusing on visibility and conversion of our booking sites and by improving our CRM programme to engage more frequently and more personally with customers. The newly created and recently recruited role of Digital Marketing Director will be instrumental in developing and focusing our plans in this area. Our CRM database is an important tool in this process and our contactable database has grown by 25% since FY16. Our online revenue represented 22% of our sales in FY17 and we see an opportunity to leverage this to further grow sales. We will also continue to look for opportunities to leverage our integrated technology platforms, drive ancillary revenue spend and improve the overall customer experience.

The Group completed the planned disposal and closure of its underperforming site in Chelmsford during FY17, with the site closing on 19 July 2017. This site had a detrimental impact on trading, with sales declines of 37% year on year, contributing a reduction of (0.4%) to the Group's overall like-for-like sales. There are currently no further plans to exit any other sites in the estate.

Inward investment

During FY17 we completed the refurbishment of six further sites within the estate, three from the existing estate (Derby, Leamington Spa and Swansea) and three from acquisition sites (Blackburn, Ipswich and Eastbourne). These refurbishments continue to improve the overall quality of both our estate and the customer experience and are on track to perform in line with our expectations for return on investment. A planned refurbishment and annex extension at Fountain Park in 2017 was delayed by planning and legal work and is now expected to happen during the second half of FY18.

We also completed the rebranding of a further eight sites to the new Tenpin branding and logo during FY17. A total of 37 sites in the estate have now been completed, with plans in place for the remaining sites dependent upon planning being granted by the relevant local authority. This underpins the strength of our single brand, with the new brand logo designed to reflect that we put the customer at the heart of everything we do.

In addition, during the second half of FY17 a further five sites were converted to Pins & Strings, extending the trial following the successful introduction into Feltham at the end of FY16. Pins & Strings is an innovative, new generation bowling machine that requires less maintenance, is simpler to operate and provides improved reliability for customers, demonstrated by improvements in the key games played per stop metric. The initial signs from the trial have been encouraging; in particular, we have seen an impact from improved reliability of the lanes with games played per stop averaging over 1,000 in the trial sites compared to 259 for the estate overall. This improvement in reliability has enabled us to improve lane utilisation at peak times, leading to improved revenue and higher levels of Net Promoter Scores (NPS), with the trial sites reporting NPS in excess of 70%. We believe this technology has the potential to transform the operation of the business.

Installation costs during the trial have been broadly in line with our expectations, at c.£200k per site; we therefore anticipate a further capital cost of c.£7.2m in addition to the c.£1.0m spent to date, to fully roll this out to the current estate of 42 sites. We are encouraged by the performance of this new technology and the benefits are also broadly in line with our original expectations, through the combination of both cost reductions and improved revenue from better reliability.

"We also completed the rebranding of a further eight sites to the new Tenpin branding and logo during FY17. A total of 37 sites in the estate have now been completed."

Cardiff Tenpin

"The Group believes that engaged colleagues provide better customer experiences."

Inward investment continued

We therefore expect the returns on investment to be broadly in line with our expectations. The Group has a strong relationship with its main bowling equipment supplier, Qubica AMF, and we are currently working with them to develop an accelerated manufacturing and roll-out plan to introduce Pins & Strings across the estate. At this point, we anticipate introducing Pins & Strings on a phased basis to around a further 10 sites during FY18.

We also plan to invest at two to three sites within the existing estate during FY18, including the delayed refurbishment and addition of an annex extension to include four additional lanes at Fountain Park, originally planned for FY17, together with selective refurbishments at two or three further sites. The Group will continue to identify selective opportunities to invest in the quality of its sites through both refurbishment and ongoing maintenance programmes.

Site acquisitions and Tenpinisation

Net new space contributed 5.3% of the total proforma sales growth of 8.9% (proforma compared to weeks 2-53 of FY16) during the year.

The Group continued Tenpinisation at Worcester and Ipswich during the year, which were both acquired during the second half of FY16. Site Tenpinisation, including rebranding, was completed at Worcester in January 2017. Investment in refurbishment work at Ipswich, including rebranding, was completed during August 2017.

Good progress with the strategy to add between two and four sites per year was made during FY17 with the completion of three site acquisitions at good locations in Blackburn, Eastbourne and Rochdale. These three sites were acquired for a total cost of £2.9m, including fees. The Group believes that following Tenpinisation these sites will deliver a return on investment in line with our expectations of around 30%. A major refurbishment was completed at Blackburn during the first half and Eastbourne was refurbished in the second half. All three sites are performing in line with the Board’s expectations. We plan to refurbish our acquired sites at Worcester and Rochdale during FY18.

The Group remains confident that there is an attractive pipeline of acquisitions available and will continue to seek to identify the right opportunities to continue to grow the estate. The Group has made progress in FY18 by adding the acquisition of a further two sites at Warrington and Chichester at a total cost of £2.7m including fees. These sites are well located but underinvested. The Group will significantly invest into branding and refurbishment at both sites during the first half of FY18 bringing these sites to the well-invested standard of a Tenpin site whilst introducing the rest of the systems, processes and controls that have now been proven as part of our Tenpinisation process. Further opportunities to acquire sites will continue to be explored during FY18.

People and culture

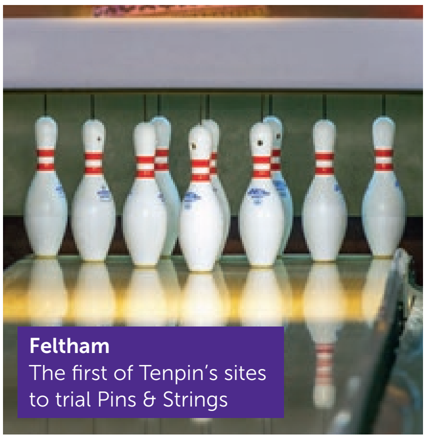
People and culture remains an important focus, recognised with accreditation from the “Great Place to Work” 2017 best workplaces, achieved during the first half of the financial year. This is a significant achievement for the Group and complements its Investors in People Gold status. The Group believes that engaged colleagues provide better customer experiences and it measures how customers value their experience using Net Promoter Scores. Net Promoter Score for FY17 was 66% (FY16: 49%). This strong improvement is driven by the Group’s continued focus on its colleagues, which in turn helps make each customer’s visit a memorable one. The Group has also successfully recruited two important roles to its senior management team during the second half of the year. The roles of Digital Marketing Director and Operations Director will both support our ambitious plans for growth during FY18.

Market overview

A significant opportunity

The Group operates in the tenpin bowling sub-sector of the broader UK leisure market, which is estimated to be worth approximately £80bn annually. Within that market, approximately £10bn relates to family entertainment (including cinema, theatre, live entertainment and visitor attractions (including amusement parks) and other activities). Tenpin bowling, which has been estimated to have grown by 20% in the last three years, represented approximately £285m at the end of 2016, which is therefore around 3% of the wider family entertainment market. Growth in the bowling market is thought to have outgrown many other leisure sectors over the past three years. This bowling market is expected to see estimated overall growth of 23% between 2016 and 2021. Significant investment from leading operators, such as Tenpin, together with market consolidation has helped this revival. From 2013 to 2017 revenue at Tenpin has grown at a compound annual growth rate of 11.7%.

A consumer survey carried out indicated that only 32% of UK adults participated in tenpin bowling over the 12 months to March 2017. The Directors believe that there is a significant opportunity to continue to grow participation and engagement levels by targeting infrequent bowlers through the Group's enhanced Customer Relationship Management ("CRM") programme and maintaining a broader entertainment offering to attract a wider demographic group to the sites.



Feltham
The first of Tenpin's sites to trial Pins & Strings

Competitive landscape

There are approximately 320 tenpin bowling sites currently operating in the UK and the market remains relatively fragmented. The ownership of these sites is broken down between:

- "Major Multiples" (including the Group, Hollywood Bowl, MFA Bowl, Big Apple and Namco Funscape, which operate between five and 58 sites);
- "Smaller Multiples" (operating fewer than five sites); and
- "Independents" (operating only one site).

> *"The Group operates in the tenpin bowling sub-sector of the broader UK leisure market, which is estimated to be worth approximately £80bn annually."*

The Smaller Multiples and Independents in aggregate operate approximately 170 sites. Due to the structure of the market, the Group believes that there are further opportunities for it to acquire additional sites, either individually from Independents or small groups of sites that other Smaller Multiples or Major Multiples may be seeking to divest through portfolio rationalisation. The Group has identified a pipeline of approximately 60 sites which may be suitable for acquisition, taking into account a range of criteria including the local demographic, competition, recent trading history, type of location (e.g. within a leisure/retail park) and accessibility.

Main brands and operators

Tenpin Ltd	42 sites
Other operators	
Independents	170 sites
Hollywood	58 sites
MFA	29 sites
Namco	8 sites
Big Apple	8 sites

Tenpin's market position and customers

The Directors believe that the Group has evolved the traditional tenpin bowling model by providing a broader family entertainment offering. The typical revenue mix of UK tenpin bowling operators over the last decade has been 57% bowling and 43% other revenue (principally food and beverage and amusement machines), whereas the Group's revenue mix for FY17 was bowling: 47%; amusement machines and entertainment activities: 26%; beverages: 18%; and food: 9%.

The Directors believe that the focus on broadening the entertainment offering is one of the reasons why the Group has outperformed the wider market and has increased its market share and that a broader family entertainment offering makes the Group more appealing to a wider customer base and encourages customers to spend more time and money at the sites. Other key factors include site refurbishments, improved booking processes (including simpler online booking) and pricing strategies that deliver value for money and maximise footfall.

The Directors also believe that Tenpin's approach to site selection for acquisitions and its subsequent Tenpinisation approach have contributed to a strong competitive position. The majority of the Group's sites are located on retail/leisure parks along with cinemas and casual dining restaurants. These sites are also, in most cases, very accessible and the Directors believe that co-location of the sites with other complementary leisure activities can help drive incremental footfall. Tenpin bowling can also represent a lower cost, accessible family entertainment activity compared to a number of other activities, such as the cinema or a meal at a casual dining venue.

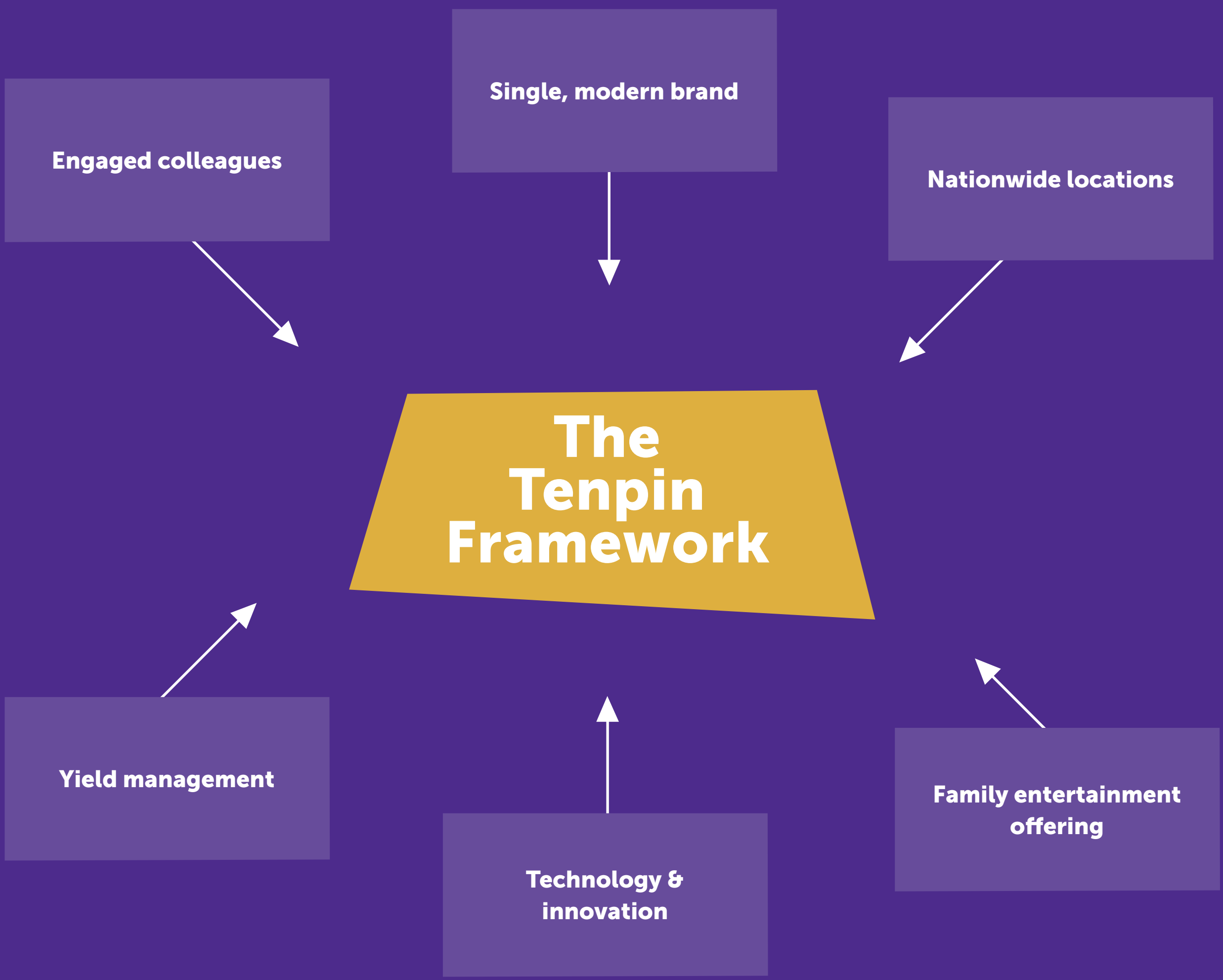
"The Group has evolved the traditional tenpin bowling model by providing a broader family entertainment offering."

Outlook

Overall growth in the tenpin bowling market looks set to continue in the period to at least 2021 supported by the expectation of further market consolidation and investment from the leading players. Whilst the bowling market is subject to changes in trends in consumer leisure spend, which in turn may be impacted by slower wage growth and higher cost inflation, it is anticipated that the potential for growth in the sector is underpinned by the ongoing investment in refurbishments and technology and therefore associated improvement in consumer perception, encouraging increased visitor frequency and higher levels of spend per head.

Business model

We love to make friends and families happy; we entertain and enthral profitably



Single, modern brand

All of our family entertainment centres operate under the Tenpin brand. The Tenpin logo is a contemporary and modern design, well recognised by our customers. Our logo features iconography synonymous with bowling: balls and pins, and the heart at the centre represents our mission to put the customer at the heart of everything we do.

Nationwide locations

We currently have 42 bowling centres located across England, Scotland and Wales. Our centres operate with c.24 lanes and on average have a footprint of around 30,000 square feet. Our centres are principally situated at prime locations on retail or leisure parks and are typically co-located with family leisure brands such as cinemas and casual dining restaurants. We invest in our sites to ensure they are well maintained and remain modern and relevant to our customers. We continually look for opportunities to grow the size of our estate in attractive locations, principally through acquisition of centres from other operators.

Family entertainment offering

We offer our customers a broad range of family-focused entertainment, centred around a growing trend of competitive socialising. Our product offering comprises bowling, family amusements, pool, table-tennis, soft play and Sector 7 laser games. These products are also complemented by a tailored food and beverage offer. Our products are designed to offer our customers multiple reasons to visit and to increase both their dwell time and average spend per visit when they do. We continually evaluate new opportunities to improve and expand our family-oriented product range.

Technology & innovation

Tenpin operates from a fully integrated technology platform. Our scoring system and our booking system are interconnected, allowing us to offer real-time lane availability through all of our booking channels: online, via our contact centre or in each of our bowling centres. This improves both our lane utilisation and the customer experience. We operate lane-side food and beverage ordering through our "iServe" technology, which allows our customers to experience our range of food and beverage products without interrupting their bowling game. We are always looking for innovations to transform our business, such as the Pins & Strings technology, which we introduced into a number of sites during 2017, improving both the efficiency of our operating model and the reliability of our bowling equipment, which, in turn, enhances the customer experience.

Yield management

We operate a differentiated pricing model, focused on maximising footfall, yield and dwell times whilst ensuring we offer our customers excellent value for money. We look to utilise our capacity efficiently at both peak and off-peak times through our well-established tariff, deals and promotions model. Our promotions model offers customers real value for money at off-peak times across four out of seven days per week, with offers such as "Tenpin Tuesday" offering 50% off bowling and selected food and beverages. Our full-price tariff, coupled with our real-time lane management system, allows us to maximise revenue at peak occupancy periods.

Engaged colleagues

Our ability to deliver our business model is underpinned by our c.1,100 dedicated colleagues who serve our customers every day and we are committed to their ongoing training and development. We are focused on developing a great employee culture, which has been independently recognised by attaining Investors in People Gold standard (since 2014) and accreditation as a "Great Place to Work". In addition, our business is led by an established and experienced management team, both at the bowling centres and at the support centre.

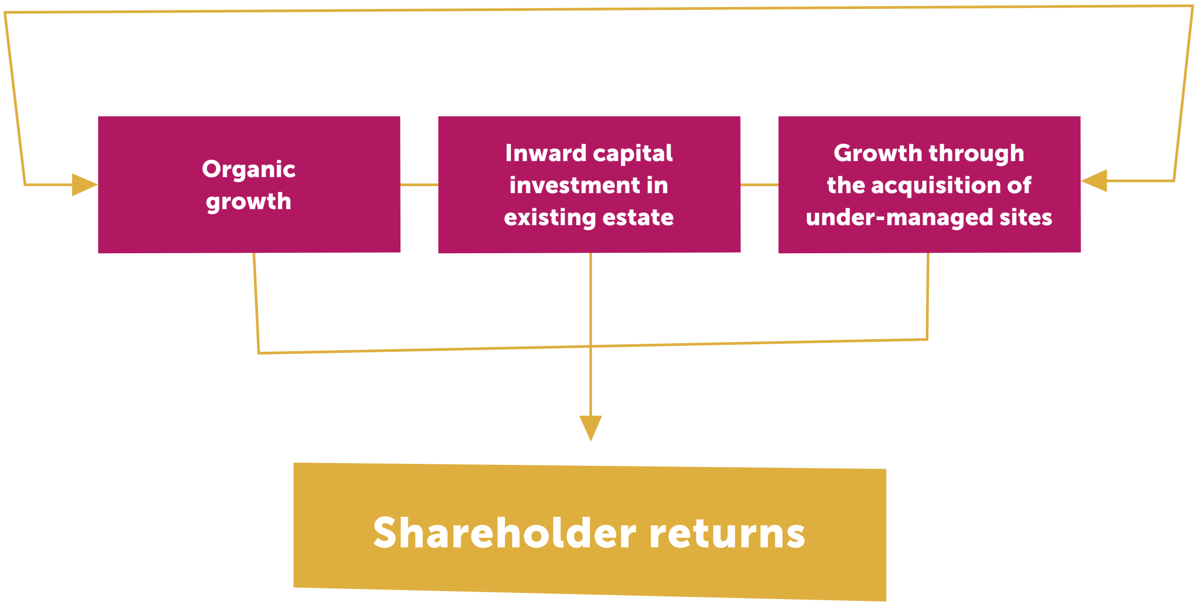
Strategy

Long-term value for stakeholders through investment-led growth

Ten Entertainment Group is a leading UK operator of bowling and family entertainment centres.

We operate with a scale advantage against the majority of the bowling sector, derived from a well-invested infrastructure. Our strategy has been developed with the intention of creating long-term value for our stakeholders through investment-led growth. The Group is supported by a strong balance sheet and generates funds through its activities, which allows us to both continue to invest in growth and offer an attractive dividend yield to our shareholders.

Ten Entertainment Group's vision is to deliver a fun and exciting customer experience for every customer. The Tenpin brand offers excellent customer service and value for money family entertainment. We continually invest in training and technology-led innovation to enhance the efficiency, quality and value of our offering while increasing the frequency of customer visits in a happy, vibrant and safe environment.



Organic growth

We will continue to increase like-for-like sales through:

- increased capacity management using the unique Lane Arrangement System ("LAS") which increases lane slots and maximises revenue per available lane;
- maximising pricing and retail strategy through tariffs, deals and promotions and simplified operations to increase average spend per head and increase revenue during non-core sessions;
- offer products and services that encourage repeat visits, increased dwell times and higher spend per head from our customers;
- attracting new customers through the development of our CRM capabilities; and
- maximising our cost efficiency through increasing scale and improved operational efficiency.

Growth through the acquisition of under-managed sites

There is significant opportunity to continue to grow the scale of the business in the medium term through the acquisition of bowling centres. We plan to acquire two to four existing bowling sites each year from other operators and improve their operations by converting them into Tenpin centres as per the current Tenpinisation rebranding strategy.

Inward capital investment in existing estate

We will continue to look for opportunities to invest in our estate, targeting three to four site refurbishments annually to maintain a modern and relevant offer for our customers. Our bowling centres typically operate on a six to seven year refurbishment cycle. Returns on investment are expected to track the historical average of 49% for the current refurbishment cycle.

Culture, people and systems

We love to make friends and families happy; we entertain and enthral profitably. We believe that engaged colleagues lead to higher levels of customer satisfaction, which we measure through our Net Promoter Score. We achieve this through our people, by:

- focusing on their continued training and development;
- providing an effective and safe environment to work in; and
- rewarding them for their hard work and continued loyalty.

Returns for our shareholders

We believe our business model and our strategy will drive strong operating margins and high returns on capital with strong cash generation from mature sites. Embedded growth within our business model and strategy is supported by a well-developed pipeline of acquisition sites. This all supports our dividend policy to distribute approximately 60% of adjusted profit after tax to ultimately provide investors with good levels of returns on their investment.

Key performance indicators ("KPIs")

The Group's solid performance and results during the period can be seen across many metrics and KPIs that are reviewed by the Group to understand our operational and financial performance.

Financial KPIs

Like-for-like sales %

This is a very important measure of growth in the business and this period the Group's main operating company, Tenpin Limited, reported a 3.6% (2016: 2.8%) full-year increase in like-for-like sales. Proforma full-year sales increased by 8.9% from £65.2m for the 52-week period ended 1 January 2017 to £71.0m for the 52-week period ended 31 December 2017 which was made up of 3.6% like-for-like growth and 5.3% net new space growth from the three sites acquired during the year.

52-week period ended 31 December 2017

3.6

Proforma 52-week period ended 1 January 2017

2.8

Adjusted basic earnings per share

As calculated per note 9 in the financial statements, the Group reports an adjusted earnings per share which accounts for the underlying earnings of the business and excludes exceptional one-off costs such as the IPO costs incurred during the year. The adjusted earnings per share for the year is 16.2p (2016: 14.8p).

52-week period ended 31 December 2017

16.2p

53-week period ended 1 January 2017

14.8p

Proforma 52-week period ended 1 January 2017

13.7p

Net debt £m

The Group's net debt is (£4.7m) (2016: (£7.8m)), being bank borrowings of (£6.0m) (2016: (£12.9m)), plus finance leases of (£4.3m) (2016: (£5.1m)) less cash and cash equivalents of £5.6m (2016: £10.2m). The decrease in borrowings arose as part of the IPO when existing bank facilities were repaid and a new agreement entered into with the Royal Bank of Scotland. Though net debt has decreased by £3.1m the payment of £3.1m in IPO costs as disclosed in note 6 to the financial statements impacted on this metric.

52-week period ended 31 December 2017

4.7

53-week period ended 1 January 2017

7.8

Proforma 52-week period ended 1 January 2017

7.8

Gross profit %

The conversion of sales to gross margin is reviewed across our sites by looking at the conversion of bowling, bar, food, amusements and machine sales into gross margin. The total trading gross profit achieved for the period was 88.6% (2016: 88.0%). Income from machines continued to be a key strategic focus during the period for Tenpin Limited, as income from machines contributed 20.1% (2016: 20.0%) of total sales for Tenpin Limited. Bowling remains the largest contributor to sales, contributing 47.5% (2016: 46.7%) of sales.

52-week period ended 31 December 2017

88.6

53-week period ended 1 January 2017

88.0

Proforma 52-week period ended 1 January 2017

88.5

Adjusted EBITDA £m

The Group's underlying operational performance is measured using this metric, calculated as operating profit before depreciation, amortisation, exceptional items and other income. Adjusted EBITDA for the period of £19.0m (2016: £17.6m) was up by £1.4m due to £0.7m of contribution from the three sites acquired during the year and £0.7m from increased sales, strong gross profit and good operating cost control in the core estate.

52-week period ended 31 December 2017

19.0

53-week period ended 1 January 2017

17.6

Proforma 52-week period ended 1 January 2017

16.6

The Group also reviews the following key non-financial KPIs:

Non-financial KPIs

Games played per stop ("GPS")

GPS looks at the number of games played that are not interrupted by a breakdown. This improved by 73 to 259 (2016: 186) for the period which has been driven an increased focus on this key metric and by the introduction of a more reliable technology in Pins & Strings across an additional five sites during the year. This is an important statistic that reflects the quality of service provided by the business as well as determining the impact of the benefit of rolling out the Pins & Strings project at sites.

52-week period ended 31 December 2017

259

53-week period ended 1 January 2017

186

Net Promoter Score ("NPS") %

The NPS for the period was up to 66% (2016: 49%) and is a measure of our customer service and the loyalty and engagement of the Group's customers. It has increased from prior year due to the continued focus on the customers' journey in our sites and thus increasing satisfaction. Factors such as improving games played per stop, and hence the customer experience, are fundamental to this. Continued training of our staff, rewarding our colleagues for great service and "memorable mentions" from customers, continually reviewing our food and drinks offer +and evolving our gaming machines estate with changing trends and tastes continue to see a positive impact on NPS.

52-week period ended 31 December 2017

66

53-week period ended 1 January 2017

49

Web and digital metrics

Increased focus has been put on the Group's web and mobile traffic and digital social engagement. Our website visits are 3,710,354 (2016: 3,275,169), which is 13% up on last year. Collecting more data on our customers gives us a stronger platform for our CRM and with our partners we have been better able to focus our marketing campaigns and digital media to drive repeat business and we have seen a 28% growth with repeat bookers totalling 50,698, up from 39,703 in 2016. Our total contactable database grew by 25% during the year to 1.1m contacts.

Website visits

52-week period ended 31 December 2017

3,710,354

53-week period ended 1 January 2017

3,275,169

Website repeat booking %

52-week period ended 31 December 2017

28

53-week period ended 1 January 2017

15

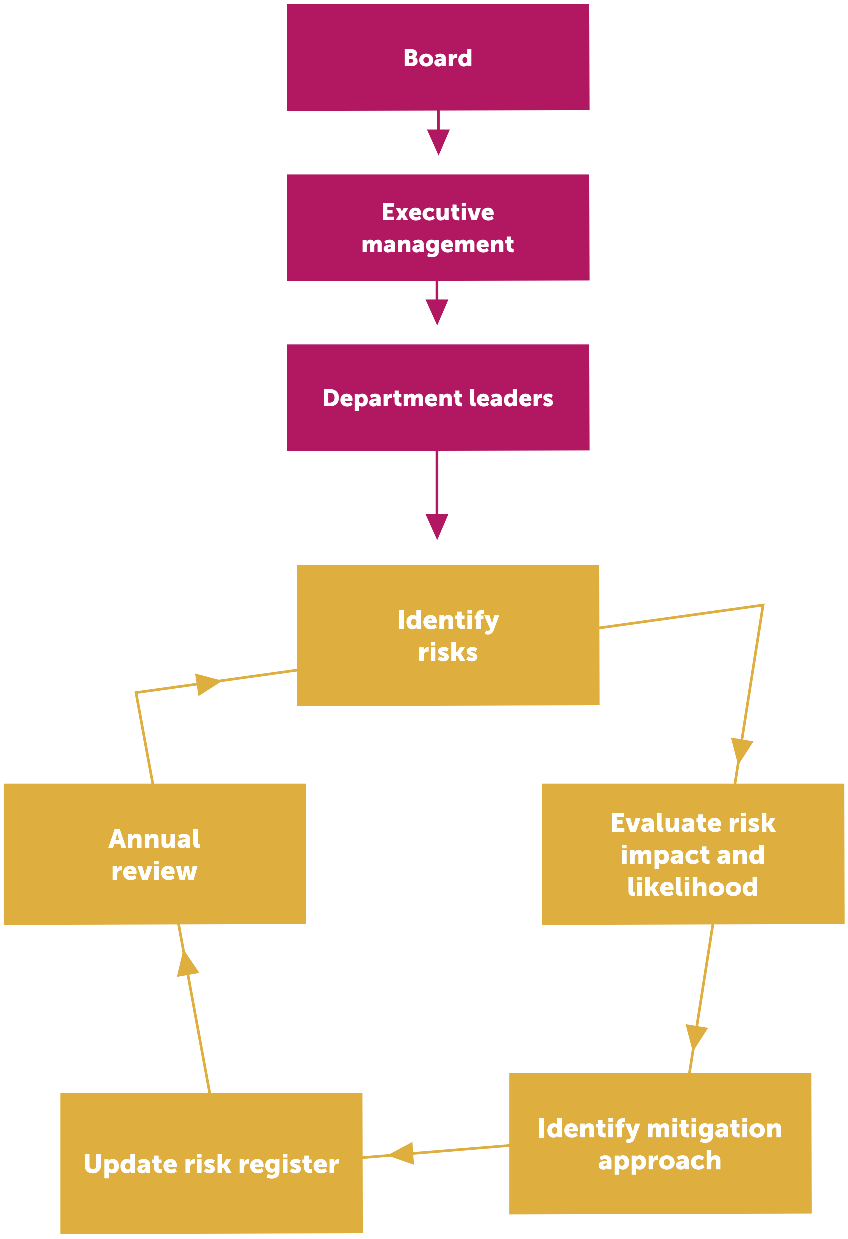
"With an excellent proposition that is designed to take advantage of the growth of customer demand for experiential activities, Ten Entertainment Group has much potential."

Alan Hand
Chief Executive Officer

Risk management

The Group recognises that the effective management of risk is key in achieving its strategic objectives.

Ultimate responsibility for the Group's risk management framework sits with our Board. During this first year as a listed business the Group has focused on introducing a risk management process, to identify, evaluate and monitor the risks it faces. Each risk has been assessed to determine the likelihood of occurrence together with the potential impact on the Group.



Principal risks and uncertainties

The business faces a number of risks on an ongoing basis.

The Board has undertaken a robust assessment of what it believes are the principal risks facing the Group, including those that would threaten its business model, its performance, delivery of its strategy or its ongoing viability. The following table summarises these principal risks, their possible impact and how they are managed or mitigated.

The risks in this table have been assessed on a multiplier effect basis, according to our current view of the likelihood of occurrence, the potential severity (being the financial impact) and the controls available to mitigate the risk. The environment in which we operate is constantly evolving; new risks may arise and the potential likelihood and impact of known risks may change. These risks therefore represent a snapshot of what the Board believes are the principal risks and are not an exhaustive list of all risks the Group faces. The full annual review process captures changes in these risks and also changes in the direction of travel of any given risk.

The Board has considered the risk posed by Brexit and has noted that there is the possibility of risk associated with potential labour cost increases and consumer uncertainty. The Board considers our exposure to labour cost pressures to be mitigated by our broad national presence, and limited Central London exposure. The Board also believes that, as a low-frequency and low-ticket activity, bowling is less exposed to a change in consumer sentiment than many other discretionary spend items. Therefore, at the moment, the Board does not consider Brexit to be a principal risk to the business model, but will continue to monitor and evaluate the situation.

The Board regularly monitors changes to the regulatory environment in which the Group operates. This includes monitoring and evaluating potential impacts from changes to regulation of competition, gambling, licensing, health and safety, and General Data Protection Regulation ("GDPR"). The Group has robust processes, controls and Board oversight of the management of regulatory risk in place, including continuous training of colleagues, site compliance audits and use of independent, expert advisers where appropriate. The Board does not currently consider any individual area of regulation change to constitute a material risk to the business, but through its risk management process regularly reviews and evaluates the impact any changes in legislation may have.

Operational

Risks and uncertainties

- Deterioration of assets over time
- Ageing of the estate
- Loss of key personnel

Impact on sales, costs and customer experience

Risk management approach

The Group operates sites that have high footfall and high usage, in particular at peak times. There is a risk that without the right level of ongoing investment the quality of the customer experience declines, impacting the customer experience and likelihood of return visits.

The Group generates cash from its operating activities and ensures enough cash is prioritised for an ongoing maintenance and refurbishment programme.

The Group has a management development programme in place to provide a pipeline of future centre managers, familiar with the Tenpin business model.

Business interruption

Risks and uncertainties

- Risk of cyber-attack/terrorism
- Failure or unavailability of operational and/or IT infrastructure
- GDPR risk

Impact on sales, costs and reputation

Risk management approach

A major incident could impact the Group's ability to keep trading. It manages this risk by maintaining and testing business continuity plans and establishing remote IT disaster recovery capabilities.

There has been an increase in the level of high-profile cyber-attacks. Cyber-security is of great importance to the Group given the level of customer data it holds. The Group adopts a multi-faceted approach to protection and regularly reviews the level of monitoring and threat protection systems that are in place.

Economic climate

Risks and uncertainties

- Change in economic conditions
- Increases in interest rates/inflation
- Changes in consumer disposable income

Impact on sales and ability to deliver our growth plans

Risk management approach

TEG's Tenpin bowling business is based exclusively in the UK and so is exposed to UK economic conditions and consumer confidence.

As a leisure activity, bowling may be affected by the general level of consumer spending on leisure.

The Board believes that, as a relatively low-frequency and low-ticket activity, bowling should withstand an economic downturn.

The Group continually reviews its product offer, its value proposition and the quality of its estate to improve the customer experience.

Major supplier failure

Risks and uncertainties

- Sudden failure of key supplier

Impact on sales, costs and customer experience

Risk management approach

The Group has a number of key suppliers that provide its bowling equipment, its gaming machines and its food and beverage products. Sudden failure of these suppliers could impact the Group's ability to offer its customers the level of experience they expect.

Regular meetings are held between the Chief Commercial Officer and the Group's key suppliers to discuss both operational issues and future growth plans. The Group works with market-leading suppliers in these fields. The Group maintains Service Level Agreements ("SLAs") with its food and beverage suppliers, and whilst failure may lead to short-term disruption alternative suppliers could be introduced at short notice.

Financial review

Good track record of profitable growth

Mark Willis
Chief Financial Officer

Financial summary

£000	52 weeks to 31 December 2017	Unaudited proforma 52 weeks to 1 January 2017	53 weeks to 1 January 2017
Revenue	71,040	65,218	67,319
Cost of sales[2]	(8,119)	(7,502)	(7,738)
Gross margin	62,921	57,716	59,581
Total operating costs	(37,218)	(35,709)	(36,477)
Centrally allocated overheads	(2,583)	(2,254)	(2,316)
Support office	(4,108)	(3,131)	(3,183)
Group adjusted EBITDA[1]	19,012	16,622	17,605
Depreciation and amortisation	(5,247)	(4,345)	(4,426)
Net interest	(775)	(1,290)	(1,315)
Group adjusted profit before tax[1]	12,990	10,987	11,864
Exceptional items	(4,986)	(1,902)	(1,902)
(Loss)/profit on disposal of assets	(356)	58	58
Amortisation of acquisition intangibles	(607)	(1,307)	(1,307)
Shareholder loan note interest	(1,152)	(3,836)	(3,909)
Adjustments in respect of onerous lease & impairment provisions	1,403	(272)	(272)
Gain on derecognition of finance leases	–	904	904
Profit before tax	7,292	4,632	5,436
Taxation	(2,111)	(1,629)	(1,805)
Of which: taxation attributable to Group adjusted profit	(2,457)	(2,068)	(2,276)
Profit after tax	5,181	3,003	3,631
Earnings per share			
Basic earnings per share	8.0p	4.6p	5.6p
Adjusted basic earnings per share	16.2p	13.7p	14.8p
Full-year dividend	10.0p	–	–

FY16 53rd week impact

FY16 reported figures, as disclosed in the prospectus issued on 12 April 2017, included a 53rd week in order to allow the year-end date for 2016 to remain close to the end of December. In order to provide a more useful comparative to understand the underlying trading performance, proforma ("PF") sales, EBITDA and profit numbers for the 52-week period to 1 January 2017 (representing weeks 2-53 of FY16) have been provided. These proforma numbers exclude FY16 week 1 (w/e 3 January 2016), which is most comparable to FY16 week 53 (w/e 1 January 2017). These weeks include the key Christmas holiday trading period in each year and are significant trading weeks for the Group. Balance sheet and cash flow performance are reported unadjusted versus the year-end date.

1 These are non-IFRS measures used by the Group in understanding its underlying earnings. Group adjusted EBITDA consists of earnings before interest, taxation, depreciation, amortisation costs, exceptional items, profit or loss on disposal of assets, adjustments to onerous lease and impairment provisions and derecognition of finance leases. Group adjusted profit before tax is defined as profit before exceptional items, profit or loss on disposal of assets, amortisation of acquisition intangibles, shareholder loan note interest, adjustments to onerous lease and impairment provisions and derecognition of finance leases. Adjusted basic earnings per share represents earnings per share based on adjusted profit after tax. Like-for-like sales are a measure of growth of sales adjusted for new or divested sites over a comparable trading period.

2 Cost of sales and operating expenses are presented on the basis as analysed by management. Cost of sales in the financial summary are determined by management as consisting of the direct bar, food, vending, amusements and gaming machine related costs. Statutory costs of sales reflected in the Statement of comprehensive income also include the staff and call centre costs incurred by the sites. Operating expenses are split into more detail in the financial summary to obtain statutory operating profit, with overheads, support office, amortisation, depreciation and exceptional costs reflected separately.

"Our investment-led strategy focuses on profitable growth. Proven returns from acquisitions and refurbishment, coupled with organic sales growth and good cost control, supported our 14% growth in EBITDA during FY17."

£000	52 weeks to 31 December 2017	Proforma 52 weeks to 1 January 2017	53 weeks to 1 January 2017
Revenue	71,040	65,218	67,319
Group adjusted EBITDA	19,012	16,622	17,605
Group adjusted profit before tax	12,990	10,987	11,864
Profit after tax	5,181	3,003	3,631

Revenue

	52 weeks to 31 December 2017[1]	53 weeks to 1 January 2017
Number of bowling centres	40	38
Like-for-like sales growth	3.6%	2.8%
Net new space sales growth	5.3%	22.8%
53rd week impact	—	1.5%
Total sales growth	8.9%	27.1%

1 Proforma growth measured against the 52 weeks to 1 January 2017, weeks 2-53 of FY16.

Total sales were up 5.5% at £71.0m (FY16: £67.3m) on a reported basis. Proforma sales for the comparable period were up 8.9% (FY16 PF: £65.2m). Like-for-like sales, were up 3.6%. Net new space contributed 5.3% in the period on a proforma basis. The drivers of this overall sales performance have been analysed as part of the preceding operating review.

Gross margin

The reported gross margin rate was up 10 basis points year on year at 88.6% (FY16 PF: 88.5%). The gross margin rate, combined with the growth in reported sales, resulted in gross margin being up 9.0% to £62.9m (FY16 PF: £57.7m). On a 53-week FY16 reported basis gross margin increased by 5.6% (FY16: £59.6m).

Operating costs

£000	52 weeks to 31 December 2017	Proforma 52 weeks to 1 January 2017	53 weeks to 1 January 2017
Site labour (incl. call centre)	13,895	13,061	13,388
Rent	11,191	11,100	11,318
Other property costs	6,975	6,677	6,809
Other operating costs	5,157	4,871	4,962
Total operating costs	37,218	35,709	36,477

Total operating costs increased by 4.2% to £37.2m (FY16 PF: £35.7m), principally driven by costs associated with the net additional sites opened during the period, together with the full-year effect of the sites acquired in the previous financial year. Underlying operating costs excluding net new space were down 0.8%, driven principally by a reduction in underlying rent costs as a result of the rent re-gears achieved at four sites, together with good labour cost control, supported by the implementation of the Fourth Hospitality payroll management system in December 2016. These cost efficiencies more than offset underlying cost inflation. On a 53-week FY16 reported basis costs increased by 2.0%.

Central administration costs

Centrally allocated overheads were up 15% at £2.6m (FY16 PF: £2.3m), mostly driven by increased levels of expense in marketing, IT and training to support the business growth plans. Support office costs were up 31% at £4.1m (FY16 PF: £3.1m) principally driven by cost inflation, recruitment costs for the previously discussed senior management roles and the impact of additional PLC related expenses. On a 53-week FY16 reported basis central overheads increased by 12% and support office costs by 29%.

Financial review continued

Adjusted EBITDA

Adjusted EBITDA is up 14.4% at £19.0m (FY16 PF: £16.6m). The growth in EBITDA on a proforma basis is driven by a combination of the growth from like-for-like sales and good operational cost control within the core estate, together with the benefit of the additional sites within the estate. On a 53-week FY16 reported basis EBITDA grew by 8.0% (FY16: £17.6m).

Adjusted EBITDA is considered by management to be a key performance metric for the business as this is calculated excluding non-recurring costs to provide a measure that is more reflective of the underlying performance of the Group.

Depreciation

Depreciation increased by 21% to £5.2m (FY16 PF: £4.3m) in the year, principally as a result of the growth in the overall size of the estate, combined with the investment in refurbishments at five of the six FY15 acquisition sites late in FY16 together with investment in refurbishment at a further six sites during FY17. On a 53-week FY16 reported basis depreciation increased by 19%.

Finance costs

£000	52 weeks to 31 December 2017	Proforma 52 weeks to 1 January 2017	53 weeks to 1 January 2017
Interest on bank debt	(260)	(558)	(569)
Amortisation of bank financing costs	(112)	(250)	(255)
Finance lease interest charges	(218)	(327)	(333)
Other finance costs	(185)	(155)	(158)
Net interest excluding shareholder loan note interest	(775)	(1,290)	(1,315)

Net interest (excluding shareholder loan note interest) decreased by 40% to £0.8m (FY16 PF: £1.3m) principally driven by the refinancing of bank debt at both a lower level and on more favourable terms, together with a reduction in finance lease charges as a result of the derecognition of two finance leases at the end of FY16. On a 53-week FY16 reported basis net interest decreased by 41%.

Group adjusted profit before tax

Group adjusted profit before tax was £13.0m (FY16 PF: £11.0m) driven by the movements outlined above.

Exceptional items

Exceptional items recorded in the period were £5.0m (FY16: £1.9m). This includes a charge of £3.1m for costs relating directly to the IPO. Other exceptional items of £1.9m were driven by the write-off of capitalised loan arrangement fees in relation to existing term loans repaid on completion of the IPO (£0.7m), legal costs in association with the bank refinancing (£0.1m), legal costs associated with site acquisitions (£0.3m), other property-related fees and costs principally relating to lease re-gears and renewals (£0.5m) and other professional fees and one-off costs (£0.2m).

Disposal of assets

The loss on disposal of assets of £0.4m (FY16: gain of £0.1m) is largely driven by the removal of bowling equipment leading to a loss on disposal of £0.3m in relation to the replacement of the traditional pinsetters with Pins & Strings machines in the five trial sites.

Amortisation of acquisition intangibles

The amortisation of acquisition intangibles was a charge of £0.6m (FY16: £1.3m).

Shareholder loan note interest

Shareholder loan note interest charges decreased by 70% to £1.2m (FY16 PF: £3.8m), representing the interest payable against the balance of loan notes (FY16: £42.4m) up until 10 April 2017. The shareholder loan notes were converted to equity as part of the IPO process; there will therefore be no further interest charge incurred in future years in relation to these loan notes. On a 53-week FY16 reported basis interest charges decreased by 71%.

Adjustments in respect of onerous lease and impairment provisions

The adjustment in respect of onerous lease and impairment provisions is a credit of £1.4m (FY16: charge of £0.3m). The credit principally reflects improved performance together with rent reductions achieved and the exit of an underperforming site in Chelmsford.

Gain on derecognition of finance leases

The gain on derecognition of finance leases was £nil (FY16: credit of £0.9m).

Taxation

Taxation attributable to Group adjusted profit before tax was £2.5m (FY16 PF: £2.1m), representing an effective tax rate of 18.9% (FY16 PF: 18.8%). Taxation attributable to items outside of Group adjusted profit was a credit of £0.3m (FY16 PF: £0.4m). The total tax charge for the year was £2.1m (FY16 PF: £1.6m).

Profit after tax

Profit after tax grew by 73% to £5.2m (FY16 PF: £3.0m). Group adjusted profit after tax increased by 18% to £10.6m (FY16 PF: £8.9m). On a 53-week FY16 reported basis profit after tax increased by 43%.

Number of shares and earnings per share

The number of shares for the purpose of calculating basic earnings per share was 65m. This represents the average number of issued ordinary shares. The earnings per share was 8.0p. Adjusted basic earnings per share grew by 18% to 16.2p (FY16 PF: 13.7p). FY16 earnings per share has been restated to reflect the new Group capital structure.

Dividends

The Board decided with its interim results in September to announce a dividend for FY17 based on the full-year earnings for the Group and not pro rata since Admission in April as previously stated, reflecting its confidence in the Group's ability to deliver its long-term plans. It is therefore recommending a final dividend of 7.0p. This takes the full-year dividend to 10.0p per share. The final dividend, subject to approval by shareholders at the AGM, will be paid on 5 July 2018. The ex-dividend date is 24 May 2018 and the record date is 25 May 2018.

Balance sheet

As at £000	31 December 2017	1 January 2017	Movement
Assets			
Goodwill & other intangible assets	26,661	25,742	919
Property, plant and equipment	34,891	34,720	171
Inventories	1,356	1,339	17
Trade and other receivables	3,521	3,346	175
Cash and cash equivalents	5,571	10,185	(4,614)
	72,000	75,332	(3,332)
Liabilities			
Finance lease liabilities	(4,245)	(5,149)	904
Bank borrowings	(5,845)	(12,120)	6,275
Trade and other payables & provisions	(6,758)	(9,632)	2,874
Shareholder loan notes	5	(42,435)	42,435
Other liabilities	(1,959)	(1,953)	(6)
	(18,807)	(71,289)	52,482
Net assets	53,193	4,043	49,150

Net assets as at 31 December 2017 were £53.2m, an increase of £49.2m versus the balance sheet date at 1 January 2017 (FY16: £4.0m), equivalent to 81.8 pence per share. The increase in net assets is primarily a result of the conversion of the loan notes to equity as part of the IPO transaction. Other movements include an increase of £0.9m in goodwill & other intangible assets to £26.7m, driven by the addition of goodwill arising on the acquisition of new sites. Analysis of the movement in cash and cash equivalents and bank borrowings is provided within the cash flow statement on page 30. In addition, there was a decrease in trade and other payables and provisions principally driven by the reduction in onerous lease and impairment provisions together with a lower level of capital accruals and other smaller provision movements.

Net debt analysis

As at	31 December 2017	1 January 2017	Movement
Closing cash and cash equivalents	5,571	10,185	(4,614)
Bank loans	(6,000)	(12,906)	6,906
Bank net debt	(429)	(2,721)	2,292
Shareholder loan notes	—	(42,435)	42,435
Finance leases	(4,245)	(5,149)	904
Statutory net debt	(4,674)	(50,305)	45,631

Financial review continued

Net debt analysis continued

Bank net debt, pre-finance leases, decreased by 84% to £0.4m (FY16: £2.7m) driven by the movements in cash analysed in the following cash flow statement. The cash outflow during the year was also impacted by the level of exceptional items, principally driven by the Group's IPO costs.

Cash flow

£000	52 weeks to 31 December 2017	53 weeks to 1 January 2017	Movement
Cash flows from operating activities			
Group adjusted EBITDA	19,012	17,605	1,407
Movement in net working capital	(1,441)	(949)	(492)
Net cash from operating activities	17,571	16,656	915
Cash flows from investing activities			
Acquisition of sites by Tenpin Limited	(2,594)	(2,322)	(272)
Purchase of property, plant and equipment & software	(3,624)	(3,030)	(594)
Net cash used in investing activities	(6,218)	(5,352)	(866)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	1	4	(3)
Finance lease capital repayments	(2,312)	(1,471)	(841)
Net repayment of bank borrowings	(6,906)	(3,594)	(3,312)
Finance costs paid	(621)	(977)	356
Net cash used in financing activities	(9,838)	(6,038)	(3,800)
Tax paid	(1,861)	—	(1,861)
Pre-exceptional cash (decrease)/increase	(346)	5,266	(5,612)
Exceptional items	(4,268)	(1,902)	(2,366)
(Decrease)/increase in cash and cash equivalents	(4,614)	3,364	(7,980)
Opening cash and cash equivalents	10,185	6,821	3,364
Closing cash and cash equivalents	5,571	10,185	(4,614)

Cash flows from operating activities were £17.6m (FY16: £16.7m). The increase in Group adjusted EBITDA was partially offset by a small movement in working capital in the year.

Acquisition investment was an outflow of £2.6m (FY16: £2.3m) utilised to purchase three new sites: Blackburn, Eastbourne and Rochdale. Net capital expenditure on property, plant and equipment and software was an outflow of £3.6m in the period (FY16: £3.0m), driven by Tenpinisation and refurbishment capital costs of £1.3m, investment of £1.0m in Pins & Strings machines at the five additional sites discussed earlier and an ongoing level of maintenance capital across the estate.

The net movement in borrowings was an outflow of £6.9m (FY16: £3.6m), representing the repayment of existing term loan facilities of £12.9m, partially offset by the drawdown of the replacement revolving credit facility to the amount of £6.0m.

Finance costs paid were £0.6m (FY16: £1.0m) with the reduction driven by the movement in the cash element of the finance costs previously discussed. Tax paid was £1.9m (FY16: £nil), with no tax payment being due in FY16 due to the utilisation of remaining historical trading losses within Tenpin Limited. Exceptional items result in a cash outflow of £4.3m (FY16: £1.9m), as analysed on page 28, but were principally in relation to the costs associated with the Group's IPO during the first half of the financial year.

The net movement in cash and cash equivalents was an outflow of £4.6m (FY16: inflow of £3.4m).

Financing arrangements

The Group finances its operations through a combination of cash, property leases, finance leases and access to committed bank facilities where necessary. On completion of its IPO, the Group agreed a new, three-year, £15m committed secured borrowing facility which, as at 31 December 2017, the Group had drawn down £6.0m.

The Group has additional liabilities through its obligations to pay rents under a combination of both operating and finance leases (finance leases: FY17: one site; FY16: two sites). The rental charge for the period amounted to £11.2m (FY16 PF: £11.1m), with the increase principally a result of the additional sites compared to the same period last year. In addition, the Group has further liabilities through its finance lease arrangement with Namco for its gaming machines. The finance lease capital repayments were an outflow of £2.3m during FY17 (FY16: £1.5m).

Total property lease commitments were £142.7m at 31 December 2017 (FY16: £127.4m) with the increase driven by the net two additional sites, together with the increase in average lease length from 11.3 years to 13.0 years, principally driven by the lease re-gears and renewals previously discussed. The total finance lease commitments as at 31 December 2017 amounted to £4.2m (FY16: £5.1m).

Share price

The Group's opening share price on entry to the market on 12 April 2017 was 165p. The price has ranged from a low of 148p to a high of 271p. On 29 December 2017, the closing price was 248p, giving a market capitalisation of £161m.

Accounting standards and use of non-GAAP measures

The Group has prepared its consolidated financial statements based on International Financial Reporting Standards for the 52 weeks ended 31 December 2017. The basis for preparation is outlined in the second paragraph to the financial statements on page 73.

The Group uses certain measures that it believes provide additional useful information on its underlying performance. These measures are applied consistently but as they are not defined under GAAP they may not be directly comparable with other companies adjusted measures. The non-GAAP measures are outlined in note 2 to the financial statements on page 81.

Principal risks and uncertainties

The Group's principal risks and uncertainties are set out on pages 24 and 25.

Mark Willis
Chief Financial Officer
21 March 2018

Financial review continued

Long-term viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code (the "Code"), the Directors have assessed the Group's prospects and viability over a three-year period to 28 December 2020. This three-year assessment period was selected as it corresponds with the Board's strategic planning horizon as well as the time period over which senior management is remunerated via its share performance scheme. Future assessments of the Group's prospects are subject to uncertainty that increases with time and cannot be guaranteed or predicted with certainty.

In making this assessment, the Directors took account of:

- the Group's current financial performance including EBITDA, operating profit and adjusted profit after tax;
- its strong financial position and cash flows including net debt and available cash;
- the availability of its banking facilities and complying with the agreed covenants;
- its business model and strategy in particular new site acquisitions and inward capex; and
- risks and uncertainties.

These were extended as part of the Group's three-year plan forecasts and appropriate stress-testing was undertaken to consider the potential impact of a combination of principal risks and uncertainties materialising together such as declines in year-on-year sales, inflationary increases across all variable cost lines as well as above expected increases in fixed costs such as property rents. This was then looked at in isolation as well as in combination with certain strategies not being implemented around sales growth initiatives and site acquisitions in the pipeline not being made. Based on this assessment, the Directors have a reasonable expectation that the Group will continue in operation and meet all its liabilities as they fall due during the three-year period up to 28 December 2020.

Going concern

On 12 April 2017, the Group's shares were admitted to trading on the Main Market of the London Stock Exchange and it entered into a new £15m, three-year revolving credit facility (see note 3 to the financial statements for details of the Group reorganisation). There were no primary funds raised for the Group at the IPO and all proceeds were distributed to existing shareholders.

The Directors believe that the IPO has benefitted the Group by providing:

- a stronger capital structure, enabling it to continue its acquisition growth strategy while making it more attractive as a tenant to landlords;
- access to a wider range of capital raising options beyond the banking facilities already in place, which could be used for acquisition opportunities;
- removal of the private equity PIK loan notes, which reduced overall earnings as they attracted higher rates of interest than normal bank facilities; and
- repayment of prior bank facilities and renegotiation of new banking facilities with a lower rate of interest, which reduces interest payments, increases earnings and allows further investment of cash.

The Group is in a strong financial position to continue its operations for the next 12 months. For these reasons, the Directors have adopted the going concern basis in preparing the financial statements. The Directors have made this assessment after consideration of budgeted cash flows and related assumptions and in accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

The viability statement was approved by the Board and signed on its behalf by:

Mark Willis
Chief Financial Officer
21 March 2018

"There is further potential for growth in the experiential leisure market and the Group is well positioned to benefit from this trend."

Alan Hand
Chief Executive Officer

Corporate social responsibility

The Directors believe that corporate social responsibility is important to help establish trust and goodwill amongst employees and customers.

The Group's corporate social responsibility policy covers four main areas:

Charity and work within the community

The sites each have their own nominated charity and give charitably in the form of events and fundraising. The Group also has a nominated charity, which as at the date of these financial statements is Rays of Sunshine. The Group encourages employees to give back to the community by allowing employees to be able to work fully paid for one day a year for a charitable organisation.

This encouragement has also led to "VIP days" for terminally ill children and participation in national fundraising campaigns such as Children in Need and Macmillan events.

Social

Bowling is a fun, family-oriented activity that encourages people to be active and promotes enjoyable social time together. Our sites provide drink and food as part of the experience and we understand the focus on diet and wellbeing. We are passionate about our food and strive to always provide the best quality food to our customers and we are focused on making progressive changes going forward to meet changing customer expectations. We have introduced a low fat, low salt burger as well as a new cooking oil which has reduced oil usage by 25% annually.

We continue to work with our suppliers to reduce the amount of sugar and salt in the products we use and ensure all our products are from sustainable sources and that we have a range of healthier options available.

We communicate regularly with regulatory bodies, local councils and our suppliers to ensure that we have an appropriate mix of gaming machines in terms of content and quality and age appropriateness.

Environmental

The Group is committed to operating its business in such a way as to minimise the impact on the environment as a result of its activities and will always aim to meet and, where practicable, improve upon relevant environmental legislative requirements and codes of practice. In addition, the Group continues to demonstrate environmental care in which it operates by carrying out professional surveys in order to identify where reasonable steps can be taken to reduce energy usage, promoting the purchase and use of materials within the business in a manner that minimises potential adverse environmental effects and developing waste minimisation initiatives in order to recycle, reuse and reduce waste.

Greenhouse gas emissions

Greenhouse gas ("GHG") emissions for FY17 have been measured under the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013. The GHG Protocol Corporate Accounting and Reporting Standards (revised edition) data has been provided through analysis of our utility invoices.

Scope 1 emissions: 417.9 tCO2e

Scope 2 emissions: 4,895.2 tCO2e

Total scope 1 and 2 emissions: 5,313.1 tCO2e

Intensity ratio (tCO2e per centre): 133.7

With the introduction of Pins & Strings across our sites we expect our greenhouse gas emissions to decline.

Employee engagement and wellbeing

The Group has policies in place which demonstrate its commitment to a high level of integrity and standards and the welfare of its employees. This includes a "Health and Wellbeing Strategy" for the Group's employees and providing a comprehensive but flexible benefits and reward scheme for all employees.

Achievements for 2017 include:

- a celebration of success with our colleagues through the "Winning Way" lunches, a Tenpin five-a-side football tournament, a company awards event and Christmas parties;
- the Group's focus on our people was recognised by the "Great Place to Work" awards as a top 35 best workplace;
- implementation of a new development programme for both site apprenticeships and management teams;
- retention of Gold Investors in People standard, and runners up at Investors in People awards;
- launch of "The Voice", an employee forum for feedback on all areas of the business;
- launch of "Learning Lanes" to complement our training and development strategy; and
- launch of additional products to complement our reward and recognition strategy.

The Group strives to provide a happy and safe environment for colleagues and is always seeking to understand what improvements can be made in colleagues' experiences at work. The People team helps the Group keep focused on work-life balance initiatives and provides opportunities for colleagues to connect and network with each other. All colleagues are provided with an excellent benefits package which includes access to the Group's reward scheme "Tenpin Treats", the use of which is continuing to increase as employees understand the benefits of the scheme. The Group runs a regular engagement survey with colleagues to measure team member satisfaction and to give colleagues an opportunity to feed back what works well and what can be improved upon. Results of the survey are encouraging, with completion levels at 92% on the last survey conducted in September 2017 and 90% of respondents saying they would recommend Tenpin as a great place to work.

The Group's policy on diversity is that no individual should be discriminated against on the grounds of race, colour, ethnicity, religious belief, political affiliation, gender, age or disability, and this extends to Board appointments. The Board recognises the benefits of diversity, including gender diversity, on the Board, although it believes that all appointments should be made on merit, whilst ensuring that there is an appropriate balance of skills and experience within the Board. The Board currently consists of 12.5% (one) female and 87.5% (seven) male Board members while the total Group headcount consists of 622 female and 512 male employees. The Group is passionate about fairness, equality and inclusion and is committed to reducing the gender pay gap.

The Modern Slavery Act, which came into force in October 2015, requires the Group to publish an annual slavery and human trafficking statement. The latest statement can be found on the Ten Entertainment Group plc website. Neither the Group nor any of its subsidiaries permit, condone or otherwise accept any form of human trafficking or slavery in its business and the Group is committed to doing what it can to combat these practices.

The Strategic report was approved by the Board and signed on its behalf by:

Alan Hand
Chief Executive Officer
21 March 2018

Board of Directors

Our leadership team

The Directors of Ten Entertainment Group plc during the period and up to the date of signing the financial statements were as follows:

Nick Basing
Chairman

Appointed to the Board

Nick was appointed as Chairman of the Company on 15 March 2017.

Committee membership

A R N

Experience, skills and qualifications

Nick is a highly experienced industry figure with a successful track record of over 30 years of operational experience in the leisure industry. Nick was responsible for the operational turnaround and subsequent growth, both organically and via acquisition, beginning with Paramount plc and subsequently Paramount Holdings ("Paramount") including Chez Gerard, Bertorelli and Caffe Uno, where he was chief executive officer for over six years. Prior to Paramount he held a number of senior management positions with leading companies such as Rank, First Leisure, Unilever and Granada. Nick was awarded UK Retailers' Retailer of the Year in 2006. He was appointed to the board of Essenden Limited as chief executive officer on 18 August 2009. He is also a non-executive Director of Goals Soccer Centres plc and Chairman of Goals City US Limited, and has served as a non-executive Director on the board of the following companies: Brakes Brothers Holdings Ltd, Elegant Hotels Group plc and The All England Lawn Tennis and Croquet Club ("Wimbledon"). Nick was appointed as Chairman of the Company on 15 March 2017.

Alan Hand
Chief Executive Officer

Appointed to the Board

Alan was appointed as Chief Executive Officer of the Company on 15 March 2017.

Committee membership

–

Experience, skills and qualifications

Alan has 29 years' experience in the leisure and restaurant sectors which include Paramount, The Restaurant Group and My Kinda Town. Alan has board level experience in operational roles at Paramount and the Group and was appointed Managing Director of the Group in September 2015 following five years of being the Operations Director of the Group's bowling operations. Alan has over eight years' experience working directly in the bowling industry.

Mark Willis
Chief Financial Officer

Appointed to the Board

Mark was appointed as Chief Financial Officer of the Company on 15 March 2017.

Committee membership

–

Experience, skills and qualifications

Mark began his career in industry, training with the Chartered Institute of Management Accountants. He held a variety of roles at Lloyds TSB, Mercedes-Benz, Tesco and Home Retail Group. Prior to joining the Group, Mark was finance Director for Argos and during his time at Home Retail Group, Mark held roles as Director of group finance and Director of investor relations. He was appointed as Chief Financial Officer of the Company on 15 March 2017.

Graham Blackwell
Chief Commercial Officer

Appointed to the Board

Graham was appointed as Chief Commercial Officer of the Company on 15 March 2017.

Committee membership

–

Experience, skills and qualifications

Graham has over 26 years' experience in the bowling industry following his roles at Granada, Allied, Georgica and Essenden Limited. He was appointed to his current position as Chief Commercial Officer of the Group in 2013 following his nine-year period as Operations Director of the Group's bowling business. He is also a member of the executive committee of the UK Bowling Industry Association.

David Wild
Non-Executive Director

Appointed to the Board

David was appointed Senior Independent Non-Executive Director and Chair of the Remuneration Committee of the Company on 15 March 2017.

Committee membership

A R N

Experience, skills and qualifications

David was appointed to the board of Domino's Pizza Group plc as a non-executive Director in November 2013, before being appointed as its chief executive officer in 2014. David was previously the chief executive officer of Halfords Group plc and has held senior roles within Walmart and Tesco. David was also a non-executive Director of the multi-channel consultancy Practicology Limited.

Rob McWilliam
Non-Executive Director

Appointed to the Board

Rob was appointed Non-Executive Director and Chair of the Audit Committee of the Company on 15 March 2017.

Committee membership

A R N

Experience, skills and qualifications

Rob has over 25 years of finance, strategy and digital leadership experience in some of the world's largest retail businesses, including ASDA/WalMart and Amazon. Rob's executive experience includes being UK finance Director for ASDA/Walmart and Amazon, and his most recent role as vice president for the consumables division at Amazon UK. Rob spent his early career at Bass plc where he qualified as an accountant, having graduated in Mathematics from Durham University. Rob is currently a non-executive Director of Jisc (a provider of digital infrastructure to universities in the UK).

Christopher Mills
Non-Executive Director

Appointed to the Board

Christopher was appointed as a Non-Executive Director of the Company on 15 March 2017.

Committee membership

A R N

Experience, skills and qualifications

Christopher is a Director and the sole shareholder of Harwood Capital Management Limited which is a designated corporate member and the controller of Harwood. Harwood Capital Management Group was formed in 2011 by Christopher on his acquisition of Harwood from J O Hambro Capital Management Group Limited. He is also the chief executive officer and Director of NASCIT (a UK listed investment trust) and a Director and investment manager of Oryx. He has a long and successful investing track record and is a non-executive Director of a number of both public and private companies. Prior to joining J O Hambro Capital Management Group Limited which he co-founded in 1993, he worked from 1975 to 1993 for Samuel Montagu Limited, Montagu Investment Management Limited and its successor company, Invesco MIM, latterly as head of North American investments and head of North American venture capital.

Julie Sneddon
Non-Executive Director

Appointed to the Board

Julie was appointed Non-Executive Director of the Company on 22 March 2017.

Committee membership

A R N

Experience, skills and qualifications

Julie has 20 years' experience in senior executive roles with the Walt Disney Company, including most recently as executive vice president of Disney Stores Worldwide which carried responsibility for over 330 stores across North America, Europe and Japan. Julie has led multiple strategic business development and organisation transformation change initiatives for Disney with a focus on retail, brand development and digital transformation.

Committee key:

A Audit Committee N Nomination Committee R Remuneration Committee ● Chairman

Chairman's introduction

Governance supports success of Company strategy

Nick Basing
Chairman

Dear Shareholders

I am pleased to introduce our first Corporate Governance report on behalf of the Board. The Board is committed to ensuring that the Group operates with high standards of corporate governance and intends to comply with the requirements of the Code as it applies to smaller companies (i.e. those below the FTSE 350). We believe that it is important that the governance structure supports the success of the Company's strategy after listing in April 2017 and ensures the creation and preservation of shareholder value, as well as benefiting other stakeholders.

As part of the IPO, our key focus was to ensure that the Board had constituted appropriate Committees and adopted relevant terms of reference, policies and procedures to support the development of a robust governance structure. After the IPO we have continued to work on ensuring compliance with the Code and other obligations of a company listed on the London Stock Exchange's Main Market. As you will see from our Corporate Governance report, due to the fact that the Company only listed in April 2017 it has not been practicable to fully comply with all provisions and our report highlights these areas and how we expect to address these in the coming year.

The Board plays a vital role in developing and maintaining the Group's culture and values by setting the "tone from the top" and determining the behaviours expected by the Board and ensuring that ethical standards are maintained. In so doing, the Board aims to strike the right balance between entrepreneurial leadership and the prudent and effective management of risk, both of which are essential to maintaining a sustainable business and creating value for shareholders.

We have appointed high-calibre Non-Executive Directors who all bring experience relevant to our sector, first-class backgrounds and the right skills to support our status as a listed company. David Wild, Julie Sneddon and Rob McWilliam all joined the Board in the lead up to the IPO and have already started to make significant contributions to the Board and its various Committees. Our corporate governance framework continues to evolve and improve and the following report sets out how the Board has complied with the principles of good governance during the year.

Nick Basing
Chairman
21 March 2018

Corporate governance

UK Corporate Governance Code – compliance

The Company adopted the Code on 12 April 2017 on Admission of its shares to the UKLA's Official List and listing on the Main Market of the London Stock Exchange. Prior to that date it was not a premium listed company and was therefore not required to comply with the principles and provisions of the Code. Since 12 April 2017, and including the period between Admission and the end of the financial year, the Company has applied all of the main principles of the Code as they apply to it as a "smaller company" (defined in the Code as being a company below the FTSE 350) and has complied with all relevant provisions of the Code except as indicated below:

Provision explanation

A.3.1 – The Chairman was not independent on appointment; however, he provides a wealth of experience in the industry to the Group and, following on from the IPO, he provides strong continuity to the transition from a private company to a listed company. The Board also includes three independent Directors to provide balance to the governance of the Group.

B.6.1 – The Board has not carried out a performance evaluation as this is the first year of incorporation but one will be carried out in FY18.

A.4.2 and B.6.3 – The Non-Executive Directors have not formally evaluated the Chairman's performance as this is the first year of incorporation but an evaluation will be carried out in FY18.

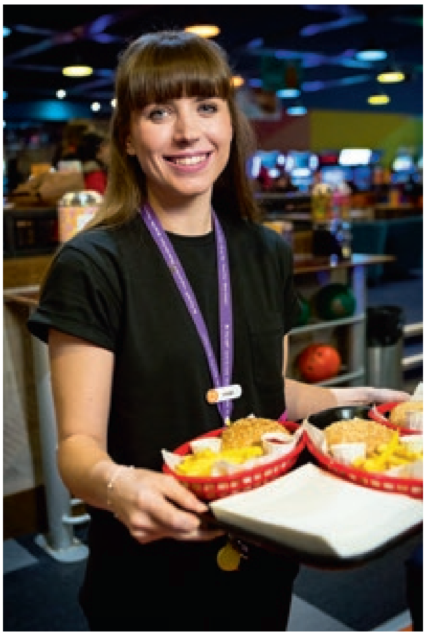
C.3.1 and D.2.1 – The Audit and Remuneration Committees were not comprised only of independent Non-Executive Directors. The Company Chairman is a member of both the Audit and Remuneration Committees but is not an independent Non-Executive Director. This is currently expected to continue indefinitely, but will form part of the Board effectiveness evaluation in FY18. All three of the independent Directors are members of each Committee and the Committees are chaired by an independent Director.

Board governance

Governance structure

The Company's governance structure is designed such that the Board focuses on providing experienced leadership to the Group, sets the Group's strategy, monitors performance and ensures that appropriate financial and human resources are in place for the Company to meet its objectives. The Board is also responsible for taking the lead in setting and embedding the Company's culture, value and standards, and for ensuring that appropriate systems, procedures and controls are in place to support the effective assessment and management of risk and the safeguarding of shareholder interests.

The Board operates in accordance with the Company's Articles of Association and has established Audit, Remuneration and Nomination Committees to assist it in discharging its responsibilities. Each Committee has its own written terms of reference (available on the Company's website) which have been reviewed since the IPO and will be reviewed annually. Certain matters are specifically reserved for decision by the Board and documented in a written schedule which will also be reviewed annually.



The schedule of matters reserved for the Board includes:

Strategy and management

- Leadership of the Company, setting values and standards
- Developing, approving and overseeing the strategic aims and objectives
- Oversight of Group operations and performance

Structure and capital

- Major changes to corporate structure, including acquisitions and disposals
- Major changes to capital structure, including approval of Group treasury policy and arrangements

Financial reporting and controls

- Approval of annual and half-year financial statements
- Approval of dividend policy, including recommendation of final dividend
- Approval of significant changes in accounting policy

Internal controls

- Ensuring maintenance of sound internal control and risk management systems, and assessing their effectiveness
- Approving Group risk appetite statements

Board membership

- Changes to the structure, size and composition of the Board
- Ensuring adequate succession planning

Remuneration

- Determining the policy for the Executive Directors
- Determining Non-Executive Director fees
- Introduction of new share plans or changes to existing plans to be put to shareholders

Corporate governance

- Review of the Group's overall governance arrangements
- Determining the independence of Directors
- Considering the views of shareholders
- Authorising any conflicts of interest

Other

- Approval and monitoring of the Share Dealing Code
- Approval of political donations

Board governance and key Board roles

Board membership

The Board currently comprises the Chairman, the Chief Executive Officer, the Chief Financial Officer, the Chief Commercial Officer, a Senior Independent Director and three Non-Executive Directors. The names and biographical details of the serving Directors and the offices held by them can be found on pages 36 to 37. We believe that the Board is of sufficient size that the requirements of the business and good governance can be met and normal succession challenges managed, but is not so large as to be unwieldy.

Chairman

The role of the Chairman is:

- providing leadership to and ensuring the effectiveness of the Board;
- ensuring that agendas emphasise strategic, rather than routine, issues and that the Directors receive accurate and clear information well ahead of the time when a decision is required;
- promoting a culture of openness and constructive debate, and facilitating an effective contribution by the Non-Executive Directors;
- arranging informal meetings of the Directors, including meetings of the Non-Executive Directors;
- ensuring effective communication by the Group with its shareholders;
- arranging for the Chairs of the Committees to be available to answer questions at the AGM and for all Directors to attend; and
- taking the lead in providing a properly constructed, full, formal and tailored induction programme and ongoing development for new Directors.

Chief Executive Officer

The role of the Chief Executive Officer is:

- leading the development of the Group's strategic direction and objectives;
- identifying and executing acquisitions and disposals and leading geographic diversification initiatives;
- reviewing the Group's organisational structure and recommending changes as appropriate;
- identifying and executing new business opportunities;
- overseeing risk management and internal control;
- managing the Group's risk profile, including the health and safety performance of the Group;
- implementing the decisions of the Board and its Committees;
- building and maintaining an effective Group leadership team; and
- ensuring the Chairman and the Board are alerted to forthcoming complex, contentious or sensitive issues affecting the Group.

Senior Independent Director ("SID")

The role of the SID is:

- meeting regularly with the independent Non-Executive Directors;
- providing a sounding board for the Chairman and acting as an intermediary for other Directors;
- being available to shareholders if they have concerns which contact through the normal channels of Chairman or Chief Executive Officer has failed to address or would be inappropriate; and
- holding annual meetings with Non-Executive Directors without the Chairman present.

Non-Executive Directors

The role of a Non-Executive Director is:

- providing creative contribution to the Board by way of constructive criticism;
- bringing independence, impartiality, experience, specialist knowledge and a different perspective to the Board;
- providing guidance on matters of concern and strategy;
- overseeing risk management and internal control;
- protecting shareholder and stakeholder interests;
- constructively challenging the Executive Directors and monitoring Executive performance;
- supporting the Executive team in shaping and delivering the strategic goals of the business;
- optimising shareholder return and protection of shareholder assets; and
- ensuring the Board is able to work together effectively and make maximum use of its time.

Board independence

The Board has considered the independence of the current Directors as below:

Non-independent

Nick Basing (Chairman)
Alan Hand (Chief Executive Officer)
Mark Willis (Chief Financial Officer)
Graham Blackwell (Chief Commercial Officer)
Christopher Mills

Independent

David Wild (SID)
Julie Sneddon
Rob McWilliam

The Company complies with provision B.1.2 of the Code as it applies to smaller companies as it has two independent Non-Executive Directors on the Board.

The Board reviews the independence of its Non-Executive Directors annually. In assessing the independence of each Director, the Board considers whether each is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement.

The Company does not comply with provision A.3.1 of the Code which requires that the Chairman should, on appointment, meet the independence criteria set out in provision B.1.1 of the Code. This is because the Chairman holds shares in the Company. Nevertheless, the Board considers that the fact of the Chairman's shareholding in the Company (including its relative size) does not influence his independence of character and judgement within the meaning of Code provision B.1.1 and it does not influence him or the Board in the proper discharge of their duties and the operation of the business of the Group.

Audit Committee

The Audit Committee assists the Board in discharging its responsibilities for the integrity of the financial statements, reviewing the internal control environment and risk management systems, managing the relationship with the external auditors and monitoring the effectiveness and objectivity of the external and internal auditors. Rob McWilliam is the Chair of this Committee which also includes David Wild, Nick Basing, Christopher Mills and Julie Sneddon. The Audit Committee will normally meet not fewer than three times a year at the appropriate reporting and audit cycle.

Nomination Committee

The Nomination Committee oversees the recruitment of the Directors and senior management and advises on matters relating to the Board's membership and Committee appointments, including reviewing succession plans. The Nomination Committee also regularly reviews and monitors the overall skills and experience of the Board. Julie Sneddon is the Chair of this Committee which also includes David Wild, Nick Basing, Christopher Mills and Rob McWilliam. The Nomination Committee will meet at least twice annually.

Remuneration Committee

The Remuneration Committee determines the terms and conditions of employment, remuneration and rewards of the Executive Directors, the Chairman and the leadership teams. The Remuneration Committee aims to offer an appropriate balance of fixed and performance-related, immediate and deferred remuneration, but without overpaying or creating the risk of rewards for failure. David Wild is the Chair of this Committee which also includes Rob McWilliam, Julie Sneddon, Nick Basing and Christopher Mills. The Remuneration Committee will meet at least twice annually.

Board meetings and process

Since Admission, the Board met on five occasions between April and the financial year-end in December 2017, with key matters discussed including reviewing and approving new acquisitions, reviewing and approving lease decisions, considering and approving significant capital projects, the Group's strategic plan, the Group's annual budget, the Group's interim results, the Group risk register, the functioning of the internal control environment and reviewing the terms of reference of its Committees. Where Board members were unable to attend meetings, they were provided with the Board documents, and members provided their input, in advance of the meeting. Following the meetings, they were updated on decisions taken.

The Board has met on a further two occasions to date in FY18, with key matters discussed including the approval of the 2017 Annual Report and financial statements. All Directors were present at both meetings.

The Board intends to meet formally at least six times a year, with ad hoc meetings called as and when circumstances require it to meet at short notice. The Board has approved an annual calendar of agenda items, with relevant matters scheduled for consideration at the appropriate point in the regulatory and financial cycle. In addition, the Board will meet at least once a year to discuss strategy, including a full strategic review of the business operations and the development of the Group's strategic plan. All Directors are expected to attend all meetings of the Board and any Committees of which they are members, and to devote sufficient time to fulfil their duties as Directors.

Each Non-Executive Director has committed to the Company that they are able to allocate sufficient time to the Company to discharge their responsibilities effectively. Any additional appointments they are contemplating taking on are discussed with the Chairman in advance, including the likely time commitment and whether these could in any way constitute a conflict of interest. These matters are formally reviewed by the Board on an annual basis.

As stated in the Articles of Association, at every AGM of the Company one-third of the Directors or, if their number is not three or a multiple of three, the number nearest to one-third, shall retire from office. As the 2018 AGM will be the Company's first AGM since the IPO, all of the Directors retire and offer themselves for re-election.

FY17 Committee meeting attendance

Director	Main Board	Audit Committee	Nomination Committee	Remuneration Committee
Nick Basing	4/5	2/2	0/0	2/2
Alan Hand	5/5	2/2	0/0	2/2
Mark Willis	5/5	2/2	0/0	2/2
Graham Blackwell	5/5	2/2	0/0	2/2
David Wild (SID)	4/5	1/2	0/0	2/2
Rob McWilliam	5/5	2/2	0/0	2/2
Christopher Mills	5/5	2/2	0/0	2/2
Julie Sneddon	5/5	2/2	0/0	2/2

Board effectiveness

The Directors received an induction briefing from the Company's legal adviser, Bircham Dyson Bell LLP, on their duties and responsibilities as Directors of a publicly quoted company as part of the listing process. The Chairman, with the support of the Company Secretary, will ensure that a full, formal and tailored induction programme will be developed for any new Directors joining the Board and that the development and ongoing training needs of individual Directors and the Board as a whole are reviewed and agreed at least annually. The Company Secretary will ensure that the Board is briefed on forthcoming legal and regulatory developments, as well as developments in corporate governance best practice.

The Board will focus on the following key areas to ensure its effectiveness:

- **Recruitment:** A formal, rigorous and transparent procedure for the appointment of new Directors to the Board, overseen by the Nomination Committee. For each appointment, the Board will develop an objective brief summarising the role and the skills and experience required and use an appropriate executive search firm with proven expertise in the relevant field. Before confirming an appointment, the Board will check whether the preferred individual can commit to the time expected by the appointment.
- **Tools and training:** All Directors will have a tailored, formal induction process on joining the Board, including the opportunity to meet major shareholders. The aim is to ensure that they understand the Company and its business model, strategy, the drivers of value in the business and the key risks, and that they understand the legal and regulatory environment in which the Company operates.

  Directors are expected to update and refresh their skills and knowledge on an ongoing basis, and to continue to build their familiarity with the Company and its business throughout their tenure.

  The Company will provide the necessary resources for developing and updating its Directors' knowledge and capabilities. All Directors have access to the services of the Company Secretary, and the opportunity to seek independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities as Directors or as members of Board Committees.

  If Directors have concerns which cannot be resolved about the running of the Company or a proposed action, they can require that their concerns are recorded in the Board minutes, or provide a written statement to the Chairman, for circulation to the Board. The Board is supplied with information in a form and of a quality appropriate to enable it to discharge its duties effectively. This is provided in good time ahead of all meetings and decisions, and Non-Executive Directors are encouraged to seek clarification from management whenever they feel appropriate.
- **Conflicts of interest:** Directors have a statutory duty to avoid actual or potential conflicts of interest. Any Director who becomes aware that he or she is in a situation which does or could create a conflict of interest, or has an interest in an existing or proposed transaction in which the Company also has an interest, is required to notify the Board in writing as soon as possible. The interests of new Directors are reviewed during the recruitment process and authorised (if appropriate) by the Board at the time of their appointment. No Director had a material interest in any contract of significance in relation to the Company's business at any time during the year or to the date of this report.

Relationship with shareholders

We maintain a dialogue with shareholders throughout the year as part of an ongoing investor relations programme. The Chairman, the Chief Executive Officer and the Chief Financial Officer all variously and routinely engage with analysts, institutional and retail shareholders and potential investors. Our aim is to ensure that there are strong relationships, through which we can understand those parties' views on material issues. Feedback is provided to the Board, particularly where there are issues or concerns, and the Company's brokers also provide independent feedback from investors. All brokers' notes are circulated to the entire Board in order that the Board maintains an understanding of market perceptions of the Company. The Non-Executive Directors are available to discuss any matter shareholders might wish to raise.

The AGM is treated as an opportunity to communicate with all shareholders. The Chairs of all Board Committees attend the AGM and are available to answer questions. An explanatory circular containing the notice of meeting is sent to shareholders at least 20 working days beforehand, with separate votes being offered on each substantive issue. To encourage shareholders to participate in the AGM process, the Company will offer electronic proxy voting through both our registrar's website and, for CREST members, the CREST service. Voting will be conducted by way of a poll and the results will be announced through the Regulatory News Service and made available on the Company's website.

Nomination Committee report

Julie Sneddon
Nomination Committee Chair

Chair:
Julie Sneddon

Committee members:
David Wild, Nick Basing, Christopher Mills, Rob McWilliam

Annual statement by the Nomination Committee Chair

As Chair of the Nomination Committee, I am pleased to present the report of the Board covering the policy and practice for the Company for the first time as a listed entity.

The Nomination Committee will be responsible for assisting the Board in the formal selection and appointment of Directors. It will consider potential candidates and will recommend appointments of new Directors to the Board and will also be responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors or Committee members as the need may arise. The appointments will be based on merit and against objective criteria, including the time available to, and the commitment which will be required of, the potential Director. It will also be responsible for carrying out an annual performance evaluation of the Board, its Committees and individual Directors.

The Nomination Committee is responsible for evaluating the balance of skills, knowledge and experience and the size, structure and composition of the Board and Committees of the Board, retirements and appointments of additional and replacement Directors and Committee members, and will make appropriate recommendations to the Board with regard to any changes necessary on such matters.

In addition, the Nomination Committee will make recommendations to the Board as regards succession planning for both Executive Directors and Non-Executive Directors. The Nomination Committee will take into account the challenges and opportunities facing the Group and what skills and expertise will therefore be needed on the Board in the future.

Meetings

It is intended that the Nomination Committee will meet at least twice per year and as otherwise required to meet is duties. The composition of the Board was assessed and the terms of reference were established as part of the IPO process. The Committee did not meet in the period between the IPO and 31 December 2017.

The Committee will meet in 2018 and will focus on succession planning, a review of the Committee's terms of reference and the Group's Diversity Policy. We will also review the composition of the Board and its Committees to satisfy that we have a good balance of skills and experience on the Board to support the Company's future development.

Performance evaluation

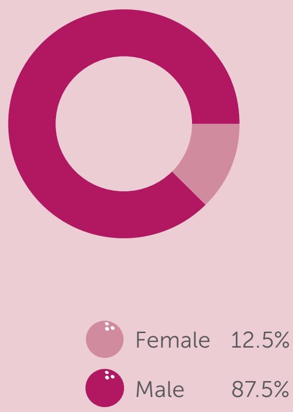
As the Nomination Committee has only been established for a short time, a formal performance evaluation has not been conducted. It is intended that a performance evaluation will be conducted in 2018 and reported on in the Company's 2018 Annual Report.

Diversity

The Company's policy on diversity is that no individual should be discriminated against on the grounds of race, colour, ethnicity, religious belief, political affiliation, gender, age or disability, and this extends to Board appointments. The Board recognises the benefits of diversity, including gender diversity, on the Board and across the Company, although it believes that all appointments should be made on merit, whilst ensuring that there is an appropriate balance of skills and experience within the Board. The Board currently consists of 12.5% (one) female and 87.5% (seven) male Board members.

Julie Sneddon
Nomination Committee Chair
21 March 2018

Board composition



Audit Committee report

Rob McWilliam
Audit Committee Chair

Chair:
Rob McWilliam

Committee members:
David Wild, Nick Basing, Christopher Mills, Julie Sneddon

Number of meetings held in the year:
2

Annual statement by the Audit Committee Chair

I am pleased to present this report covering the role of the Audit Committee and the issues reviewed by the Company since becoming a listed entity. The Committee's primary purpose is to assist the Board with the discharge of its responsibilities in relation to internal and external audits and controls, including reviewing the Group's annual financial statements, considering the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal control systems in place within the Group.

The Committee has met twice between the IPO in April and the end of the 2017 financial year. In this, the first year as a listed company, the primary focus of the Committee was on establishing the Committee's terms of reference, reviewing the Company's whistleblowing policy, reviewing the risk management process, reviewing the incident management process, reviewing the Company's first set of financial statements at its interim results in September, establishing a process for internal audit and considering the potential impact of future changes in accounting standards. The below is a summary of the key issues reviewed by the Committee during the period:

Significant accounting issues

The Audit Committee's review of the half-year financial statements focused on the following areas of significance:

- reviewing the appropriate use of alternative performance measures, including adjusted financial results to exclude one-off IPO expenses, to communicate the Company's performance to its shareholders. An explanation of the alternative performance measures employed can be found in note 2;
- the preparation of the consolidated financial statements as a continuation of the existing Indoor Bowling Equity Limited business and to account for its acquisition by insertion of the holding company (Ten Entertainment Group plc) using the principles of predecessor accounting along with the accounting treatment and disclosure of the transaction costs incurred as part of the IPO process; and
- reviewing the impairment assessments of the values of property, plant and equipment and goodwill for the Group at the end of the period and the factors considered in determining the cash flows and the rate used to discount those cash flows. Further detail of the impairment assessments can be found in notes 11 and 13.

The Audit Committee, following confirmations from management and the external auditors, satisfied itself as to the reasonableness and consistency of these assumptions when compared to prior years.

New accounting standards

The new accounting standard for leasing (IFRS 16), which will be effective for the year ending in December 2019, will have no net cash flow impact but could significantly change the composition of the consolidated balance sheet and phasing of the charges in the income statement. In view of the nature of the majority of the Group's leases being long-term leases with landlords, the Audit Committee is advised that the impact is anticipated to be material. The Company has yet to determine whether to adopt the new standard on a full retrospective or modified retrospective basis and the Audit Committee will report next year on the expected method of adoption together with the anticipated impact of the standard on the financial statements.

The new accounting standard for statutory revenue recognition (IFRS 15), effective 1 January 2018, is not expected to have a significant impact on the Group's revenues. The majority of the Group's statutory revenues are derived from sales to customers and the new standard is not expected to impact the recording of these.

The new financial instruments standard (IFRS 9) will be applicable from 1 January 2018. An assessment of the impact of this standard is in progress but initial estimates are that the overall impact is not expected to be material.

Risk management and internal control

The Group's systems of risk management and internal control were reviewed extensively as part of the pre-IPO process and again as a part of the annual risk review process, and it was concluded that the systems currently in place are satisfactory and work effectively.

As a newly listed company, we recognise the importance of ensuring these systems are robust and effective and we expect to work with the finance and IT teams to ensure they are kept under review and developed where necessary during the coming financial year.

The Board has overall responsibility for setting the Group's risk appetite and ensuring that there is an effective risk management framework to maintain appropriate levels of risk. The Board has, however, delegated responsibility for review of the risk management methodology and effectiveness of internal control to the Audit Committee.

The Group's system of internal control comprises entity-wide, high-level controls, controls over business processes and centre-level controls. Policies and procedures, including clearly defined levels of delegated authority, have been communicated across the Group. Internal controls have been implemented in respect of the key operational and financial processes which exist within the business.

These policies are designed to ensure the accuracy and reliability of financial reporting and govern the preparation of the financial statements. The Board is ultimately responsible for the Group's system of internal controls and risk management and discharges its duties in this area by:

- holding regular Board meetings to consider the matters reserved for its consideration;
- receiving regular management reports which provide an assessment of key risks and controls;
- scheduling annual Board reviews of strategy;
- ensuring there is a clear organisational structure with defined responsibilities and levels of authority;
- ensuring there are documented policies and procedures in place; and
- reviewing regular reports containing detailed information regarding financial performance, rolling forecasts, actual and forecast covenant compliance and financial and non-financial KPIs.

The process by which the Audit Committee has monitored and reviewed the effectiveness of the system of internal controls and risk management during the year has included:

- reviews of the Group's risk register;
- reviewing the system of financial and accounting controls, and considering the view of the external auditors in relation to the effectiveness of such controls; and
- reporting to the Board on the risk and control culture within the Group.

The Audit Committee has not identified, nor been made aware of, any significant failings or weaknesses in the risk management and internal control systems and is satisfied that the systems are effective. The Committee will continue to challenge management to further improve risk identification, evaluation and management processes across the Group.

Going concern and viability statement

On behalf of the Board, the Audit Committee reviewed the Group's projected cash flows, facilities and covenants as well as reviewing the assumptions underlying the viability statement and concluded that it could recommend to the Board that it should be able to make the relevant statements.

Incident management

The Company operates an incident management policy at site level, recording incidents relating to health and safety, accidents, criminal activity, food standards, pest control and others. The Chief Financial Officer reviews these incidents and escalates any significant incidents to the Audit Committee as necessary.

Whistleblowing

The Company has established procedures for employees to raise concerns, in confidence, relating to matters of financial reporting, financial control or other matters. The whistleblowing policy is applicable for all employees who are made aware of the policy on joining the Company, and are reminded of its availability through online portals and posters. A whistleblowing hotline is operated by an independent outsourced specialist, who provides direct escalation of incidents through the HR department and up to the Chair of the Audit Committee. No incidents were reported during FY17.

Audit Committee report continued

Internal auditors

The Group expects to use BDO UK LLP ("BDO") to perform at least two internal audit reviews per year. The audit results are discussed with the Chief Financial Officer and presented to the Audit Committee, who will annually review the effectiveness of the internal audit function. BDO were appointed to this role during FY17 and commenced work on their first audit during the financial year. In addition, the Group supports the internal audit reviews with a loss prevention and process audit role, with each site visited to perform process audits at least once per annum.

External auditors

The Audit Committee has reviewed the independence, objectivity and effectiveness of the external auditors, PricewaterhouseCoopers LLP ("PwC"), and considers that PwC continue to possess the skills and experience required to fulfil their duties effectively and efficiently. As this is the first year after the IPO no audit tender was carried out and the Committee will assess the performance of the auditors each year in considering whether it is appropriate to carry out a tender, before a compulsory tender is required. The Audit Committee's review of the effectiveness of PwC as the external auditors is based on discussions with the senior finance team, the robustness of the audit, the quality of reporting to the Audit Committee and reports published by the FRC.

PwC have confirmed that in their professional judgement they are independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff is not impaired.

The Audit Committee has held meetings with the external auditors without management and there is regular dialogue with the audit partner.

PwC provided certain non-audit services in respect of the IPO, including providing an opinion on the Company's historical financial information. PwC were engaged due to their knowledge and understanding of the business prior to the IPO. In order to maintain their independence and objectivity, PwC undertook their standard independence procedures in relation to each of these assignments and staff not engaged on the audit were used for the provision of the non-audit services. As a result, given the work on the IPO, the fees paid to PwC in respect of non-audit services during the year totalled £260,187, which was in excess of the audit fee.

Fair, balanced, understandable and comprehensive reporting

The Audit Committee has provided advice to the Board on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Each Director was also asked to provide this confirmation. When doing so, both the Committee and the individual Directors were provided with a set of questions designed to test the quality of reporting and asked to satisfy themselves that the levels of disclosure were appropriate.

Annual evaluation

We have made good progress since the IPO in strengthening our governance and control infrastructure and will continue to work with the management team and the Board to ensure our processes operate effectively to support the delivery of the Group's strategy. The Committee as a whole has competence that is relevant to the sector in which the Group operates and the Chair of the Committee has the relevant financial experience to run the Audit Committee.

Rob McWilliam
Audit Committee Chair
21 March 2018

Directors' remuneration report

David Wild
Remuneration Committee Chair

Chair:
David Wild

Committee members:
Rob McWilliam, Nick Basing, Julie Sneddon, Christopher Mills

Number of meetings held in the year:
2

Annual statement by the Remuneration Committee Chair

As Chair of the Remuneration Committee, I am pleased to present the report of the Board covering the policy and practice for the Company for the first time as a listed entity. This report has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the UKLA Listing Rules and the Code. In this report we explain the pay which has resulted for Executive Directors, the fees paid to the Non-Executive Directors and we set out our approach for remuneration for FY18.

This report is split into three parts:

- the annual statement by the Chair of the Remuneration Committee;
- a summary of the Directors' remuneration policy as introduced upon Admission; and
- the annual report on remuneration which sets out payments made to the Directors and details the link between Company performance and remuneration for 2017.

Remuneration policy

The remuneration policy was prepared at the time of the IPO and appropriate arrangements were set up to support the Company as a publicly listed entity. The following were considered in determining the new policy:

- transitioning from a private equity backed business to a listed company;
- linking the remuneration policy of Executive Directors to the performance of the Company to encourage a high-performance culture, including an annual bonus measure based upon the Group's financial performance over the year and specific objective measures for each Director; and
- the launch of the new Long-Term Incentive Plan ("LTIP") with the first grants made during May 2017. Awards will vest at the end of three years subject to satisfaction of performance conditions measuring EPS and TSR in the final year of the performance period in equal measure.

The Remuneration Committee is focused on ensuring that its policy aligns stakeholders and the business strategy, enables the Company both to retain and attract executives in a competitive market and set challenging targets that are fair to all concerned. The Committee's key activities during FY17 since the IPO have been focused on:

- the formulation of the Company remuneration policy as a listed company;
- the agreement of the Remuneration Committee's terms of reference;
- the agreement of the Chairman's fee and the Non-Executive Director fees;
- formulation of the Company's new LTIP; and
- introduction of a bonus plan in respect of this financial year.

Directors' remuneration report continued

FY17 remuneration performance

The annual bonus plan for Executive Directors was based on target performance of Group adjusted EBITDA, which the Committee considers to be an important measure of business performance and consistent with how the Board measures performance. Bonus targets for Group adjusted EBITDA were not achieved based on the performance conditions set for FY17. Despite a successful year both operationally and financially, stretching targets were set for the first year of transition from a private to public company, recognising the level of equity that was awarded to the Executive Directors on completion of the IPO.

As the earliest vesting date for awards made under the LTIP is FY19, no LTIP awards vested during the year.

The Committee is satisfied that the remuneration outcomes for the Executive Directors for FY17 are fully justified, considering both the business and individual performance during the year, and are in the best interests of both the Company and its shareholders.

On behalf of the Board, I would like to thank shareholders for their support for the Company and I look forward to meeting you at the Annual General Meeting on 9 May 2018. In the meantime, I am always happy to hear from shareholders, and I can be contacted via the Company Secretary should you have any questions on either this report, or more generally in relation to our remuneration policy.

David Wild
Remuneration Committee Chair
21 March 2018

Directors' remuneration policy

The Directors' remuneration policy will be put to a shareholder vote on 9 May 2018 and will apply for a period of three years from the date of approval.

Policy summary

The Remuneration Committee determines the policy for the Executive Directors and the Chairman for the current and future years. The Committee considers that a successful policy needs to be sufficiently flexible to take account of changes in both the business environment and remuneration best practice. The policy is designed to provide remuneration packages that will:

- align the interests of the Executive Directors and senior management with those of shareholders;
- provide competitive remuneration that will both motivate and retain the Group's current key employees and attract high-quality individuals to join the Group;
- encourage and support a high-performance culture;
- reward delivery of the Group's business plan and key strategic goals; and
- set appropriate performance conditions in line with the agreed risk profile of the business.

Whilst the Committee does not consult directly with employees on Executive Directors' remuneration, the Committee does receive updates regarding remuneration for employees across the Group. This is considered when determining the remuneration for the Directors.

Consistent with the remuneration strategy, the Remuneration Committee agreed a post-Admission remuneration policy for the Executive Directors and senior managers whereby:

- salaries will be set at competitive, but not excessive, levels compared to peers and other companies of an equivalent size and complexity and are commensurate to the individual's performance and responsibility;
- performance-related pay, based on stretching targets, forms a significant part of remuneration packages and offers the potential for competitive levels of total pay if targets are delivered; and
- there is an appropriate balance between short and longer-term performance targets linked to delivery of the Group's strategic plan.

The Remuneration Committee will oversee the implementation of this policy and will seek to ensure that the Executive Directors are fairly rewarded for the Group's performance over both the short and long term. The Remuneration Committee is very aware that the policy must be capable of being operated to take account of the Group's evolution following Admission and to reflect the fact that its pay arrangements need to transition over time from ones that are reflective of a non-listed private equity backed entity in which senior executives have material stakes to a more standard listed public limited company structure.

The remuneration framework intended to deliver this policy post-Admission for Executive Directors and senior managers is a combination of base salary, benefits and an annual incentive award as described below.

Base salary

Base salaries will be reviewed as appropriate following Admission, but not typically more frequently than annually. In reviewing base salaries (and overall levels of remuneration more generally), the Remuneration Committee will consider the performance of the Group and the individual, the individual Executive Director's experience and changes in responsibilities or scope of the role, as well as pay practices in relevant comparator companies of a broadly similar size and complexity (with due account taken of both market capitalisation and turnover). Base salaries for the Executive Directors from Admission were £275,000 for Alan Hand, £175,000 for Mark Willis and £160,000 for Graham Blackwell.

Benefits

The Executive Directors are entitled to receive benefits which include, but are not limited to, family private health cover, death in service life assurance and travel expenses for any business-related travel.

Pension

The Executive Directors receive pension contributions of 5% of salary per annum.

Bonus plan

The Executive Directors are able to participate in the Company's discretionary Executive and Management Bonus Scheme for FY17. Targets under the bonus scheme are based on the achievement of EBITDA in excess of target expectation for the financial year with a sliding scale for the increasing levels of performance. The maximum percentage of annual salary that Executive Directors can receive is 100% for achieving the highest targets under the bonus scheme. From FY18 the bonus scheme will also include an element

Directors' remuneration report continued

Directors' remuneration policy continued

Bonus plan continued

of performance measurement in relation to each Executive Director's personal performance. 70% of the maximum bonus will remain based on EBITDA in excess of target expectation, with the remaining 30% dependent on achieving personal objectives as agreed with the Committee. The personal performance element only becomes attainable on achieving the minimum EBITDA target.

Long-term incentive plans

The Board approved and adopted performance share plans on 12 April 2017, conditional upon Admission. Executive Directors and selected employees of the Group may be invited to participate in the share plans at the discretion of the Remuneration Committee. The LTIP is designed to incentivise the Executive Directors to maximise returns to shareholders through a combination of EPS growth and TSR performance conditions. Awards are granted annually in the form of nil-cost options, vesting at the end of a three-year performance period, subject to: the Executive Director's continued employment at the date of vesting; and the satisfaction of the performance conditions. The maximum award is 200% of base salary for the award granted in the first year post-Admission, reducing to 150% of salary in subsequent years.

Service agreements

Each of the Executive Directors has entered into a service agreement with the Company which is effective upon Admission. The policy is that each Executive Director's service agreement should be of indefinite duration, subject to termination by the Company or the individual on six months' notice. The service agreements of all Executive Directors comply with that policy.

The contracts contain a payment in lieu of notice clause which is limited to base salary only and there is no loss of office payment due.

Recruitment remuneration policy

New Executive Director and senior manager hires (including those promoted internally) will be offered remuneration packages in line with the Group's remuneration policy in force at the time. In addition to the above elements of remuneration, the Remuneration Committee may, in exceptional circumstances, consider it appropriate to grant an award under a different structure in order to facilitate the buyout of outstanding awards held by an individual on recruitment. Any buyout award would be limited to what the Remuneration Committee considers to be a fair estimate of the value of awards foregone when leaving the former employer and will be structured, to the extent possible, to take into account other key terms (such as a scheduled vesting and performance targets) of the awards which are being replaced. For external and internal appointments, the Remuneration Committee may agree that the Group will meet certain relocation expenses as it considers appropriate.

Chairman and Non-Executive Director letters of appointment

The Chairman and the other Non-Executive Directors' fees have been set at a level to reflect the amount of time and level of involvement required in order to carry out their duties as members of the Board and its Committees, and to attract and retain Non-Executive Directors of the highest calibre with relevant commercial and other experience. Fee levels are set by reference to non-executive Director fees at companies of similar size and complexity.

The fee paid to the Chairman is determined by the Remuneration Committee, while the fees for other Non-Executive Directors are determined by the Board as a whole. The Chairman, from Admission, receives an annual fee of £135,000; David Wild, Rob McWilliam, Christopher Mills and Julie Sneddon all receive an annual fee of £50,000. The Chairman and the other Non-Executive Directors are not eligible to participate in any of the Group's incentive arrangements following Admission and do not receive pension contributions.

Annual report on remuneration

Statement of consideration of shareholder views

The 2017 Annual General Meeting will be the first occasion on which the Company will seek the support of shareholders for matters relating to the remuneration of Executive Directors. The Remuneration Committee will ensure that it considers all of the feedback which it receives from shareholders during this process.

Single total figure of remuneration

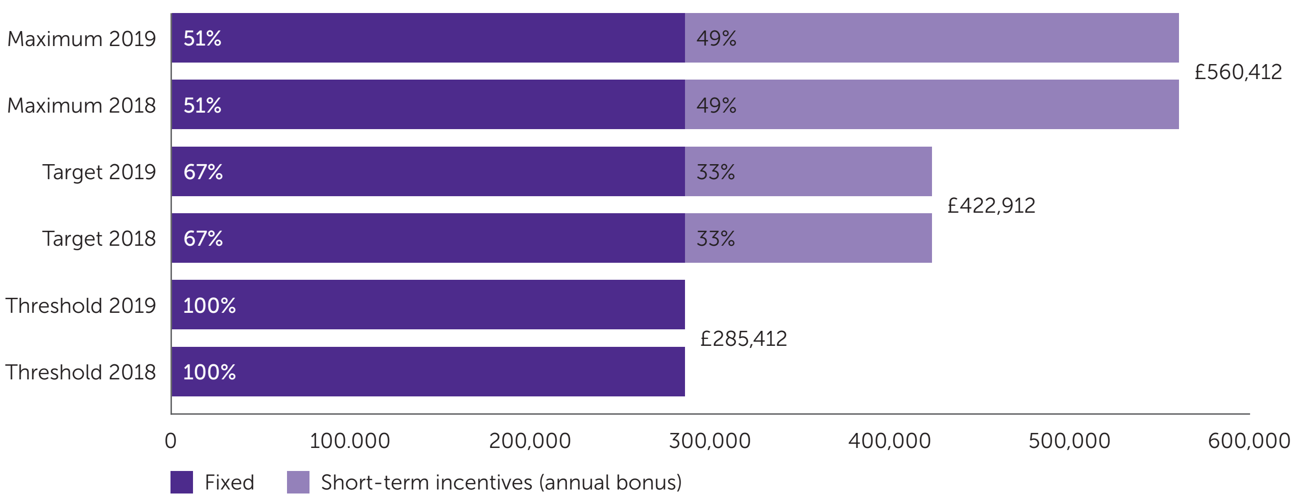
The table below sets out the single total figure of remuneration and breakdown for each Director in respect of FY17. Nick Basing is the only Director of the Company who received remuneration and who was a Director of Indoor Bowling Equity Limited prior to its acquisition and as such his remuneration is not prorated from the date of the IPO, being 12 April 2017. The other Directors' remuneration is prorated from the date of the IPO but their full annual remuneration has been reflected separately.

Director	Salary/fees £	Bonus £	Benefits £	Pension £	**Audited 52-week period to 31 December 2017 £**	Annual salary/fee £
Alan Hand	195,342	—	2,598	7,814	**205,754**	275,000
Mark Willis	125,417	15,000	4,108	5,017	**149,542**	175,000
Graham Blackwell	114,309	—	52	—	**114,361**	160,000
Nick Basing	168,947	—	4,792	—	**173,739**	135,000
Christopher Mills	36,092	—	—	—	**36,092**	50,000
David Wild	36,092	—	—	—	**36,092**	50,000
Julie Sneddon	36,092	—	—	—	**36,092**	50,000
Rob McWilliam	36,092	—	—	—	**36,092**	50,000
Total	748,383	15,000	11,550	12,831	**787,764**	945,000

Performance scenarios

The graphs below set out performance scenarios for each Executive Director, for the years 2018 and 2019.

Chief Executive Officer

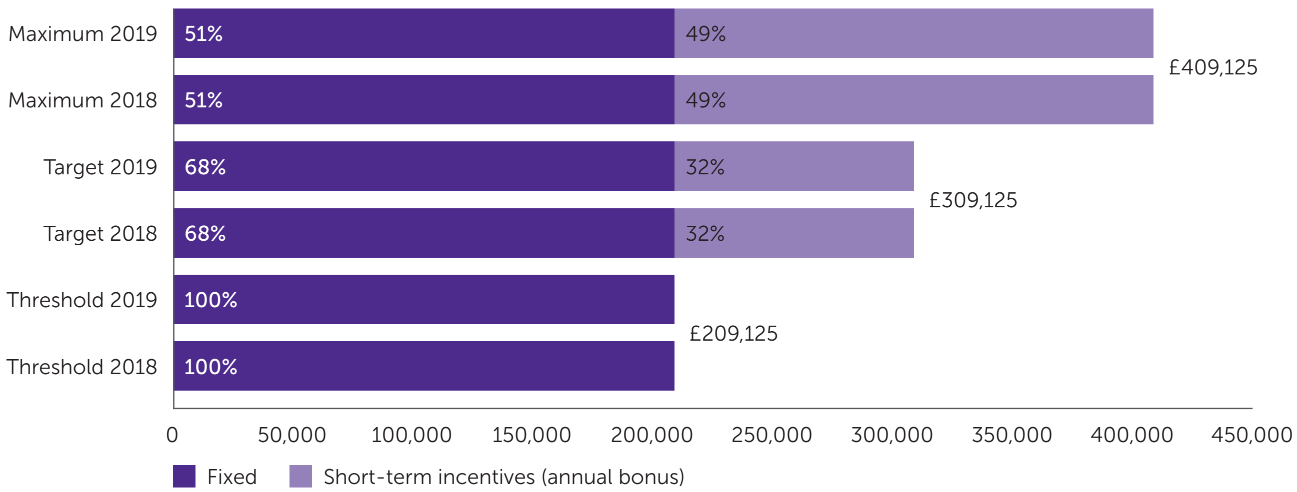


Directors' remuneration report continued

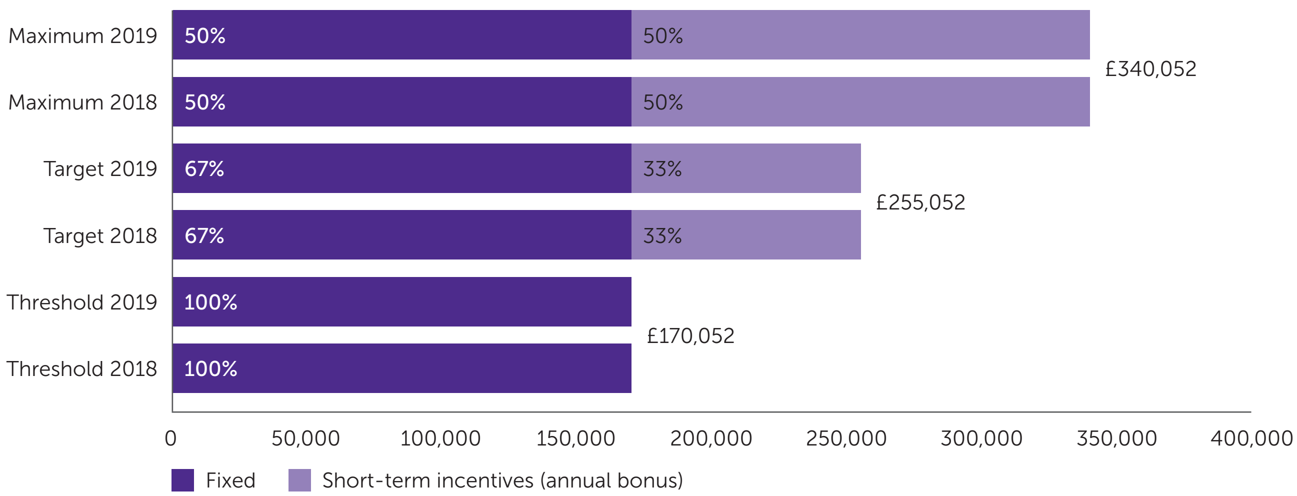
Annual report on remuneration continued

Performance scenarios continued

Chief Financial Officer



Chief Commercial Officer



The above charts provide an illustration of the proportion of total remuneration made up of each component of the remuneration policy and the value of each component. The assumptions noted for target performance and maximum in the graphs above are provided for illustration purposes only. Three scenarios have been illustrated for each Executive Director:

Threshold performance – consists of fixed remuneration, no annual bonus and no vesting of LTIP awards.

On-target - Fixed remuneration, 50 per cent annual bonus payout (50% of salary) and no vesting of LTIP awards.

Maximum – Fixed remuneration, 100 per cent annual bonus payout (100% of salary) and no vesting of LTIP awards.

The fixed remuneration element is based on base salary effective for the year ended 30 December 2018, as set out on page 54 plus the pension and benefits paid in the year ended 31 December 2017, as set out in the table of Directors' remuneration on page 51.

Annual Bonus Plan

The incentive for FY17 was in the form of a bonus based on performance against a target to increase the Group's adjusted EBITDA. The Executive Directors had a bonus opportunity of up to 100% of salary in respect of FY17. Actual Group adjusted EBITDA of £19.0m did not result in a bonus payment for the Executive Directors. Mark Willis was granted a one-off, discretionary bonus of £15,000 upon joining the Company, payable after six months' employment.

Performance Share Plan ("PSP")

In accordance with the PSP announced on 22 May 2017, the vesting of awards is conditional upon the achievement of two performance conditions which will be measured following the announcement of results for the year to 31 December 2019 ("FY19"). The first performance condition applying to the awards will be based on earnings per share of the Company ("EPS") and will apply to 50% of the total number of share awards granted. The second performance condition will be based on Total Shareholder Return ("TSR") of the Company over the period from the date of grant to the announcement of results for FY19 relative to a comparator group of companies and will apply to the remaining 50%. In accordance with IFRS 2 Share Based Payments, the value of the awards is measured at fair value at the date of the grant. The fair value is written off on a straight-line basis over the vesting period, based on management's estimate of the number of shares that will eventually vest.

LTIP awards granted in 2017

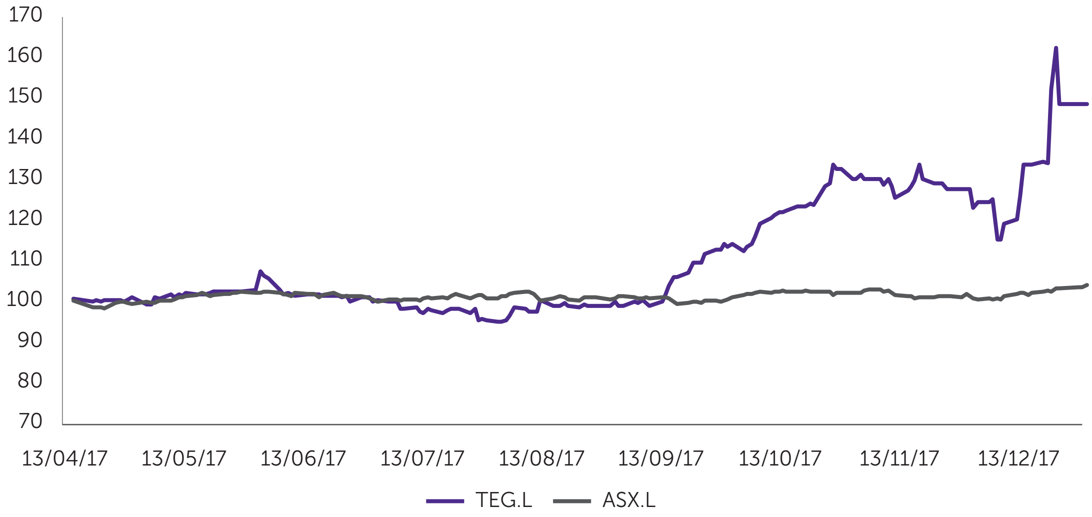
The following awards were granted to the Executive Directors on 22 May 2017. The share price at grant date was £1.68 and at the minimum performance level 12.5% of the scheme's interest would be receivable.

Director	Position	Number of share awards granted
Alan Hand	Chief Executive Officer	333,333
Mark Willis	Chief Financial Officer	212,121
Graham Blackwell	Chief Commercial Officer	193,939
Total as at 31 December 2017		**739,393**

Comparison of overall performance

It should be noted that the Company listed on 12 April 2017 and, therefore, has limited listed share price history until the financial year ended 31 December 2017. The below graph reflects the performance of an investment of £100 in the Group against the same investment in the FTSE All Share Index on a monthly basis since the date of listing.

TEG share price performance versus FTSE All Share Index



Directors' remuneration report continued

Annual report on remuneration continued

Chief Executive Officer historical remuneration

The table below sets out the total remuneration delivered to the Chief Executive Officer over the last two years, valued using the methodology applied to the single total figure of remuneration. The Remuneration Committee does not believe that the remuneration payable in its earlier years as a private company bears any comparative value to that paid in its later years and, therefore, the Remuneration Committee has chosen to disclose remuneration only for the two most recent financial years:

Chief Executive Officer	31 December 2017	1 January 2017
Total single figure	**£205,754**	£313,879

Payments to past Directors/payments for loss of office

No payments were made to past Directors or for loss of office.

Statement of Directors' shareholdings and share interests as at 31 December 2017

There are currently no shareholding requirements in operation for the Company. The number of shares of the Company in which current Directors had a beneficial interest and details of long-term incentive interests as at 31 December 2017 are set out in the table below.

Director	Shares held at IPO	Audited Shares (disposed /acquired)	Shares held at 31 December 2017	Unvested LTIP interests
Alan Hand	868,146	—	**868,146**	333,333
Mark Willis	144,699	—	**144,699**	212,121
Graham Blackwell	578,748	(55,555)	**523,193**	193,939
Nick Basing	2,025,642	(225,642)	**1,800,000**	—
David Wild	—	—	**—**	—
Christopher Mills*	25,213,768	(1,268,017)	**23,945,751**	—
Julie Sneddon	—	—	**—**	—
Rob McWilliam	—	10,000	**10,000**	—

* The number of ordinary shares shown as held by Christopher Mills includes ordinary shares held by certain funds of which Harwood Capital LLP is the discretionary fund manager.

Shareholder voting at general meetings

This is the Company's first year as a public company and therefore the FY17 AGM will be the first. This means that there is no historical voting to disclose on the Company's executive remuneration.

Implementation of policy in FY18

The Remuneration Committee proposes to implement the policy for FY18 as set out below:

	FY17		FY18		
Director	Salary	Fees	Salary	Fees	% increase
Alan Hand	275,000	—	**275,000**	**—**	0%
Mark Willis	175,000	—	**200,000**	**—**	14%
Graham Blackwell	160,000	—	**170,000**	**—**	6%
Nick Basing	—	135,000	**—**	**135,000**	0%
David Wild	—	50,000	**—**	**50,000**	0%
Christopher Mills	—	50,000	**—**	**50,000**	0%
Julie Sneddon	—	50,000	**—**	**50,000**	0%
Rob McWilliam	—	50,000	**—**	**50,000**	0%

Benefits and pension

No changes are proposed to benefits or pension.

Annual Bonus Plan

The maximum bonus opportunity for the Executive Directors remains at 100% of salary.

Performance Share Plan

There are no changes to the Performance Share Plan.

Advisers to the Remuneration Committee

During the year the Committee received advice from BDO LLP related to the drawing up of employee share schemes, Directors' share plans and remuneration advice and independent analysis and advice on executive packages, arising as a result of the transition from a private to public company.

BDO LLP received fees of £62k for its advice during the year ended 31 December 2017.

The Remuneration report was approved by the Board and signed on its behalf by:

David Wild
Remuneration Committee Chair
21 March 2018

Directors' report

The Directors have pleasure in presenting the audited financial statements for the Group for the 52 weeks ended 31 December 2017. Ten Entertainment Group plc (the "Company" or the "parent company") is a public limited company. The consolidated financial statements of the Company for the 52-week period ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group").

Additional information which is incorporated by reference into this Directors' report, including information required in accordance with the Companies Act 2006 and the Listing Rule 9.8.4R of the UK Financial Conduct Authority's Listing Rules, and which includes information on future business developments, can be located as follows:

- the Chairman's statement on pages 6 to 7;
- the Chief Executive Officer's statement on pages 8 to 9;
- a description of the business structure, model and strategy on pages 16 to 19;
- the key performance indicators on pages 20 and 21;
- the discussion of risk management, uncertainties on pages 23 to 25 and the longer-term viability statement on page 32;
- the Financial review on pages 26 to 31;
- the corporate social responsibility report on pages 34 to 35 which includes details of greenhouse gas emissions;
- details of long-term incentive schemes included in the Directors' Remuneration report on page 53; and
- Statement of Directors' responsibilities on page 61.

Together, this information is intended to provide a fair, balanced and understandable analysis of the development and performance of the Group's business during the year, and its position at the end of the year, its strategy, likely developments and any principal risks and uncertainties associated with the Group's business.

Details of the Group's policy on addressing financial risks and details about financial instruments are shown in note 24 to the Group financial statements on pages 96 to 97. The sections of the Annual Report dealing with corporate governance, the reports of the Nomination Committee and Audit Committee and the Directors' remuneration report set out on pages 43 to 55 inclusive are hereby incorporated by reference into this Directors' report.

For the purposes of compliance with the Disclosure Guidance and Transparency Rules (DTR) 4.1.5R(2) and DTR 4.1.8R, the required content of the "Management Report" can be found in the Strategic report and Directors' report including the sections of the Annual Report and Accounts incorporated by reference.

Directors' interests

The number of ordinary shares of the Company in which the Directors were beneficially interested as at 31 December 2017 are set out in the Directors' remuneration report on page 54.

There have not been any changes in the interests of the Directors, including share options and awards, in the share capital of the Company between the year end and 21 March 2018. None of the Directors have a beneficial interest in the shares of any subsidiary. In line with the Companies Act 2006, the Board has clear procedures for Directors to formally disclose any actual or potential conflicts to the whole Board for authorisation as necessary. All new conflicts are required to be disclosed as and when they arise. There is an annual review of conflicts disclosed and authorisations given. The register of Directors' conflicts is maintained by the Company Secretary.

Directors' indemnities

The Company's Articles provide, subject to the provisions of UK legislation, an indemnity for Directors and officers of the Company and the Group in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers.

Directors

The Directors of the Company who held office during the year and up to the date of signing the Directors' report are:

Alan Hand	Appointed 15 March 2017
Mark Willis	Appointed 15 March 2017
Graham Blackwell	Appointed 15 March 2017
Nick Basing	Appointed 15 March 2017
David Wild	Appointed 15 March 2017
Rob McWilliam	Appointed 15 March 2017
Christopher Mills	Appointed 15 March 2017
Julie Sneddon	Appointed 22 March 2017

The roles and biographies of the Directors as at the date of this report are set out on pages 36 to 37. The appointment and replacement of Directors is governed by the Articles of the Company, the UK Corporate Governance Code, the Companies Act 2006 and related legislation. Subject to the Articles of Association, the Companies Act 2006 and any directions given by special resolution, the business of the Company is managed by the Board, which may exercise all the powers of the Company.

The Directors are all covered by a Directors' and Officers' liability insurance policy maintained by the Company with a qualifying third-party insurance company which was maintained throughout the financial period and is still in place as at the date of the approval of these financial statements.

Results and dividend

The results for the year are set out in the consolidated statement of comprehensive income on page 69. The Directors recommend the payment of a final dividend of 7p per share on 5 July 2018 subject to approval at the AGM on 9 May 2018, with a record date of 25 May 2018.

As at 31 December 2017, the Company's authorised share capital was £650,000 divided into a single class of 65,000,000 ordinary shares of 1p each. Details of the Company's share capital, including changes during the year, are set out in note 17 to the financial statements.

All issued ordinary shares are fully paid up. The ordinary shares are listed on the London Stock Exchange and can be held in certificated or uncertificated form. Holders of ordinary shares are entitled to attend and speak at general meetings of the Company, to appoint one or more proxies and, if they are corporations, corporate representatives who are entitled to attend general meetings and to exercise voting rights. On a show of hands at a general meeting of the Company every holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote, unless the proxy is appointed by more than one shareholder and has been instructed by one or more shareholders to vote for the resolution and by one or more shareholders to vote against the resolution, in which case the proxy has one vote for and one vote against. This reflects the position in the Shareholders' Rights Regulations 2009 which amended the Companies Act 2006. On a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. None of the ordinary shares carry any special voting rights with regard to control of the Company.

The Articles specify deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. The relevant proxy votes are counted and the number for, against or withheld in relation to each resolution are announced at the AGM and published on the Company's website after the meeting.

There are no restrictions on the transfer of ordinary shares in the Company other than certain restrictions that may be imposed from time to time by the Articles, law or regulation and pursuant to the Listing Rules whereby certain Directors, officers and employees require approval to deal in ordinary shares of the Company. As part of the IPO the following restrictions were also put in place:

- restrictions on Harwood Capital Nominees Limited, Oryx International Growth Fund Limited and North Atlantic Smaller Companies Investment Trust plc (the "Principal Selling Shareholders") as a result of the Principal Selling Shareholders entering into a lock-in deed with the Company and its sponsor (Numis) restricting the transfer of ordinary shares held by the Principal Selling Shareholder immediately after Admission for a period of 12 months. For the 180-day period thereafter, they have agreed not to directly or indirectly transfer any of the shares other than through Numis; and
- restrictions on certain Directors of the Company (the "Management Selling Shareholders") as a result of the Management Selling Shareholders entering into a lock-in deed with the Company and its sponsor (Numis) restricting the transfer of the legal and/or beneficial interest in ordinary shares held by the Management Selling Shareholders immediately after Admission for a period of 12 months. For the 180-day period thereafter, they have agreed not to directly or indirectly transfer any of the shares other than through Numis.

The Group is not aware of any other agreements between holders of securities that may result in restrictions on the transfer of ordinary shares.

Authority for the Company to purchase its own shares

Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Act. Any shares which have been bought back may be held as treasury shares or cancelled immediately upon completion of the purchase.

Immediately prior to, but conditional upon Admission, the Company was generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act) of its shares provided that in doing so it could not purchase more than 6,500,000 shares in aggregate, pays not less than 1p (excluding expenses) per share and pays a price per share that is not more (excluding expenses) per share than the higher of:

- 105% of the average of the middle market quotations for a share as derived from the London Stock Exchange Daily Official List for the five business days immediately before the day on which it purchases that share; and
- the amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange trading service SETS.

This authority shall expire at the conclusion of the next AGM of the Company or within 15 months from the date of passing of the resolution (whichever is the earlier), but the Company may, if it agrees to purchase shares under this authority before it expires, complete the purchase wholly or partly after this authority expires. The Company

Directors' report continued

Authority for the Company to purchase its own shares continued

has not repurchased any of its ordinary shares under this authority.

Employment policies

The Group is committed to the principle of equal opportunity in employment. The Group recruits and selects applicants for employment based solely on a person's qualifications and suitability for the position, whilst bearing in mind equality and diversity. It is the Group's policy to recruit the most capable person available for each position. The Group recognises the need to treat all employees honestly and fairly. The Group is committed to ensuring that its employees feel respected and valued and are able to fulfil their potential and recognises that the success of the business relies on their skill and dedication.

Applications for employment by disabled persons are always fully considered bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, efforts are made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should as far as possible be identical with that of other employees.

The Group attaches importance to good communications and relations with employees. Information that is or may be relevant to employees in the performance of their duties is circulated to them on a regular basis, or immediately if it requires their immediate attention. There is regular consultation with employees through meetings or other lines of communication, so that their views are known and can be taken into account in making decisions on matters that will or may affect them.

Employee participation in their bowling venue's performance is encouraged through various bonus and incentive schemes and there is regular communication with all employees on the performance of their bowling venue or central function and on the financial and economic factors affecting the overall performance of the Group.

For more information on the Company's employment practices please see page 35 and for the policy on remuneration and loss of office payments, please see pages 47 to 55.

AGM

The notice convening the AGM to be held on 9 May 2018 at 6 Stratton Street, London W1J 8LD is contained in a separate shareholder circular. Full details of all resolutions to be proposed are provided in that document. The Directors consider that all of the resolutions set out in the Notice of AGM are in the best interests of the Company and its shareholders as a whole. The Directors will be voting in favour of them and unanimously recommend that shareholders vote in favour of each of them.

Significant agreements and change of control provisions

The Group judges that the only significant agreements in relation to its business are its Group banking arrangements with the Royal Bank of Scotland plc, gaming machine contracts with Bandai Namco Europe Limited and the relationship agreements between the Principal Selling Shareholders, Numis and the Company.

The Group's gaming machine contracts do not terminate on a change of control. The Group does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Group's Performance Share Plan may cause options and awards granted to Directors to vest on a change of control.

The Group's banking arrangements do contain change of control provisions which, if triggered, could limit future utilisations, require the repayment of existing utilisations or lead to a renegotiation of terms.

Relationship agreement

On 12 April 2017, the Company, the Harwood Shareholders, Harwood (as the discretionary investment manager of the Harwood Shareholders) and Numis (as Sole Sponsor and Financial Adviser) entered into a relationship agreement, the principal purpose of which is to ensure that the Company is capable of carrying on business independently at all times.

Substantial shareholdings

As at 31 December 2017, the Company had been notified, in accordance with the FCA's Disclosure Guidance and Transparency Rules, of the following holdings of voting rights attaching to the Company's shares:

Shareholder	Number of shares	% of total voting rights as at 31 December 2017
North Atlantic Smaller Companies Investment Trust plc*	20,000,000	30.77%
Harwood Capital Nominees Limited*	6,914,713	10.64%
Schroders plc	3,742,096	5.76%
Woodford Investment Management Ltd	5,147,971	7.92%
FMR LLC	3,545,819	5.45%
Janus Henderson Group plc	3,285,766	5.05%

* These are funds managed by Harwood Capital LLP.

There have been no further notifications of any changes to these interests between 31 December 2017 and 19 March 2018.

Under the terms of the relationship agreement the Harwood Shareholders each undertake (and undertake to procure that each of their associates shall procure insofar as they are able to do so) that:

- any transaction, arrangement or contract entered into between the Harwood Shareholders (or any of the Harwood Shareholders' associates or their nominees) and the Company will be conducted on an arm's length basis and normal commercial terms; and
- among other things, neither the Harwood Shareholders nor any of their associates or nominees: (i) will take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules; or (ii) will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

Harwood, as the discretionary investment manager of Oryx and Harwood Capital Nominees, has also undertaken to procure that Oryx and Harwood Capital Nominees will comply with the undertakings listed above.

The relationship agreement will continue in effect until the earlier of the aggregate voting rights of the Harwood Shareholders (whether held directly or indirectly through the Harwood Shareholders' associates and/or their nominees) are less than 10% or the shares are no longer admitted to the premium listing segment of the Official List and to trading on the Main Market of the London Stock Exchange.

Articles of Association

The Articles of Association remained unchanged during the 2017 financial year post the IPO and can only be amended by special resolution at a general meeting of the shareholders.

Political donations

The Company made no political donations in the year.

Key performance indicators ("KPIs")

Details of the Group's KPIs can be found on pages 20 to 21.

Independent auditors

PwC have signified their willingness to continue in office as auditors to the Company and the Group is satisfied that PwC are independent and there are adequate safeguards in place to safeguard their objectivity. A resolution to re-appoint PwC as the Company's auditors will be proposed at the 2018 AGM.

Directors' statement of disclosure of information to auditors

Having made the requisite enquiries, the Directors in office at the date of this Annual Report and Accounts have each confirmed that, so far as they are aware, there is no relevant audit information of which the Group's auditors are unaware and each Director has taken all the steps he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Going concern

The financial statements are prepared on a going concern basis, which the Directors believe to be appropriate based on:

- the ongoing review of current trading performance and results and the impact on cash flows and the financial position of the Group;
- the review of the Group's operational cash requirements, investment and maintenance capital needs, financing cash requirements in the servicing and repaying of debt and how the current and forecast cash position covers these areas;
- the preparation of annual budgets which analyse the future trading performance, the conversion to cash and the movement in the Group's financial position;
- the review of current compliance with banking covenants and the analysis of forecast results and how they impact on compliance. This includes reviewing sensitised cases for potential risks impacting on forecast performance and what levels of headroom the Group can sustain to remain compliant;
- the ongoing review of material risks and uncertainties to the business and the maintenance or implementation of controls and procedures to ensure these are monitored and managed. These risks are reviewed under the Strategic report on pages 23 to 25; and
- the ongoing review of the business model and implementation of new technology and ideas as well as entering into new contracts and business partnerships to improve the business performance and ensure its going concern for at least the following year as per current forecasts.

Cautionary statement

This Annual Report and Accounts contains forward-looking statements. These forward-looking statements are not guarantees of future performance; rather, they are based on current views and assumptions as at the date of this Annual Report and Accounts and are made by the Directors in good faith based on the information available to them at the time of their approval of this report. These statements should be treated with caution due to the inherent risks and uncertainties underlying any such forward-looking information. The Group undertakes no obligation to update these forward-looking statements.

By order of the Board

Mark Willis
Company Secretary
21 March 2018

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial 52-week period. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Company financial statements in accordance with IFRSs as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Each of the Directors, whose names and functions are listed in the Corporate Governance report confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the strategic report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

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

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

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

By order of the Board

Alan Hand
Chief Executive Officer
21 March 2018


USBC
APPROVED

Independent auditors' report

To the members of Ten Entertainment Group plc

Opinion

In our opinion, Ten Entertainment Group plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2017 and of the group's profit and the group's and the company's cash flows for the 52-week period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company statements of financial position as at 31 December 2017; the Consolidated statement of comprehensive income, the Consolidated and Company statements of cash flows, and the Consolidated and Company statements of changes in equity for the 52-week period then ended; the accounting policies; and the notes to the financial statements.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the company.

Other than those disclosed in the Directors' Report, we have provided no non-audit services to the group or the company in the period from 2 January 2017 to 31 December 2017.

Our audit approach

Context

Ten Entertainment Group plc is a tenpin bowling operator and operations are wholly UK-based. As described in note 3 to the financial statements, the Group listed on the London Stock Exchange on 19 April 2017. A group reorganisation took place as part of the IPO in which Ten Entertainment Group plc became the new parent company of the existing group. The group has applied the principles of predecessor accounting and as such the comparatives are presented as if the group has always existed in its current form.

Overview

Materiality	• Overall group materiality: £559,000 (2016: £420,000), based on 5% of adjusted profit before tax. • Overall company materiality: £409,000 (2016: £430,000), based on 1% of total assets.
Audit scope	• The Ten Entertainment Group plc group operates with one significant component, being Tenpin Limited, which is a UK subsidiary. There are 7 other UK based subsidiaries. • We performed a full scope audit over Tenpin Limited, whilst performing specific procedures over transactions and balances within the other statutory entities based on their contribution to the group's financial statement line items. • Our audit scoping gave us coverage of 97% of revenue and 89% of profit before tax.
Key audit matters	• Goodwill and site asset impairment.

Independent auditors' report continued

To the members of Ten Entertainment Group plc

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the group and the industry in which it operates, and considered the risk of acts by the group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the group and company financial statements, including, but not limited to, the Companies Act 2006, the Listing Rules and UK tax legislation. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, review of correspondence with legal advisors and enquiries of management. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Goodwill and site asset impairment assessment	
Refer to pages 44-46 (Audit Committee Report), pages 76-77 (Significant Accounting Policies) and pages 86 to 89 (notes). The group has property, plant and equipment of £34.9 million. The group operates in the leisure market and is therefore exposed to fluctuations in consumer discretionary spending and the wider economy. Management considers each site to be a cash-generating unit (CGU) and has performed an impairment assessment using discounted cash flows to ensure that the carrying value of each site's assets is supported by expected future cash flows. We focused on this area as the determination of whether an impairment charge was necessary involved significant estimates about the future results of each site. The group also has goodwill and intangible assets of £26.7 million which have arisen through a number of acquisitions. Goodwill is not allocated to individual CGUs as management considers that the synergies arising from each acquisition benefit the group as a whole rather than individual sites and management monitors goodwill in aggregate for internal purposes. Therefore, for goodwill impairment testing, the CGUs are aggregated into a single group.	We considered the carrying value of the group's assets compared to its market capitalisation which gives an indication of the overall value of the group. The market capitalisation was significantly in excess of the carrying value of assets. We evaluated the reasonableness of management's future cash flow forecasts and tested the underlying value in use calculations. We agreed management's forecast to the latest Board approved strategic plan. We also compared historic actual results to those budgeted to assess the quality of management's forecasting. Based on this evaluation, we considered management's ability to forecast was appropriate to support the basis upon which the future cash flows have been prepared. The key assumptions in the calculations were growth in revenue and EBITDA. In assessing these assumptions we considered external leisure market growth forecasts from a variety of sources, as these were good indicators of expected growth in tenpin bowling operator sales. Where management's growth assumptions were in excess of these forecasts, we evaluated the rationale, being the benefit of refurbishments and other management actions to drive growth. We considered the forecasts had been prepared on a supportable basis.

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Goodwill and site asset impairment assessment continued	
Management's assessment of the site portfolio as detailed above is used to form the basis of the goodwill impairment review and is therefore subject to the same assumptions as the site impairment review above.	We also tested: • management's assumption in respect of the long term growth rates in the forecasts by comparing them to long term average growth rates of the UK economy; and • the discount rate, by assessing the cost of capital for the company and comparable organisations. We were satisfied these assumptions were appropriate. We also performed sensitivity analysis in respect of key assumptions to determine at what level changes in these would eliminate headroom in the impairment test. There were no changes in key assumptions that were considered reasonably possible which would eliminate headroom. We evaluated the appropriateness of allocating goodwill to a single group of CGUs. We considered the rationale for the acquisitions, level of integration with the rest of the group, and the nature of synergies derived. We also confirmed this is the way in which management monitors goodwill by reviewing management's internal reporting. We were satisfied that synergies benefited the group as a whole and therefore the allocation of goodwill to a single group of CGUs was appropriate.

We determined that there were no key audit matters applicable to the company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Ten Entertainment Group plc group operates with one significant component, being Tenpin Limited, which is based the UK. There are 7 other UK subsidiaries.

We performed a full scope audit over Tenpin Limited, whilst performing specific procedures over transactions and balances within the other statutory entities based on their contribution to the group's financial statement line items.

Our audit scoping gave us coverage of 97% of revenue and 89% of profit before tax.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Independent auditors' report continued

To the members of Ten Entertainment Group plc

Materiality continued

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£559,000 (2016: £420,000).	£409,000 (2016: £430,000).
How we determined it	5% of adjusted profit before tax.	1% of total assets.
Rationale for benchmark applied	Adjusted profit before tax is a primary measure used by management and shareholders in assessing the performance of the group and is disclosed as a key performance indicator in the annual report. This measure provides us with a consistent year-on-year basis for determining materiality based on trading performance and eliminates the impact of non-recurring items. Adjusted profit before tax excludes exceptional items, shareholder loan note interest, amortisation of acquired intangibles, and loss on disposal of assets.	Total assets is deemed an appropriate benchmark as this is a non-trading entity which predominantly holds investments in subsidiaries.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £409,000 and £500,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £28,000 (Group audit) (2016: £21,000) and £20,450 (Company audit) (2016: £21,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

Reporting on other information continued

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the 52-week period ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements (CA06).

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report (CA06).

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 24 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 32 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and company and their environment obtained in the course of the audit (Listing Rules).

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 61, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company obtained in the course of performing our audit.
- The section of the Annual Report on page 44 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006 (CA06).

Independent auditors' report continued

To the members of Ten Entertainment Group plc

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the annual report set out on page 61, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the group's and 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 directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the members on 12 April 2017 to audit the financial statements for the 52-week period ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is 1 year, covering the 52-week period ended 31 December 2017. Prior to this, we had been the auditor to predecessor companies since the 52-week period ended 26 December 2004.

John Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 March 2018

Consolidated statement of comprehensive income

for the 52-week period ended 31 December 2017

	Notes	52 weeks to 31 December 2017 £000	53 weeks to 1 January 2017 £000
Revenue	1	**71,040**	67,319
Cost of sales		**(21,478)**	(20,639)
Gross profit		**49,562**	46,680
Administrative expenses		**(39,640)**	(36,924)
Operating profit		**9,922**	9,756
Analysed as:			
Group adjusted EBITDA		**19,012**	17,605
Exceptional administrative costs	6	**(4,283)**	(1,902)
Onerous lease provision release/(charge)		**1,403**	(272)
Amortisation of acquisition intangibles		**(607)**	(1,307)
Depreciation and amortisation		**(5,247)**	(4,426)
(Loss)/profit on disposal of assets		**(356)**	58
Operating profit		**9,922**	9,756
Exceptional finance costs	5	**(703)**	904
Finance costs	5	**(1,927)**	(5,224)
Net finance costs	5	**(2,630)**	(4,320)
Profit before taxation		**7,292**	5,436
Taxation	8	**(2,111)**	(1,805)
Profit and total comprehensive income for the period attributable to owners of the parent		**5,181**	3,631
Earnings per share			
Basic earnings per share	9	**7.97p**	5.59p
Diluted earnings per share	9	**7.96p**	5.59p
Adjusted basic earnings per share	9	**16.20p**	14.77p
Adjusted diluted earnings per share	9	**16.18p**	14.75p

The accompanying statements of accounting policies and notes on pages 73 to 99 are an integral part of these financial statements.

Consolidated and Company statements of financial position

as at 31 December 2017

		Group		Company	
	Notes	**31 December 2017 £000**	1 January 2017 £000	**31 December 2017 £000**	1 January 2017 £000
Assets					
Non-current assets					
Goodwill	11	**25,171**	23,552	**—**	—
Intangible assets	11	**1,490**	2,190	**—**	—
Investments	12	**—**	—	**38,915**	—
Property, plant and equipment	13	**34,891**	34,720	**—**	—
		61,552	60,462	**38,915**	—
Current assets					
Inventories	14	**1,356**	1,339	**—**	—
Trade and other receivables	15	**3,521**	3,346	**28**	—
Cash and cash equivalents	16	**5,571**	10,185	**1,959**	—
		10,448	14,870	**1,988**	—
Liabilities					
Current liabilities					
Bank borrowings and finance leases	19	**(7,846)**	(4,111)	**—**	—
Trade and other payables	21	**(5,502)**	(7,093)	**(2,823)**	—
Corporation tax payable		**(825)**	(669)	**—**	—
Provisions	22	**(70)**	(293)	**—**	—
		(14,243)	(12,166)	**(2,823)**	—
Net current (liabilities)/assets		**(3,795)**	2,704	**(835)**	—
Non-current liabilities					
Bank borrowings and finance leases	19	**(2,244)**	(13,158)	**—**	—
Shareholder loan notes	20	**—**	(42,435)	**—**	—
Other non-current liabilities	21	**(233)**	(442)	**—**	—
Deferred tax liability	23	**(1,726)**	(1,511)	**—**	—
Provisions	22	**(361)**	(1,577)	**—**	—
		(4,564)	(59,123)	**—**	—
Net assets		**53,193**	4,043	**38,080**	—
Equity					
Share capital	17	**650**	649	**650**	—
Merger reserve		**6,171**	555	**—**	—
Share based payment reserve		**87**	—	**87**	—
Retained earnings[1]		**46,285**	2,839	**37,343**	—
Total equity		**53,193**	4,043	**38,080**	—

1 The loss for the Company amounted to £2.9m for the period ended 31 December 2017.

The accompanying statement of accounting policies and notes on pages 73 to 99 are an integral part of these financial statements. The financial statements on pages 69 to 72 were authorised for issue by the Board of Directors and authorised for issue on 21 March 2018 and were signed on its behalf by:

Alan Hand **Mark Willis**

Company number: 10672501

Consolidated and Company statements of cash flows

for the 52-week period ended 31 December 2017

Group	Notes	52 weeks to 31 December 2017 £000	53 weeks to 1 January 2017 £000
Cash flows generated from operating activities			
Cash generated from operations	18	13,302	14,754
Corporation tax paid		(1,861)	–
Finance costs paid		(621)	(977)
Net cash generated from operating activities		10,820	13,777
Cash flows used in investing activities			
Acquisition of sites by Tenpin Limited		(2,594)	(2,322)
Purchase of property, plant and equipment		(3,463)	(2,455)
Purchase of software		(160)	(575)
Net cash used in investing activities		(6,217)	(5,352)
Cash flows used in financing activities			
Proceeds from issue of ordinary shares		1	4
Finance lease principal payments		(2,312)	(1,471)
Drawdown of bank borrowings		6,000	–
Repayment of borrowings		(12,906)	(3,594)
Net cash used in financing activities		(9,217)	(5,061)
Net (decrease)/increase in cash and cash equivalents		(4,614)	3,364
Cash and cash equivalents – beginning of period		10,185	6,821
Cash and cash equivalents – end of period	16	5,571	10,185

Company	Notes	52 weeks to 31 December 2017 £000	53 weeks to 1 January 2017 £000
Cash flows generated from operating activities			
Cash generated from operations	18	8	–
Net cash generated from operating activities		8	–
Cash flows generated from financing activities			
Proceeds from allotment of ordinary shares		1	–
Dividends received		1,950	–
Net cash generated from financing activities		1,951	–
Net increase in cash and cash equivalents		1,959	–
Cash and cash equivalents – beginning of period		–	–
Cash and cash equivalents – end of period	16	1,959	–

The accompanying statement of accounting policies and notes on pages 73 to 99 are an integral part of these financial statements.

Consolidated and Company statements of changes in equity

for the 52-week period ended 31 December 2017

Group	Share capital £000	Share based payment reserve £000	Merger reserve £000	Retained earnings/ (accumulated losses) £000	Total equity £000
53 weeks to 1 January 2017					
Balance at 28 December 2015	649	—	555	(792)	412
Profit for the period and total comprehensive income attributable to owners of the parent	—	—	—	3,631	3,631
Balance at 1 January 2017	649	—	555	2,839	4,043
52 weeks to 31 December 2017					
Balance at 2 January 2017	649	—	555	2,839	4,043
Issue of ordinary shares	1	—	43,882	—	43,883
Share based payment charge (note 27)	—	86	—	—	86
Group reorganisation (note 3)	—	—	(38,266)	38,266	—
Profit for the period and total comprehensive income attributable to owners of the parent	—	—	—	5,181	5,181
Balance at 31 December 2017	**650**	**86**	**6,171**	**46,286**	**53,193**

Company	Share capital £000	Share based payment reserve £000	Merger reserve £000	Retained earnings/ (accumulated losses) £000	Total equity £000
53 weeks to 1 January 2017					
Balance at 28 December 2015	—	—	—	—	—
Loss for the period and total comprehensive expense	—	—	—	—	—
Issue of ordinary shares	—	—	—	—	—
Balance at 1 January 2017	—	—	—	—	—
52 weeks to 31 December 2017					
Balance at 2 January 2017	—	—	—	—	—
Issue of ordinary shares (note 17)	650	—	38,266	—	38,916
Share based payment charge (note 27)	—	86	—	—	86
Group reorganisation (note 3)	—	—	(38,266)	38,266	—
Dividend received	—	—	—	1,950	1,950
Loss for the period	—	—	—	(2,872)	(2,872)
Balance at 31 December 2017	**650**	**86**	**—**	**37,344**	**38,080**

The accompanying statement of accounting policies and notes on pages 73 to 99 are an integral part of these financial statements.

Statement of accounting policies

General information

Ten Entertainment Group plc (the "Company") is a public limited company, limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales. The address of the registered office is Aragon House, University Way, Cranfield Technology Park, Cranfield, Bedford MK43 0EQ. The consolidated financial statements of the Company for the 52-week period ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group") that were acquired by the Company on 12 April 2017 before the Company was admitted to the London Stock Exchange on 19 April 2017. The principal activity of the Group comprises the operation of tenpin bowling centres.

Basis of preparation

The Company was incorporated on 15 March 2017 and acquired the businesses of the Indoor Bowling Equity Limited Group on 12 April 2017 as detailed in note 3. The consolidated financial statements of the Company for the 52-week period ended 31 December 2017 have been prepared as a continuation of the existing Indoor Bowling Equity Limited business and to account for its acquisition by insertion of the holding company (Ten Entertainment Group plc) using the principles of predecessor accounting. In doing so, the comparatives for the 53-week period to 1 January 2017 have been presented as if the Group had always existed in its current form. Refer to note 3 for a detailed explanation of the Group reorganisation.

The Group and Company financial statements have been prepared in accordance with IFRSs as adopted by the European Union, IFRS Interpretations Committee (IFRS IC) interpretations as they apply to the financial statements of the Group and the Company for the 52 weeks ended 31 December 2017 and applied in accordance with the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the 52 weeks ended 31 December 2017 and have been applied consistently. The Group and the Company financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated. The financial statements are prepared using the historical cost basis. On publishing the company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements.

Changes in accounting policy and disclosures

During the year, a number of amendments to IFRS became effective and were adopted by the Group, none of which had a material impact on the Group's net cash flows, financial position, total comprehensive income or earnings per share. At the date of authorisation of the consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective. The Group has not adopted early any of these pronouncements. The new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements in the future are as follows:

IFRS 2 Share Based Payment has been amended to clarify the classification and measurements of share based payment transactions effective for annual periods beginning on or after 1 January 2018. The clarifications and amendments are for the accounting for cash-settled share based payment transactions that include a performance condition; the classification of share based payment transactions with net settlement features; and the accounting for modifications of share based payment transactions from cash-settled to equity-settled. The Directors do not expect the adoption of this standard to have a material impact on the consolidated financial statements in future periods.

IFRS 9 Financial Instruments (2009) and amendment IFRS 9 Financial Instruments are effective for periods commencing on or after 1 January 2018. IFRS 9 is a replacement for IAS 39 Financial Instruments and covers three distinct areas. Phase 1 contains new requirements for the classification and measurement of financial assets and liabilities. Phase 2 relates to the impairment of financial assets and requires the calculation of impairment on an expected loss basis rather than the current incurred loss basis. Phase 3 relates to less stringent requirements for general hedge accounting. The Directors do not expect the adoption of this standard to have a material impact on the consolidated financial statements in future periods.

Statement of accounting policies continued

Changes in accounting policy and disclosures continued

IFRS 15 Revenue from Contracts with Customers replaces IAS 18 Revenue and introduces a five-step approach to revenue recognition based on performance obligations in customer contracts. The International Accounting Standards Board ("IASB") has proposed to issue some clarifications and to defer the standard's effective date of 1 January 2017 to 1 January 2018. The Directors have carried out an initial assessment of the impact and based on the assessment completed to date do not expect the adoption of this standard to have a material impact on the consolidated financial statements in future periods.

IFRS 16 Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 completes the IASB's project to improve the financial reporting of leases and replaces the previous leases standard, IAS 17 Leases, and related interpretations. The effective date for the Group is 1 January 2019. The standard will affect primarily the accounting for the Group's operating leases and will result in a material decrease in operating lease rental costs; material increases in depreciation and finance costs; a decrease in profit before and after tax; a decrease in net assets and recognition of lease assets and liabilities. As at the reporting date, the Group has non-cancellable operating lease commitments of £142.7m (see note 25). The Directors are in the process of evaluating the impact of IFRS 16 on the Group.

Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. All intercompany balances and transactions and any unrealised gains on transactions between Group companies are eliminated.

On acquisition of a subsidiary, all of the identifiable acquired assets (including intangible assets), liabilities and contingent liabilities are recorded at their fair values, reflecting their condition on the date control passes. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed. The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. All accounting policies are applied consistently throughout the Group companies.

Going concern

The Group meets its day-to-day working capital requirements with the assistance of its bank facilities. The Group's forecasts and projections take account of reasonably possible changes in trading performance and show that the Group should be able to operate within the level of its current facilities, meet future debt repayments and continue to comply with its banking covenants for at least the next 12 months.

At 31 December 2017, the Group had cash balances of £5.6m and undrawn committed financing facilities of £9.0m with a further £5.0m of uncommitted financing. In their consideration of going concern, the Directors have reviewed the Group's future cash forecasts and profit projections, which are based on past experience and the projected opening programme of an average of two new centres per annum. Taking the above into consideration and also the principal risks, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements. The Directors have made this assessment after consideration of the annual budgeted cash flows and related assumptions, and in accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Statement of compliance

Both the company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union ("Adopted IFRSs"), IFRIC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under Adopted IFRS. Adopted IFRSs are subject to an ongoing process of review and endorsement by the European Commission and amendment and interpretation by the IASB.

Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates, and requires management to exercise judgement in the process of applying the Group's accounting policies.

Accounting estimates are based on historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily available from other sources.

Critical accounting estimates and judgements continued

Actual results may differ from these estimates and 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 the current and future periods.

Intangible assets and tangible property, plant and equipment

These assets are affected by impairment assessments and estimates of value in use and residual value. The calculation of value in use is based on pre-tax cash flow projections from the financial budgets approved by the Board covering a one-year period and extrapolated by management using an estimated medium-term growth rate for a further two years. Cash flows beyond this three-year period are extrapolated over the life of the lease relating to that site at the estimated long-term growth rate, extended by 15 years for short leasehold premises in England and Wales where the provisions of the Landlord and Tenants Act apply and the Company has the right and expects to extend the lease on expiry, or over 50 years for a long leasehold or freehold site. The pre-tax discount rate applied to the cash flow projections approximates the Group's weighted average cost of capital, adjusted only to reflect the way in which the market would assess the specific risks associated with the estimated cash flows of the bowling businesses and to exclude any risks that are not relevant to estimated cash flows of the bowling businesses, or for which they have already been adjusted.

The effect of varying the key assumptions in the goodwill and tangible property, plant and equipment impairment calculations is presented in note 13.

Business combinations

IFRS 3 requires assets and liabilities acquired to be recorded at fair value and to separately identify intangible assets from goodwill. There is judgement involved in estimating fair value, which requires the Directors to estimate the useful economic life of each asset and the future cash flows expected to arise from each asset and to apply a suitable discount rate.

Onerous lease provisions

Onerous lease provisions are made where the future minimum contractual payments exceed the future cash flows expected to be generated by the relevant site. The assessment of expected further cash flows and the discount rate used requires estimation.

The cash flow projections are calculated on the same basis as those for the assessment of impairment of intangible assets and property, plant and equipment as outlined above.

Deferred tax

Estimation is required of temporary differences between the carrying amount of assets and liabilities and their tax base. Deferred tax liabilities are recognised for all taxable temporary differences but, where deductible temporary differences exist, management's judgement is required as to whether a deferred tax asset should be recognised based on the availability of future taxable profits. The deferred tax assets actually recoverable may differ from the amounts recognised if actual taxable profits differ from management's estimates.

Share based payments

The estimation requires the selection of an appropriate valuation model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest, inputs for which arise from judgements relating to the probability of meeting non-market performance conditions and the continuing participation of the Executive Directors, as detailed in note 27.

Non-GAAP performance measures

The Group has identified certain measures that it believes will assist in the understanding of the performance of the business. The measures are not defined under IFRS and they may not be directly comparable with other companies' adjusted measures. The non-IFRS measures are not intended to be a substitute for an IFRS performance measure but the business has included them as it considers them to be important comparables and key measures used within the business for assessing performance. These financial statements make reference to the following non-IFRS measures:

Group adjusted EBITDA – This consists of earnings before interest, taxation, depreciation amortisation costs, exceptional items, profit or loss on disposal of assets, adjustments to onerous lease and impairment provisions and derecognition of finance leases. The reconciliation to operating profit is included on note 2.

Adjusted underlying profit after tax – This consists of the profit after tax adjusted for exceptional items, profit or loss on disposal of assets, amortisation of acquisition intangibles, shareholder loan note interest, adjustments to onerous lease and impairment provisions and derecognition of finance leases. The reconciliation of this number to profit after tax is included under note 2.

Statement of accounting policies continued

Non-GAAP performance measures continued

Exceptional costs – Exceptional items are those significant items which management considers to be one-off and non-recurring. The separate reporting of these per note 6 helps to provide a better indication of underlying performance.

Like-for-like sales – These are a measure of growth of sales adjusted for new or divested sites over a comparable trading period.

Revenue

Revenue represents the total amounts earned from customers from bowling, food, beverage, machines and amusements, together with any other goods and services delivered in the normal course of business, net of VAT. The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and in the case of bowling, when the game has been played. All deposits paid in advance for a game of bowling that has yet to be played are accounted for as deferred revenue under current liabilities until the game is played, upon which it is recognised as revenue.

Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or nature to enable full understanding of the Group's financial performance. Transactions which may give rise to exceptional items include, but are not limited to, gains or losses on disposal of assets, legal and professional fees from corporate transactions and costs associated with subsidiary and new site acquisitions such as professional and legal fees, taxes and redundancy costs. Professional fees, taxes and other costs arising on re-gears are treated as exceptional as they are believed to be one-off in nature and arising as the property market adjusts to the performances of companies in the wider entertainment industry.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of the acquisition of a subsidiary or business combination over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is carried at cost less impairment, and is tested annually for impairment, or earlier if circumstances indicate that impairment may have occurred. Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost arising on acquisition is recognised immediately in the statement of comprehensive income.

Goodwill is not allocated to individual cash-generating units ("CGUs") as the Group considers that the synergies arising from each acquisition benefit the Group as a whole rather than individual sites and monitors goodwill in aggregate for internal purposes. Therefore, for goodwill impairment testing, the CGUs are aggregated into a single group.

Software

Software costs are capitalised and amortised over their estimated useful lives of up to three years. All software has been purchased and generated externally.

Customer lists

Customer lists are recognised at fair value on acquisition of subsidiaries and are amortised over the years from which their expected benefits are determined to be recognised in the income statement to nil over a five-year period with the rate of amortisation decreasing.

Favourable leases

Favourable leases are recognised at fair value on acquisition of subsidiaries and are amortised over the period of the lease.

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and any impairment in value with property, plant and equipment acquired in a business combination recognised at their fair value. Cost of assets includes acquisition costs net of VAT, as well as other directly attributable costs in bringing the asset into a working condition. Depreciation is calculated so as to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful economic life. The principal useful lives used for this purpose are as follows:

Long leasehold premises	The shorter of 50 years or their estimated useful lives
Short leasehold premises	Their estimated useful lives
Fixtures, fittings and equipment	Between three and 40 years
Amusement machines	Four years

Assets in the course of construction are not depreciated until they are brought into use. As required by IAS 16, property, plant and equipment's expected useful life and residual values are reviewed annually. Residual value is calculated based upon prices prevailing at the date of acquisition.

Impairment of assets

At each reporting date, all assets are considered for evidence of impairment. If there is an indication of impairment, the Group carries out an impairment test by measuring the asset's recoverable amount, which is the higher of the fair value less costs to sell and the value in use. If this recoverable amount is below the carrying value, an impairment loss is recognised in the statement of comprehensive income and the asset is written down to the recoverable amount. In assessing value in use, the estimated future cash flows arising from the use of the asset are discounted to their present value using a discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. Impairment of the Group's property plant and equipment is assessed at the cash-generating unit ("CGU") level being a bowling site, with goodwill allocated at company level and impairment tested for goodwill at company level. Impairment losses are charged to the statement of comprehensive income in the period in which they are identified and are allocated first to goodwill then to carrying amounts of other assets at the CGU level.

Reversals of impairment

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Property disposals

Disposals of properties and any resultant gain or loss on disposal are recognised in the statement of comprehensive income once all conditions of the sale contract become unconditional.

Business combinations

The purchase of a company or bowling site being a group of inputs and processes capable of generating profits is accounted for as a business combination. Business combinations are accounted for using the acquisition method of accounting. The consideration for a business combination is measured at fair value on the date of acquisition with the assets acquired and liabilities incurred measured at fair value on exchange. Goodwill is recognised as the surplus of the consideration over the fair value of the net assets acquired and is accounted for as per the accounting policy on goodwill.

Transaction costs that the Group incurs in connection with business combinations are expensed as incurred.

Management judgements are made in the measurement of fair values to the net assets acquired in a business combination in particular the customer lists, inventories and property, plant and equipment acquired.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated as cost of purchase on a first in, first out basis based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal which is the same method used to fair value the inventory on a business combination. Provision is made for obsolete, slow-moving or defective items where appropriate.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and then subsequently measured at amortised cost.

Financial assets

The Group classifies its financial assets as either at fair value through profit and loss (all of which were designated as such upon recognition) or as loans and receivables. There are no financial assets held as available for sale. Loans and receivables including non-derivative financial assets with fixed or determinable payments are classified as "trade and other receivables" in the balance sheet.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows while being included in financial liabilities for the balance sheet.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value with attributable debt issue costs capitalised. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis.

Statement of accounting policies continued

Debt issue costs
Issue costs of debt such as bank arrangement fees and legal fees incurred in arranging debt are capitalised under non-current other receivables and are amortised in the statement of comprehensive income on an effective interest rate method.

Trade and other payables
Trade and other payables are initially recognised at fair value and subsequently held at amortised cost.

Shareholder loan notes
Shareholder loan notes were £1 principal amount, unsecured, 10% interest-bearing notes which were listed on the Channel Island Securities Exchange ("CISE"). Interest is capitalised on 31 December each year with an equivalent in loan notes being issued, listed and bearing interest. These were redeemed for shares as detailed in note 20.

Leases
Costs incurred in respect of operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the lease. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term. The majority of the Group's short-term property leases are treated as operating leases.

Finance lease arrangements, which transfer substantially all of the benefits and risks of ownership of the related property and machines to the Group, are treated as if the property and machines had been acquired. The properties and machines are included in property, plant and equipment, classified as long leasehold premises for the properties and amusement machines for the machines. The capital element of the leasing commitment is shown as a finance lease obligation in liabilities. Lease rentals are separated into capital and interest elements, with the capital element applied to reduce the finance lease obligation and the interest element charged to finance costs in the statement of comprehensive income, so as to give a constant periodic rate of charge on the remaining balance of the obligation outstanding at each accounting period end. The properties and amusement machines are depreciated in accordance with the accounting policy for property, plant and equipment.

Lease incentives
Lease incentives are recognised as a reduction of rental expense over the term of the lease. These are amortised on a straight-line basis.

Onerous lease commitments
Provisions are recognised for the present value of onerous leases and vacant properties, calculated as the expected net cash out flows over the remaining life of the lease, discounted at a pre-tax rate which reflects current market assessments of the time value of money and the risks specific to the liability. Notional interest is charged in respect of the unwinding of the discount.

Pension costs
The Group operates a defined contribution pension plan. The Group pays contributions to privately administered pension insurance plans on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as the result of a past event and it is both probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Where the Group expects to be reimbursed for an outflow of resources associated with a provision, for example under an insurance contract, the expected reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are calculated by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the unwinding of the discount over time is charged to finance costs in the statement of comprehensive income.

Tax
The tax charge comprises current tax payable and deferred tax. The current tax charge represents an estimate of the tax payable in respect of the Group's taxable profits and is based on an interpretation of existing tax laws.

As required by IAS 12 (revised), the Group provides deferred income tax using the balance sheet liability method on all temporary differences between the tax bases of assets and liabilities and their carrying values at the balance sheet date. Deferred income tax assets and liabilities so recognised are determined using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are based on the expected manner of realisation or settlement of the carrying amount of the assets or liabilities.

Tax continued

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is not recognised in respect of the initial recognition of an asset or liability acquired in a transaction which is not a business combination and at the time of the transaction does not affect accounting or taxable profits.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Segment reporting

The Group's segments (distinguishable components of the Group that are engaged either in providing products or services) are its tenpin bowling operations and its central management. The Group wholly operates within the UK. The Group has identified the Board of Directors as the Chief Operating Decision Maker ("CODM").

Share capital

Ordinary shares are classified as equity. Share premium arises on the excess between the fair value of the shares issued and the par value of the shares issued and the existing shares issued have none. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, against share premium.

Share based payments

Performance Share Plans ("PSPs") for its Executive Directors are accounted for in accordance with IFRS 2 Share Based Payments. The value of the awards is measured at fair value at the date of the grant and recognised as an expense. The total amount expensed is determined by reference to the fair value of the awards granted including any market performance conditions. The cost of the transactions is recognised together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant Directors become fully entitled to the award.

Notes to the financial statements

for the 52-week period ended 31 December 2017

1 Segment reporting

Segmental information is presented in respect of the Group's business segments. Strategic decisions are made by the Board based on information presented in respect of these segments.

The Group comprises the following segments:

Tenpin Limited (Bowls) – Tenpin Limited is a leading tenpin bowling operator in the UK. All revenue is derived from activities conducted in the UK.

Central – Comprises central management including company secretarial work, the Board of Directors' and general head office assets and costs. The segment results for the 52-week period ended 31 December 2017 are used by the Board for strategic decision making, and a reconciliation of those results to the reported profit in the consolidated statement of comprehensive income, and the segment assets are as follows:

	Tenpin Limited £000	Central £000	Group £000
For the 52-week period ended 31 December 2017			
Segment revenue – external	**71,040**	**—**	**71,040**
Adjusted EBITDA (note 2)	**20,420**	**(1,408)**	**19,012**
Segment assets/(liabilities) as at 31 December 2017	**76,022**	**(4,022)**	**72,000**
Reconciliation of adjusted EBITDA to reported operating profit			
Adjusted EBITDA (note 2)	**20,420**	**(1,408)**	**19,012**
Amortisation and depreciation of intangibles and property, plant and equipment	**(5,245)**	**(2)**	**(5,247)**
Loss of disposals (note 6)	**(356)**	**—**	**(356)**
Amortisation of fair valued intangibles	**—**	**(569)**	**(569)**
Unwind of other fair value adjustments	**—**	**(38)**	**(38)**
Exceptionals (note 6)	**(1,849)**	**(3,137)**	**(4,986)**
Onerous lease provision movement	**1,403**	**—**	**1,403**
Operating profit/(loss)	**14,373**	**(5,154)**	**9,219**
Finance costs (note 5)	**(787)**	**(1,140)**	**(1,927)**
Profit/(loss) before taxation	**13,586**	**(6,294)**	**7,292**
For the 53-week period ended 1 January 2017			
Segment revenue – external	67,319	—	67,319
Adjusted EBITDA (note 2)	18,178	(573)	17,605
Segment assets as at 1 January 2017	70,915	5,203	76,118
Reconciliation of adjusted EBITDA to reported operating profit			
Adjusted EBITDA (note 2)	18,178	(573)	17,605
Amortisation and depreciation of intangibles and tangible fixed assets	(4,416)	(10)	(4,426)
Amortisation of fair valued intangibles	—	(971)	(971)
Unwind of other fair value adjustments	—	(336)	(336)
Profit on disposal of amusement machines (note 6)	58	—	58
One-off costs (note 6)	(1,320)	(582)	(1,902)
Onerous lease provision movement	(272)	—	(272)
Operating profit/(loss)	12,228	(2,472)	9,756
Finance costs (note 5)	(198)	(4,122)	(4,320)
Profit/(loss) before taxation	12,030	(6,594)	5,436

All assets have been allocated to segments.

2 Alternative performance measures – non-GAAP measures

The Group has identified certain measures that it believes will assist in the understanding of the performance of the business. The measures are not defined under IFRS and they may not be directly comparable with other companies' adjusted measures. The non-IFRS measures are not intended to be a substitute for an IFRS performance measure but the business has included them as it considers them to be important comparables and key measures used within the business for assessing performance. These financial statements make reference to the following non-IFRS measures:

Group adjusted EBITDA – This consists of earnings before interest, taxation, depreciation and amortisation costs, exceptional items, profit or loss on disposal of assets, adjustment to onerous lease and impairment provisions and derecognition of finance leases.

Reconciliation of operating profit to Group adjusted EBITDA	52 weeks to 31 December 2017 £000	53 weeks to 1 January 2017 £000
Group adjusted EBITDA	**19,012**	17,605
Amortisation of software	**(237)**	(109)
Amortisation of fair valued items on acquisition	**(607)**	(1,307)
Loss on disposals	**(356)**	58
Depreciation of property, plant and equipment	**(5,010)**	(4,317)
Operating profit before one-off items	**12,802**	11,930
Onerous lease provision released	**1,403**	(272)
Operating profit before exceptional items	**14,205**	11,658
Exceptional items – IPO	**(3,101)**	–
Exceptional items – other	**(1,885)**	(1,902)
Operating profit	**9,219**	9,756

Adjusted underlying profit after tax – This consists of the profit after tax adjusted for exceptional items, profit or loss on disposal of assets, amortisation of acquisitions intangibles, shareholder loan note interest, adjustments to onerous lease and impairment provisions and derecognition of finance leases. The reconciliation of this number to profit after tax is included under note 9.

Exceptional costs – Exceptional items are those significant items which management considers to be one-off and non-recurring. The separate reporting of these per note 6 helps to provide a better indication of underlying performance.

Proforma sales – This consists of the sales for the 52-week period to 1 January 2017 representing weeks 2 to 53 of FY16. This number will exclude the sales for week 1 which is the week ending 3 January 2016 which is the most comparable to the 53rd week included in the FY16 results. This has been done to provide a more useful comparative to understand the underlying trading performance for the 52 weeks to 31 December 2017.

Like-for-like sales – These are a measure of growth of sales adjusted for new or divested sites over a comparable trading period.

3 Group reorganisation

On 12 April 2017 as part of the Offer and Admission of the ordinary share capital of the Company to the premium segment of the Main Market of the London Stock Exchange, a Group reorganisation was carried out resulting in the Company becoming the ultimate holding company of the Group. The steps carried out on 12 April 2017 and their impact on the financial statements are as follows:

Capitalisation of shareholder loan notes

Indoor Bowling Equity Limited shareholders converted their holding of £43,586,573 shareholder loan notes for 824,253 shares at a nominal value of £1 increasing the number of issued shares to 2,028,175. A share premium reserve of £42,762,320 was recognised for the difference in the value of the issued shares swapped for the shareholder loan notes.

Share for share exchange – acquisition of TEG Holdings Limited by Ten Entertainment Group plc

The Company acquired the entire share capital of TEG Holdings Limited with the consideration being the issue and allotment of shares in the Company. The Company issued 64,901,400 shares at £0.01 each as consideration for the entire holding in TEG Holdings Limited. The investment in TEG Holdings Limited was £38,914,665 with the excess over the value of the issued shares being £38,265,649 and accounted for in the merger reserve account. The Company allotted a further 98,400 shares to bring the share capital to 65,000,000 shares immediately prior to the issue of the prospectus on 12 April 2017.

Admission

On 12 April 2017 the Company announced its Initial Public Offering ("IPO") of 65,000,000 shares, including 16,250,000 shares in the capital of the Company (offered at a price of 165p per share by certain discretionary investment management and/or advisory clients of Harwood Capital LLP, the Executive Directors and Nick Basing) representing 25% of the Company's issued ordinary shares on Admission. The Company was admitted to the premium segment of the Main Market of the London Stock Exchange on 19 April 2017.

Notes to the financial statements continued

for the 52-week period ended 31 December 2017

3 Group reorganisation continued

Capital reduction

Subsequent to the IPO, on 7 June 2017 shareholders of the Company approved a special resolution for the reduction of its share capital, which involved the capitalisation of £38,265,649.03 of the merger reserve into new B ordinary shares and the reduction in full of these B ordinary shares to distributable reserves. As the Company is a publicly listed entity, this process required approval by a court order. On 28 June 2017 the High Court of England and Wales confirmed the reduction of 38,265,649 B ordinary shares which was registered at Companies House on 28 June 2017. The effect of the reduction and cancellation is to create distributable reserves to support the Board's future dividend policy.

4 Staff cost and numbers

Staff costs – Group	52 weeks to 31 December 2017 £000	53 weeks to 1 January 2017 £000
Wages and salaries	15,080	14,327
Social security costs	921	848
Other pension costs	137	67
Cash-settled share based payments (note 8)	87	–
	16,225	15,242

Staff costs included within cost of sales are £13.3m (2016: £12.9m). The balance of staff costs is recorded within administrative expenses. Details of Directors' remuneration are set out in the Directors' report. No Directors have accrued any retirement benefits. The highest paid Director for the 52-week period ended 31 December 2017 received remuneration of £205,754 (2016: £263,536). All key management positions are held by Executive Directors of Ten Entertainment Group plc and, accordingly, no further disclosure of key management remuneration is deemed necessary.

The average monthly number of persons employed (including Executive Directors) during the period, analysed by category, was as follows:

Staff numbers – Group	52 weeks to 31 December 2017 Number	53 weeks to 1 January 2017 Number
Staff	953	812
Administration	47	38
Unit management	134	210
	1,134	1,060

Staff costs and average monthly numbers – Company	52 weeks to 31 December 2017 £000	53 weeks to 1 January 2017 £000
Wages and salaries	843	304
Social security contributions	79	41
Share based payments (note 27)	87	–
	1,009	345

Staff numbers	Number	Number
Administration (including Executive Directors)	9	2

5 Finance costs

	52 weeks to 31 December 2017 £000	53 weeks to 1 January 2017 £000
Interest on bank loans and overdrafts	260	569
Amortisation of debt issuance costs	112	255
Shareholder loan note interest	1,152	3,909
Finance lease interest	218	333
Notional interest on unwinding of discount on provisions (note 22)	42	51
Other	143	107
Finance costs	1,927	5,224
Exceptional finance costs		
Write-off of capitalised finance costs of repaid loans	703	–
Gain on derecognition of finance leases	–	(904)
Total finance costs	2,630	4,320

6 Profit before taxation

The following items have been included in arriving at a profit before taxation:

	52 weeks to 31 December 2017 £000	53 weeks to 1 January 2017 £000
Staff costs (note 4)	**16,225**	15,242
Consumables charged to cost of sales	**1,387**	1,347
Depreciation of property, plant and equipment (note 13)	**5,010**	4,317
Amortisation of software (note 11)	**237**	109
Amortisation of fair valued intangibles on acquisition (note 11)	**569**	971
(Loss)/profit on disposal of assets[(2)]	**(356)**	58
Onerous lease provision movements (note 22)	**(1,403)**	272
Operating lease rentals payable – property	**11,102**	11,085
Share based payments (note 27)	**87**	—
Repairs on property, plant and equipment	**1,789**	1,795
Exceptional items:		
Professional fees, taxes and other IPO costs	**3,101**	—
Professional fees, taxes and other costs in acquisition of sites	**325**	547
Professional fees, costs and taxes from property re-gears[(3)]	**520**	1,355
Professional fees and other one-off costs[(1)]	**337**	—
Total exceptional administrative costs	**4,283**	1,902
Write-off of capitalised finance costs of repaid loans	**703**	—
Gain on derecognition of finance leases	**—**	(904)
Total exceptional items	**4,986**	998
Auditors' remuneration:		
Fees payable to Company's auditors for the company and consolidated financial statements	**158**	50
Audit of Company's subsidiaries	**40**	40
Fee payable related to IPO	**260**	—
	458	90

(1) Professional fees and other one-off costs have been on corporate-related transactions undertaken by the Group and redundancy costs.

(2) Loss on disposals includes £282k of bowling equipment disposed of at the sites where Pins & Strings have been implemented and thus have replaced the bowling machinery which is now redundant. The Group anticipates that it will continue to roll out Pins & Strings across the entire estate over a period of a further three years; this will result in around a further £1.4m write-off of bowling equipment.

(3) Professional fees, taxes and other costs arising on lease re-gears are treated as exceptional as they are believed to be one-off in nature at a site level. These costs are currently arising as the Group looks to take advantage of changes in the property market which have made Tenpin an attractive tenant for landlords. It is anticipated that the Group will continue to look to continue to take advantage of the changes in market conditions and could incur further re-gear costs through its exceptional items over the next two to three-year period.

7 Results attributable to Ten Entertainment Group plc

The financial statements of the company, Ten Entertainment Group plc, were approved by the Board of Directors on 21 March 2018. The result for the financial period dealt with in the financial statements of Ten Entertainment Group plc was a loss of £2.9m. As permitted by Section 408 of the Companies Act 2006, no separate statement of comprehensive income is presented in respect of the company.

Notes to the financial statements continued

for the 52-week period ended 31 December 2017

8 Taxation

Recognised in the statement of comprehensive income:

	52 weeks to 31 December 2017 £000	53 weeks to 1 January 2017 £000
Current tax:		
Current tax on profits for the period	2,017	669
Deferred tax (note 23):		
Origination and reversal of temporary differences	(69)	719
Adjustment in respect of prior years	163	427
Change in tax rate to 19% effective 1 April 2017	–	(10)
Tax charge in statement of comprehensive income	2,111	1,805

The tax on the Group's profit before tax differs (2016: differs) from the theoretical amount that would arise using the standard rate of tax in the UK of 19.24% (2016: 20%). The differences are explained below.

	52 weeks to 31 December 2017 £000	53 weeks to 1 January 2017 £000
Profit before taxation	7,290	5,436
Tax using the UK corporation tax rate of 19.24% (2016: 20%)	1,403	1,087
Expenses not deductible	629	658
Allowable depreciation on finance leases	(84)	(357)
Adjustment in respect of prior years	163	427
Effect of tax losses	–	–
Change in tax rate to 20% effective 1 April 2015	–	(10)
Tax charge	2,111	1,805

The Finance Bill 2015 included legislation to reduce the main rate of corporation tax to 19% for the financial years beginning 1 April 2017, 1 April 2018 and 1 April 2019, and to 17% for the financial year beginning 1 April 2020. These changes had been substantively enacted at the balance sheet date and consequently are included in these financial statements by using a blend rate of 19% which has been used to determine the overall net deferred tax liability, as the temporary differences are expected to reverse at the various rates over those periods.

9 Earnings per share

Basic earnings per share for each period is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. Earnings per share is based on the capital structure of the Company and includes the weighted average of the 65,000,000 ordinary shares issued upon the Admission of the Company on 19 April 2017. The total shares in issue at the end of the 52-week period were 65,000,000. The weighted average number of shares for the preceding periods has been stated as if the Group share for share exchange had occurred at 27 December 2015.

The Company has 79,153 potentially issuable shares (2016: nil), all of which relate to share options issued to Directors of the Company. Diluted earnings per share amounts are calculated by dividing profit for the year and total comprehensive income attributable to equity holders of the company by the weighted average number of ordinary shares outstanding during the year together with the dilutive number of ordinary shares.

Adjusted basic earnings per share has been calculated in order to compare earnings per share year on year and to aid future comparisons. Earnings has been adjusted to exclude IPO expenses, share based payments and other one-off costs (and any associated impact on the taxation charge). Adjusted diluted earnings per share is calculated by applying the same adjustments to earnings as described in relation to adjusted earnings per share divided by the weighted average number of ordinary shares outstanding during the year adjusted by the effect of the outstanding share options.

Basic and diluted	52 weeks to 31 December 2017 £000	53 weeks to 1 January 2017 £000
Profit after tax	5,181	3,631
Basic weighted average number of shares in issue	65,000,000	64,901,600
Adjustment for share awards	79,153	–
Diluted weighted average number of shares in issue	65,079,153	65,000,000
Basic earnings per share (pence)	7.97p	5.59p
Diluted earnings per share (pence)	7.96p	5.59p

9 Earnings per share continued

Below is the calculation of the adjusted earnings per share:

Adjusted earnings per share	52 weeks to 31 December 2017 £000	53 weeks to 1 January 2017 £000
Profit after tax	**5,181**	3,631
Amortisation of fair valued items on acquisition	**607**	1,307
Loss/(profit) on disposals	**356**	(58)
Exceptional costs	**4,283**	1,902
Exceptional costs within finance costs	**703**	(904)
Onerous lease provision movements	**(1,403)**	272
Shareholder loan note interest	**1,152**	3,909
Tax impact on above adjustments	**(346)**	(471)
Adjusted underlying earnings after tax	**10,533**	9,588
Adjusted profit after tax	**10,533**	9,588
Weighted average number of shares in issue	**65,000,000**	64,901,600
Adjusted basic earnings per share	**16.20p**	14.77p
Adjusted diluted earnings per share	**16.18p**	14.75p

10 Business combinations

As part of the Group's strategy to grow and expand, the following sites were acquired as part of a business combination.

Business combination – Eastbourne

On 21 February 2017, the Group acquired the assets and trade of the Eastbourne bowling site known as The Lanes, part of the David Lloyd Leisure Centre. The Group entered into a Business Purchase Agreement with David Lloyd Leisure Limited and acquired the assets for £1.5m.

The table below summarises the consideration paid for the acquisition, the fair value of the assets acquired and the liabilities assumed on the date of acquisition:

Consideration as at 21 February 2017	£000
Cash consideration paid	1,538
Identifiable assets acquired and liabilities assumed	
Inventory	21
Property, plant and equipment	467
Cash and cash equivalents	6
Deferred tax liabilities	(67)
Other assets and liabilities, net	23
Total identifiable net assets	**450**
Goodwill	1,088
Total	**1,538**

Acquisition-related costs of £0.1m have been charged to administrative expenses. Food and bar stocks were initially recognised with a step up in value from their historical cost of £0.02m which was expensed when the inventories were sold. Property, plant and equipment fair values were determined internally looking at the market prices for the acquired assets and for similarly aged assets elsewhere in the Company's business which resulted in a step up from the assets book values of £0.4m which will be depreciated over five years. Deferred tax liabilities were recognised on the fair values of assets acquired and their tax bases which will be released as the related fair value measurement differences are recognised in the statement of comprehensive income. Since the date of the business combination the site generated £1.1m of sales and made EBITDA of £0.3m which has been included in the statement of comprehensive income. As part of the due diligence, the sales and profit numbers prior to acquisition from the seller's management accounts were reviewed including the period from 2 January 2017 to the date of acquisition. As they had not been audited they are not reflected here to provide a guide to potential full-year performance. The goodwill is made up of the expected benefits to arise from Tenpinisation of the site's operations and processes under the management of the Tenpin brand. None of the goodwill is expected to be deductible for tax purposes.

Business combination – Rochdale

On 26 June 2017, the Group acquired the assets and trade of the Rochdale bowling site known as Sandbrooke Leisure. The Group entered into a Business Transfer Agreement with Sandbrooke Leisure Limited and acquired the assets for £1.0m.

The table below summarises the consideration paid for the acquisition, the fair value of the assets acquired and the liabilities assumed on the date of acquisition:

Consideration as at 26 June 2017	£000
Cash consideration paid	1,056
Identifiable assets acquired and liabilities assumed	
Inventory	16
Property, plant and equipment	543
Cash and cash equivalents	22
Deferred tax liabilities	(54)
Other assets and liabilities, net	(2)
Total identifiable net assets	**525**
Goodwill	531
Total	**1,056**

Notes to the financial statements continued

for the 52-week period ended 31 December 2017

10 Business combinations continued

Business combination – Rochdale continued

Acquisition-related costs of £0.1m have been charged to administrative expenses and included in exceptional items. Food and bar stocks were initially recognised with a step up in value from their historical cost of £0.02m which was expensed when the inventories were sold. Property, plant and equipment fair values were determined internally looking at the market prices for the acquired assets and for similarly aged assets elsewhere in the Company's business which resulted in a step up from the assets' book values of £0.1m which will be depreciated over five years. Deferred tax liabilities were recognised on the fair values of assets acquired and their tax bases which will be released as the related fair value measurement differences are recognised in the statement of comprehensive income. Since the date of the business combination the site generated £0.6m of sales and made EBITDA of £0.1m which has been included in the statement of comprehensive income. As part of the due diligence, the sales and profit numbers prior to acquisition from the seller's management accounts were reviewed including the period from 2 January 2017 to the date of acquisition. Due to not having access to the information they are not reflected here to provide a guide to potential full-year performance. The goodwill is made up of the expected benefits to arise from Tenpinisation of the site's operations and processes under the management of the Tenpin brand. None of the goodwill is expected to be deductible for tax purposes.

The acquisition of the site in Blackburn was not deemed to be a business combination per IFRS 3 but the acquisition of assets as per IAS 16 Property, Plant and Equipment.

11 Goodwill and intangible assets

Group	Fair valued intangibles on acquisition £000	Goodwill £000	Software £000	Total £000
Cost				
At 27 December 2015	2,098	22,757	151	25,006
Additions	840	795	575	2,210
At 2 January 2017	**2,938**	**23,552**	**726**	**27,216**
Disposals	—	—	(66)	(66)
Additions	—	1,619	160	1,779
At 31 December 2017	**2,938**	**25,171**	**820**	**28,929**
Accumulated amortisation and impairment losses				
At 27 December 2015	366	—	28	394
Charge for the period – amortisation	971	—	109	1,080
At 2 January 2017	**1,337**	**—**	**137**	**1,474**
Charge for the period - amortisation	569	—	237	806
Disposals – amortisation	—	—	(12)	(12)
At 31 December 2017	**1,906**	**—**	**362**	**2,268**
Net book value				
At 31 December 2017	**1,032**	**25,171**	**458**	**26,661**
At 1 January 2017	1,601	23,552	589	25,742
At 27 December 2015	1,732	22,757	123	24,612

11 Goodwill and intangible assets continued

Goodwill is tested for impairment at each financial year end based on the recoverable amount of each CGU. The overall process for testing impairment follows the same methodology as detailed in note 12 for property, plant and equipment. Due to the strong performance of the Group, there is significant headroom before any goodwill would become impaired. As part of the business combination accounting for the acquisition of Essenden Limited in 2015, the fair value of customer lists, rebate contracts and the Tenpin Limited website were recognised and will be amortised over the period for which the benefits are expected to be recognised. The goodwill acquired during the period arose on the business combination of the site in Eastbourne on 21 February 2017 and Rochdale on 26 June 2017 as detailed in note 10. The amortisation charged on the above intangible assets is included in other administrative expenses in the statement of comprehensive income.

12 Investments

Company	Subsidiaries shares £000
As at incorporation on 15 March 2017	–
Acquisition of TEG Holdings Limited on 12 April 2017	38,915
At 31 December 2017	**38,915**

The Directors believe that the carrying value of the investments is supported by the underlying net assets of the business and the future profits that will be generated by the Group.

Group investments

The Company has investments in the following subsidiary undertakings, which affected the results and net assets of the Group.

	Parent	Country of registration	Percentage of shares held
Companies owned directly by Ten Entertainment Group plc			
TEG Holdings Limited		England & Wales	100%
Companies owned indirectly by Ten Entertainment Group plc			
Tenpin Limited	TEG Holdings Limited	England & Wales	100%
Indoor Bowling Equity Limited	TEG Holdings Limited	England & Wales	100%
Indoor Bowling Acquisitions Limited	Indoor Bowling Equity Limited	England & Wales	100%
Essenden Limited	Indoor Bowling Acquisitions Limited	England & Wales	100%
Georgica Limited	Essenden Limited	England & Wales	100%
Georgica Holdings Limited	Georgica Limited	England & Wales	100%
Tenpin Five Limited	Tenpin Limited	England & Wales	100%
Tenpin One Limited	Tenpin Limited	England & Wales	100%
Georgica (Lewisham) Limited	Georgica Holdings Limited	England & Wales	100%
GNU 5 Limited	Georgica Holdings Limited	England & Wales	100%
Tenpin (Sunderland) Limited	Tenpin Limited	England & Wales	100%
Tenpin (Halifax) Limited	Tenpin Limited	England & Wales	100%

Ten Entertainment Group plc and TEG Holdings Limited registered office is at Aragon House, University Way, Cranfield Technology Park, Cranfield, Bedford, MK43 0EQ. The rest of the Group companies are registered at 5 St George's House, St George's Road, Wimbledon, SW19 4DR.

Tenpin Five Limited and Tenpin One Limited are claiming exemption from the audit and the preparation of financial statements in accordance with Section 476A of the Companies Act 2006. A parent guarantee will be issued for the liabilities of these companies which only consist of intercompany loans with the parent company and thus the guarantee is not expected to be called upon.

Notes to the financial statements continued

for the 52-week period ended 31 December 2017

13 Property, plant and equipment

Group	Long leasehold premises £000	Short leasehold premises £000	Amusement machines £000	Fixtures, fittings and equipment £000	Total £000
Cost					
At 27 December 2015	2,617	9,879	4,963	18,164	35,623
Additions	—	301	2,149	3,685	6,135
Disposals	(495)	—	(1,023)	—	(1,518)
At 2 January 2017	2,122	10,180	6,089	21,849	40,240
Additions	—	1	1,816	3,463	5,280
Acquisition of new sites	—	—	—	1,010	1,010
Disposals	—	(612)	(1,078)	(948)	(2,638)
At 31 December 2017	**2,122**	**9,569**	**6,827**	**25,374**	**43,892**
Accumulated depreciation and impairment					
At 27 December 2015	51	230	563	600	1,444
Charge for the period	91	585	1,713	1,928	4,317
Disposals – depreciation	(72)	—	(169)	—	(241)
At 2 January 2017	70	815	2,107	2,528	5,520
Charge for the period	61	606	1,929	2,414	5,010
Disposals – depreciation	—	(584)	(589)	(356)	(1,529)
At 31 December 2017	**131**	**837**	**3,447**	**4,586**	**9,001**
Net book value					
At 31 December 2017	**1,991**	**8,732**	**3,380**	**20,788**	**34,891**
At 2 January 2017	2,052	9,365	3,982	19,321	34,720
At 27 December 2015	2,566	9,649	4,400	17,564	34,179

Property, plant and equipment is reviewed for impairment on an annual basis. The recoverable amount of each CGU (each of the 40 (2016: 38) sites open as at the period end has been treated as a CGU) has been calculated as the higher of its value in use and its fair value less cost to sell. The calculation of value in use is based on pre-tax cash flow projections from the financial budgets approved by the Board covering a one-year period and extrapolated by management using an estimated medium-term growth rate for a further two years. Cash flows beyond this three-year period are extrapolated over the life of the lease relating to that site, extended by 15 years (for non-onerous sites) for short leasehold premises in England and Wales where the provisions of the Landlord and Tenants Act apply and the Company has the right and expects to extend the lease on expiry, or over 50 years for a long leasehold or freehold site.

The key assumptions of the value in use calculation are:

	31 December 2017	1 January 2017
Period on which management approved forecasts are based	**3 years**	3 years
Growth rate applied beyond approved forecast period	**2%**	2%
Pre-tax discount rate	**12.6%**	12.9%

The budgets which underlie the calculations are compiled on a site by site basis, with gross margin, staff cost, property cost and other operating profit assumptions being based on past performance and known factors specific to that site which are expected by management to affect future performance, to reflect the operating circumstances and risks relevant to each part of the business. They also include an allocation of central overheads which are allocated across the sites based on turnover. The pre-tax discount rate applied to the cash flow projections approximates the Group's weighted average cost of capital, adjusted only to reflect the way in which the market would assess the specific risks associated with the estimated cash flows of the bowling businesses and to exclude any risks that are not relevant to estimated cash flows of the bowling businesses, or for which they have already been adjusted. This pre-tax discount rate has been benchmarked against the discount rates applied by other companies in the leisure sector.

13 Property, plant and equipment continued

The key assumptions to which the calculation is sensitive remain the future trading performance and the growth rate that is expected of each site, which have a similar effect on the quantum of the onerous lease provision as the discount rate assumed. If the sales in the budgets which underlie the calculations were reduced by 5%, reducing the cash flows of the bowls by 4%, the onerous lease charge would increase by £0.0m (2016: £0.2m). If the pre-tax discount rate applied in the calculations is increased by 1%, the impairment charge increases by £0.1m (2016: £0.1m). For the calculation of fair value less cost to sell, management has assumed that each Tenpin Limited business could be sold for a multiple of 5x EBITDA (2016: 5x EBITDA).

The depreciation and impairment charges are recognised in administrative expenses in the statement of comprehensive income. Bank borrowings are secured on property, plant and equipment for the value of £20.0m (2016: £20.0m). Properties held under finance leases had a net book value of £0.2m (2016: £0.2m) and the finance lease depreciation charged in the period was £0.1m (2016: £0.1m). Amusement machines held under finance leases had a net book value of £3.9m (2016: £4.0m) and the finance lease depreciation charged in the period was £1.9m (2016: £1.7m).

14 Inventories

	Group 31 December 2017 £000	Group 1 January 2017 £000	Company 31 December 2017 £000	Company 1 January 2017 £000
Goods held for resale	**1,356**	1,339	**—**	—

The cost of inventories recognised as an expense and included in cost of sales amounted to £5.8m (2016: £5.5m). There is a provision of £0.4m (2016: £0.3m) for obsolete bowling spares included in the figures above. Bank borrowings for the value of £20.0m (2016: £20.0m) are secured on all assets of the Group including inventory.

15 Trade and other receivables

Current receivables	Group 31 December 2017 £000	Group 1 January 2017 £000	Company 31 December 2017 £000	Company 1 January 2017 £000
Trade receivables	**167**	562	**—**	—
Amounts owed by subsidiary undertakings (note 26)	**—**	—	**1**	—
Other receivables	**77**	60	**22**	—
Prepayments and accrued income	**3,277**	2,724	**5**	—
	3,521	3,346	**28**	—

All trade receivables are within their due date and considered recoverable and accordingly no provision for impairment has been recognised.

Non-current receivables	Group 31 December 2017	Group 1 January 2017	Company 31 December 2017	Company 1 January 2017
Amounts owed by subsidiary undertakings	**—**	—	**—**	31,232
Capitalised financing costs	**—**	—	**—**	—
	—	—	**—**	31,232

Notes to the financial statements continued

for the 52-week period ended 31 December 2017

16 Cash and cash equivalents

	Group 31 December 2017 £000	Group 1 January 2017 £000	Company 31 December 2017 £000	Company 1 January 2017 £000
Cash and cash equivalents	**571**	10,185	**1,959**	—

17 Share capital

	31 December 2017		1 January 2017	
	Shares	£000	Shares	£000
Ordinary shares of £1 each	—	—	1,203,923	1,204
Ordinary shares of £0.01 each	**65,000,000**	**650**	—	—
	65,000,000	**650**	1,203,923	1,204

The share capital of the Group is represented by the share capital of the company, Ten Entertainment Group plc, which was incorporated on 15 March 2017. Prior to this the share capital of the Group was represented by the share capital of the previous parent, Indoor Bowling Equity Limited.

However, as stated in the statement of accounting policies on page 73, the principles of predecessor accounting have been applied with these financial statements and, therefore, the comparative share capital of the Group has been adjusted as if the Group had always existed. The basis of preparation included in the statement of accounting policies includes a reconciliation of the prior years shares and reserves to the opening shares and reserves included in the statement of changes in equity.

The shares confer on each holder the right to attend, speak and vote at all the meetings of the Company with one vote per ordinary share on a poll or written resolution.

The table below summarises the movements in share capital of Ten Entertainment Group plc during the year ended 31 December 2017:

	Notes	Shares	£000
At date of incorporation	(a)	2	—
Share split	(b)	198	—
Share for share exchange	(c)	64,901,400	649
Issue of shares	(d)	98,400	1
Authorised, allotted, called up and fully paid share capital		**65,000,000**	**650**

(a) The Company was incorporated on 15 March 2017 with two ordinary shares at £1 each.

(b) Prior to the IPO, the Company split the two ordinary shares into 200 ordinary shares at £0.01 each.

(c) The Company acquired the entire share capital of TEG Holdings Limited with the consideration being the issue and allotment of shares in the Company. The Company issued 64,901,400 shares at £0.01 each as consideration for the entire holding in TEG Holdings Limited.

(d) The Company allotted a further 98,400 shares at £0.01 each.

18 Cash generated from operations

Cash flows from operating activities	Group 52 weeks to 31 December 2017 £000	Group 53 weeks to 1 January 2017 £000	Company 52 weeks to 31 December 2017 £000	Company 53 weeks to 1 January 2017 £000
Profit/(loss) for the period	**5,181**	3,631	**(2,873)**	—
Adjustments for:				
Tax	**2,111**	1,805	**—**	—
Finance costs	**1,927**	4,320	**—**	—
Non-cash one-off costs	**718**	—	**—**	—
Non-cash share based payments charge	**87**	—	**87**	—
Loss on disposal of assets	**356**	—	**—**	—
Amortisation of intangible assets	**806**	1,080	**—**	—
Depreciation of property, plant and equipment	**5,010**	4,317	**—**	—
Changes in working capital:				
Increase in inventories	**(17)**	(9)	**—**	—
(Increase)/decrease in trade and other receivables	**(175)**	320	**(29)**	—
(Decrease)/increase in trade and other payables	**(1,304)**	(982)	**2,823**	—
(Decrease)/increase in provisions	**(1,398)**	272	**—**	—
Cash generated from operations	**13,302**	14,754	**8**	—

19 Bank borrowings and finance leases

Current liabilities	Group 31 December 2017 £000	Group 1 January 2017 £000	Company 31 December 2017 £000	Company 1 January 2017 £000
Bank loans	**6,000**	2,872	**—**	—
Finance leases	**2,001**	2,025	**—**	—
Capitalised financing costs	**(155)**	(786)	**—**	—
	7,846	4,111	**—**	—

Non-current liabilities	Group 31 December 2017 £000	Group 1 January 2017 £000	Company 31 December 2017 £000	Company 1 January 2017 £000
Bank loans	**—**	10,034	**—**	—
Finance leases	**2,244**	3,124	**—**	—
	2,244	13,158	**—**	—

Notes to the financial statements continued

for the 52-week period ended 31 December 2017

19 Bank borrowings and finance leases continued

Bank borrowings are repayable as follows:

Bank loans	Group 31 December 2017 £000	Group 1 January 2017 £000	Company 31 December 2017 £000	Company 1 January 2017 £000
Within one year	**6,000**	2,872	**—**	—
Between one and two years	**—**	2,872	**—**	—
Between two and five years	**—**	7,162	**—**	—
	6,000	12,906	**—**	—

Available borrowings are as follows:

Group	Currency	Interest rates	Maturity	Total available	Total drawn
Revolving credit facility	GBP	LIBOR + 1.75%	Apr–20	14,500	6,000
Accordion facility	GBP	LIBOR + 1.75%	Apr–20	5,000	—
Bank overdraft	GBP	LIBOR + 1.75%	Annually	500	—
Total borrowings				20,000	6,000

Finance lease liabilities – Group

The payment profile of minimum lease payments under finance leases are as follows:

	Property leases		Machines leases		Total	
Net	31 December 2017 £000	1 January 2017 £000	31 December 2017 £000	1 January 2017 £000	31 December 2017 £000	1 January 2017 £000
Within one year	**3**	43	**1,998**	1,982	**2,001**	2,025
Between one and two years	**3**	47	**1,071**	1,519	**1,074**	1,566
Between two and five years	**9**	173	**888**	1,037	**897**	1,210
After five years	**273**	348	**—**	—	**273**	348
	288	611	**3,957**	4,538	**4,245**	5,149

	Property leases		Machines leases		Total	
Gross	31 December 2017 £000	1 January 2017 £000	31 December 2017 £000	1 January 2017 £000	31 December 2017 £000	1 January 2017 £000
Within one year	**23**	95	**2,107**	2,119	**2,129**	2,214
Between one and two years	**23**	95	**1,125**	1,583	**1,147**	1,678
Between two and five years	**67**	286	**912**	1,060	**981**	1,346
After five years	**586**	682	**—**	—	**586**	682
	699	1,158	**4,144**	4,762	**4,843**	5,920
Future finance charges on finance leases	**(411)**	(547)	**(187)**	(224)	**(598)**	(771)
Present value of finance lease liabilities	**288**	611	**3,957**	4,538	**4,245**	5,149

Finance leases are in place for one (2016: two) property at a value of £0.3m (2016: £0.6m). The leases of amusement machines are from Bandai Namco Europe Limited with a value of £4.0m (2016: £4.5m).

19 Bank borrowings and finance leases continued

Analysis of statutory net debt

Net (debt)/cash as analysed by the Group consists of cash and cash equivalents less bank loans and overdrafts and amounts to (£0.4m) (2016: (£2.8m)). Statutory net debt as analysed below includes finance leases and the shareholder notes.

	Cash and cash equivalents £000	Bank loans and overdrafts £000	Net cash excluding notes and leases £000	Finance leases £000	Shareholder loan notes £000	Statutory net debt £000
Balance at 28 December 2015	**6,821**	**(16,500)**	**(9,679)**	**(6,437)**	**(38,526)**	**(54,642)**
Cash flows	3,364	3,594	6,958	1,856	—	8,814
Finance lease acquisition of amusement machines	—	—	—	(1,505)	—	(1,505)
Derecognition of property finance leases	—	—	—	1,270	—	1,270
Interest on finance leases	—	—	—	(333)	—	(333)
Loan note interest (note 5)	—	—	—	—	(3,909)	(3,909)
Balance at 1 January 2017	10,185	(12,906)	(2,721)	(5,149)	(42,435)	(50,305)
Cash flows	(4,614)	6,906	2,292	2,312	—	4,604
Finance lease acquisition of amusement machines	—	—	—	(1,475)	—	(1,475)
Derecognition of property finance leases	—	—	—	285	—	285
Interest on finance leases	—	—	—	(218)	—	(218)
PIK note repayments	—	—	—	—	43,587	43,587
PIK note interest (note 5)	—	—	—	—	(1,152)	(1,152)
Balance at 31 December 2017	**5,571**	**(6,000)**	**(429)**	**(4,245)**	**—**	**(4,674)**

20 Shareholder loan notes

	Group 31 December 2017 £000	Group 1 January 2017 £000	**Company 31 December 2017 £000**	Company 1 January 2017 £000
Payment in kind notes in issue	**—**	42,424	**—**	—
Interest to be capitalised on 31 December 2015	**—**	11	**—**	—
	—	42,435	**—**	—

The payment in kind notes were converted to equity as part of the IPO process on 12 April 2017 as detailed in note 3.

21 Trade and other payables and other non-current liabilities

Trade and other payables	**Group 31 December 2017 £000**	Group 1 January 2017 £000	**Company 31 December 2017 £000**	Company 1 January 2017 £000
Trade payables	**462**	1,073	**—**	—
Amounts owed to subsidiary undertakings (note 26)	**—**	—	**2,753**	—
Social security and other taxes	**1,377**	1,263	**—**	—
Other payables	**1,293**	1,908	**—**	—
Accruals	**2,305**	2,792	**70**	—
Deferred income – lease incentives	**65**	57	**—**	—
	5,502	7,093	**2,823**	—

Notes to the financial statements continued

for the 52-week period ended 31 December 2017

21 Trade and other payables and other non-current liabilities continued

Other non-current liabilities	Group 31 December 2017 £000	Group 1 January 2017 £000	Company 31 December 2017 £000	Company 1 January 2017 £000
Deferred income – lease incentives	**233**	442	**—**	—

22 Provisions

The Group's onerous lease provisions are as follows:	Total £000
At 28 December 2015 – current	164
At 28 December 2015 – non-current	1,383
Provided in the period	1,180
Utilised in the period	(158)
Released unused in the period	(750)
Notional interest on unwinding of discount	51
At 1 January 2017 and 2 January 2017 – current	293
At 1 January 2017 and 2 January 2017 – non-current	1,577
Provided in the period	—
Utilised in the period	(250)
Released unused in the period	(1,231)
Notional interest on unwinding of discount	42
At 31 December 2017 – current	**70**
At 31 December 2017 – non-current	**361**

The provision for onerous leases comprises provision for the onerous element of the property leases on certain trading units, covering the expected period of the onerous commitment. As the provision is based on the future budgeted trading performance of the bowling centres subject to the onerous leases the amount and timing of the related cash outflows is sensitive to future variances in EBITDA from those budgets. If the pre-tax discount rate of 12.6% (2016: 12.9%) applied in the calculations is increased or decreased by 1%, the onerous lease provision will increase or decrease by £0.0m (2016: £0.1m). In calculating the future budgeted trading performance, central overheads are allocated to the CGUs based on turnover.

The provision is expected to unwind as follows:

Onerous lease provisions	Total £000
Between one and two years	61
Between two and five years	157
After five years	143
	361
Within one year	70
	431

23 Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31 December 2017 £000	1 January 2017 £000	**31 December 2017 £000**	1 January 2017 £000	**31 December 2017 £000**	1 January 2017 £000
Property, plant and equipment	**—**	—	**(1,615)**	(1,525)	**(1,615)**	(1,525)
Tax losses	**—**	—	**—**	—	**—**	—
Fair value on business combination	**—**	14	**(111)**	—	**(111)**	14
Rollover relief	**564**	564	**(564)**	(564)	**—**	—
Total	**564**	578	**(2,290)**	(2,089)	**(1,726)**	(1,511)

A deferred tax asset is provided on taxable losses to the extent that there will be probable future taxable income against which the loss can be utilised. No deferred tax asset has been provided for the year ended 31 December 2017 and 1 January 2017 on the losses other than that for the rollover relief. A 1% change in the corporation tax rate would cause a £0.1m (2016: £0.1m) change in the value of the deferred tax liability.

Movement in deferred tax during the 52-week period ended 31 December 2017:

	1 January 2017 £000	Recognised on site acquisitions £000	Recognised in income statement £000	Taxation paid £000	**31 December 2017 £000**
Property, plant and equipment	(1,525)	—	(90)	—	**(1,615)**
Tax losses	—	—	—	—	**—**
Fair value on business combination	14	(121)	(4)	—	**(111)**
Other	—	—	—	—	**—**
Total deferred tax	(1,511)	(121)	(94)	—	**(1,726)**
Current income tax	(669)	—	(2,017)	1,861	**(825)**
Total taxation	(2,180)	(121)	(2,111)	1,861	**(2,551)**

Movement in deferred tax during the 53-week period ended 1 January 2017:

	28 December 2015 £000	Recognised on site acquisitions £000	Recognised in income statement £000	Taxation paid £000	1 January 2017 £000
Property, plant and equipment	(1,160)	—	(365)	—	(1,525)
Tax losses	1,001	—	(1,001)	—	—
Fair value on business combination	(43)	(173)	230	—	14
Other	—	—	—	—	—
Total deferred tax	(202)	(173)	(1,136)	—	(1,511)
Current income tax	—	—	(669)	—	(669)
Total taxation	(202)	(173)	(1,805)	—	(2,180)

Notes to the financial statements continued

for the 52-week period ended 31 December 2017

23 Deferred tax continued

The Group has carry-forward tax losses of an estimated £27.3m (2016: £21.7m). Of these, £nil (2016: £nil) are held by Tenpin Limited, £12.6m (2016: £12.2m) held by Essenden Limited, £8.7m (2016: £8.7m) held by Georgica Limited, £0.8m (2016: £0.3m) held by Indoor Bowling Equity Limited, £2.1m (2016: £0.5m) held by Indoor Bowling Acquisitions Limited, £nil (2016: £nil) held by Georgica Holdings Limited, £0.3m (2016: £nil) held by TEG Holdings Limited and £2.8m (2016: £nil) held by Ten Entertainment Group plc. All of the Tenpin Limited losses have been utilised. The losses in Essenden Limited, Georgica Limited, Indoor Bowling Equity Limited, Indoor Bowling Acquisitions Limited, Georgica Holdings Limited, TEG Holdings Limited and Ten Entertainment Group plc have not been recognised as these companies are not currently generating profits for which these losses can be utilised. The potential deferred tax asset of £5.2m (2016: £4.1m) on these losses is the only unprovided deferred tax. A deferred tax asset has been recognised on the £0.8m (2016: £0.8m) in capital allowances in Georgica Limited which can be group relieved across to Tenpin Limited. This asset is netted off against the deferred tax liability recognised on the difference between the tax and accounting base of the capital allowances in Tenpin Limited of £9.5m (2016: £9.2m). The £3.7m (2016: £3.7m) of capital losses from disposals of the CVA sites has generated a deferred tax asset equivalent to the rollover relief liability carried under Tenpin Limited as these two tax balances have right of set off.

24 Financial instruments

The Group's principal financial instruments comprise bank loans, cash and short-term deposits and are held in Sterling. The purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial instruments such as trade receivables, trade payables and finance leases that arise directly from its operations. All the Group's financial instruments are denominated in Pound Sterling. The carrying value of all the Group's financial instruments approximates fair value and they are classified as loans and receivables with the financial liabilities measured at amortised cost.

Financial instruments by category

	Loans and receivables	
Group	31 December 2017 £000	1 January 2017 £000
Financial assets		
Current trade and other receivables	**245**	622
Non-current trade and other receivables	**—**	786
Cash and cash equivalents	**5,571**	10,185
	5,816	11,593

Financial instruments by category

	Financial liabilities at amortised cost	
Group	31 December 2017 £000	1 January 2017 £000
Financial liabilities		
Current borrowings excluding finance leases	**5,845**	2,872
Non-current borrowings excluding finance leases	**—**	10,034
Shareholder loan notes	**—**	42,435
Finance leases	**4,245**	5,149
Current trade and other payables	**4,059**	5,773
	14,149	66,263

Financial risk management

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Cash flow and fair value interest rate risk

The Group borrows in Sterling at floating rates of interest. The interest rate profile of the Group's financial liabilities gross of debt issue costs was as follows:

Interest rate risk profile of financial liabilities	31 December 2017 £000	1 January 2017 £000
Floating rate financial liabilities	**6,000**	12,906
Finance leases	**4,245**	5,149
Payment in kind notes	**—**	42,435
Financial liabilities on which no interest is paid	**430**	1,870
	10,675	62,360

Cash flow interest rate risk derives from the Group's floating rate financial liabilities, being its bank debt and overdraft facility, which are linked to LIBOR plus a margin of 1.75%. The Group has no fair value interest rate risk. The average period to the expected maturity date of the interest-free financial liabilities, being the onerous lease provisions, is 12 years. In managing interest rate risk the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, sustained changes in interest rates would have an impact on the Group's earnings. A 1% increase in the current interest rate charged on the bank loans would decrease earnings by £0.1m (2016: £0.1m). The bulk of the finance lease liability is for amusement machines and there is no actual interest charge on the arrangement with the supplier.

24 Financial instruments continued

Financial risk management continued

Credit risk

As almost all of the Group's sales are for cash, the Group is exposed to minimal credit risk. The receivables mainly relate to rebate income or vouchers sold and are from companies with strong credit histories and good credit ratings and thus none are classified as past due or impaired.

Liquidity risk

The Group's cash position and cash flow forecasts are reviewed by management on a daily basis. The current bank facilities consist of a £15m RCF and a £5m uncommitted Accordion facility.

Credit quality of financial assets

Group	31 December 2017 £000	1 January 2017 £000
Cash at bank and short-term bank deposits		
A rated	**4,936**	9,628
Other cash-related balances	**635**	557
Total cash and cash equivalents	**5,571**	10,185

Capital risk management

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk. The Group has declared a final dividend of 7p having paid an interim dividend of 3p resulting in a dividend of 10p per share amounting to £6.5m as a return to shareholders in the Group's first year as a public company. The Group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the consolidated balance sheet.

	31 December 2017 £000	1 January 2017 £000
Total equity	**53,193**	4,043
Shareholder loan notes	**—**	42,435
Cash and cash equivalents (note 15)	**(5,571)**	(10,185)
Capital	**47,622**	36,293
Total financing	**47,622**	36,293
Finance leases (note 18)	**4,245**	5,149
Bank borrowings (note 18)	**6,000**	12,906
Overall financing	**57,867**	54,348
Capital to overall financing ratio	**82.3%**	66.8%

25 Operating leases

The Group has re-geared four of its current leases, extending their terms, and also entered into two (2016: two) new operating leases after the acquisition of the two sites in the period ended 31 December 2017. The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Payments due:	31 December 2017 £000	1 January 2017 £000
Within one year	**11,408**	11,085
Between one and five years	**44,289**	41,747
After five years	**86,984**	71,027
	142,681	123,859

Tenpin Limited had 40 (2016: 38) bowling venues open as at the year end with one under finance lease and 39 held on operating leases, all with less than 25 years to run. The majority of the leases are in England and Wales (two in Scotland), and the provision of the Landlord and Tenants Act giving the tenant the right to extend the lease by 15 years on expiry applies in most cases.

26 Related party transactions

Transactions with key management personnel

The Executive and Non-Executive Directors are deemed to be key management personnel of the Company. It is the Board which has responsibility for planning, directing and controlling the activities of the Company. There were no material transactions or balances between the Company and its key management personnel or members of their close family. At the end of the period, key management personnel did not owe the Company any amounts. The compensation of key management personnel is summarised in note 4 to the consolidated financial statements. The remuneration of the Directors of Ten Entertainment Group plc is set out in detail in the Directors' remuneration report commencing on page 47.

Transactions with other related parties

During the period the Group entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, and trading balances outstanding with related parties, are as follows:

	Sales from transactions with related party £000	Expenses from transactions with related party £000	Amounts outstanding with related party £000
Related party			
Harwood Associates	—	12	—
Goals Plc	—	55	—
31 December 2017	**—**	**67**	**—**
Harwood Associates	—	48	—
Goals Plc	20	—	—
1 January 2017	20	48	—

Notes to the financial statements continued

for the 52-week period ended 31 December 2017

26 Related party transactions continued

Transactions with other related parties continued

Sales and purchases between related parties are made at normal market prices. Outstanding balances with entities are unsecured and interest free and cash settlement is expected within 30 days of invoice. The Group has not provided for or benefited from any guarantees for any related party receivables or payables. During the financial period ended 31 December 2017, the Group has made a provision of £nil (2016: £nil) for doubtful debts relating to amounts owed by related parties.

All intercompany transactions and balances have been eliminated on consolidation. The intercompany balances and transactions incurred by the Company in its first year since incorporation relate to professional fees paid on behalf of the Company and are reflected as follows:

	31 December 2017 £000	1 January 2017 £000
Essenden Limited	(669)	–
Tenpin Limited	(2,084)	–
TEG Holdings Limited	1	–

27 Performance Share Plan

The Company operates a Performance Share Plan ("PSP") for its Executive Directors. In accordance with IFRS 2 Share Based Payments, the value of the awards is measured at fair value at the date of the grant. The fair value is written off on a straight-line basis over the vesting period, based on management's estimate of the number of shares that will eventually vest. In accordance with the PSP scheme announced on 22 May 2017, the vesting of these awards is conditional upon the achievement of two performance conditions which will be measured following the announcement of results for the year to 31 December 2019 ("FY19").

The first performance condition applying to the awards will be based on earnings per share of the Company ("EPS") and will apply to 50% of the total number of share awards granted.

The second performance condition will be based on Total Shareholder Return ("TSR") of the Company over the period from the date of grant to the announcement of results for FY19 relative to a comparator group of companies and will apply to the remaining 50% of share awards granted.

The assumptions used in the calculation of share based payments are as follows:

- an expected term for awards granted under the PSP as being three years from the date of grant on the basis that these are nil-cost awards and therefore we assume that participants will exercise their options as soon as possible to benefit from full shareholder rights (e.g. voting and sale rights);
- the risk-free rate has been based on the implied yield of zero-coupon UK Government bonds (UK Strips) with a remaining term equal to the expected term;
- expected dividend yield is 6.33%; and
- the expected volatility is based on historical daily data over a term commensurate with the expected life of the awards.

The models and model inputs are as follows:

	EPS condition	TSR condition
Model used for valuation	Share price at grant	Monte Carlo
Share price at valuation date (£)	1.68	1.68
Exercise price (£)	Nil	Nil
Risk-free rate	n/a	0.10%
Expected dividend yield	6.33%	6.33%
Expected volatility	n/a	27.03%
Fair value of one share (£)	1.39	0.81

During the period ended 31 December 2017, 739,393 share awards were granted under the PSP. For this grant, the Company recognised a charge of £87,069. These are equity-settled share based payments and the remaining contractual life of the share options at the period end is two years and six months.

The following table splits the awards that were granted to the Executive Directors on 22 May 2017.

Director	Position	Number of share awards granted
Grants as at 1 January 2017		
Alan Hand	Chief Executive Officer	333,333
Mark Willis	Chief Financial Officer	212,121
Graham Blackwell	Chief Commercial Officer	193,939
Total as at 31 December 2017		**739,393**

28 Dividends paid and proposed

The following dividends were declared and proposed. No dividends had been paid or were liable as at the balance sheet date.

	31 December 2017 £000	1 January 2017 £000
Interim dividend declared by Directors for year ended 31 December 2017 – 3.0p per Ordinary share (paid 5 January 2018)	**1,950**	–
The below final dividend is proposed for approval by shareholders at AGM (not recognised as a liability at 31 December 2017)		
Final dividend year ended 31 December 2017 – 7p per Ordinary share	**4,550**	–

The Company received a cash dividend of £1,950,000 from its subsidiary TEG Holdings Limited that was declared and paid in the financial year ended 31 December 2017.

29 Post balance sheet events

Tenpin Limited acquired the trade and assets of a bowling site in Chichester in February 2018 and also acquired the entire share capital of a company in February 2018. The trade and assets of the acquired company consisted of a bowling site in Warrington. The completion of these two acquisitions brings the Group's number of sites to 42 as at the date of this Annual Report. The total consideration paid for the two acquisitions is reflected in the below table. The valuation of tangible assets and goodwill is based on an indicative review and these may be subject to change when the final valuation is complete.

	Chichester £000	Warrington £000	Total £000
Tangible assets	305	595	900
Goodwill	495	1,105	1,600
Total consideration paid	**800**	**1,700**	**2,500**

Unaudited five-year record

	52 weeks to 31 December 2017 £m	53 weeks to 1 January 2017 £m	52 weeks to 27 December 2015 £m	52 weeks to 28 December 2014 £m	52 weeks to 29 December 2013 £m
Sales	**71.0**	67.3	53.0	46.8	45.7
Cost of sales	**(21.5)**	(20.6)	(16.7)	(16.0)	(16.4)
Gross profit	**49.5**	46.7	36.3	30.8	29.3
Administrative and other costs	**(40.3)**	(36.9)	(34.1)	(33.7)	(24.3)
Profit on disposal	**—**	—	—	—	—
Profit before finance charges	**9.2**	9.8	2.1	(2.9)	5.0
Finance charges	**(1.9)**	(4.3)	(2.0)	(1.0)	(1.4)
Profit/(loss) before taxation	**7.3**	5.4	0.1	(3.9)	3.6
Taxation	**(2.1)**	(1.8)	(0.7)	(1.3)	(0.0)
Profit/(loss) after taxation	**5.2**	3.6	(0.6)	(5.2)	3.6

Directors, Company Secretary and advisers

Directors:	Nick Basing Graham Blackwell Alan Hand Rob McWilliam Christopher Mills Julie Sneddon David Wild Mark Willis
Company Secretary:	Mark Willis
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Company number:	10672501
Company change of name:	Name changed from Birchams Newco Plc to Ten Entertainment Group plc on 16 March 2017
Country of registration:	England and Wales (United Kingdom)

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