



ten.
ENTERTAINMENT GROUP PLC

EAT DRINK PLAY BOWL

ANNUAL REPORT AND ACCOUNTS 2018

GIVING
CUSTOMERS A
MEMORABLE
EXPERIENCE
EACH TIME
THEY VISIT

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OUR FAMILY ENTERTAINMENT PROPOSITION

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

INCREASING UTILISATION
OF TECHNOLOGY

CLEAR FOCUS ON RETURN
ON INVESTMENT

SUCCESSFUL
TENPINISATION MODEL

CUSTOMERS AT THE HEART
OF EVERYTHING WE DO

43 LOCATIONS

SWEET-SPOT OF
EXPERIENTIAL LEISURE

EFFECTIVE SITE OPTIMISATION

10% CAGR REVENUE
INCREASE FROM FY14 TO FY18

STRONG EMPLOYEE
ENGAGEMENT



WELL POSITIONED FOR FUTURE GROWTH



**WE ARE A LEADING
UK OPERATOR OF
BOWLING AND FAMILY
ENTERTAINMENT CENTRES**

HIGHLIGHTS 2018

OPERATIONAL

- Four site acquisitions successfully completed and extensively refurbished; pipeline remains strong
- Refurbishments completed at four further existing sites, including extension of Birmingham Star City
- Business-transformative 'Pins & Strings' technology extended to 13 further sites, 19 completed in total
- Lease re-gears completed at seven sites; securing estate and improving rents
- Good early progress with Digital development programme; online bookings up 26%
- Net Promoter Score improved to 69% (FY17: 66%)
- Games played per stop up significantly by 64% to 424 (FY17: 259)

FINANCIAL

- Total sales up 7.5% to £76.4m
- Like-for-like sales growth of 2.7%
- Group adjusted EBITDA¹ up 8% to £20.6m (FY17: £19.0m)
- Group adjusted profit before tax¹, up 4% to £13.5m (FY17: £13.0m)
- Reported profit after tax up 57% to £8.1m (FY17: £5.2m)
- Adjusted earnings per share of 16.6p per share
- Final dividend per share of 7.7p recommended; full-year dividend of 11.0p
- Bank net debt remains low at £4.2m (FY17: £0.4m), 0.2x FY18 adjusted EBITDA

Revenue £m

£76.4M



Adjusted EBITDA £m

£20.6M



Adjusted EBITDA margin %

26.9%



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 and adjustments to onerous lease and impairment provisions. 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 and adjustments to onerous lease and impairment provisions. 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.

AT A GLANCE

OUR FOCUS IS ON PROVIDING A FANTASTIC FAMILY EXPERIENCE

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.



OUR COMPANY

£76.4M

REVENUE FY18 +7.5%

£20.6M

EBITDA FY18 +8.1%

11.0P

FY18 DIVIDEND +10%



OUR CUSTOMERS

£14.76

FY18 AVERAGE SPH +3.9%

69%

FY18 NPS +4.5%



OUR PEOPLE

90%

POSITIVE ENGAGEMENT

INVESTORS

IN PEOPLE GOLD STANDARD

FY18
4
SITES
ACQUIRED

STRONG PIPELINE OF ACQUISITION OPPORTUNITY

1

CHICHESTER

Acquired in February 2018.

2

WARRINGTON

Acquired in February 2018.

3

LEEDS

Acquired in April 2018.

4

LUTON

Acquired in April 2018.

TENPINISATION AND
REFURBISHMENTS
COMPLETED AT ALL 4



CHAIRMAN'S STATEMENT



NICK BASING, CHAIRMAN

Ten Entertainment Group plc is focused on delivering family entertainment; our mission is to make families and friends happy together, to entertain and enthral profitably. Our business is positioned in the sweet-spot of a growing trend of consumer demand for leisure experiences and competitive socialising, together with an increased enthusiasm for spending more of their time and income on experiences and less on traditional product purchases. This trend is supporting sales growth across the wider leisure market, which is valued at £108bn and is forecast to grow to £126bn by 2023.

Our business model is positioned well to take advantage of these evolving consumer trends and can continue to outperform the overall market and build share. Our self-managed growth strategy is designed to maximise opportunities through the continual strengthening of our business model and by remaining focused on three simple routes to growth: incremental organic growth; growth through acquisition; and growth through ongoing investment into both our estate and our technology support platform. The business is also increasingly able to benefit from changes in technology, both in consumer trends and through our investment in advanced scoring systems

and innovative 'Pins & Strings' technology. This strategy is well understood by our stakeholders and has been consistently well executed over recent years.

FY18 was no exception, a year in which we have delivered very encouraging growth both organically and through our programme of acquisitions. The strength in the underlying business model allowed us to deliver an excellent performance, achieving the Board's expectations by delivering total sales growth of 7.5%, adjusted EBITDA growth of 8.1% and adjusted earnings per share of 16.6p. Reported profit after tax grew by 57%. Ten Entertainment is a measures-based business, operating a balanced scorecard approach across financial, strategic and operational measures. The Group performed well against all these metrics in FY18.

The Group delivered strong like-for-like sales growth of 2.7%, the seventh successive year of growth, demonstrating strength and resilience in what was undoubtedly a challenging year, given the backdrop of the unprecedented hot summer and ongoing levels of consumer uncertainty. We continued to focus on our self-help programmes to deliver this organic growth, including driving up levels of digital engagement, investing in our core estate, increasing the Net Promoter Score through great customer experiences and offering our customers a broad range of product choices at excellent value for money.

"FOCUS ON EFFECTIVE DEPLOYMENT OF RESOURCES"

The Board is focused on ensuring effective deployment of our capital resources, and last year supported investments into several, well-proven, projects. We acquired, and extensively refurbished, four well-located sites in FY18, investing £6.1m in total, and we are confident that these new additions to our quality estate will deliver in line with our historical returns on

acquisitions of c.30%. We also continued at pace with the roll-out of the transformative 'Pins & Strings' technology, investing £2.7m of capital into 13 more centres, a programme which is delivering cash returns of c.45%. As well as these new opportunities, the Group continues to invest in its existing centres and we completed four refurbishment projects in the year investing a further £1.2m of capital, where we expect returns to be at around 50%. There remains a strong pipeline of opportunities for the Group to invest capital in programmes with very attractive returns.



69%

NET PROMOTER SCORE

We have a significant opportunity to develop our levels of digital engagement with our customers, and 2018 was an important year for us in starting this journey. We have invested in strengthening our resources in this area with a new Digital Marketing Director joining us at the start of the year, and we are making good progress in our ambition to become a multi-channel business. We made improvements to the customer experience through programmes such as enhancing our website, identifying opportunities to grow our database and improving our on-site WiFi. These improvements are leading to increased numbers of web visits, higher conversion rates and improved sales. I am confident this will be an important area of focus to support our organic growth as we progress in 2019.

During the year we have undergone a transition in leadership. After almost ten years with the business, most recently as its Chief Executive Officer, Alan Hand took the decision to leave the Group for personal reasons. We are grateful to Alan for his significant contribution. We were delighted to welcome Duncan Garrood to the Group as our new Chief Executive Officer. Duncan joined the Board in December and brings with him a wealth of relevant, consumer-focused, leisure sector experience. Following his induction to the business, Duncan has reinforced the view that the Group's strategy is the right one and is committed to its continued evolution and execution. In addition, Mark Willis, the Group's Chief Financial Officer, will leave the business at the end of March 2019, again with our thanks for his contribution, and we are delighted to have appointed Antony Smith as his replacement. Antony joined the business on 18 March and we are confident he has the right balance of skills and experience to support Duncan as we move ahead. Finally, we were also delighted to welcome Adam Bellamy to the Board as a Non-Executive Director and Chair of the Audit Committee during 2018. Adam has excellent financial and multi-site leisure experience and is another strong addition to the Board. I personally look forward to working with all these individuals. I am delighted that comprehensive search processes for these roles identified a number of high-calibre candidates, reinforcing the growing strength of the brand and its potential.

"THE GROUP HAS A STRONG EVOLVING CULTURE OF ENGAGEMENT, INCLUSIVITY AND INNOVATION"

Operating teams across the Group, served by the senior leadership team and support centre colleagues, have the right skillset to execute the Group's strategy, deliver 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 hard work during 2018, delivering a strong performance while facing difficult trading conditions. The Group has a strong evolving culture of engagement, inclusivity and innovation, and our investment in our people is key to our continued success.

"WE CONTINUE TO OPERATE WITH A HEALTHY, DE-LEVERED BALANCE SHEET"

Good corporate governance remains a key focus and is applied through a strong, experienced and independently minded Board. Full details on our approach to corporate governance are outlined within our Annual Report. We continue to operate with a healthy, de-levered balance sheet, with a bank debt to adjusted EBITDA ratio at 0.2 times, to protect against any downside risk and give us scope to sensibly use free cash for dividends and 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 is recommending a final dividend of 7.7p per share, resulting in a full-year dividend of 11.0p per share.

I would like to both thank our existing shareholders for their support of the business and welcome new shareholders in the year to the business. I am delighted to report that the business is in strong shape, with much potential remaining to deliver strong returns. I strongly believe our business is well placed in a growing sector of the wider leisure market and is well positioned to maximise the benefit from the changing trends in consumer demand towards experiential leisure. There is much we can still do. I am confident that the Group will continue to deliver superior value for shareholders through capital growth and a very attractive dividend policy.

Nick Basing
Chairman
20 March 2019

**THE BUSINESS IS
WELL POSITIONED
IN A GROWING
MARKET**

CHIEF EXECUTIVE OFFICER'S STATEMENT



**DUNCAN GARROOD,
CHIEF EXECUTIVE OFFICER**

Having joined the Board in December, at the end of the financial year, I am delighted in my first statement as Chief Executive Officer to be able to report a strong financial performance. A full review of this performance can be found in the following Operating and Financial reviews.

"I AM DELIGHTED WITH THE QUALITY AND ABILITY OF MY COLLEAGUES THROUGHOUT THE BUSINESS"

In my initial months with the Group I have been able to visit almost every site in the estate and have spent time with the teams in the support centre. I am delighted with the quality and ability of my colleagues throughout the business, especially their focus on high levels of customer service and their commercial mindsets. While our estate is performing well, I believe there is an opportunity to empower our sites further to drive local innovation and ultimately deliver higher sales in each of our local markets. I look forward to working with the teams to develop plans in this area during FY19.

"THE BUSINESS IS WELL POSITIONED IN A GROWING LEISURE MARKET"

I have also spent time reviewing the Group's strategy in detail, and whilst I believe there are good opportunities to progress it further, I have concluded, with the Board's support, that the current strategy is fit for purpose, well understood by our stakeholders and proving to be driving strong results. Therefore, our strategy of growth through organic development, growth through acquisition and growth through investment into both the estate and new technology will remain fundamentally unchanged. Our focus will be on developing this strategy over the coming months to ensure we are able to maximise the returns available from each of these areas of strategic growth.

Overall, my review has reaffirmed what I believed prior to joining; that the business is well positioned in a growing leisure market. The market in which we operate encompasses a range of choices for the consumer on where to spend their discretionary income, with the bowling sector representing a small proportion at just 0.3% of the total. Our proposition of family entertainment centres with a curated range of indoor leisure activities, anchored around bowling, can continue to evolve through innovation. We have an ongoing opportunity to develop our product ranges and to continue to evolve and develop our food and beverage offer ensuring it remains relevant and appealing to our customers, whilst looking to provide exceptional customer experiences. Together, these elements can lead to ongoing growth and an increased share of the overall market.

I am excited by our plans for FY19, in which we have set ourselves ambitious targets for growth. We will continue to look for opportunities to grow the overall estate by two to four sites per annum, predominantly through acquisition, but we will also look for opportunities in locations where we are not represented that may become available to us as the retail landscape continues to evolve. We will continue the proven roll-out of the 'Pins & Strings' technology at pace, and we will trial innovations in both product and our F&B offer. Finally, we have significant further developments planned for our digital communications to improve our reach to both existing and potential customers.

OUTLOOK

Sales in the first 11 weeks of FY19 have started positively, with like-for-like sales year to date at 5.1%. I am confident in the plans we have in place for the remainder of the financial year and we are already making good progress towards them. We therefore expect to continue to drive growth according to our strategy during the current financial year and to perform in line with the Board's expectations. I believe that there is further potential for growth in the broader leisure market, and in the competitive socialising and experiential leisure sub-sectors. The Group is well positioned to benefit from this long-term sustainable trend.

Duncan Garrood
Chief Executive Officer
20 March 2019

CASE STUDY: HYPERBOWLING



Part of the Group's strategy around growth is to develop our product offering through technology. At our Star City site in Birmingham we have worked with our leading equipment partner to deliver the UK's first experience of HyperBowl, a brand new, innovative approach to the traditional game of bowling.

We have invested in this new technology across all lanes in the site, providing a visually exciting environment for customers to experience a brand new game. HyperBowl has been live at Star City since January 2019 and is providing customers with an exciting new experience.

What is HyperBowling?

HyperBowling is a revolutionary new bowling-based attraction that is a blend of software, mechanical design, futuristic user interfaces, electronics, lights and sensors, which together deliver a new on-lane experience. It complements existing infrastructure to provide a brand new way to play the game.

At the heart of HyperBowling is an all new bumper system built for everyone and meant to be used as part of the game with no more gutter balls and every shot counting.



Why HyperBowling?

HyperBowling delivers the perfect blend of bowling and gaming. It is the ideal way to tap into the huge adult and millennials gaming audience and provides a great platform that everyone can enjoy to reach beyond the regular bowling base.

HyperBowling delivers a WOW visual experience that draws attention and adds new dimensions to traditional bowling. Any player, no matter their skill level, can play, enjoy and win.


How HyperBowling works

HyperBowling works around the newly designed bumper system being integrated as part of the game so that every shot counts.



The lights on the bumpers create moving targets that players aim to hit (or avoid). Each game has its own unique set of challenges and levels and includes video-game elements never before seen in bowling such as progressive levels, increasing difficulty, real risk/reward decisions, high score and accomplishments.

Combined with exciting visual action on the BESX scoring system overhead monitors and new user interfaces on the SuperTouch consoles, HyperBowling visuals and screens are tightly linked to the lights and action on the lanes creating a unique and immersive experience every time.

A person wearing a green sweater and checkered sneakers is captured in a dynamic pose, leaning forward as if about to release a bowling ball. The scene is set in a modern bowling alley with vibrant, colorful lighting (red, green, blue) along the lanes. In the background, bowling pins are visible, and the word "CUBICAAMP" is illuminated on the wall. Two stylized, glowing heart-shaped logos are mounted on the wall above the pins. The overall atmosphere is energetic and contemporary.

GROWTH THROUGH PRODUCT DEVELOPMENT AND TECHNOLOGY

OPERATING REVIEW

Our self-managed growth strategy is focused on three simple and sustainable routes:

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

ORGANIC GROWTH

Like-for-like sales growth for the year was 2.7%, a strong performance despite the impact of the record hot summer, which we believe impacted the full-year like-for-like sales performance by c.2%. Growth was driven by an increased spend per head per visit, which grew by 3.9% in the year to £14.76 (FY17: £14.21). Footfall and therefore like-for-like games volumes were marginally down by around 1% in the year; however, excluding the impact of the hot weather, in particular in July, there continued to be underlying footfall growth.

Like-for-like sales growth was underpinned by our ongoing focus on offering our customers great value family entertainment, high levels of customer service and improved reliability of our lanes. Like-for-like sales growth was supported by a higher proportion of bowling sales at full tariff, a result of improved reliability at peak times. Games played per stop is our key measure of reliability and this metric improved by 64% to 424 (FY17: 259) driven largely by the continued transition to 'Pins & Strings' technology.

We continue to offer an established programme of promotions, which provide outstanding value at off-peak times to drive volume, whilst maximising our revenue through full-tariff pricing at peak times. Overall, our proposition remains extremely competitive with other leisure pursuits, with the blended average selling price of a single bowling game across our tariff and promotions being marginally over £5. The family-friendly environment at our sites encourages longer dwell times, customers

"GREAT VALUE FOR MONEY THROUGH OUR ESTABLISHED PROGRAMME OF PROMOTIONS"

choosing to play multiple games, and purchase from our range of ancillary products and services resulted in the average spend per head, per visit, of £14.76. In addition, our investment into refurbishments in the existing estate continues to deliver good returns and support like-for-like sales growth.

Product innovation is an important area of development for the Group, focusing on identifying products to improve dwell time, increase visit frequency and attract new customers. Late in 2018, three new products were introduced in trial sites. At Star City we have introduced the UK's first installation of a brand new bowling concept called HyperBowl. HyperBowl is an exciting innovation bringing a completely new approach to game play, lane technology and scoring, designed to both appeal to our existing customers and to introduce a new, younger generation to bowling. It is a bowling game designed around an interactive bumper system where lights on the bumpers create moving targets that players aim to hit or avoid and includes progressive levels with increasing difficulty and risk and reward. The manufacturer, Qubica, has designed HyperBowl on the principle that it "plays like a video game on a bowling lane". Using existing lanes with new interactive bumper technology and the latest scoring system, it will allow us to interchange between traditional bowling and HyperBowl depending on the customer's choice of game.

In addition, we are currently trialling a technology-based darts product in Star City with automated scoring system and an escape room concept at our site in Southampton, working in partnership with an established local business. Both darts and escape rooms are growing in popularity, sit well in our competitive socialising, entertainment-based proposition, need

relatively little space, and can be supported by our ancillary products. We will monitor these trials as we progress through FY19.

During the year we improved our digital communications, including the appointment of new agencies to support the use of paid and social media, as well as implementing our first trials of audience-targeted Facebook campaigns. The Group also appointed a new creative agency during the first half, leading to the launch of our "#Time for Tenpin" marketing campaign. The priority for FY18 was to drive an increase in both web traffic and conversion, post the implementation of the new 'General Data Protection Regulation' regulations (following which we hold a 'clean' database of verified contacts). Changes to the digital proposition included a new homepage, with a simplified layout and more effective signposting to booking, use of in-the-moment messaging via "#Time for Tenpin" campaigns, and improvements to paid advertising and search engine optimisation. We are encouraged by the early progress, which saw online bookings up 26% and a 12% improvement in conversion during FY18.

In August, we closed our site in Maidenhead. This site was historically loss making prior to a lease re-gear in 2017. A condition of the re-gear was the inclusion of an option for the landlord to terminate the lease on short notice. This termination option was activated with the site planned for demolition for redevelopment associated with the Crossrail project due to its location near to Maidenhead railway station. There are no other sites in the estate with landlord-activated break clauses within the lease, so we therefore expect this to be a one-off event. Maidenhead's contribution to EBITDA in FY18 was c.£100k.

Given the changing face of the retail landscape, our proposition in a growing leisure market continues to make us attractive tenants to landlords. Maximising this opportunity in the current market enabled us to complete lease re-gears on more favourable terms at seven sites during FY18, whilst also providing security to these locations through extended leases. The re-gears completed during the year will contribute a combined reduction of rent of more than £300k per annum on a full-year basis. We also continued to focus on good operational cost controls, and through our programme of initiatives we were able to mitigate the impact of cost inflation and reduce costs on a like-for-like basis by c.1% during FY18. We expect to see cost pressure in FY19 from changes to the national living wage, scheduled rent reviews and utility costs in particular and will continue to look to mitigate these where possible.

A vibrant birthday party scene with children playing with balloons and a bowling pin. In the foreground, a white bowling pin with red stripes and the words "Happy Birthday" is visible. A pink gift box and a birthday cake with candles are also present. Children are in the background, some holding balloons and others playing. A large orange heart-shaped balloon is prominent in the center. A girl on the right is laughing joyfully. The overall atmosphere is festive and celebratory.

**OUR SELF-MANAGED
GROWTH STRATEGY
IS FOCUSED ON
THREE SIMPLE AND
SUSTAINABLE ROUTES**

A man and a woman are smiling and looking at something on a table in a bowling alley. The man is on the left, wearing a dark sweater with a blue and white striped collar. The woman is on the right, wearing a red and white striped shirt. They are both looking down at a table in the foreground. In the background, there are bowling lanes and a wall with a repeating pattern of a stylized 'B' logo. The text 'REFURBISHMENTS CONTINUE TO IMPROVE THE QUALITY AND CONSISTENCY OF OUR ESTATE AND CUSTOMER EXPERIENCE' is overlaid on the image in large, bold, white and red capital letters.

REFURBISHMENTS CONTINUE TO IMPROVE THE QUALITY AND CONSISTENCY OF OUR ESTATE AND CUSTOMER EXPERIENCE

OPERATING REVIEW CONTINUED

ORGANIC GROWTH CONTINUED

We also expect to continue to increase the level of resource in our support centre, in particular in our digital teams, to support our ambitious growth plans.

During FY19 we will continue to focus on opportunities to grow sales organically, further improving our digital offer, refurbishing selected existing sites within the estate and continuing to trial new products. We will also continue to look for opportunities to further improve the effectiveness of our pricing strategies and look for opportunities to maximise revenue.

SITE ACQUISITIONS AND TENPINISATION

The Group made excellent progress with the strategy to add between two and four sites per year, achieving the top end of this guidance in FY18. Four acquisitions were completed, at high-quality locations in Warrington, Chichester, Leeds and Luton. The sites in Chichester and Luton are both within leisure developments, co-located with cinemas and restaurants. Warrington is on a retail park with excellent transport links and Leeds is a well-located city centre site, with high population density. These sites were acquired at a total cost of £4.1m, including fees.

All four sites required significant investment in both systems and facilities. Comprehensive refurbishments were completed at all four sites during FY18 at a total cost of c.£2.0m. The refurbishment of these sites included a brand new interior design, providing a relevant and contemporary feel. The sites are now strongly family orientated with a focus on providing an "all-day" customer experience. In addition, all four sites have been equipped with the latest scoring system, which is fully integrated with our booking system, enabling real-time lane availability. Warrington and Chichester refurbishments were completed early in August, with the final stage of Tenpinisation being the introduction of Tenpin tariffs and promotional pricing. Both sites were successfully relaunched as Tenpin venues, supported by local marketing programmes across multiple media channels, including social, press and local radio. Work at Leeds and Luton

was delayed slightly by planning consents, with both sites finally being completed during December, with the full launches following early in FY19 and benefits to accrue throughout the year.

As previously disclosed, the underinvested condition of the sites on acquisition, together with the need for increased levels of staffing to improve customer experience, exacerbated by the timing of the acquisitions coinciding with a period of sustained hot weather, resulted in the four acquired sites contributing a small overall trading loss to the Group result during the first half of £140k. As guided, the sites contributed positively during the second half and for the year overall. Following their refurbishments and launches, we are confident that these sites will deliver in line with historical acquisition cash returns on investment of c.30% during FY19.

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. We have made good progress with this objective early in FY19, having announced our plan to acquire a well-located site in Southport.

INVESTMENT INTO REFURBISHMENTS AND TECHNOLOGY

During FY18 we also completed refurbishments at three existing sites, Worcester, Rochdale and York, investing a total of £750k. These refurbishments continue to improve the overall quality and consistency of both our estate and the customer experience, as well as driving incremental revenue and overall returns in line with our expectations of c.50%.

In addition, we identified an opportunity to "bolt-on" an annex at an adjacent unit to Star City in Birmingham, which included a rent reduction on the existing space, a rent-free period and a capital contribution from the landlord covering the building work. Completed in August, we added six lanes in the new space, increasing capacity to 28 lanes, and increased the number of amusement machines on site. The net cost investment was c.£420k and we are currently seeing returns significantly above our initial expectations of c.30%.

We also made excellent progress with our programme to convert sites to 'Pins & Strings', with a total of 13 sites completed during the year, ahead of our guidance of ten at the start of the year, at a total investment cost of £2.7m. 19 sites in the estate have now been converted to 'Pins & Strings' in total. As a reminder, '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. Games played per stop continued to average over 1,000 in the 19 converted sites compared to 242 in the sites with traditional pinsetters, improving the customer experience with improved reliability. We believe this technology has the potential to transform the operation of the business and we are still seeing returns in line with our expectations of c.45% as we have rolled the technology to more of the estate, with each site costing c.£215k to convert.

During FY19 we will continue to invest in selected refurbishments, including the refurbishment of and an extension to our site in Edinburgh, adding four additional lanes. We will also continue to roll out the conversion to 'Pins & Strings', with a further 12 conversions planned in the year. Finally, we will look to invest in new products where the returns support investment, such as extending the trial of HyperBowl to a selected number of lanes or sites. We have secured supply of a number of lanes from the manufacturer to support a broader trial during FY19.

PEOPLE AND CULTURE


People and culture remain an important focus, recognised with the Group maintaining its Investors in People gold status during FY18, an accolade that stays with us for the next three years. The Group believes that engaged colleagues provide better customer experiences and it measures how customers value their experience using Net Promoter Score. Net Promoter Score for FY18 was 69% (FY17: 66%). We will continue to develop our teams during FY19, fostering a culture of empowerment at sites to support a culture of innovation. In addition, we will continue to scale our resource in the support centre, in particular in our digital teams, to support our ongoing growth plans.

MARKET OVERVIEW

The Group operates in the tenpin bowling sub-sector of the broader UK leisure market, which was estimated to be worth approximately £108bn¹ in 2018 and which is estimated to grow to £126bn¹ by 2023. Tenpin bowling, which continues to be a fast-growing sector of the leisure market and is estimated by Mintel to have grown by 31% between 2013 and 2018, grew to a total size of approximately £311m at the end of 2018. Growth in the bowling market has outgrown many other leisure sectors, with the total market estimated to have grown 23% over this same time period. Bowling represents just 0.29% of the total leisure market and we believe has significant opportunity to continue to grow as research shows that consumers continue to look for activities that will encourage them to exert themselves both mentally and physically. Significant investment from leading operators, such as Tenpin, together with market consolidation, has helped this revival. From 2014 to 2018 revenue at Tenpin has grown at a compound annual growth rate of 10.3%.

A consumer survey¹ carried out indicated that only 35% of UK adults participated in tenpin bowling over the 12 months to September 2018, in comparison to cinemas which had 72% participation. 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.

Research shows that there is a large participation difference in bowling between parents and non-parents (+29%). The Group has developed its facilities to become family entertainment centres, designed to appeal to a broad audience, but in particular families, in order to maximise its appeal to this group of more frequent participants. Research also

 **10%**
REVENUE AT TENPIN HAS
GROWN AT A COMPOUND
ANNUAL GROWTH RATE

shows an important trend developing that consumers are looking to spend their money on "doing things" rather than on "buying things", leading to an increase in levels of social competition and a desire for experiential leisure time. The Group is focused on maximising its participation in this growth through shift in consumer habits by innovating its range to offer more reasons for consumers to visit and participate in a broad range of activities.

COMPETITIVE LANDSCAPE

There are approximately 307 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, Disco Bowl Group, QLP and Namco Funscape, which operate between eight and 58 sites);
- "Smaller Multiples" (operating fewer than five sites); and
- "Independents" (operating only one site).

The Smaller Multiples and Independents in aggregate operate approximately 173 sites. Due to the structure of the market, the Group believes that there are further opportunities 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

 **£108BN**
UK LEISURE MARKET
EXPECTED TO GROW
BY 2023

local demographic, competition, recent trading history, type of location (e.g. within a leisure/retail park) and accessibility.

TENPIN'S MARKET POSITION AND CUSTOMERS

The Directors believe that the Group is continuing to evolve the traditional tenpin bowling model by providing a broader family entertainment offering by focusing on product innovation and by looking for opportunities to broaden the products and experiences available to consumers when they visit its sites. The Group's revenue mix for FY18 was bowling: 48%; amusement machines and entertainment activities: 26%; beverages: 17%; 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, pricing strategies that deliver value for money and maximise footfall, improved customer experiences through better reliability and innovative product offers.

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.

OUTLOOK

Overall growth in the tenpin bowling market looks set to continue over the coming years, and 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. Tenpin bowling is a competitively priced and highly accessible form of family entertainment with the cost to a family of a visit often being lower than other leisure activities, which gives bowling more resilience to any future challenges from the economy. The Group is also well positioned to take advantage of the trend towards leisure time, and in particular the rise of both experiential leisure and competitive socialising.

¹ Mintel leisure review December 2018. Value of the out-of-home leisure industry, excluding travel and tourism and health and fitness membership.

TENPIN 43 SITES



INDEPENDENTS
173 SITES

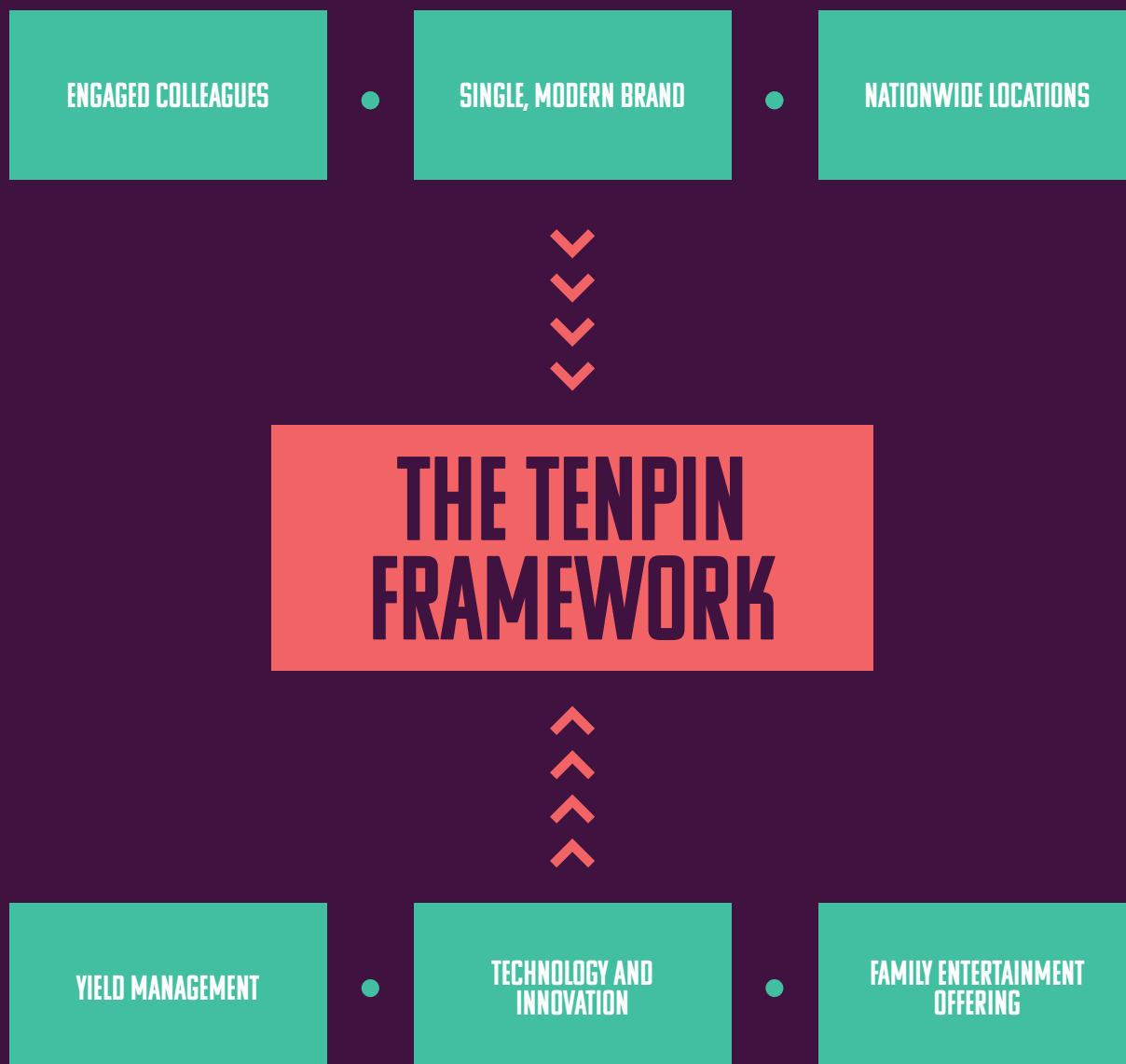
HOLLYWOOD BOWL
58 SITES

DISCO BOWL GROUP
9 SITES

NAMCO UK
7 SITES

QLP
8 SITES

BUSINESS MODEL



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). In addition, our business is led by an experienced management team, both at the bowling centres and at the support centre.

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 43 family entertainment 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.

WE LOVE TO MAKE FRIENDS AND FAMILY HAPPY

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 beverage. Our full-price tariff, coupled with our real-time lane management system, allows us to maximise revenue at peak occupancy periods.

TECHNOLOGY AND 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 further 13 sites during 2018 resulting in 19 converted sites, improving both the efficiency of our operating model and the reliability of our bowling equipment, which, in turn, enhances the customer experience.

FAMILY ENTERTAINMENT OFFERING

We offer our customers a broad range of family-focused entertainment, centred around a growing trend of competitive socialising and experiential leisure, providing us with a broad range of complementary revenue streams. 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-orientated product range. We focus on product innovation and continually look for new products that complement our existing offer. We are currently trialling a number of new products at locations within our estate including darts, escape rooms and HyperBowl. HyperBowl is a revolutionary new bowling-based attraction that is a blend of software, mechanical design, futuristic user interfaces, electronics, lights and sensors, which together deliver a new on-lane experience which we believe has the potential to appeal to a brand new audience and improve the frequency of established bowlers.

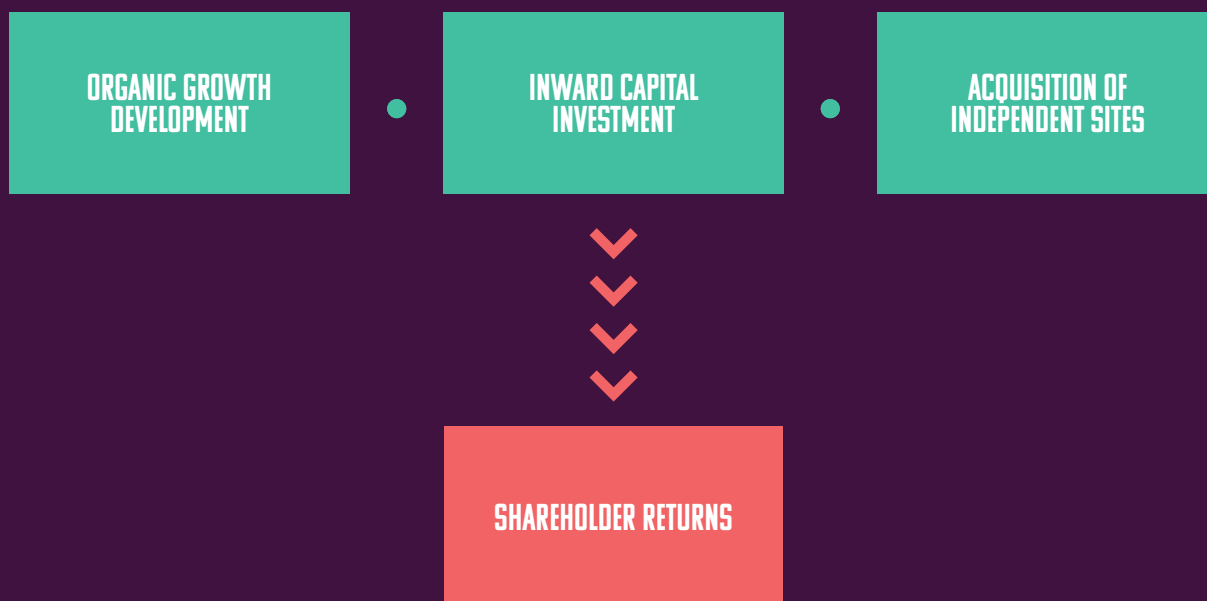


OUR STRATEGY

TEN ENTERTAINMENT GROUP PLC IS A LEADING UK OPERATOR OF 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 plc'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 DEVELOPMENT

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;
- utilising innovative technology solutions such as 'Pins & Strings' technology to improve the reliability of our product and drive customer satisfaction;
- 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;
- driving innovation to 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 digital capabilities; and
- maximising our cost efficiency through increasing scale and improved operational efficiency.



INWARD CAPITAL INVESTMENT

Our capital investment programme is focused on finding opportunities to invest in our estate, including site refurbishments to maintain a modern and relevant offer for our customers. Our centres typically operate on a six to seven-year refurbishment cycle. Returns on investment are expected to track the historical average of c.50% for the current refurbishment cycle. We also look to invest in technological developments to improve our offer and to improve efficiency, for example investment into the latest scoring system technologies, the innovative 'Pins & Strings' technology, our amusement machine offering and investments into brand new product innovations, such as HyperBowl (see case study on page 12).

ACQUISITION OF INDEPENDENT SITES

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



CULTURE, PEOPLE AND SYSTEMS

We love to make friends and families happy; we entertain and enthrall 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")

FINANCIAL KPIs

Like-for-like sales %

52-week period ended 30 December 2018

2.7

52-week period ended 31 December 2017

3.6

This is a very important measure of growth in the business and this period the Group reported a 2.7% (2017: 3.6%) full-year increase in like-for-like sales, a strong result achieved in a year which included the negative impact of unprecedented summer weather conditions. Full-year sales increased by 7.5% from £71.0m for the 52-week period ended 31 December 2017 to £76.4m for the 52-week period ended 30 December 2018 which was made up of 2.7% like-for-like growth and 4.8% net new space growth from the combination of the four sites acquired in the year and the full-year effect of the three sites acquired in 2017, partially offset by the closure of Chelmsford in 2017 and Maidenhead in 2018.

Trading gross profit %

52-week period ended 30 December 2018

88.5

52-week period ended 31 December 2017

88.6

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 88.5% (2017: 88.6%). Bowling remains the largest contributor to sales, contributing 47.5% (2017: 47.5%). Food and beverage contributed a combined 26.5% to sales (2017: 26.5%) and other amusements contributed 26.0% (2017: 26.0%).

Adjusted basic earnings per share p

52-week period ended 30 December 2018

16.6

52-week period ended 31 December 2017

16.2

As calculated per note 8 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 incurred during the year. The adjusted earnings per share for the year was 16.6p (2017: 16.2p).

Adjusted EBITDA £m

52-week period ended 30 December 2018

20.6

52-week period ended 31 December 2017

19.0

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 £20.6m (2017: £19.0m) was up by £1.6m.

Net debt £m

52-week period ended 30 December 2018

10.7

52-week period ended 31 December 2017

4.7

The Group's net debt is (£10.7m) (2017: (£4.7m)), being bank borrowings of (£9.5m) (2017: (£6.0m)), plus finance leases of (£6.5m) (2017: (£4.3m)) less cash and cash equivalents of £5.3m (2017: £5.6m). The increase in borrowings arose from additional gaming machines being acquired on finance lease for the four new sites and the overall estate in general, with the increased bank debt being to assist the funding of the four new sites along with the capital spend during the period.

NON-FINANCIAL KPIs

Games played per stop ("GPS")

52-week period ended 30 December 2018

424

52-week period ended 31 December 2017

259

GPS looks at the number of games played that are not interrupted by a breakdown. This improved by 165 to 424 (2017: 259) for the period which has been driven by an increased focus on this key metric and by the continued roll-out of the more reliable technology in 'Pins & Strings' across an additional 13 sites during the year, taking the total number of sites converted to 19. 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.

Net Promoter Score ("NPS") %

52-week period ended 30 December 2018

69

52-week period ended 31 December 2017

66

The NPS for the period was up to 69% (2017: 66%) 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 customer's 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 and recognising our colleagues for great service to customers, continually reviewing our food and drinks offer and evolving our product offer such as amusement machines with changing trends and tastes continue to see a positive impact on NPS.

Web and digital metrics

Website visits

52-week period ended 30 December 2018

3,996,598

52-week period ended 31 December 2017

3,692,834

Website booking %

52-week period ended 30 December 2018

429,572

52-week period ended 31 December 2017

341,675

The Group has been fully focused on improving our customers' digital experience over the past year through improvements to the Group's website, improvements to access to WiFi and digital social engagement. We completed our transition to the new General Data Protection Regulation ("GDPR") early in the year, resulting in a reduction to our contactable database as we took a robust approach to the requirements of the regulation. Since this point, we have grown our database by 14% to 391k. During FY18 our website visits were up 8% at 3,996,598. 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.

Number of sites acquired

In 2018 we acquired four sites, situated in good locations in Chichester, Leeds, Luton and Warrington. Two were acquired in February and two in April. The sites have benefited from extensive refurbishments in 2018 and are well positioned to deliver in line with our expectations in 2019 and beyond.

4

(2017: 3 sites)

'Pins & Strings' site roll-out

During the year we completed the conversion to 'Pins & Strings' in a further 13 sites, in addition to the six completed by the end of 2017, bringing the total conversions to 19. This transformative technology is delivering excellent returns on investment and the Group expects to continue the roll-out to the remainder of the estate over the next two years.

13

(2017: 5)

A man with a beard and short hair, wearing a dark blue button-down shirt, is holding a large, bright green ball with both hands. He is looking off to the side with a focused expression. The background is a blurred city street at night with various colorful lights.

EFFECTIVE RISK MANAGEMENT IS KEY IN ACHIEVING OUR OBJECTIVES

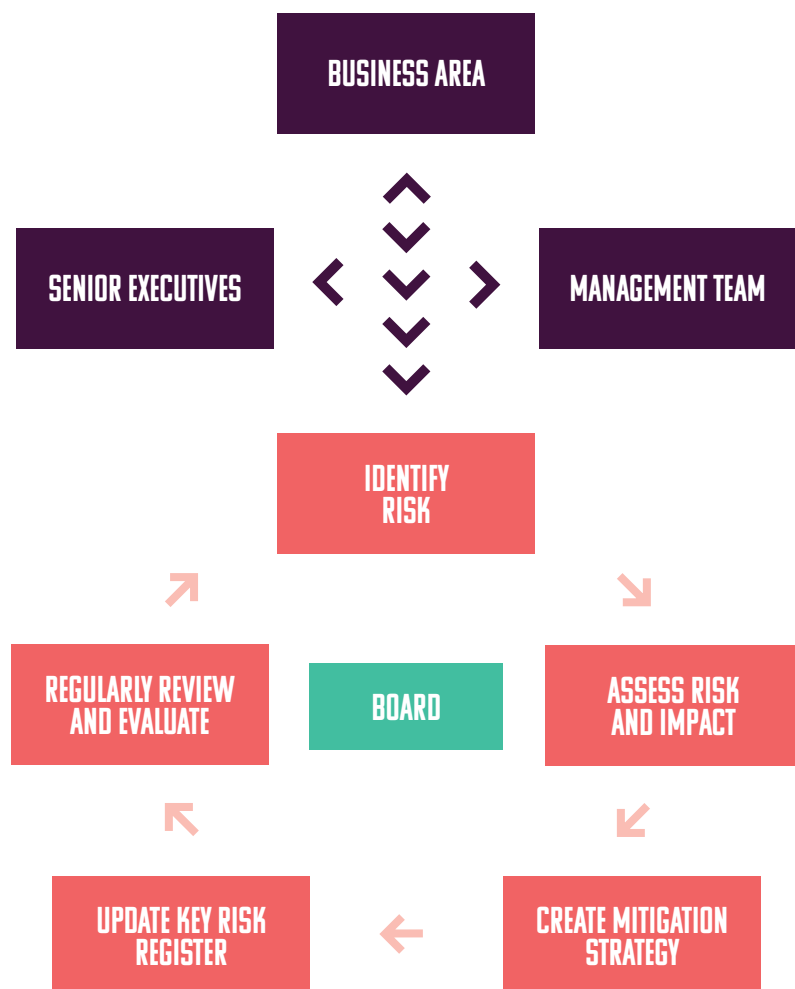
RISK MANAGEMENT

The Group recognises that the effective management of risk is key to achieving its strategic objectives and has continued to identify and assess risks that could impact sustainable growth in the year under review.

Ultimate responsibility for the Group's risk management framework sits with our Board, who determine the risk appetite of the Group in undertaking its strategic objectives.

Risks are identified by business area, with each area responsible for managing that risk, implementing appropriate controls and mitigating actions and reporting on it to the management team and senior Executives. Each risk has been rated on a multiplier basis assessed by the likelihood of occurrence, the potential financial impact and the control environment in place to mitigate the risk. Principal risks are recorded in the Group's risk register and regularly reviewed, evaluated and reported on to the Board.

As illustrated the approach to understanding the risk exposure of the Group involves reviewing each area of the business annually and using the methodology to assist in measuring, documenting and monitoring its risks within all areas of its operations. This approach to risk management helps facilitate a top-down and bottom-up perspective across the business areas within the Group.



PRINCIPAL RISKS AND UNCERTAINTIES

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

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.

Link to strategy key:

- 1 Organic growth
- 2 Inward investment
- 3 Site acquisitions

Risk key:

- Low
- Medium
- High

Change key:

- ▲ Increased risk
- ↔ No change
- ▼ Decreased risk

ECONOMIC CLIMATE

OPERATIONAL

Nature of risk	
<ul style="list-style-type: none"> • Change in economic conditions • Increases in interest rates/inflation • Changes in consumer disposable income <p><i>Impact on sales and ability to deliver our growth plans</i></p>	<ul style="list-style-type: none"> • Deterioration of assets over time • Ageing of the estate • Loss of key personnel <p><i>Impact on sales, costs and customer experience</i></p>
Link to strategy: 1,2,3	
<p>Strategic context:</p> <p>TEG's Tenpin bowling business is based exclusively in the UK and so is exposed to UK economic conditions and consumer confidence.</p> <p>As a leisure activity, bowling may be affected by the general level of consumer spending on leisure and the potential impacts of Brexit.</p>	<p>Strategic context:</p> <p>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.</p>
<p>Likelihood:</p> <p>●</p>	<p>Likelihood:</p> <p>●</p>
<p>Potential impact:</p> <p>●</p>	<p>Potential impact:</p> <p>●</p>
Mitigation	
<p>The Board believes that, as a relatively low-frequency and low-ticket activity, bowling should withstand an economic downturn.</p> <p>The Group continually reviews its product offer, its value proposition and the quality of its estate to improve the customer experience.</p>	<p>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.</p>
<p>Change: ↔</p>	<p>Change: ↔</p>

REGULATORY CHANGES

BUSINESS INTERRUPTION

MAJOR SUPPLIER FAILURE

- New, changed or reinterpreted laws and regulations adversely impact the business, or we fail to obtain required regulatory approvals or licences

Impact on sales, costs and reputation

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

Impact on sales, costs and reputation

- Sudden failure of key supplier

Impact on sales, costs and customer experience

Link to strategy: 1,2,3

Link to strategy: 1,2,3

Link to strategy: 1,2,3

Strategic context:

There has been the introduction of GDPR, changes to sentencing tariffs and calculations and constant updates to legislation around competition, bribery, modern slavery, money laundering, consumer protection and taxation. All these impact our strategic objectives and could result in brand and reputational loss, along with litigation, revocation of licences, inability to acquire sites or build sites and fines leading to financial loss.

Likelihood:



Potential impact:



Strategic context:

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.

Likelihood:



Potential impact:



Strategic context:

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.

Likelihood:



Potential impact:



Health and Safety meetings are held by senior management monthly to understand incidents and to ensure compliance with or to update policies. GDPR policies and procedures were drafted and implemented with training carried out Group wide. Where required we obtain external specialist advice to assess, scope and plan our responses to changes in legislation or to changes or developments in our business that are touched by legislation.

Change: ↔

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.

Change: ↔

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.

Change: ↔

FINANCIAL REVIEW



MARK WILLIS,
CHIEF FINANCIAL OFFICER

1 Cost of sales and operating expenses are presented on the basis as analysed by management. Cost of sales in the financial summary is 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.

2 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 and adjustments to onerous lease and impairment provisions. 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.

Financial summary

£000	52 weeks to 30 December 2018	52 weeks to 31 December 2017
Revenue	76,350	71,040
Cost of sales ¹	(8,814)	(8,119)
Gross margin	67,536	62,921
Total operating costs	(38,910)	(37,218)
Centrally allocated overheads	(2,994)	(2,583)
Support office	(5,080)	(4,108)
Group adjusted EBITDA²	20,552	19,012
Depreciation and amortisation	(6,396)	(5,247)
Net interest	(693)	(775)
Group adjusted profit before tax²	13,463	12,990
Exceptional items	(1,726)	(4,986)
Loss on disposal of assets	(634)	(356)
Amortisation of acquisition intangibles	(459)	(607)
Shareholder loan note interest	—	(1,152)
Adjustments in respect of onerous lease and impairment provisions	25	1,403
Profit before tax	10,669	7,292
Taxation	(2,527)	(2,111)
Of which: taxation attributable to Group adjusted profit	(2,665)	(2,457)
Profit after tax	8,142	5,181
Earnings per share		
Basic earnings per share	12.5p	8.0p
Adjusted basic earnings per share	16.6p	16.2p
Full-year dividend	11.0p	10.0p

Revenue

	52 weeks to 30 December 2018	52 weeks to 31 December 2017
Revenue (£000)	76,350	71,040
Number of bowling centres	43	40
Like-for-like sales growth	2.7%	3.6%
Net new space sales growth	4.8%	5.3%
Total sales growth	7.5%	8.9%

Total sales were up 7.5% at £76.4m (FY17: £71.0m). Like-for-like sales were up 2.7%. Net new space contributed 4.8% in the year. 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 down ten basis points year on year at 88.5% (FY17: 88.6%). The gross margin rate, combined with the growth in reported sales, resulted in gross margin being up 7.3% to £67.5m (FY17: £62.9m).

Operating costs

£000	52 weeks to 30 December 2018	52 weeks to 31 December 2017
Site labour (incl. call centre)	14,207	13,895
Rent	11,821	11,191
Other property costs	7,454	6,975
Other operating costs	5,428	5,157
Total operating costs	38,910	37,218

Total operating costs increased by 4.5% to £38.9m (FY17: £37.2m), 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 1.0%, with good ongoing cost control supported by the benefit of reduced labour costs in sites converted to 'Pins & Strings' more than offsetting the impact of underlying cost inflation.

Central administration costs

Centrally allocated overheads were up 16% at £3.0m (FY17: £2.6m) largely driven by the growth in the overall size of the estate, increased investment to support the continued growth in sales and an increase in the level of insurance premiums. Support office costs were up 24% at £5.1m (FY17: £4.1m) principally driven by the introduction of the two previously guided additional senior management roles in operations and digital marketing, additional support centre roles to continue to support the growth of the business and the full-year impact of additional PLC-related expenses.

Group adjusted EBITDA

Group adjusted EBITDA is up 8.1% at £20.6m (FY17: £19.0m). The growth in EBITDA is driven by a combination of the growth from like-for-like sales, further focus on maximising cost efficiency to mitigate cost inflation pressures within the core estate, together with the benefit of the additional sites within the estate, partially offset by the impact of the increased level of central costs. Group 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 and amortisation

Depreciation and amortisation increased by 22% to £6.4m (FY17: £5.2m) in the year, principally as a result of the growth in the overall size of the estate, combined with the ongoing programme of investment into refurbishments and an increased number of amusement machines in the like-for-like estate.

Finance costs

£000	52 weeks to 30 December 2018	52 weeks to 31 December 2017
Interest on bank debt	(197)	(260)
Amortisation of bank financing costs	(67)	(112)
Finance lease interest charges	(187)	(218)
Other finance costs	(242)	(185)
Net interest excluding shareholder loan note interest	(693)	(775)

FINANCIAL REVIEW CONTINUED

Finance costs continued

Net interest (excluding shareholder loan note interest) decreased by 11% to £0.7m (FY17: £0.8m) principally driven by the refinancing of bank debt at both a lower level and on more favourable terms completed part way through FY17, partially offset by an increase in other finance costs.



Group adjusted profit before tax

Group adjusted profit before tax was £13.5m (FY17: £13.0m) driven by the movements outlined above.

Exceptional items

Exceptional items recorded in the period were £1.7m (FY17: £5.0m), primarily as a result of legal and other one-off costs associated with the four site acquisitions completed in the year (£0.5m), dilapidation costs associated with the previously discussed closure of Maidenhead (£0.1m), other property-related fees and costs principally relating to the seven lease re-gears completed during the year (£0.7m), redundancy costs primarily relating to reduction in the number of technician roles required as sites are converted to 'Pins & Strings' (£0.2m), and recruitment costs in relation to the search for a new Chief Executive Officer (£0.1m).

Disposal of assets

The loss on disposal of assets of £0.6m (FY17: £0.4m) is largely driven by the removal of bowling equipment in relation to the replacement of the traditional pinsetters with 'Pins & Strings' machines in the 13 sites converted during the year.

Amortisation of acquisition intangibles

The amortisation of acquisition intangibles charge was £0.5m (FY17: £0.6m).

Shareholder loan note interest

Shareholder loan note interest charges were £nil (FY17: £1.2m), driven by the removal of shareholder loan note debt following the conversion of shareholder loan notes to equity as part of the IPO process in FY17.

Adjustments in respect of onerous lease and impairment provisions

The adjustment in respect of onerous lease and impairment provisions is a credit of £nil (FY17: £1.4m).



Taxation

Taxation attributable to Group adjusted profit before tax was £2.7m (FY17: £2.5m), representing an effective tax rate of 19.8% (FY17: 18.9%). Taxation attributable to items outside of Group adjusted profit was a credit of £0.1m (FY17: £0.3m). The total tax charge for the year was £2.5m (FY17: £2.1m).

Profit after tax

Profit after tax grew by 57% to £8.1m (FY17: £5.2m).

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. Earnings per share was 12.5p (FY17: 8.0p). Adjusted basic earnings per share were up 3% at 16.6p (FY17: 16.2p).

Dividends

The Board is recommending a final dividend of 7.7p per share. This takes the full-year dividend to 11.0p per share. The final dividend, subject to approval by shareholders at the AGM, will be paid on 4 July 2019. The ex-dividend date is 23 May 2019 and the record date is 24 May 2019.

Balance sheet

As at
£000

	30 December 2018	31 December 2017	Movement
Assets			
Goodwill and other intangible assets	29,014	26,661	2,353
Property, plant and equipment	41,717	34,891	6,826
Inventories	1,505	1,356	149
Trade and other receivables	4,307	3,521	786
Cash and cash equivalents	5,298	5,571	(273)
	81,841	72,000	9,841
Liabilities			
Finance lease liabilities	(6,467)	(4,245)	(2,222)
Bank borrowings	(9,412)	(5,845)	(3,567)
Trade and other payables and provisions	(8,487)	(6,758)	(1,729)
Other liabilities	(2,567)	(1,959)	(608)
	(26,933)	(18,807)	(8,126)
Net assets	54,908	53,193	1,715

Net assets as at 30 December 2018 were £54.9m, an increase of £1.7m versus the balance sheet date at 31 December 2017 (FY17: £53.2m), equivalent to 84.5p per share, with an increase in assets, partially offset by an increase in liabilities. The increase in assets is largely driven by a higher level of both goodwill and other intangible assets and property, plant and equipment, which is a result of the previously discussed site acquisitions and capital investment into the existing estate. Analysis of the movement in cash and cash equivalents and bank borrowings is provided within the cash flow statement below.

The movement in liabilities includes: an increased level of finance leases, predominantly Namco amusement machines, reflecting the increased size of the estate overall, together with an increase in the number of machines replaced on new four-year term finance leases as the original leases expired, an increase in bank borrowings and an increase in other payables as a result of timing variances which are expected to unwind in the first half of FY19.

Net debt analysis

As at £000	30 December 2018	31 December 2017	Movement
Closing cash and cash equivalents	5,298	5,571	(273)
Bank loans	(9,500)	(6,000)	(3,500)
Bank net debt	(4,202)	(429)	(3,773)
Finance leases	(6,467)	(4,245)	(2,222)
Statutory net debt	(10,669)	(4,674)	(5,995)

Bank net debt, pre-finance leases, increased to £4.2m (FY17: £0.4m) driven by the movements in cash analysed in the following cash flow statement. Overall debt leverage remains low, with bank debt to EBITDA at 0.2x as at 30 December 2018.

Cash flow

£000	52 weeks to 30 December 2018	52 weeks to 31 December 2017	Movement
Cash flows from operating activities			
Group adjusted EBITDA	20,552	19,012	1,540
Movement in net working capital	2,020	(1,441)	3,461
Net cash from operating activities	22,572	17,571	5,001
Cash flows from investing activities			
Acquisition of sites	(3,908)	(2,594)	(1,314)
Purchase of property, plant and equipment and software	(8,898)	(3,624)	(5,274)
Net cash used in investing activities	(12,806)	(6,218)	(6,588)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	—	1	(1)
Finance lease capital repayments	(2,222)	(2,312)	90
Net drawdown/(repayment) of bank borrowings	3,500	(6,906)	10,406
Dividends paid	(6,500)	—	(6,500)
Finance costs paid	(619)	(621)	2
Net cash used in financing activities	(5,841)	(9,838)	3,997
Tax paid	(2,472)	(1,861)	(611)
Pre-exceptional cash increase/(decrease)	1,453	(346)	1,799
Exceptional items	(1,726)	(4,268)	2,542
(Decrease)/increase in cash and cash equivalents	(273)	(4,614)	4,341
Opening cash and cash equivalents	5,571	10,185	(4,614)
Closing cash and cash equivalents	5,298	5,571	(273)

A man in a grey sweater is driving a go-kart, smiling broadly. He is in the foreground, with other people and go-karts visible in the background. The scene is brightly lit with colorful lights, creating a festive atmosphere.

GREAT ENTERTAINMENT FOR FAMILY AND FRIENDS, AND BIRTHDAYS FOR LITTLE ONES

FINANCIAL REVIEW CONTINUED

Cash flow continued

Cash flows from operating activities were £22.6m (FY17: £17.6m), driven by both an increase in Group adjusted EBITDA, combined with a timing-related benefit from working capital.

Acquisition investment was an outflow of £3.9m (FY17: £2.6m), including working capital payments relating to the purchase of the four sites in the year. Net capital expenditure on property, plant and equipment and software was an outflow of £8.9m (FY17: £3.6m), driven by Tenpinisation and refurbishment capital costs of £3.4m, investment of £2.7m in 'Pins & Strings' machines for the 13 sites converted during the year, format development, innovation and improved site wireless costs of £0.5m and an ongoing level of innovation investment and maintenance capital across the estate of £2.4m.

Dividends paid were £6.5m (FY17: £nil).

The net movement in borrowings was an inflow of £3.5m (FY17: outflow of £6.9m), representing an increase in the level of the debt drawn down to £9.5m during the period. The increase in the level of bank debt was primarily a result of the £2.7m investment in the continued roll-out of the 'Pins & Strings' conversions, funded through debt in line with previous guidance.

Finance costs paid were £0.6m (FY17: £0.6m). Tax paid was £2.5m (FY17: £1.9m). Exceptional items were an outflow of £1.7m (FY17: £4.3m) representing the cash elements of the exceptional items analysed on page 32 paid during the year, principally in relation to the legal fees associated with acquisitions, lease re-gears and redundancy costs.

The net movement in cash and cash equivalents was an outflow of £0.3m (FY17: £4.6m).

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 of which, as at 30 December 2018, the Group had drawn down £9.5m.

The Group has additional liabilities through its obligations to pay rents under a combination of both operating and finance leases (finance leases: FY18: one site; FY17: one site). The rental charge for the period amounted to £11.8m (FY17: £11.2m), 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 £2.2m during FY18 (FY17: £2.3m) with an increase in the number of machines more than offset by a payment timing benefit.

Total property lease commitments were £182.8m at 30 December 2018 (FY17: £142.7m) with the increase driven by the net three additional sites, together with the increase in average lease length from 13.0 years to 15.8 years, principally driven by the lease re-gears and renewals previously discussed. The new accounting standard for leasing (IFRS 16), is applicable for financial years beginning on or after 1 January 2019. The Groups next financial year commences on 31 December 2018, before the applicable date and so this standard is not expected to be adopted early. The total finance lease commitments as at 30 December 2018 amounted to £6.5m (FY17: £4.2m). The increase in finance lease commitments is largely a result of the replacement of a number of machines which had reached the end of the initial four-year lease period combined with the increase in the size of the estate.

Accounting standards and use of non-GAAP measures

The Group has prepared its consolidated financial statements based on International Financial Reporting Standards as adopted by the European Union for the 52 weeks ended 30 December 2018. The basis for preparation is outlined in the statement of accounting policies to the financial statements on page 78.



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 85.

Principal risks and uncertainties

The Group's principal risks and uncertainties are set out on pages 28 and 29 of the Annual Report.

Mark Willis
Chief Financial Officer
20 March 2019



FINANCIAL REVIEW CONTINUED

LONG-TERM VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Governance Code 2016 (the "Code"), the Directors have assessed the Group's prospects and viability over a three-year period to 27 December 2021. 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 adjusted 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, up to -5% like for like, above 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, site acquisitions in the pipeline being reduced to one a year and the 'Pins & Strings' transition slowed to one site a year to ensure we would breakeven in year 3. 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 27 December 2021.

Going concern

The Group has significant available financial resources in considering its going concern. At 30 December 2018, it had cash balances of £5.3m and undrawn financing facilities of £10.5m which are available to fund new sites, capital expenditure and working capital. The consolidated statement of financial position shows that the Group has a net current liability position which is due to the bank loans being reflected as current liabilities. The three-year, £20m bank financing facility agreement

(£15m committed facility and £5m accordion facility as detailed in note 18) with the Royal Bank of Scotland plc expires in April 2020 but negotiations with it to enter into a new agreement are expected to commence during 2019. 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, projected acquisitions and capital spend. The Directors are of the opinion that the Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group is able to operate within its current facilities and comply with its banking leverage and fixed costs covenants for the foreseeable future.

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
20 March 2019

**A STRONG
EVOLVING
CULTURE OF
ENGAGEMENT
INCLUSIVITY
AND INNOVATION**

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-orientated 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 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 FY18 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: 465.7 tCO₂e (2017: 417.9)

Scope 2 emissions: 4,041.7 tCO₂e (2017: 4,895.2)

Total scope 1 and 2 emissions: 4,507.4 tCO₂e (2017: 5,313.1)

Intensity ratio: 105.2 tCO₂e per centre (2017: 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 2018 include:

- a celebration of success with our colleagues through the "Winning Way" lunches, an all-site five-a-side football tournament, a company awards event and Christmas parties;
- the "Great Place to Work" survey was completed in the year with a 95% response rate and an 88% engagement score. Results of the survey are expected in May 2019;
- awarded by "Great Place to Work" the Excellence in Wellbeing accolade as recognition for the values and culture in the business;
- continued running of development programmes for both site apprenticeships and management teams;
- retention of Gold Investors in People standard;
- launch of a new communication app to allow easy access and interaction; 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. Site Managers are key to the success of the Company. We give them the autonomy to run their own business and share their site's success via a bonus scheme. 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 95% (2017: 92%) and an 88% (2017: 90%) engagement score.



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 is split as follows.

	Female	Male	Total
Board	1	7	8
Managers	26	41	67
Staff	574	433	1,007
Total	601	481	1,082

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 reviewed and approved by the Board 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.

Non-financial information statement

We aim to comply with the new non-financial reporting requirements contained in Sections 414CA and 414CB of the Companies Act 2006. The below table refer to and are intended to help stakeholders understand our position on key non-financial matters.

Requirement	Policies	Additional information
Environment	Environment Statement and Health and Safety policy	Environmental and greenhouse gas emission disclosures on page 38 and Health and Safety on page 52.
Employees	Diversity, gender pay gap and Health and Wellbeing Strategy	See page 39.
Human rights	Slavery and Human Trafficking Statement, Whistleblowing policy and Data Protection policy	Slavery and Human Trafficking Statement on page 39 and whistleblowing on page 52.
Principal risks	Risk Register	Risk management and internal control statement on page 52, principal risks on pages 28 and 29.
Anti-corruption and anti-bribery	Bribery Act policy and audit services	Page 53 for internal and external audit services.

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

Duncan Garrood
Chief Executive Officer
20 March 2019

BOARD OF DIRECTORS

OUR LEADERSHIP TEAM



NICK BASING
NON-EXECUTIVE CHAIRMAN

Appointed to the Board

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



DUNCAN GARROOD
CHIEF EXECUTIVE OFFICER

Appointed to the Board

Duncan was appointed as Chief Executive Officer of the Company on 15 December 2018.



MARK WILLIS
CHIEF FINANCIAL OFFICER

Appointed to the Board

Mark 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

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 Caffè 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 has also served as a non-executive director on the board of the following companies: Brakes Brothers Holdings Ltd, Goals Soccer Centres plc, Elegant Hotels Group plc and The All England Lawn Tennis and Croquet Club ("Wimbledon").

7/7

Meeting attendance

Committee membership



Experience, skills and qualifications

Duncan has significant expertise in the consumer and leisure sectors with a career spanning 35 years. He has board-level experience of private and public businesses, and until recently held the position of CEO of Bill's Restaurants, overseeing 80 sites and 3,000 employees. Prior to joining Bill's Restaurants, Duncan was CEO at Punch Taverns Limited (formerly Punch Taverns plc), the UK's second largest pub company with over 3,500 pubs. In addition, Duncan served on the board as president of M.H. Alshaya where he was responsible for the group's food division, and before that was regional vice president of SC Johnson. He began his career at Unilever PLC, serving for over 20 years in a variety of management positions in the UK and latterly Shanghai, China. Duncan holds a PhD in biochemistry from Imperial College London.

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 also 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 and, following his resignation, will be leaving on 31 March 2019.

7/7

Meeting attendance

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.

5/7

Meeting attendance

Committee key:

(A) Audit Committee

(N) Nomination Committee

(R) Remuneration Committee

(●) Chair

THE DIRECTORS OF TEN ENTERTAINMENT GROUP PLC DURING THE PERIOD AND UP TO THE DATE OF SIGNING THE FINANCIAL STATEMENTS WERE AS FOLLOWS:



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.

7/7

Meeting attendance



ADAM BELLAMY
NON-EXECUTIVE DIRECTOR

Appointed to the Board

Adam was appointed Non-Executive Director and Chair of the Audit Committee of the Company on 1 November 2018.

Committee membership

A R N

Experience, skills and qualifications

Adam has considerable consumer experience encompassing multi-site and growth businesses which the Company will be able to draw upon as it continues its strategy of organic growth and the selective acquisitions of underinvested sites. He is currently a non-executive director at PureGym, where he also previously served as CFO for six years up to 2018 during which time the business rapidly grew from a 30-site operation to become the UK's largest low-cost gym operator with 220 sites, culminating in the sale to Leonard Green, which valued PureGym at over £600m. Prior to joining PureGym, Adam spent three years as the FD at Atmosphere Bars and Clubs and a further three years as FD of Conran Restaurants/D&D London Limited. A qualified chartered certified accountant, Adam began his career in 1988 and has served in a variety of finance positions at companies including House of Fraser, Granada Group and Whitbread.

1/1

Meeting attendance



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.

7/7

Meeting attendance



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.

7/7

Meeting attendance

CHAIRMAN'S INTRODUCTION



NICK BASING, CHAIRMAN

DEAR SHAREHOLDERS

I am pleased to introduce our Corporate governance report on behalf of the Board. We believe that it is important that the governance structure supports the success of the Company's strategy and ensures the creation and preservation of shareholder value, as well as benefiting other stakeholders.

The Board is committed to ensuring that the Group operates with high standards of corporate governance. We are reporting against the Code for this report and the Board intends to comply with the requirements of the Code as it applies to smaller companies (i.e. those below the FTSE 350). We welcomed the publication of the new UK Corporate Governance Code 2018 (the "2018 Code") by the Financial Reporting Council and we expect to report on these matters when the new reporting requirements apply to the Group in the next financial year.



In our first full year as a listed company, we have made good progress in a number of areas such as Board composition, succession planning, oversight of risk management and review of internal control systems. In addition we completed a review of the Board's effectiveness and I am encouraged by the excellent progress the Board is making since its formation in just April 2017.

There have been a number of changes to the Board during the year and on behalf of the Board, I would like to reiterate our thanks to both Alan Hand and Rob McWilliam. Alan, who resigned as CEO in June, had been with the business since 2010 and had a wealth of knowledge and experience that was vital to the success of the Group to date. Following Alan's resignation, we initiated a search (described in the Nomination Committee report on page 49) for a new CEO and were delighted to have Duncan Garrood join the Board in December as the new CEO. Duncan was the standout candidate for the role, demonstrating significant enthusiasm for the opportunities in the business together with a strong track record that clearly demonstrates his ability to grow businesses and build brands. Rob resigned in July as Non-Executive Director and Chair of the Audit Committee and was replaced in November by Adam Bellamy, who brings considerable financial experience encompassing multi-site and growth businesses that will be invaluable to the Board and the governance of the Audit Committee.

The Board plays a vital role in developing and maintaining the Group's culture and values by setting the "tone from the top", 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.

Nick Basing
Chairman
20 March 2019

CORPORATE GOVERNANCE

UK Corporate Governance Code - compliance

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 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.

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. The composition of Committees will be reviewed during FY19 in line with the guidance of the 2018 Code.



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 ("the Articles") 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). Certain matters are specifically reserved for decision by the Board and documented in a written schedule.

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

KEY BOARD ROLES, RESPONSIBILITIES AND COMMITTEES

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 40 and 41. 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.

KEY BOARD ROLES, RESPONSIBILITIES AND COMMITTEES CONTINUED

Board independence

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

Non-independent	Independent
Nick Basing (Chairman)	David Wild (SID)
Duncan Garrood (Chief Executive Officer)	Julie Sneddon
Mark Willis (Chief Financial Officer)	Adam Bellamy
Graham Blackwell (Chief Commercial Officer)	
Christopher Mills	

The Company complies with provision B.1.2 of the Code as it applies to smaller companies as it has at least 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. Adam Bellamy was the Chair of this Committee which also included David Wild, Nick Basing, Christopher Mills and Julie Sneddon. The Audit Committee met three times during the year and 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 was the Chair of this Committee which also included David Wild, Nick Basing, Christopher Mills and Adam Bellamy. The Nomination Committee met four times during the year and will normally 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 was the Chair of this Committee which also included Adam Bellamy, Julie Sneddon, Nick Basing and Christopher Mills. The Remuneration Committee met four times during the year and will normally meet at least twice annually.

FY18 Committee meeting attendance

Director	Main Board	Audit Committee	Nomination Committee	Remuneration Committee
Nick Basing	7/7	3/3	4/4	4/4
Alan Hand	7/7	—	—	—
Mark Willis	7/7	—	—	—
Graham Blackwell	5/7	—	—	—
David Wild (SID)	7/7	3/3	4/4	4/4
Rob McWilliam ¹	5/5	2/2	2/2	3/3
Christopher Mills	7/7	3/3	4/4	4/4
Julie Sneddon	7/7	3/3	4/4	4/4
Adam Bellamy ²	1/1	1/1	1/1	—

1 Rob McWilliam resigned from the Board in July 2018 and did not attend the meetings held in October or November 2018.

2 Adam Bellamy joined the Board in November 2018 and attended the meetings held in November 2018.



Board meetings and process

The Board met on seven occasions during the financial year, with key matters discussed including reviewing and approving acquisition opportunities, reviewing and approving lease decisions, considering and approving significant capital projects, the Group's three-year financial plan, the Group's annual budget, the Group's interim and preliminary results, the Group's risk register, the functioning of the internal control environment and the ongoing discussion and development of the Group's strategy. 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 FY19, with key matters discussed including the approval of the 2018 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. The Board has decided to comply with provision B.7.1 of the Code and accordingly all members of the Board will be offering themselves for re-election at the Company's Annual General Meeting (AGM) on 8 May 2019.

BOARD EFFECTIVENESS

The Chairman, with the support of the Company Secretary, reviews the formal and tailored induction programme developed for any new Directors joining the Board and ensures 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
CHAIR OF THE NOMINATION COMMITTEE

Chair:

Julie Sneddon

Committee members:

David Wild, Nick Basing, Christopher Mills, Rob McWilliam (resigned July 2018, left September 2018), Adam Bellamy (appointed November 2018)

Number of meetings held in the year:

4

Annual statement by the Chair of the Nomination Committee

As Chair of the Nomination Committee, I am pleased to present the report of the Committee covering the policy and practice for the Company for the last financial year.

The Nomination Committee is responsible for assisting the Board in the formal selection and appointment of Directors. It considers potential candidates and recommends appointments of new Directors to the Board and is 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 is also responsible for carrying out performance evaluations 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.

Activity

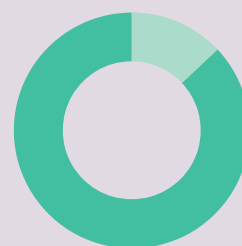
The Committee met four times during the period and activity included managing the resignation and appointment of Directors during the period, encouraging the development of the internal talent pipeline and an evaluation of the Board's effectiveness.

There were three Director resignations during 2018: Alan Hand (Chief Executive Officer), Rob McWilliam (Non-Executive Director and Chair of the Audit Committee) and Mark Willis (Chief Financial Officer). The Committee has managed the processes to identify and recruit new Directors, which included the successful recruitment and introduction of a high-calibre individual in Duncan Garrood as the new Chief Executive Officer for the Group, the appointment of Adam Bellamy as Non-Executive Director and Chair of the Audit Committee and the appointment of Antony Smith as the new Chief Financial Officer.

A comprehensive process was followed to identify, evaluate and appoint replacement Directors, which included:

- identifying and agreeing the key skills, experience and attributes of the desired candidate;
- identifying and instructing an executive search agency. Following meetings with several executive search agencies, Odgers Berndtson was engaged for the CEO and CFO searches. Odgers Berndtson has no other connection with the Company;
- reviewing the shortlist and arranging first round interviews from the shortlist of potential candidates. First round interviews were conducted by both Nick Basing and Julie Sneddon;
- second round interviews were held with Nick Basing and Julie Sneddon;
- the replacement candidates were identified as the preferred candidates and met separately with the other members of the Nomination Committee as well as the Executive Directors; and
- the Nomination Committee unanimously agreed to recommend to the Board that Duncan Garrood and Adam Bellamy be appointed to the Board.

Board composition



Female 12.5%
Male 87.5%

NOMINATION COMMITTEE REPORT CONTINUED

Activity continued

In 2018 the Committee oversaw the Group's first Board evaluation process, which was undertaken in house and facilitated by the Chair of the Nomination Committee in conjunction with the Chairman. Each member of the Board completed an internal questionnaire. Following completion of the questionnaires and individual discussions with the Board, a structured evaluation analysis of performance during the year was compiled and presented to the Board for formal discussion.



The evaluation methodology focused on:

- current levels of Board effectiveness;
- operating and governance of the Board;
- 2019 strategic priorities for the Board; and
- 2019 Board meeting management and agenda items.

Following the review, the Committee concluded that the Board is performing effectively and has built effective working practices in its first full year since formation at the IPO, but also considered areas where further improvements could be made.

The agreed principal areas of activity for 2019 were:

- ensuring adequate time was allocated at Board meetings where heavy agenda items needed more focus;
- ensuring the effective integration of the new Board members, utilising the support from the Senior Independent Director and other Non-Executive Directors to support and guide the Executive team; and
- reviewing the introduction of outsourced company secretarial support to free up the Chief Financial Officer to focus on his core duties.

During the year the Committee also received reports from management on the process of internal succession planning and talent development. The Committee is supporting the management team to develop talent across the business, focusing on developing existing employees.

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.

The Committee will continue to focus on diversity within the Board and the broader Company as a key focus in the coming year.

Julie Sneddon

Chair of the Nomination Committee
20 March 2019

AUDIT COMMITTEE REPORT



ADAM BELLAMY
CHAIR OF THE AUDIT COMMITTEE

Chair:

Adam Bellamy

Committee members:

David Wild, Nick Basing, Christopher Mills, Julie Sneddon, Rob McWilliam (resigned September 2018)

Number of meetings held in the year:

3

Annual statement by the Chair of the Audit Committee

I am pleased to present my first report covering the role of the Audit Committee and the matters reviewed by the Committee during the period.

The Committee met three times during this financial period and has met once since the year end. Its primary purpose is to assist the Board with the discharge of its responsibilities in relation to internal and external audits and controls. This includes reviewing the Group's annual financial statements, considering the scope of the annual external audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors, reviewing the Group's risk profile and reviewing the effectiveness of the internal control systems in place within the Group.

During the year the Committee completed key tasks on behalf of the Board including reviewing the Company's Annual Report for the period ended 30 December 2018, reviewing its 2018 interim results published in September and reviewing the risk management process including ensuring the risk register is updated to include the principal risks and uncertainties of the Group. The below is a summary of the key matters reviewed by the Committee during the period:



Significant accounting issues

The Audit Committee's review of the Annual Report for the period ended 30 December 2018 and the 2018 interim 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 expenses, to communicate the Company's performance to its shareholders. An explanation of the alternative performance measures employed can be found in note 2 to the financial statements; 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 10 and 12 to the financial statements.

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 Audit Committee dedicated a significant amount of time during FY18 to discussing and understanding the impact of the new accounting standard for leasing (IFRS 16), which is applicable for financial years beginning on or after 1 January 2019. The Group's next financial year commences on 31 December 2018, before the applicable date, and so this standard is not expected to be adopted early. The implementation of this standard will have no net cash flow impact but will 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 standard can be adopted using the full retrospective basis or the modified retrospective approach. The Company is reviewing the impacts of the two different approaches as described further under the statement of accounting policies on page 78.

The new accounting standard for statutory revenue recognition (IFRS 15), effective 1 January 2018, has not had a significant impact on the Group's revenues as the majority of the Group's statutory revenues are derived from sales to customers and the new standard has no impact on the way the Group currently records these.

The new financial instruments standard (IFRS 9), effective 1 January 2018, has not had a material impact on the Group which operates with financial assets and liabilities that have simple contractual terms and are therefore paid or received when due, together with a low volume of receivable balances against which there is a history of immaterial impairment provisions.

AUDIT COMMITTEE REPORT CONTINUED

Risk management and internal control

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 individual site-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:

- reviewing 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;
- receiving regular reports and updates on incidents and risks throughout the Company; 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 continue to work effectively. 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.

Health and safety and 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. Health and safety meetings are held by senior management monthly to understand incidents and to ensure compliance with or to update policies.

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, which provides direct escalation of incidents through the HR department and up to the Chair of the Audit Committee. No incidents were reported during FY18.



Internal auditors

The Committee has previously discussed and concluded that the best option for the Group was to outsource its internal audit functions and subsequently appointed BDO UK LLP ("BDO") to perform at least two reviews per year. The results from these audits are discussed with the Chief Financial Officer and presented to the Audit Committee. The Committee will review the effectiveness of the outsourced resource on an ongoing basis. BDO were appointed to the role at the end of FY17, when they commenced their first review. During FY18 two internal audit reviews were carried out and covered the Group's approach to cash handling and data security. The Committee was presented the findings of both reports. Several improvements were identified as a consequence of the reviews, and these improvements have been, or are in the process of being, implemented. The Committee receives regular updates from management on progress. 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. 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 were appointed in 2017 after the IPO and no audit tender was carried out; however, the Committee will assess the auditors' performance each year in considering whether it is appropriate to carry out a tender. In accordance with the Code and EU legislation, it is the Committee's intention that the external audit contract will be put out to tender at least every ten years.

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.

In line with PwC's policy to change the lead audit partner at least every five years for listed clients, FY18 is the last set of financial statements for which John Ellis can act as lead partner. The Committee has overseen the selection process for the new lead audit partner.

No non-audit services have been provided in the year by PwC. The engagement of the external audit firm to provide non-audit services to the Group can impact on the independence assessment and such engagements must be discussed with the Chair of the Audit Committee in advance. All requests to use the external auditors for non-audit services must also be reviewed by the Chief Financial Officer. The Committee recognises that certain non-audit services may not be carried out by the external auditors (in accordance with the EU Statutory Audit regime).

Fair, balanced, understandable and comprehensive reporting

The Audit Committee has provided advice to the Board on whether the financial statements and Annual Report, 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

The Committee has made good progress in its first full year 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.

Adam Bellamy
Chair of the Audit Committee
20 March 2019

DIRECTORS' REMUNERATION REPORT



DAVID WILD
CHAIR OF THE REMUNERATION COMMITTEE

Chair:

David Wild

Committee members:

Nick Basing, Julie Sneddon, Christopher Mills, Rob McWilliam (resigned September 2018), Adam Bellamy (appointed November 2018)

Number of meetings held in the year:

4

Annual statement by the Chair of the Remuneration Committee

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 year ended 30 December 2018. 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 and the fees paid to the Non-Executive Directors and we set out our approach for remuneration for FY19. This report is split into three parts:

- the Annual statement by the Chair of the Remuneration Committee;
- a summary of the Directors' remuneration policy; and
- the Annual report on remuneration which sets out payments made to the Directors and details the link between Company performance and remuneration for 2018.

The financial year 2018 has been a busy period for the Remuneration Committee and I am grateful for the dedication of the Committee members and of the executive team which has supported us.

With 2018 being the Company's first full year as a listed business it was the first time the remuneration policy had been put to a shareholder vote and, at last year's AGM, we were delighted to receive a 96.67% vote in favour of it and 96.67% in favour of our Remuneration report. I would like to thank our shareholders and their representative bodies for their engagement and subsequent voting support.

Director changes

During FY18 Alan Hand resigned from his role as Chief Executive Officer and left the Board and the Company in December 2018. Duncan Garrood joined the Board as Chief Executive Officer in December 2018. During the period, the Committee met to discuss and agree the remuneration relating to him. In its discussions the Committee considered the size of the Company, relative pay of comparable companies and his extensive and relevant sector experience and decided to increase the basic pay of the Chief Executive Officer from £275,000 previously to £300,000. In addition, the Committee decided to invite Duncan Garrood to participate in the FY18 Long Term Incentive Plan with the grant of a retrospective award in order to provide him with incentives aligned with the interests of shareholders. The details of the remuneration for Duncan Garrood are completely aligned to our policy, which was approved by shareholders at the AGM in May 2018.

Mark Willis will step down from his role as Chief Financial Officer and the Board in March 2019. His leaving terms are within the approved policy, consisting of remuneration until the end of his employment and the forfeiture of extant LTIP awards which would have vested following his departure. Mark Willis will not be eligible for an annual bonus payment in respect of FY19. We are delighted to have appointed Antony Smith as his replacement. Antony joined the business in March and we are confident he has the right balance of skills and experience to support Duncan as we move ahead.

Remuneration performance and outcomes

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 views progress. As the bonus targets for Group adjusted EBITDA were not achieved, a bonus has not been paid out.

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 FY18 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.



Conclusion

The voting outcome at the 2018 AGM in respect of the Annual report on remuneration for the year ended 31 December 2017 is set out on page 57.

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 8 May 2019. 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

Chair of the Remuneration Committee
20 March 2019

DIRECTORS' REMUNERATION POLICY

The Directors' remuneration policy was approved by shareholders on 9 May 2018 and will apply for a period of three years.

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 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 oversees the implementation of this policy and seeks to ensure that the Executive Directors are fairly rewarded for the Group's performance over both the short and long term. The Remuneration Committee remains aware that the policy must be capable of being operated to take account of the Group's evolution following Admission and 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. This requirement to transition was considered during the Committee's discussion for the remuneration package for Duncan Garrood.

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

Base salary

Base salaries will be reviewed 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 were £300,000 for Duncan Garrood, £200,000 for Mark Willis and £170,000 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 are eligible to 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 FY18. Targets under the bonus scheme are based on the achievement of adjusted EBITDA in excess of 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 70% of the maximum bonus based on adjusted 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 adjusted EBITDA target.

DIRECTORS' REMUNERATION REPORT CONTINUED

DIRECTORS' REMUNERATION POLICY CONTINUED

Long-term incentive plans

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. 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 vesting scheduled 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 receives an annual fee of £135,000; David Wild, Adam Bellamy, 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 following table shows the results of the advisory vote on the Directors' remuneration report, and the binding vote on the Directors' remuneration policy at our Annual General Meeting held on 9 May 2018:

	Approval of Directors' remuneration report		Approval of remuneration policy	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	51,247,669	96.67	51,247,669	96.67
Against	1,764,605	3.33	1,764,605	3.33
Withheld	2,035	—	2,035	—

Single total figure of remuneration

The table below sets out the single total figure of remuneration and breakdown for each Director in respect of FY18:

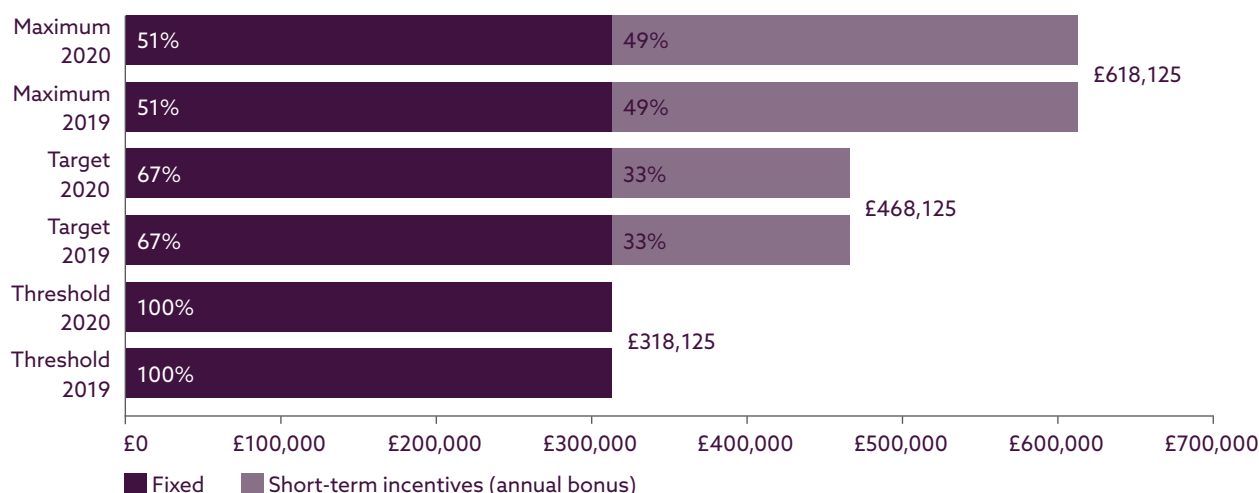
Director	Salary/fees £	Benefits £	Pension £	52-week period to 30 December 2018 £	52-week period to 31 December 2017 £	Annual salary/fee £
Alan Hand ¹	275,000	4,375	13,750	293,125	205,754	275,000
Duncan Garrood ¹	36,550	—	—	36,550	—	300,000
Mark Willis	197,604	3,256	9,880	210,740	149,542	200,000
Graham Blackwell	167,500	52	—	167,552	114,361	170,000
Nick Basing	135,000	6,432	—	141,432	173,739	135,000
Christopher Mills	50,000	—	—	50,000	36,092	50,000
David Wild	50,000	—	—	50,000	36,092	50,000
Julie Sneddon	50,000	—	—	50,000	36,092	50,000
Adam Bellamy	8,333	—	—	8,333	—	50,000
Rob McWilliam	34,871	—	—	34,871	36,092	50,000
Total	1,004,858	14,115	23,630	1,042,603	787,764	1,330,000

¹ Alan Hand resigned as a Director in December 2018 and Duncan Garrood joined the Company in November 2018 and was appointed as a Director in December 2018.

Performance scenarios

The graphs below set out performance scenarios for each Executive Director, for the years 2019 and 2020:

Chief Executive Officer

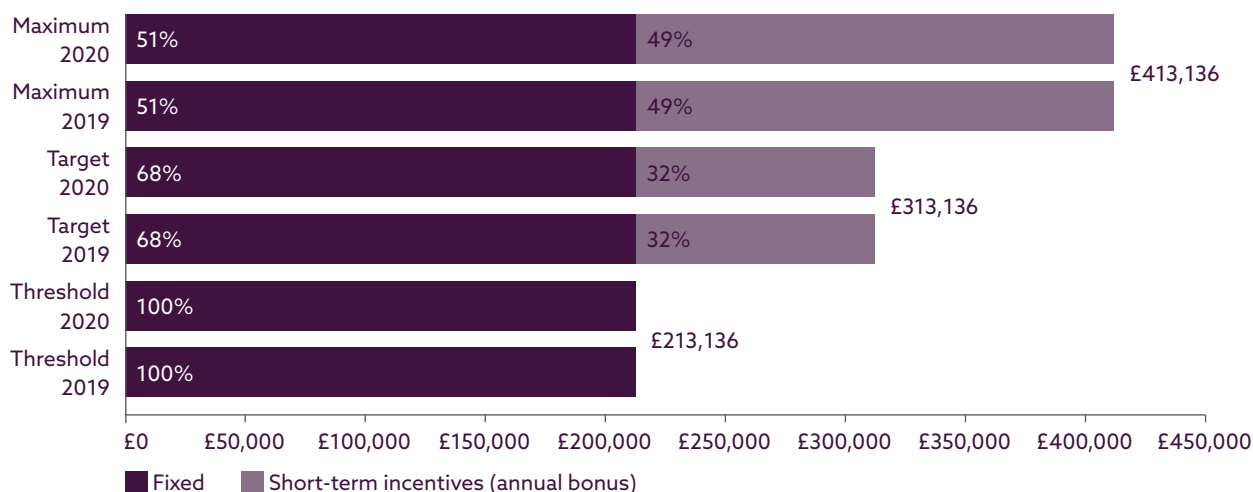


DIRECTORS' REMUNERATION REPORT CONTINUED

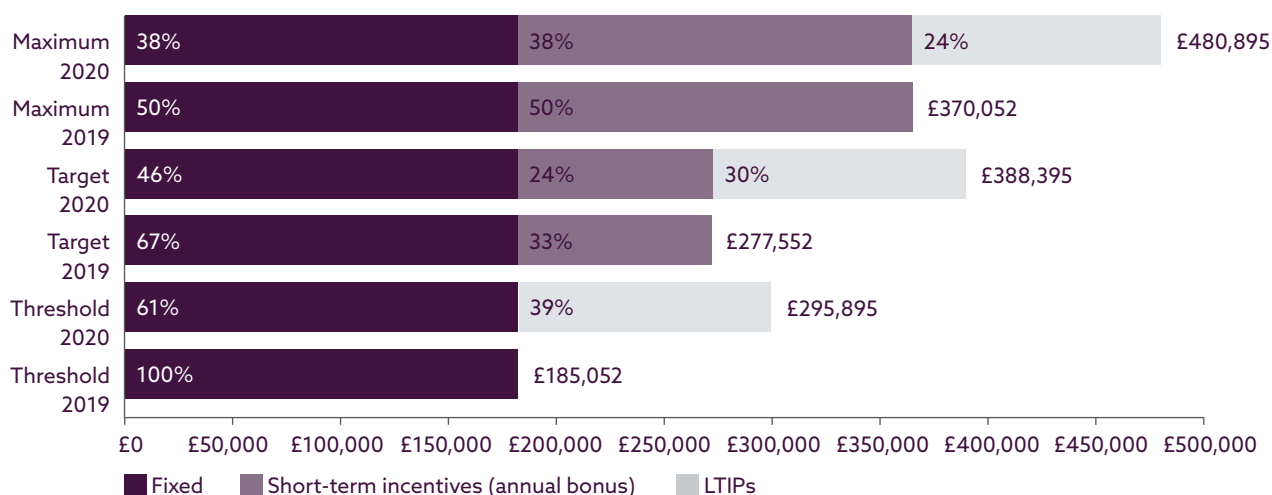
ANNUAL REPORT ON REMUNERATION CONTINUED

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% annual bonus payout (50% of salary) and no vesting of LTIP awards.

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

LTIP awards have been reflected as vesting for the Chief Commercial Officer ("CCO") as his 2017 awards could be paid out in 2020 if the vesting conditions are met. The CEO and CFO do not have any 2017 awards to vest.

The fixed remuneration element is based on base salary effective for the year ended 29 December 2019, as set out on page 60, plus the pension and benefits paid in the year ended 30 December 2018, as set out in the table of Directors' remuneration on page 57.

Annual Bonus Plan

The incentive for FY18 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 FY18. Actual Group adjusted EBITDA of £20.6m did not result in a bonus payment for the Executive Directors.

Performance Share Plan ("PSP")

In accordance with the PSP scheme announced on 14 June 2018 and 11 December 2018, 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 27 December 2020 ("FY20"). 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 FY20 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 2018

The following awards were granted to the Executive Directors on 11 June 2018. The share price at grant date was £2.68 and at the minimum performance level 12.5% of the scheme's interest would be receivable.

Director	Position	Number of share awards granted
Mark Willis ¹	Chief Financial Officer	111,940
Graham Blackwell	Chief Commercial Officer	95,149
Total awards granted		207,089

1 Mark Willis gave notice of his resignation on 29 October 2018 and so his options will not vest and thus have not been included in the fair value of the options expected to vest.

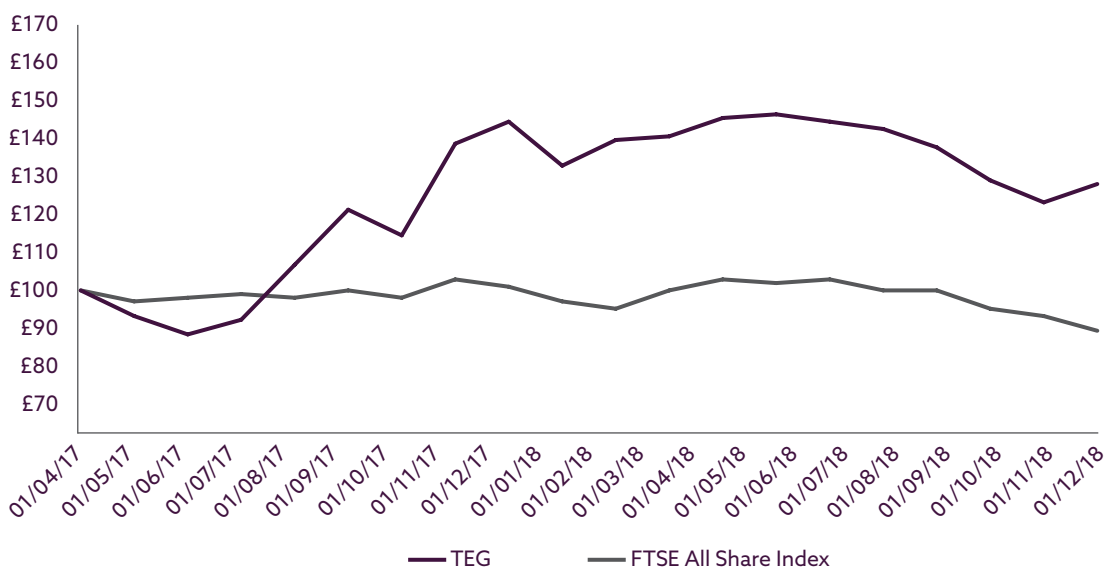
The following awards were granted retrospectively to Duncan Garrood on 11 December 2018. The share price used at grant date was the same grant price for the scheme granted on 11 June 2018 of £2.68. The awards were granted on a pro rata basis of 100% of salary and at the minimum performance level 12.5% of the scheme's interest would be receivable.

Director	Position	Number of share awards granted
Duncan Garrood	Chief Executive Officer	111,940

Comparison of overall performance

The below table 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 in April 2017 until the financial year ended 30 December 2018.

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 three 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 three most recent financial years. This year's CEO remuneration is made up of both Alan and Duncan's remuneration to provide a full year's figure for the position:

Chief Executive Officer	30 December 2018	31 December 2017	1 January 2017
Total single figure	£329,675	£205,754	£313,879
Percentage movement	60.2%	(65.5%)	—
All Group employees' remuneration (£000)	17,329	16,225	15,242
Percentage movement of all Group employees' remuneration	6.8%	6.5%	—

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 30 December 2018

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 30 December 2018 are set out in the table below:

Director	Shares held at 30 December 2018	Unvested LTIP interests
Duncan Garrood	—	111,940
Mark Willis	144,699	—
Graham Blackwell	392,395	289,088
Nick Basing	1,350,000	—
David Wild	10,000	—
Christopher Mills ¹	18,945,751	—
Julie Sneddon	—	—
Adam Bellamy	10,000	—

1 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.

Implementation of policy in FY19

The Remuneration Committee proposes to implement the policy for FY19 as set out below:

Director	FY18		FY19		% increase
	Salary £	Fees £	Salary £	Fees £	
Duncan Garrood	300,000	—	300,000	—	0%
Mark Willis ¹	200,000	—	—	—	(100)%
Antony Smith ¹	—	—	200,000	—	100%
Graham Blackwell	170,000	—	185,000	—	8.8%
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%
Adam Bellamy	—	50,000	—	50,000	0%

1 Mark has resigned from the Board effective 31 March 2019 and Antony has joined the Board effective 1 April 2019.

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.

Adviser to the Remuneration Committee

During the year the Committee received advice from an executive search firm, Odgers Berndtson, related to the replacement of Alan Hand, who resigned as Chief Executive Officer, and Rob McWilliam, who resigned as a Non-Executive Director and Chair of the Audit Committee, and the succession of Mark Willis as Chief Financial Officer. Odgers Berndtson received fees of £139k for its work during the year ended 30 December 2018. Odgers Berndtson was appointed by the Board and used by both the Nomination and Remuneration Committees and was selected due to prior services provided to the Group. The Group has no other connection with the company.

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

David Wild

Chair of the Remuneration Committee
20 March 2019



DIRECTORS' REPORT

The Directors have pleasure in presenting the audited financial statements for the Group for the 52 weeks ended 30 December 2018. 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 30 December 2018 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:

- future business developments on pages 11 to 17;
- the Chairman's statement on pages 8 and 9;
- the Chief Executive Officer's statement on page 11;
- a description of the business structure, model and strategy on pages 20 to 23;
- the key performance indicators on pages 24 and 25;
- the discussion of risk management, uncertainties and the longer-term viability statement on pages 27 to 29 and 36;
- the Financial review on pages 30 to 36;
- the Corporate social responsibility report on pages 38 and 39, which includes details of greenhouse gas emissions;
- details of long-term incentive schemes included in the Remuneration report on pages 54 to 61; and
- Statement of Directors' responsibilities on page 66.

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 22 to the Group financial statements on pages 99 to 101. 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 49 to 61 inclusive, are hereby incorporated by reference into this Directors' report. The Directors' remuneration is tabled by Director by category on page 57. 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 financial statements and Annual Report incorporated by reference.

Directors' interests

The number of ordinary shares of the Company in which the Directors were beneficially interested as at 30 December 2018 are set out in the Directors' remuneration report on page 60.

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 20 March 2019. 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:

Duncan Garrood	Appointed 15 December 2018
Alan Hand	Resigned 15 December 2018
Mark Willis	
Graham Blackwell	
Nick Basing	
David Wild	
Rob McWilliam	Resigned 12 October 2018
Adam Bellamy	Appointed 1 November 2018
Christopher Mills	
Julie Sneddon	

The roles and biographies of the Directors as at the date of this report are set out on pages 40 and 41. 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 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 74. The Directors recommend the payment of a final dividend of 7.7p per share on 4 July 2019 subject to approval at the AGM on 8 May 2019, with a record date of 24 May 2019.

Share capital

As at 30 December 2018, 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 16 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 is 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. 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 services 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 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

DIRECTORS' REPORT CONTINUED

Employment policies continued 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 pages 38 and 39 and for the policy on remuneration and loss of office payments, please see pages 54 to 61.



AGM

The notice convening the AGM to be held on 8 May 2019 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 and gaming machines contracts with Bandai Namco Europe Limited.

The Group's gaming machines 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.

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
- amongst 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 2018 financial year 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 24 and 25.

Substantial shareholdings

As at 30 December 2018, 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 30 December 2018
North Atlantic Smaller Companies Investment Trust plc ¹	15,000,000	23.08%
Woodford Investment Management Ltd	6,553,729	10.08%
Bank of America Corporation	3,773,887	5.81%
Schroders plc	3,742,096	5.76%
BlackRock, Inc.	3,647,293	5.61%
FMR LLC	3,545,819	5.45%
Janus Henderson Group plc	3,285,766	5.05%

¹ These are funds managed by Harwood Capital LLP.

There have been no further notifications of any changes to these interests between 30 December 2018 and 18 March 2019.

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 2019 AGM.

Directors' statement of disclosure of information to auditors

Having made the requisite enquiries, the Directors in office at the date of these financial statements and Annual Report 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 28 and 29; 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

These financial statements and Annual Report contain 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 these financial statements and Annual Report 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
20 March 2019

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 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 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 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.

Directors' confirmations

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

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.



By order of the Board

Duncan Garrood
Chief Executive Officer
20 March 2019

A photograph of two young girls at what appears to be a fair or festival at night. The girl in the foreground has dark, curly hair and is looking off to the side with a thoughtful expression. She is wearing a white sweatshirt with a circular logo that says 'GALACTIC HEF' and 'NEW ORLEANS'. The girl behind her has blonde hair and is smiling. The background is filled with colorful, out-of-focus lights and structures, creating a festive atmosphere.

**THE BOARD PLAYS A
VITAL ROLE IN DEVELOPING
AND MAINTAINING THE
GROUP'S CULTURE AND
VALUES BY SETTING THE
TONE FROM THE TOP**

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TEN ENTERTAINMENT GROUP PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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 30 December 2018 and of the group's profit and the group's and the company's cash flows for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (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 Financial Statements and Annual Report (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 30 December 2018; 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 1 January 2018 to 30 December 2018.

OUR AUDIT APPROACH

Overview



- Overall group materiality: £619,000 (2017: £559,000), based on 5% of profit before tax, adjusted for non-recurring exceptional items.
- Overall company materiality: £410,000 (2017: £409,000), based on 1% of total assets.
- The Ten Entertainment plc group operates under one main component, Tenpin Limited, which is a UK company. There are 8 other UK based subsidiaries.
- We performed a full scope audit over Tenpin Limited, whilst performing specific procedures over balances within the other statutory entities based on their overall size and values of their specific financial statement line items.
- Our audit scoping gave us coverage of 95% of revenue and 98% of profit before tax.
- Goodwill and site asset impairment.

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.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to GDPR, changes to sentencing tariffs and calculations, and constant updates to legislation around competition, bribery, modern slavery, money laundering and consumer protection. We considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, the Listing Rules and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to improve results, and management bias in accounting estimates. Management are incentivised on

Capability of the audit in detecting irregularities, including fraud continued

adjusted profit based measures. However, this is tempered by the long term design of incentive schemes. Audit procedures performed by the group engagement team on both the group and component financial information included:

- Reviewing the financial statement disclosures to underlying supporting documentation.
- Reviewing correspondence with legal advisors and enquiries of management.
- Testing journal entries and evaluating whether there was evidence of management bias over accounting estimates that represented a risk of material misstatement due to fraud.

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. Also, 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.

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 page 51 to 53 (Audit Committee Report), page 78 to 83 (Significant Accounting Policies) and pages 91 and 93 (notes)

The group has property, plant and equipment of £41.7 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 focussed 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 of £28 million which has 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.

INDEPENDENT AUDITORS' REPORT CONTINUED

TO THE MEMBERS OF TEN ENTERTAINMENT GROUP PLC

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 operates under one main component, Tenpin Limited, which is a UK company. There are 8 other UK based subsidiaries.

We performed a full scope audit over Tenpin Limited, whilst performing specific procedures over balances within the other statutory entities based on their overall size and values of their specific financial statement line items.

Our audit scoping gave us coverage of 95% of revenue and 98% 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.

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	£619,000 (2017: £559,000).	£410,000 (2017: £409,000).
How we determined it	5% of profit before tax, adjusted for non-recurring exceptional items.	1% of total assets.
Rationale for benchmark applied	Profit before tax is a primary measure used by shareholders in assessing the performance of the group and is a generally accepted auditing benchmark. By adjusting the profit before tax for non-recurring exceptional items, this measure provides us with a consistent year on year basis for determining materiality based on trading performance.	Total assets is deemed an appropriate benchmark given this is a non-trading entity which predominantly holds investments in subsidiaries.

For each component in the scope of our group audit, that is the Company and Tenpin Limited, we allocated a materiality that is less than our overall group materiality. The materiality allocated to the Company and Tenpin Limited was £410,000 and £550,000 respectively. The Company was 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 £31,000 (Group audit) (2017: £28,000) and £20,500 (Company audit) (2017: £20,450) 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. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.
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.

INDEPENDENT AUDITORS' REPORT CONTINUED

TO THE MEMBERS OF TEN ENTERTAINMENT GROUP PLC

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 30 December 2018 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 27 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 36 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 66, 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 51 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)

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 set out on page 66, 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

- 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 2 years, covering the 52 week periods ended 31 December 2017 to 30 December 2018. 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
20 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 52-WEEK PERIOD ENDED 30 DECEMBER 2018

	Notes	52 weeks to 30 December 2018 £000	52 weeks to 31 December 2017 £000
Revenue	1	76,350	71,040
Cost of sales		(22,423)	(21,478)
Gross profit		53,927	49,562
Administrative expenses		(42,565)	(39,640)
Operating profit		11,362	9,922
Analysed as:			
Group adjusted EBITDA		20,552	19,012
Exceptional administrative costs	5	(1,726)	(4,283)
Onerous lease provision release		25	1,403
Amortisation of acquisition intangibles		(459)	(607)
Depreciation and amortisation		(6,396)	(5,247)
Loss on disposal of assets		(634)	(356)
Operating profit		11,362	9,922
Exceptional finance costs	4	—	(703)
Finance costs	4	(693)	(1,927)
Net finance costs	4	(693)	(2,630)
Profit before taxation		10,669	7,292
Taxation	7	(2,527)	(2,111)
Profit and total comprehensive income for the period attributable to owners of the parent		8,142	5,181
Earnings per share			
Basic earnings per share	8	12.53p	7.97p
Diluted earnings per share	8	12.50p	7.96p
Adjusted basic earnings per share	8	16.61p	16.20p
Adjusted diluted earnings per share	8	16.58p	16.18p

The accompanying statements of accounting policies and notes on pages 78 to 104 are an integral part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

AS AT 30 DECEMBER 2018

	Notes	Group		Company	
		30 December 2018 £000	31 December 2017 £000	30 December 2018 £000	31 December 2017 £000
Assets					
Non-current assets					
Goodwill	10	28,045	25,171	—	—
Intangible assets	10	969	1,490	—	—
Investments	11	—	—	38,915	38,915
Property, plant and equipment	12	41,717	34,891	—	—
		70,731	61,552	38,915	38,915
Current assets					
Inventories	13	1,505	1,356	—	—
Trade and other receivables	14	4,307	3,521	29	29
Cash and cash equivalents	15	5,298	5,571	2,147	1,959
		11,110	10,448	2,176	1,988
Liabilities					
Current liabilities					
Bank borrowings and finance leases	18	(11,476)	(7,846)	—	—
Trade and other payables	19	(7,354)	(5,502)	(4,699)	(2,823)
Corporation tax payable		(719)	(825)	—	—
Provisions	20	(63)	(70)	—	—
		(19,612)	(14,243)	(4,699)	(2,823)
Net current liabilities		(8,502)	(3,795)	(2,523)	(835)
Non-current liabilities					
Bank borrowings and finance leases	18	(4,403)	(2,244)	—	—
Other non-current liabilities	19	(481)	(233)	—	—
Deferred tax liability	21	(2,087)	(1,726)	—	—
Provisions	20	(350)	(361)	—	—
		(7,321)	(4,564)	—	—
Net assets		54,908	53,193	36,392	38,080
Equity					
Share capital	16	650	650	650	650
Merger reserve		6,171	6,171	—	—
Share based payment reserve		159	87	159	87
Retained earnings		47,928	46,285	35,583	37,343
Total equity		54,908	53,193	36,392	38,080

The accompanying statement of accounting policies and notes on pages 78 to 104 are an integral part of these financial statements. The financial statements on pages 74 to 77 were authorised for issue by the Board of Directors and authorised for issue on 20 March 2019 and were signed on its behalf by:

Duncan Garrood **Mark Willis**
Company number: 10672501

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

FOR THE 52-WEEK PERIOD ENDED 30 DECEMBER 2018

Group	Notes	52 weeks to 30 December 2018 £000	52 weeks to 31 December 2017 £000
Cash flows generated from operating activities			
Cash generated from operations	17	20,846	13,302
Corporation tax paid		(2,472)	(1,861)
Finance costs paid		(619)	(621)
Net cash generated from operating activities		17,755	10,820
Cash flows used in investing activities			
Acquisition of sites by Tenpin Limited		(3,908)	(2,594)
Purchase of property, plant and equipment		(8,708)	(3,463)
Purchase of software		(190)	(160)
Net cash used in investing activities		(12,806)	(6,217)
Cash flows used in financing activities			
Proceeds from issue of ordinary shares		—	1
Finance lease principal payments		(2,222)	(2,312)
Dividends paid		(6,500)	—
Drawdown of bank borrowings		8,500	6,000
Repayment of borrowings		(5,000)	(12,906)
Net cash used in financing activities		(5,222)	(9,217)
Net decrease in cash and cash equivalents		(273)	(4,614)
Cash and cash equivalents – beginning of period		5,571	10,185
Cash and cash equivalents – end of period	15	5,298	5,571

Company	Notes	52 weeks to 30 December 2018 £000	52 weeks to 31 December 2017 £000
Cash flows (used in)/generated from operating activities			
Cash (used in)/generated from operations	17	(7)	8
Net cash (used in)/generated from operating activities		(7)	8
Cash flows generated from financing activities			
Proceeds from allotment of ordinary shares		—	1
Dividends paid		(6,500)	—
Dividends received		6,695	1,950
Net cash generated from financing activities		195	1,951
Net increase in cash and cash equivalents		188	1,959
Cash and cash equivalents – beginning of period		1,959	—
Cash and cash equivalents – end of period	15	2,147	1,959

The accompanying statement of accounting policies and notes on pages 78 to 104 are an integral part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE 52-WEEK PERIOD ENDED 30 DECEMBER 2018

Group	Share capital £000	Share based payment reserve £000	Merger reserve £000	Retained earnings/ (accumulated losses) £000	Total equity £000
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 25)	—	86	—	—	86
Group reorganisation	—	—	(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
52 weeks to 30 December 2018					
Balance at 1 January 2018	650	86	6,171	46,286	53,193
Dividends paid	—	—	—	(6,500)	(6,500)
Share based payment charge (note 25)	—	73	—	—	73
Profit for the period and total comprehensive income attributable to owners of the parent	—	—	—	8,142	8,142
Balance at 30 December 2018	650	159	6,171	47,928	54,908

Company	Share capital £000	Share based payment reserve £000	Merger reserve £000	Retained earnings/ (accumulated losses) £000	Total equity £000
52 weeks to 31 December 2017					
Balance at 15 March 2017	—	—	—	—	—
Issue of ordinary shares (note 16)	650	—	38,266	—	38,916
Share based payment charge (note 25)	—	86	—	—	86
Group reorganisation	—	—	(38,266)	38,266	—
Loss for the period	—	—	—	(922)	(922)
Balance at 31 December 2017	650	86	—	37,344	38,080
52 weeks to 30 December 2018					
Balance at 1 January 2018	650	86	—	37,344	38,080
Share based payment charge (note 25)	—	73	—	—	73
Dividend paid	—	—	—	(6,500)	(6,500)
Profit for the period ¹	—	—	—	4,739	4,739
Balance at 30 December 2018	650	159	—	35,583	36,392

¹ The profit for the period in the company is made up of the dividend income received of £6,695k and the loss after tax of £1,956k.

The accompanying statement of accounting policies and notes on pages 78 to 104 are an integral part of these financial statements.

STATEMENT OF ACCOUNTING POLICIES

Authorisation of financial statements and statement of compliance with IFRSs

The financial statements for Ten Entertainment Group plc (the "Company") for the year ended 30 December 2018 were authorised for issue by the Board of Directors on 20 March 2019, and the balance sheet was signed on the Board's behalf by Duncan Garrood and Mark Willis.

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group"). The Company is a public limited company, limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales. Both the Company financial statements and the Group financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and IFRS Interpretations Committee ("IFRS IC") interpretations as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006 as applicable to companies reporting under IFRS. The principal accounting policies adopted by the Group and Company are set out below.

General information

The Company's ordinary shares are traded on the London Stock Exchange. The address of the registered office is Aragon House, University Way, Cranfield Technology Park, Cranfield, Bedford MK43 0EQ. The consolidated financial statements of the Group for the 52-week period ended 30 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group"). The principal activity of the Group comprises the operation of tenpin bowling centres.

Basis of preparation

The Group and Company financial statements have been prepared in accordance with IFRSs as adopted by the European Union, IFRS IC interpretations as they apply to the financial statements of the Group and the Company for the 52 weeks ended 30 December 2018 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 30 December 2018 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 from 1 January 2018 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. These are explained below:

IFRS 9 Financial Instruments (2009) and amendments to 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. There has been no impact on the Group as the financial instruments held are simple instruments which are held to contractual cash flows. 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. The Group has a low volume of simple receivable balances of which there is a low history of impairment provisions. Phase 3 relates to less stringent requirements for general hedge accounting and has no impact as the Group has no derivatives or hedges. The adoption of this standard has no impact on the consolidated financial statements of the Group.

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 adoption of this standard and changes to the accounting policies have no impact on the consolidated financial statements of the Group. The Group has not incurred any losses on assets resulting from contracts with customers and has not had to further disaggregate any revenue from contracts with customers.

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 as explained below:

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). The effective date applicable is for financial years beginning on or after 1 January 2019. The Group's next financial year commences on 31 December 2018 and thus the standard will not be adopted early. The standard will affect 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. The Group has reviewed its contracts in place for right of use assets and has identified that the site property operating leases are the main contracts that are impacted by the standard. Any leases with break clauses that render the lease as short term (i.e. less than one year) will be excluded. These contracts are expected to be recognised as right of use assets capitalised under property, plant and equipment and the liability under finance leases in borrowings.

Changes in accounting policy and disclosures continued

There are two options for the first time adoption of the standard:

Full retrospective approach – the comparatives will be fully restated as if the standard had always been implemented.

Modified retrospective approach – the comparatives do not need to be restated with the transitional adjustment to the new approach being reflected in the current financial year.

As at the reporting date, the Group has non-cancellable operating lease commitments of £182.8m; see note 23.

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. The consolidated statement of financial position shows that the Group has a net current liability position which is due to the bank loans (note 18) being reflected as current liabilities. The facilities are available to the Group until April 2020 and terms will be renegotiated with the Royal Bank of Scotland plc in 2019.

At 30 December 2018, the Group had cash balances of £5.3m and undrawn committed financing facilities of £5.5m 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 two to four 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.

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.

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. The following assets and liabilities or areas have been affected by these estimates and judgements:

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 12.

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 future 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.

STATEMENT OF ACCOUNTING POLICIES CONTINUED

Critical accounting estimates and judgements continued

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.

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.

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 25.

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. The reconciliation to operating profit is included in 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. The reconciliation of this number to profit after tax is included under note 2.

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 5 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 is accounted for by identifying the contract with a customer and the particular performance obligations in that contract. The Group's performance obligations represent 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. Revenue for food and drink is recognised when the performance obligation being the transfer of the products to the buyer in exchange for cash is completed. Revenue arising from bowling is recognised when the performance obligation of the customer actually playing is completed. Deposits paid in advance are held on the balance sheet until that time and then recognised as income. Revenue for amusements and machines is recognised when the cash is collected from the amusement machine. Given the nature of the Group's revenue streams, recognition of revenue is not considered to be a significant area of judgement.

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.

Intangible assets continued

Software

Software costs are capitalised and amortised over their estimated useful lives of up to three years on a straight-line basis. 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 on a straight-line basis.

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 financial and non-financial 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.

STATEMENT OF ACCOUNTING POLICIES CONTINUED

Financial instruments

Financial liabilities are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classified as financial liabilities. Financial liabilities are presented as such in the statement of financial position.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability this is classified as an equity instrument. Dividends and distributions relating to equity instruments are debited directly to equity. Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, interest-bearing borrowings, and trade and other payables.

Financial assets

On initial recognition, financial assets are classified as either financial assets at fair value through the statement of comprehensive income, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

Trade and other receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The Group's loans and receivables financial assets comprise trade and other receivables, and cash and cash equivalents included in the consolidated statement of financial position.

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.

Financial liabilities

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. All financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through the statement of comprehensive income. Fair value through the statement of comprehensive income category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

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.

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.

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 outflows 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.

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 the 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 30 DECEMBER 2018

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. There are no differences in the measurement of segment profit or loss, assets and liabilities for each segment.

The Group comprises the following segments:

Tenpin Limited – 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 and the Board of Directors' and general head office assets and costs. The segment results for the 52-week period ended 30 December 2018 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 30 December 2018			
Segment revenue – external	76,350	—	76,350
Bowling	36,209	—	36,209
Food and drink	20,180	—	20,180
Machines and amusements	16,987	—	16,987
Other	2,974	—	2,974
Adjusted EBITDA (note 2)	22,393	(1,841)	20,552
Segment assets as at 30 December 2018	77,880	3,961	81,841
Segment liabilities as at 30 December 2018	(21,470)	(5,463)	(26,933)
Reconciliation of adjusted EBITDA to reported operating profit			
Adjusted EBITDA (note 2)	22,393	(1,841)	20,552
Amortisation and depreciation of intangibles and property, plant and equipment	(6,396)	—	(6,396)
Loss on disposals (note 5)	(634)	—	(634)
Amortisation of fair valued intangibles	(129)	(330)	(459)
Exceptionals (note 5)	(1,562)	(164)	(1,726)
Onerous lease provision movement	25	—	25
Operating profit/(loss)	13,697	(2,335)	11,362
Finance (costs)/income (note 4)	(827)	134	(693)
Profit/(loss) before taxation	12,870	(2,201)	10,669

1 Segment reporting continued

	Tenpin Limited £000	Central £000	Group £000
For the 52-week period ended 31 December 2017			
Segment revenue – external	71,040	—	71,040
Bowling	33,732	—	33,732
Food and drink	18,829	—	18,829
Machines and amusements	15,569	—	15,569
Other	2,910	—	2,910
Adjusted EBITDA (note 2)	20,420	(1,408)	19,012
Segment assets 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 on disposals (note 5)	(356)	—	(356)
Amortisation of fair valued intangibles	—	(569)	(569)
Unwind of other fair value adjustments	—	(38)	(38)
Exceptionals (note 5)	(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)/income (note 4)	(787)	(1,140)	(1,927)
Profit/(loss) before taxation	13,586	(6,294)	7,292

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, amortisation costs, exceptional items, profit or loss on disposal of assets, adjustment to onerous lease and impairment.

	52 weeks to 30 December 2018 £000	52 weeks to 31 December 2017 £000
Reconciliation of operating profit to Group adjusted EBITDA		
Group adjusted EBITDA	20,552	19,012
Amortisation of software	(286)	(237)
Amortisation of fair valued items on acquisition	(459)	(607)
Loss on disposals	(634)	(356)
Depreciation of property, plant and equipment	(6,110)	(5,010)
Operating profit before one-off items	13,063	12,802
Onerous lease provision released	25	1,403
Operating profit before exceptional items	13,088	14,205
Exceptional items – IPO	—	(3,101)
Exceptional items – other	(1,726)	(1,885)
Operating profit	11,362	9,219

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 52-WEEK PERIOD ENDED 30 DECEMBER 2018

2 Alternative performance measures – non-GAAP measures continued

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 and adjustments to onerous lease and impairment provisions. The reconciliation of this number to profit after tax is included under note 8.

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 5 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.

3 Staff costs and numbers

Staff costs – Group	52 weeks to 30 December 2018 £000	52 weeks to 31 December 2017 £000
Wages and salaries	16,091	15,080
Social security costs	1,019	921
Other pension costs	146	137
Share based payments (note 25)	73	87
	17,329	16,225

Staff costs included within cost of sales are £13.6m (2017: £13.3m). The balance of staff costs is recorded within administrative expenses. Details of Directors' remuneration are set out in the Directors' report on page 57. No Directors have accrued any retirement benefits and Directors that resigned during the year received no compensation for loss of office. The highest paid Director for the 52-week period ended 30 December 2018 received remuneration of £293,125 (2017: £205,754) and no share options were exercised or due to be exercised. The remuneration figure includes pension of £13,750 as reflected in the Directors' remuneration table on page 57. 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 30 December 2018 Number	52 weeks to 31 December 2017 Number
Staff	899	953
Administration	56	47
Unit management	127	134
	1,082	1,134

Staff costs – Company	52 weeks to 30 December 2018 £000	52 weeks to 31 December 2017 £000
Wages and salaries	1,061	843
Social security costs	91	66
Other pension costs	14	13
Share based payments (note 25)	73	87
	1,239	1,009
Staff numbers – Company	Number	Number
Administration (including Executive Directors)	9	9

4 Finance costs

	52 weeks to 30 December 2018 £000	52 weeks to 31 December 2017 £000
Interest on bank loans and overdrafts	197	260
Amortisation of debt issuance costs	67	112
Shareholder loan note interest	—	1,152
Finance lease interest	187	218
Notional interest on unwinding of discount on provisions (note 20)	7	42
Other	235	143
Finance costs	693	1,927
Exceptional finance costs		
Write off of capitalised finance costs of repaid loans	—	703
Total finance costs	693	2,630

5 Profit before taxation

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

	52 weeks to 30 December 2018 £000	52 weeks to 31 December 2017 £000
Staff costs (note 3)	17,329	16,225
Consumables charged to cost of sales	1,360	1,387
Depreciation of property, plant and equipment (note 12)	6,110	5,010
Amortisation of software (note 10)	286	237
Amortisation of fair valued intangibles on acquisition (note 10)	425	569
Loss on disposal of assets ¹	634	356
Onerous lease provision movements (note 20)	(25)	(1,403)
Operating lease rentals payable – property	11,821	11,102
Share based payments (note 25)	73	87
Repairs on property, plant and equipment	1,834	1,789
Exceptional items		
IPO professional fees, taxes and other costs	—	3,101
Staff redundancy costs and CEO recruitment fees ²	385	—
Professional fees, taxes and other costs in acquisition of sites	515	325
Professional fees, costs and taxes from property re-gears ³	722	520
Professional fees and other one-off property costs ⁴	104	337
Total exceptional administrative costs	1,726	4,283
Write off of capitalised finance costs of repaid loans	—	703
Total exceptional items	1,726	4,986
Auditors' remuneration		
Fees payable to Company's auditors for the Company and consolidated financial statements	28	40
Audit of Company's subsidiaries	95	117
Audit-related assurance services	37	41
Fee payable related to IPO	—	260
	160	458

- 1 Loss on disposals includes £623k 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 two years; this will result in around a further £0.7m write off of bowling equipment.
- 2 This includes one-off staff redundancy costs related to the closed site, the new sites and technicians being made redundant due to the implementation of 'Pins & Strings'. The recruitment fees for the new CEO have been treated as one-off as they are not expected to occur annually.
- 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 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.
- 4 Professional fees and other one-off costs have been on corporate-related transactions undertaken by the Group.

6 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 20 March 2019. The result for the financial period dealt with in the financial statements of Ten Entertainment Group plc was a profit of £4.7m (2017: loss of (£0.9m)). 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 30 DECEMBER 2018

7 Taxation

Recognised in the statement of comprehensive income:

	52 weeks to 30 December 2018 £000	52 weeks to 31 December 2017 £000
Current tax		
Current tax on profits for the period	2,366	2,017
Deferred tax (note 21)		
Origination and reversal of temporary differences	161	(69)
Adjustment in respect of prior years	—	163
Tax charge in statement of comprehensive income	2,527	2,111

The tax on the Group's profit before tax differs (2017: differs) from the theoretical amount that would arise using the standard rate of tax in the UK of 19% (2017: 19.24%). The differences are explained below:

	52 weeks to 30 December 2018 £000	52 weeks to 31 December 2017 £000
Profit before taxation	10,669	7,292
Tax using the UK corporation tax rate of 19% (2017: 19.24%)	2,027	1,403
Expenses not deductible	328	629
Allowable depreciation on finance leases	(415)	(84)
Permanent differences	587	163
Tax charge	2,527	2,111

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 15 September 2016. This will reduce the Group's future current tax charge accordingly and the deferred tax liability at 30 September 2018 has been calculated based on these rates.

8 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. The total shares in issue at the end of the 52-week period were 65,000,000.

The Company has 126,617 potentially issuable shares (2017: 79,153), 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.

	52 weeks to 30 December 2018 £000	52 weeks to 31 December 2017 £000
Basic and diluted		
Profit after tax	8,142	5,181
Basic weighted average number of shares in issue	65,000,000	65,000,000
Adjustment for share awards	126,617	79,153
Diluted weighted average number of shares in issue	65,126,617	65,079,153
Basic earnings per share (pence)	12.53p	7.97p
Diluted earnings per share (pence)	12.50p	7.96p

8 Earnings per share continued

Below is the calculation of the adjusted earnings per share:

	52 weeks to 30 December 2018 £000	52 weeks to 31 December 2017 £000
Adjusted earnings per share		
Profit after tax	8,142	5,181
Amortisation of fair valued items on acquisition	459	607
Loss on disposals	634	356
Exceptional costs	1,726	4,283
Exceptional costs within finance costs	—	703
Onerous lease provision movements	(25)	(1,403)
Shareholder loan note interest	—	1,152
Tax impact on above adjustments	(138)	(346)
Adjusted underlying earnings after tax	10,798	10,533
Adjusted profit after tax	10,798	10,533
Weighted average number of shares in issue	65,000,000	65,000,000
Adjusted basic earnings per share	16.61p	16.20p
Adjusted diluted earnings per share	16.58p	16.18p

9 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 – Chichester

On 5 February 2018, the Group acquired the assets and trade of the Chichester bowling site, part of MFA Bowl Limited. The Group entered into a business purchase agreement with MFA Bowl Limited and acquired control of the assets for £0.8m as summarised below:

Consideration as at 5 February 2018	£000
Cash consideration paid	839
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	216
Deferred tax liabilities	(39)
Other assets and liabilities, net	39
Total identifiable net assets	216
Goodwill	623
Total	839

Acquisition-related costs of £0.1m have been charged to administrative expenses and included in exceptional items. 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 £0.2m which will be depreciated over 20 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. 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 1 January 2018 to the date of acquisition. As they have not been audited they are not reflected here to provide a guide to potential full-year performance. Since the date of the business combination the site generated £1.0m of sales and made EBITDA of £0.2m which has been included in the statement of comprehensive income. 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 – Warrington

On 5 February 2018, the Group acquired the assets and trade of the Warrington bowling site by acquiring control of the entire share capital of Quattroleisure Limited from LA Bowl (Warrington) Limited by entering a share purchase agreement for £1.7m as summarised below:

Consideration as at 5 February 2018	£000
Cash consideration paid	1,697
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	376
Deferred tax liabilities	(67)
Other assets and liabilities, net	(3)
Total identifiable net assets	306
Goodwill	1,391
Total	1,697

Acquisition-related costs of £0.1m have been charged to administrative expenses and included in exceptional items. 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 20 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. 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 1 January 2018 to the date of acquisition. As they have not been audited they are not reflected here to provide a guide to potential full-year performance. Since the date of the business combination the site generated £0.9m of sales and made EBITDA of £0.1m which has been included in the statement of

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 52-WEEK PERIOD ENDED 30 DECEMBER 2018

9 Business combinations continued

Business combination – Warrington continued

comprehensive income. 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 – Luton

On 24 April 2018, the Group acquired the assets and trade of the Luton bowling site known as the Galaxy, part of MFA Bowl Limited. The Group entered into a business purchase agreement with MFA Bowl Limited and acquired control of the assets for £0.8m as summarised below:

Consideration as at 24 April 2018	£000
Cash consideration paid	836
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	215
Deferred tax liabilities	(39)
Other assets and liabilities, net	36
Total identifiable net assets	212
Goodwill	624
Total	836

Acquisition-related costs of £0.1m have been charged to administrative expenses and included in exceptional items. 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 £0.2m which will be depreciated over 20 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. 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 1 January 2018 to the date of acquisition. As they have not been audited they are not reflected here to provide a guide to potential full-year performance. Since the date of the business combination the site generated £0.6m of sales and made EBITDA of £(0.1)m which has been included in the statement of comprehensive income. The site performance was impacted by the disruption of a full refurbishment in the second half of the year. 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 – Leeds

On 24 April 2018, the Group acquired the assets and trade of the Leeds bowling site known as 1st Bowl, part of MFA Bowl Limited. The Group entered into a business purchase agreement with MFA Bowl Limited and acquired control of the assets for £0.5m as summarised below:

Consideration as at 24 April 2018	£000
Cash consideration paid	536
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	322
Deferred tax liabilities	(58)
Other assets and liabilities, net	36
Total identifiable net assets	300
Goodwill	236
Total	536

Acquisition-related costs of £0.1m have been charged to administrative expenses and included in exceptional items. 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 £0.3m which will be depreciated over 20 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. 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 1 January 2018 to the date of acquisition. As they have not been audited they are not reflected here to provide a guide to potential full-year performance. Since the date of the business combination the site generated £0.5m of sales and made EBITDA of £0.0m which has been included in the statement of comprehensive income. The site performance was impacted by the disruption of a full refurbishment in the second half of the year. 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.

10 Goodwill and intangible assets

Group	Fair valued intangibles on acquisition £000	Goodwill £000	Software £000	Total £000
Cost				
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
Additions	—	2,874	190	3,064
At 30 December 2018	2,938	28,045	1,010	31,993
Accumulated amortisation and impairment losses				
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
Charge for the period – amortisation	425	—	286	711
At 30 December 2018	2,331	—	648	2,979
Net book value				
At 30 December 2018	607	28,045	362	29,014
At 31 December 2017	1,032	25,171	458	26,661
At 1 January 2017	1,601	23,552	589	25,742

Impairment testing is carried out at the cash-generating unit (“CGU”) level on an annual basis. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each individual centre is considered to be a CGU. However, for the purposes of testing goodwill for impairment, it is acceptable under IAS 36 to group CGUs, in order to reflect the level at which goodwill is monitored by management. The whole Group is considered to be one CGU, for the purposes of goodwill impairment testing, on the basis of the level at which goodwill is monitored by management and historical allocation of goodwill upon acquisition. 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 was 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 sites in Chichester and Warrington on 5 February 2018 and Leeds and Luton on 24 April 2018 as detailed in note 9. The amortisation charged on the above intangible assets is included in other administrative expenses in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 52-WEEK PERIOD ENDED 30 DECEMBER 2018

11 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
Acquisitions and disposals	—
At 30 December 2018	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%
Quattroleisure Limited	Tenpin Limited	England & Wales	100%
Tenpin (Halifax) Limited	Tenpin Limited	England & Wales	100%

Ten Entertainment Group plc and all its Group companies have their registered office at Aragon House, University Way, Cranfield Technology Park, Cranfield, Bedford MK43 0EQ.

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.

12 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 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
Additions	—	—	4,525	8,801	13,326
Acquisition of new sites	—	—	—	1,129	1,129
Disposals	—	—	(1,891)	(1,403)	(3,294)
At 30 December 2018	2,122	9,569	9,461	33,901	55,053
Accumulated depreciation and impairment					
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
Charge for the period	54	906	2,183	2,967	6,110
Disposals – depreciation	—	—	(1,239)	(536)	(1,775)
At 30 December 2018	185	1,743	4,391	7,017	13,336
Net book value					
At 30 December 2018	1,937	7,826	5,070	26,884	41,717
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

Property, plant and equipment is reviewed for impairment on an annual basis and there were no indications of impairment in the period. The recoverable amount of each CGU (each of the 43 (2017: 40) 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:

	30 December 2018	31 December 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	12.9%	12.6%

The budgets which underly 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 52-WEEK PERIOD ENDED 30 DECEMBER 2018

12 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 underly the calculations were reduced by 5%, reducing the cash flows of the sites by 4%, the onerous lease charge would increase by £nil (2017: £nil). If the discount rate applied in the calculations is increased by 1%, the impairment charge increases by £nil (2017: £0.1m). The discount rate would need to increase to 19% before we would have our first indication of impairment at a site. 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 (2017: 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 (2017: £20.0m). Properties held under finance leases had a net book value of £0.2m (2017: £0.2m) and the finance lease depreciation charged in the period was £0.1m (2017: £0.1m). Amusement machines held under finance leases had a net book value of £5.1m (2017: £3.9m) and the finance lease depreciation charged in the period was £2.2m (2017: £1.9m).

13 Inventories

	Group		Company	
	30 December 2018 £000	31 December 2017 £000	30 December 2018 £000	31 December 2017 £000
Goods held for resale	1,505	1,356	—	—

The cost of inventories recognised as an expense and included in cost of sales amounted to £6.4m (2017: £5.8m). There is a provision of £0.3m (2017: £0.3m) for obsolete bowling spares included in the figures above. Bank borrowings for the value of £20.0m (2017: £20.0m) are secured on all assets of the Group including inventory.

14 Trade and other receivables

	Group		Company	
	30 December 2018 £000	31 December 2017 £000	30 December 2018 £000	31 December 2017 £000
Current receivables				
Trade receivables	128	167	—	—
Amounts owed by subsidiary undertakings (note 24)	—	—	1	1
Other receivables	126	77	1	22
Prepayments	4,053	3,277	27	6
	4,307	3,521	29	29

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

15 Cash and cash equivalents

	Group		Company	
	30 December 2018 £000	31 December 2017 £000	30 December 2018 £000	31 December 2017 £000
Cash and cash equivalents	5,298	5,571	2,147	1,959

16 Share capital

	30 December 2018		31 December 2017	
	Shares	£000	Shares	£000
Ordinary shares of £0.01 each	65,000,000	650	65,000,000	650

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. 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.

17 Cash generated from operations

	Group		Company	
	52 weeks to 30 December 2018 £000	52 weeks to 31 December 2017 £000	52 weeks to 30 December 2018 £000	52 weeks to 31 December 2017 £000
Cash flows from operating activities				
Profit/(loss) for the period	8,142	5,181	(1,956)	(2,873)
Adjustments for:				
Tax	2,527	2,111	—	—
Finance costs	693	1,927	—	—
Non-cash one-off costs	—	718	—	—
Non-cash share based payments charge	73	87	73	87
Loss on disposal of assets	634	356	—	—
Amortisation of intangible assets	711	806	—	—
Depreciation of property, plant and equipment	6,110	5,010	—	—
Changes in working capital:				
Increase in inventories	(149)	(17)	—	—
Increase in trade and other receivables	(678)	(175)	(1)	(29)
Increase/(decrease) in trade and other payables	2,808	(1,304)	1,877	2,823
Decrease in provisions	(25)	(1,398)	—	—
Cash generated from/(used in) operations	20,846	13,302	(7)	8

18 Bank borrowings and finance leases

	Group		Company	
	30 December 2018 £000	31 December 2017 £000	30 December 2018 £000	31 December 2017 £000
Current liabilities				
Bank loans	9,500	6,000	—	—
Finance leases	2,064	2,001	—	—
Capitalised financing costs	(88)	(155)	—	—
	11,476	7,846	—	—

On 12 April 2017, the Group entered into a £20m facility with the Royal Bank of Scotland plc ("RBS"). This facility consists of a committed £14.5m revolving credit facility, a £0.5m overdraft and an undrawn £5.0m accordion facility. All loans carry interest at LIBOR plus a margin of 1.75%.

	Group		Company	
	30 December 2018 £000	31 December 2017 £000	30 December 2018 £000	31 December 2017 £000
Non-current liabilities				
Finance leases	4,403	2,244	—	—

Bank borrowings are repayable as follows:

	Group		Company	
	30 December 2018 £000	31 December 2017 £000	30 December 2018 £000	31 December 2017 £000
Bank loans				
Within one year	9,500	6,000	—	—
	9,500	6,000	—	—

The drawdown under the Revolving Credit Facility (RCF) has been included as payable within one year on the basis that the business draws down and repays under the RCF on a regular basis.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 52-WEEK PERIOD ENDED 30 DECEMBER 2018

18 Bank borrowings and finance leases continued

Available borrowings are as follows:

Group	Currency	Interest rates	Maturity	Total available	Total drawn
Revolving credit facility	GBP	LIBOR + 1.75%	April 2020	14,500	9,500
Accordion facility	GBP	LIBOR + 1.75%	April 2020	5,000	—
Bank overdraft	GBP	LIBOR + 1.75%	Annually	500	—
Total borrowings				20,000	9,500

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

	Property leases		Machines and other leases		Total	
	30 December 2018 £000	31 December 2017 £000	30 December 2018 £000	31 December 2017 £000	30 December 2018 £000	31 December 2017 £000
Net						
Within one year	3	3	2,061	1,998	2,064	2,001
Between one and two years	3	3	1,704	1,071	1,707	1,074
Between two and five years	11	9	2,417	888	2,428	897
After five years	268	273	—	—	268	273
	285	288	6,182	3,957	6,467	4,245

	Property leases		Machines and other leases		Total	
	30 December 2018 £000	31 December 2017 £000	30 December 2018 £000	31 December 2017 £000	30 December 2018 £000	31 December 2017 £000
Gross						
Within one year	21	23	2,255	2,107	2,276	2,129
Between one and two years	23	23	1,827	1,125	1,850	1,147
Between two and five years	68	67	2,497	912	2,565	981
After five years	564	586	—	—	564	586
	676	699	6,579	4,144	7,255	4,843
Future finance charges on finance leases	(391)	(411)	(397)	(187)	(788)	(598)
Present value of finance lease liabilities	285	288	6,182	3,957	6,467	4,245

Finance leases are in place for one (2017: one) property at a value of £0.3m (2017: £0.3m), amusement machines from Bandai Namco Europe Limited with a value of £6.1m (2017: £4.0m) and WiFi equipment with a value of £0.1m (2017: £nil).

Analysis of statutory net debt

Net (debt)/cash as analysed by the Group consists of cash and cash equivalents less bank loans and amounts of (£4.2m) (2017: (£0.4m)). Statutory net debt as analysed below includes finance leases.

	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 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 4)	—	—	—	—	(1,152)	(1,152)
Balance at 31 December 2017	5,571	(6,000)	(429)	(4,245)	—	(4,674)
Cash flows	(273)	(3,500)	(3,773)	2,222	—	(1,551)
Finance lease acquisition of amusement machines	—	—	—	(4,444)	—	(4,444)
Balance at 30 December 2018	5,298	(9,500)	(4,202)	(6,467)	—	(10,669)

19 Trade and other payables and other non-current liabilities

	Group		Company	
	30 December 2018 £000	31 December 2017 £000	30 December 2018 £000	31 December 2017 £000
Trade and other payables				
Trade payables	2,059	462	—	—
Amounts owed to subsidiary undertakings (note 24)	—	—	4,634	2,753
Social security and other taxes	1,634	1,377	—	—
Other payables	942	1,293	—	—
Accruals	2,634	2,305	65	70
Deferred income – lease incentives	85	65	—	—
	7,354	5,502	4,699	2,823

	Group		Company	
	30 December 2018 £000	31 December 2017 £000	30 December 2018 £000	31 December 2017 £000
Other non-current liabilities				
Deferred income – lease incentives	481	233	—	—

20 Provisions

The Group's onerous lease provisions are as follows:

	Total £000
At 2 January 2017 – current	293
At 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 and 1 January 2018 – current	70
At 31 December 2017 and 1 January 2018 – non-current	361
Provided in the period	—
Utilised in the period	(25)
Released unused in the period	—
Notional interest on unwinding of discount	7
At 30 December 2018 – current	63
At 30 December 2018 – non-current	350

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 discount rate of 12.9% (2017: 12.6%) applied in the calculations is increased or decreased by 1%, the onerous lease provision will increase or decrease by £0.0m (2017: £0.0m). 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:

	Total £000
Onerous lease provisions	
Between one and two years	60
Between two and five years	149
After five years	141
	350
Within one year	63
	413

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 52-WEEK PERIOD ENDED 30 DECEMBER 2018

21 Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	30 December 2018 £000	31 December 2017 £000	30 December 2018 £000	31 December 2017 £000	30 December 2018 £000	31 December 2017 £000
Property, plant and equipment	—	—	(1,900)	(1,615)	(1,900)	(1,615)
Fair value on business combination	—	—	(238)	(111)	(238)	(111)
Other	615	564	(564)	(564)	51	—
Total	615	564	(2,702)	(2,290)	(2,087)	(1,726)

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 30 December 2018 and 31 December 2017 on the losses other than that for the rollover relief. A 1% change in the corporation tax rate would cause a £0.1m (2017: £0.1m) change in the value of the deferred tax liability.

Movement in deferred tax during the 52-week period ended 30 December 2018:

	1 January 2018 £000	Recognised on-site acquisitions £000	Recognised in income statement £000	Taxation paid £000	30 December 2018 £000
Property, plant and equipment	(1,615)	—	(285)	—	(1,900)
Fair value on business combination	(111)	(200)	73	—	(238)
Other	—	—	51	—	51
Total deferred tax	(1,726)	(200)	(161)	—	(2,087)
Current income tax	(825)	—	(2,366)	2,472	(719)
Total taxation	(2,551)	(200)	(2,527)	2,472	(2,806)

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)
Fair value on business combination	14	(121)	(4)	—	(111)
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)

The Group has carry-forward tax losses of an estimated £21.4m (2017: £27.3m). Of these, £nil (2017: £nil) are held by Tenpin Limited, £12.2m (2017: £12.6m) held by Essenden Limited, £8.7m (2017: £8.7m) held by Georgica Limited, £nil (2017: £0.8m) held by Indoor Bowling Equity Limited, £0.4m (2017: £2.1m) held by Indoor Bowling Acquisitions Limited, £nil (2017: £nil) held by Georgica Holdings Limited, £nil (2017: £0.3m) held by TEG Holdings Limited and £nil (2017: £2.8m) held by Ten Entertainment Group plc. All of the Tenpin Limited trading losses have been utilised. The losses in the other Group companies have not been recognised as these are brought forward losses and the companies are not currently generating profits for which these losses can be utilised. Any losses generated during the year have been group relieved across to Tenpin Limited. The potential deferred tax asset of £3.6m (2017: £5.2m) on these losses is the only unprovided deferred tax. A deferred tax asset has been recognised on the £0.6m (2017: £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 £11.0m (2017: £9.5m). The £3.7m (2017: £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.

22 Financial instruments

IFRS 7 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the value measurements:

Level 1: inputs are quoted prices in active markets.

Level 2: a valuation that uses observable inputs for the asset or liability other than quoted prices in active markets.

Level 3: a valuation using unobservable inputs, i.e. a valuation technique.

There were no transfers between levels throughout the periods under review.

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 Pounds 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.

The following tables show the fair value of financial assets and financial liabilities within the Group at the balance sheet date. The fair value of all financial assets and liabilities is categorised as Level 2.

Financial instruments by category

	Loans and receivables	
	30 December 2018 £000	31 December 2017 £000
Group		
Financial assets		
Current trade and other receivables	254	245
Cash and cash equivalents	5,298	5,571
	5,552	5,816
	Financial liabilities at amortised cost	
	30 December 2018 £000	31 December 2017 £000
Group		
Financial liabilities		
Current borrowings excluding finance leases	9,412	5,845
Finance leases	6,467	4,245
Current trade and other payables	5,635	4,059
	21,514	14,149

Maturity analysis of financial liabilities

	30 December 2018				31 December 2017			
	Bank loans	Finance lease	Trade and other payables	Total	Bank loans	Finance lease	Trade and other payables	Total
Within one year	9,412	2,064	5,635	17,111	5,845	2,001	4,059	11,905
Between one and two years	—	1,707	—	1,707	—	1,074	—	1,074
Between two and five years	—	2,428	—	2,428	—	897	—	897
After five years	—	268	—	268	—	273	—	273
	9,412	6,467	5,635	21,514	5,845	4,245	4,059	14,149

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 52-WEEK PERIOD ENDED 30 DECEMBER 2018

22 Financial instruments continued

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. The Group holds no currency denominated assets or liabilities, nor does it hold investments in shares of third-party companies that would pose a market 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:

	30 December 2018 £000	31 December 2017 £000
Interest rate risk profile of financial liabilities		
Floating rate financial liabilities	9,500	6,000
Finance leases	6,467	4,245
Financial liabilities on which no interest is paid	413	430
	16,380	10,675

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 (2017: £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.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimise this risk the Group endeavours only to deal with companies which are demonstrably creditworthy. In addition, a significant proportion of revenue results from cash transactions. The aggregate financial exposure is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount of trade receivables. Management does not consider that there is any concentration of risk within either trade or other receivables.

As almost all of the Group's sales are for cash, the Group is exposed to minimal credit risk. The trade and other 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. The majority of prepayments are for rents, service charges, business rates and insurances which are to companies with strong credit histories and for less than six months in advance and thus pose a low risk of becoming impaired and thus no provision has been made.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as is possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group's cash position and cash flow forecasts are reviewed by management on a daily basis with the objective to ensure the Group has sufficient funds available to finance its business strategy. The current bank facilities consist of a £15.0m RCF and a £5.0m uncommitted accordion facility with £9.5m of the RCF in use. The risk is measured by comparing the bank debt in use to the total facility available which shows that £10.5m of the facility is still available for use. The total risk would be if the entire facility were unavailable for use if the Group were to default on its banking agreement by not meeting its agreed covenants. The consolidated statement of financial position shows that the Group has a net current liability position which is due to the bank loans being reflected as current liabilities. The facilities are available to the Group until April 2020 and terms will be renegotiated with the Royal Bank of Scotland plc in 2019.

22 Financial instruments continued

Financial risk management continued

Credit quality of financial assets

Group	30 December 2018 £000	31 December 2017 £000
Cash at bank and short-term bank deposits		
A rated	4,210	4,936
Other cash-related balances	1,088	635
Total cash and cash equivalents	5,298	5,571

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 7.7p having paid an interim dividend of 3.3p resulting in a dividend of 11.0p per share amounting to £7.2m as a return to shareholders in the period. 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.

	30 December 2018 £000	31 December 2017 £000
Total equity	54,908	53,193
Cash and cash equivalents (note 15)	(5,298)	(5,571)
Capital	49,610	47,622
Total financing	49,610	47,622
Finance leases (note 18)	6,467	4,245
Bank borrowings (note 18)	9,500	6,000
Overall financing	65,577	57,867
Capital to overall financing ratio	75.7%	82.3%

23 Operating leases

The Group has re-gearred seven of its current leases, extending their terms, and also entered into four (2017: two) new operating leases after the acquisition of the four sites in the period ended 30 December 2018 and disposed of one site in September 2018. The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 December 2018 £000	31 December 2017 £000
Payments due:		
Within one year	11,646	11,408
Between one and five years	47,158	44,289
After five years	124,033	86,984
	182,837	142,681

Tenpin Limited had 43 (2017: 40) bowling venues open as at the year end with one under finance lease and 42 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.

24 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 3 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 54 with a table of their remuneration for the period on page 57.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 52-WEEK PERIOD ENDED 30 DECEMBER 2018

24 Related party transactions continued

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	—	—	—
Goals Plc	—	18	—
30 December 2018	—	18	—
Harwood Associates	—	12	—
Goals Plc	—	55	—
31 December 2017	—	67	—

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 30 December 2018, the Group has made a provision of £nil (2017: £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 relate to dividends received or loans received to provide funding for the Company to pay its operating costs as a plc:

	30 December 2018 £000	31 December 2017 £000
Essenden Limited	(697)	(669)
Georgica Limited	(2)	—
Indoor Bowling Equity Limited	(2)	—
Tenpin Limited	(3,933)	(2,084)
TEG Holdings Limited	1	1

25 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 11 June 2018 (2018 scheme), 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 29 December 2020 ("FY20").

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 FY20 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 5.07%; 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 (£)	2.68	2.68
Exercise price (£)	nil	nil
Risk-free rate	n/a	0.10%
Expected dividend yield	5.07%	5.07%
Expected volatility	n/a	32.89%
Fair value of one share (£)	2.30	1.46

During the period ended 30 December 2018, 319,029 (2017: 739,393) share awards were granted under the PSP and 657,394 (2017: nil) share awards were forfeited. For this, the Company recognised a net charge of £73,547 (2017: £87,069). These are equity-settled share based payments and the remaining contractual life of the 2018 scheme share options at the period end is two years and six months while the 2017 scheme share options' remaining contractual life is one year and six months. No share options have been exercised or have expired.

25 Performance Share Plan continued

The following table splits the awards that were granted and forfeited by the Executive Directors:

Director	Position	Number of share awards granted
Grants as at 15 March 2017		
Granted in the year:		
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
Granted in the year:		
Duncan Garrood	Chief Executive Officer	111,940
Mark Willis	Chief Financial Officer	111,940
Graham Blackwell	Chief Commercial Officer	95,149
Forfeited in the year due to resignation:		
Alan Hand	Chief Executive Officer	(333,333)
Mark Willis	Chief Financial Officer	(324,061)
Total as at 30 December 2018		401,028
Split as:		
2017 scheme		193,939
2018 scheme		207,089

In accordance with the PSP schemes outlined in the Group's remuneration policy, the vesting of these awards is conditional upon the achievement of an EPS target set at the time of grant, measured at the end of a three-year period ending 29 December 2019 for the 2017 scheme and 29 December 2020 for the 2018 scheme, and the Executive Directors' continued employment at the date of vesting. The awards will vest based on the following adjusted EPS targets:

Adjusted EPS in the final year of the performance period (pence)

2018 scheme	2017 scheme	Vesting
24.50p	21.08p	12.5%
24.50p–26.69p	21.08p–22.19p	12.5%–50%
More than 26.69p	22.19p	50%

26 Dividends paid and proposed

The following dividends were declared and proposed:

	30 December 2018 £000	31 December 2017 £000
The following dividends were paid by the Group:		
Final dividend year ended 31 December 2017 – 7p per ordinary share	4,550	—
Interim dividend paid by Directors for year ended 31 December 2017 – 3.0p per ordinary share	1,950	—
The following dividends were declared and proposed by the Group:		
Interim dividend declared by Directors for year ended 30 December 2018 – 3.3p per ordinary share (paid 5 January 2019) (2017: 3.0p)	2,145	1,950
The below final dividend is proposed for approval by shareholders at AGM (not recognised as a liability at 30 December 2018):		
Final dividend year ended 30 December 2018 – 7.7p per ordinary share (2017: 7p)	5,005	4,550

The Company received a cash dividend of £2,145,000 (2017: £1,950,000) from its subsidiary TEG Holdings Limited that was declared and paid in the financial year ended 30 December 2018.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 52-WEEK PERIOD ENDED 30 DECEMBER 2018

27 Post balance sheet events

Tenpin Limited conditionally agreed to acquire the trade and assets of a bowling site in Southport in March 2019. The completion of the acquisition would bring the Group's number of sites to 44 as at the date of this Annual Report. The total consideration payable for the acquisition 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.

	Total £000
Tangible assets	100
Goodwill	1,300
Total consideration paid	1,400

UNAUDITED FIVE-YEAR RECORD

	52 weeks to 30 December 2018 £000	52 weeks to 31 December 2017 £000	53 weeks to 1 January 2017 £000	52 weeks to 27 December 2015 £000	52 weeks to 28 December 2014 £000
Sales	76,350	71,040	67,319	52,965	46,819
Cost of sales	(22,423)	(21,478)	(20,639)	(16,698)	(16,033)
Gross profit	53,927	49,562	46,680	36,267	30,786
Administrative and other costs	(42,565)	(39,640)	(36,924)	(34,136)	(26,952)
Profit before finance charges	11,362	9,922	9,756	2,131	3,834
Finance charges	(693)	(2,630)	(4,320)	(2,075)	(7,686)
Profit/(loss) before taxation	10,669	7,292	5,436	56	(3,852)
Taxation	(2,527)	(2,111)	(1,805)	(702)	(1,348)
Profit/(loss) after taxation	8,142	5,181	3,631	(646)	(5,200)

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