ENTERTAINING BRITAIN'S FAMILIES

TEN ENTERTAINMENT GROUP PLC
ANNUAL REPORT AND ACCOUNTS 2019

CREATING HAPPY MEMORIES FOR OUR CUSTOMERS THROUGH...

INWARD INVESTMENT

Case study: Cheshire Oaks

TRANSFORMING CUSTOMER EXPERIENCE

Case study: Houdini's

EXPANDING THE ESTATE

Case study: Falkirk

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OUR FAMILY ENTERTAINMENT PROPOSITION

TEN IN TEN

We love to makes friends and families happy; we entertain and enthral profitably. Our centres offer a wide range of competitive social activities all under one roof. Bowling is at the heart of what we do, with over a thousand lanes across our estate. We also offer a wide range of complementary entertainment options including amusement machines, table tennis, pool tables, Houdini's escape rooms, soft play and laser games. We have a great food and drink offering that customers can enjoy while they play.

National UK coverage

45 sites across the UK, each offering a broad range of entertainment

45

ENTERTAINMENT CENTRES

Competitive socialising for all ages

A fun and competitive environment for friends and families across the generations

32%

OF OUR CUSTOMERS ARE CHILDREN

Bowling drives footfall

As the "Anchor Tenant" bowling brings strong footfall to our sites and at 100% margin is a key cash driver

47%

OF INCOME FROM BOWLING

Consistent growth

With eight years of consecutive like-for-like growth, the business continues to attract more customers

+59%

SALES SINCE 2015

Track record of "Tenpinisation"

Our model is proven across a large number of site acquisitions and refurbishments creating high investment returns

36%

RETURN ON INVESTMENT

Highly profitable model

An operationally geared business benefiting from consistent volume growth generating strong operating margins

28%

EBITDA MARGIN

Great value for money

The average price of a game of bowling is only £5.21, making our centres remain affordable to all

£14.60
AVERAGE SPEND PER HEAD

Modern technology

From the most modern pinsetters to the latest video games and a modern website, technology helps drive growth

19%
OF SALES ONLINE

Good return on capital

Investment in assets that have long lives creates high barriers to entry and strong returns across the business

19.1%
TOTAL COMPANY ROCE

People first strategy

We focus on colleague engagement with modern communication tools to brief, motivate and inspire our teams

GOLD
INVESTORS IN PEOPLE

HIGHLIGHTS 2019

Highly profitable self-funded organic development delivers record results with an eighth consecutive year of like-for-like growth

FINANCIAL HIGHLIGHTS

- Profit growing faster than sales with EBITDA up +14.7%
- Free cash flow[1] conversion increased to 75.1% (FY18: 72.2%)
- Strong balance sheet with £21.0m of cash and financing facility available

BUSINESS HIGHLIGHTS

Inward investment drives profitable growth

- Four sites refurbished in the year driving strong sales growth
- 71% of the estate now benefiting from significant advantages of Pins & Strings technology
- Operational cost efficiency programme mitigates the majority of cost headwinds

Focus on transforming the customer experience gaining momentum

- Improved food offer trialled at 11 sites achieving double-digit sales growth; further developments planned
- New website with improved booking engine and enhanced CRM tools is now live
- 50% stake acquired in Houdini's Escape Room Experience, with nine rooms now open at five locations across the UK

Estate expansion supplementing the strong organic growth

- Two additional centres acquired in 2019 with Manchester Printworks under development to open in 2020
- Falkirk refurbishment delivering fourfold increase on pre-acquisition sales
- Property pipeline strengthening

Revenue

£84.1M

2019	**£84.1m**
2018	£76.4m
2017	£71.0m

Group adjusted EBITDA[1]

£23.6M

2019	**£23.6m**
2018	£20.6m
2017	£19.0m

Free cash flow[1]

£17.7M

2019	**£17.7m**
2018	£14.8m
2017	£11.5m

Dividend per share

3.7P

2019	**3.7p**
2018	11.0p
2017	10.0p

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 and profit or loss on disposal of assets. Free cash flow is Group adjusted EBITDA less cash flows from maintenance capital, working capital, finance lease and taxation payments.

CASE STUDY
INWARD INVESTMENT
CHESHIRE OAKS

At the end of 2019 we transformed our Cheshire Oaks site, utilising our very latest thinking on design, customer flow and entertainment offerings.

We introduced clear zoning of activities; significantly improved the bowling experience by refreshing the lanes, improving seating and lighting and introducing HyperBowl; and added new activities for customers such as Virtual Reality Super Mario Kart and a Houdini's escape room.

We chose Cheshire Oaks because it was a typical, albeit slightly larger than average, bowling centre that was already performing well and we wanted to test how much additional opportunity there was from developing the customer experience. We are very pleased that early results have been encouraging, with an increase in footfall of well over 30% and some very positive customer feedback.

Some of the developments are essentially customer research that will take time to filter across the estate, but many of the designs and learnings will be incorporated into future new sites and refurbishments. We have already started rolling out cocktails across the business and the improved bowling experience will be incorporated into all our new bowling centres.

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 allowing us to offer a safe, friendly and fun environment with a wide variety of entertainment options.

Our strategy has been developed to take advantage of the growing experiential leisure market and the trend for families and friends to spend time together enjoying competitive social activities. The business creates long-term value for our stakeholders through self-funded investment-led growth. The Group is supported by a strong balance sheet and generates funds through its activities, which allows us to continue to invest in growth and offer an attractive dividend yield to our shareholders.

GOAL	WE LOVE TO MAKE FRIENDS AND FAMILIES HAPPY; WE ENTERTAIN AND ENTHRAL PROFITABLY		
GROWTH DRIVERS	**MORE CUSTOMERS** Broaden the appeal to wider customer base and open more centres	**MORE FREQUENT VISITS** Give customers more reasons to visit more often with new and innovative games	**HIGHER PARTICIPATION** Offer a wide range of games, entertainment, food and drink to enjoy while they visit
STRATEGIC PRIORITIES	INWARD INVESTMENT	TRANSFORMING CUSTOMER EXPERIENCE	EXPANDING THE ESTATE
SUPPORTED BY – INTERNAL	SELF-FUNDED INVESTMENT THROUGH INCREASING CASH FLOWS		
SUPPORTED BY – INTERNAL	GREAT SERVICE DELIVERED THROUGH AN ENGAGED AND TALENTED TEAM		
EXTERNAL	A growing market in experiential leisure and competitive socialising	A fragmented and underinvested UK bowling market	An increasing trend for families and friends to spend their time together away from screens

OUR STRATEGY CONTINUED

STRATEGIC PRIORITIES

Inward investment

Our capital investment programme in our existing estate is focused on the following key areas:

Refurbishing our sites – an ongoing cycle of investment to keep the sites modern, relevant and offering the best in class entertainment experience

Pins & Strings – the latest bowling technology is being rolled out across the entire estate to give a lower cost base and an improved experience for our customers

New machines and amusements – our strong relationship with Bandai Namco provides access to the latest technology and allows us to keep the offering fresh and appealing across all age ranges

WHY IS IT IMPORTANT?

Focus on this pillar of the strategy delivers:

- Growth in like-for-like sales
- Cost saving improvements and efficiencies
- A modern and contemporary environment in our bowling centres
- A relevant and attractive offering focused on the growing market in competitive socialising

Transforming customer experience

Our investment has been targeted to deliver a memorable customer experience from every visit:

HyperBowl – a new engaging, interactive style of bowling rolled out at three sites with good customer feedback

Product innovation – our Cheshire Oaks site has been completely refurbished as a new concept site where a variety of product innovation is being tested, including virtual reality and one of our Houdini's escape rooms

Food and beverage – a new menu launched with opportunities for localisation and improved quality and value

Digital and CRM – upgraded Wi-Fi, a brand new website platform and a new CRM provider have all helped modernise our IT infrastructure

WHY IS IT IMPORTANT?

Focus on this pillar will provide:

- Generate growth from new customers
- Improve engagement with customers and encourage them to visit more often
- Improve online bookings and opportunities to sell additional experiences
- Keep individual centres closer to the community with more targeted locally relevant offers

ACHIEVEMENTS IN THE YEAR

A strong year has led to:

- 8% like-for-like growth in sales – an eighth consecutive year
- Sales growth at all of our refurbished centres
- Four lease re-gears completed, mitigating rental cost inflation
- 14 centres converted to Pins & Strings with 70% of the estate now complete

ACHIEVEMENTS IN THE YEAR

We have delivered customer benefits with:

- HyperBowl rolled out to three sites with positive customer feedback
- New food menu introduced with strong sales growth
- New interactive website launched
- Houdini's escape rooms opened at three sites, with a joint venture in place to accelerate rollout

Expanding the estate

Our pipeline is being developed with a combination of existing bowling centre acquisitions and new build opportunities:

Acquiring bowling centres – acquiring going concerns, refurbishing and aligning them with our processes

Develop new centres – entering leases for brownfield sites and building new bowling centres

Grow the pipeline – identifying new opportunities in existing leisure or retail sites

WHY IS IT IMPORTANT?

This strategic priority delivers:

- Growth in total sales and profit
- Opportunity to reach more customers
- Better efficiency of the model by spreading central costs over more bowling centres

ACHIEVEMENTS IN THE YEAR

Development in this area has led to:

- Two going concerns acquired and refurbished at Southport and Falkirk
- New development underway in Manchester city centre to open in 2020
- Building a pipeline of brownfield sites for development into 2021

Self-funded investment through increasing cash flows

- A high return on capital and strong operating margins generate reliable cash flows
- Maximising the use of existing space to drive incremental returns and enhanced returns
- A progressive dividend policy drives a clear focus on capital allocation
- A strong track record of delivery on high returning projects helps to accelerate profit growth ahead of sales growth
- Disciplined cash management keeps debt levels low and ensures business has significant liquidity headroom should it be required

Culture, people and systems

- We have delivered improvements in staff training and communication in 2019
- We provide development for colleagues to help them provide memorable experiences for our customers
- We reward our colleagues for good performance and have a progressive bonus scheme in place
- We believe all colleagues and customers have a right to work in a safe environment free from injury and harassment and regularly review our policies to ensure we maintain the highest standards

CHAIRMAN'S STATEMENT

OUR SINGLE BRAND CONTINUES TO DEMONSTRATE GREAT VALUE ENTERTAINMENT FOR FAMILIES AND FRIENDS ACROSS THE UK

NICK BASING, CHAIRMAN

IN MEMORIAM OF DAVID CHARLES
7 FEBRUARY 1969 – 26 MARCH 2020

If we are truly honest, there are always a few special people that can convert strategic intentions into reality without which they would be merely ideas. David Charles was a very special person. He made it happen time and again. David was always in production, happiest back stage but at the heart of the action sequences. He significantly contributed to the past 10 years that has made TEN today: from the early distress stage of Essenden plc, through private ownership as IB Equity and relisting to the FTSE. He diligently and insightfully worked on feasibility plans to ensure financial recovery, a ground breaking CVA process, complex public to private process, strategic M&A deal work and crucial documentation for an IPO. His successful career in investment banking and corporate finance consulting gave him the prerequisite skills and worldly experience; his unique character was much more valuable. He worked all hours necessary, but never all the time unnecessarily. He lived the mantra of Work to Live so admirably and beautifully. He shone a bright light during every project, resolute and determined, passionate and engaged. He was always charming and considerate to every stakeholder. David has sadly been taken prematurely suffering from a long illness. I am blessed to have found a close confidant, a wholly trustworthy colleague and dear friend. We will always remember David.

Ten Entertainment's purpose is to make friends and families happy; we entertain and enthral profitably. We have just delivered our eighth consecutive year of like-for-like growth. We offer great value entertainment which can be enjoyed across the generations. Bowling is our anchor product and we continue to innovate and evolve the game, scoring technology and environment across our portfolio of high quality centres. This generates high margins and broadens our appeal to a wide range of customers, creating footfall for a wider entertainment offering. We are continually developing and refreshing our range of additional activities to give the most contemporary experience. We are proud to be at the forefront of the growth in competitive socialising and leisure and are delighted that in 2019 over 5.8 million customers enjoyed our leading-edge entertainment offering.

In times of crisis, the quality and capability of a team really comes to the fore and I have been delighted with the collaborative, focused and effective approach that the whole of the team have adopted. I firmly believe that the measures taken in response to Covid-19 are the appropriate ones and that they will secure our company ahead of many others in the sector. I am also very confident that this team will manage the recovery from closure just as effectively.

I am delighted with the success the business has achieved and the smooth transition to a new management team which blends a range of core bowling expertise, a wealth of experience in food and drink and new ideas from retail that have assisted in taking the business forwards. A very strong foundation for the future has been built and from that we have accelerated the pace of growth.

Our strategy remains focused on consistently delivering a high quality family entertainment experience at the heart of every one of our centres. We continually invest in maintaining and improving the core bowling activity: Pins & Strings technology is now 71% complete; investment in scoring technology is ongoing and HyperBowl, a new format of the game is being introduced.

5.8M VISITORS

1.3M SQFT OF FAMILY ENTERTAINMENT SPACE

We have increased our level of innovation for our customers and acquired two new sites. This investment has been delivered through the growth in profit and cash generated in the business without increasing our bank borrowings. We have achieved this and delivered high returns from our investment programme and a positive cash flow, making this growth both affordable and sustainable.

2019 was the eighth successive year of like-for-like growth for the business. Organic growth through increased footfall and broadening our appeal to a wider customer base remains at the heart of our strategy and our investments. We have shown particularly good growth in machines sales and food and beverage, offering our customers more options to enjoy while they are bowling with us.

Group adjusted profit before tax rose 14.5% and adjusted earnings per share increased by 16.3%.

2019 was also a year of building foundations for future growth. We invested in a complete redesign and modernisation of the infrastructure of our website. It is much more responsive and gives an excellent customer experience. It also enables us to have a far greater understanding of our customer needs through the data we can collect from it. We are now better placed to communicate with our customers and ensure they have a memorable experience every time they visit.

The year also marked a shift in the property market, allowing us access to a broader range of potential new sites. I am excited about the forthcoming opening of our centre in Manchester Printworks. This will be our second centre to be located in the heart of a large urban city centre and affords a great opportunity for us to extend our reach into a city centre environment with a truly modern metropolitan leisure offering with competitive socialising at its heart.

2019 has been a year of stable and strong governance for the business. I am pleased to have a highly experienced and capable Board, with experience across a wide range of consumer-facing sectors and great knowledge of our business. Stability brings continuity to the business and the Board's independent thinking, and challenge, provides the executives with a testing, but productive environment in which to pursue growth opportunities.

+11% PROFIT AFTER TAX

8TH YEAR OF GROWTH

We are in a strong financial position with low debt and sufficient cash generation to self-fund our plans for growth. In 2019 we put in place a new financing facility for the next three years which gives further flexibility to pursue our growth ambitions and a highly resilient balance sheet to protect against short-term challenges and uncertainties.

The international instability created by the Covid-19 pandemic means that at the time of writing all of our entertainment centres are closed. Our primary concern has been to protect our shareholders' interests; ensure the safety and wellbeing of our customers and employees; and to treat our stakeholders fairly.

The Board has acted decisively to secure the appropriate liquidity for the business to endure a significant period of closure should that be mandated. Our prudent approach to cash management; our swift actions to minimise costs; together with the strong support from the UK government and key business partners means that we have sufficient liquidity to last well into 2021.

We are grateful to the large number of our shareholders who took part in a placing of shares at the end of March 2020, which saw an additional £5m of cash into the business and has helped secure our long-term future. We look forward to opening our doors to our families and friends again soon, and are confident that the strong growth seen in 2019 can return in the future.

Finally, I would like to draw attention to our amazing set of colleagues and thank them wholeheartedly for their support and commitment. I would also like to gratefully acknowledge the stellar work of the leadership team in putting the business on a strong footing in these extraordinary times.

Nick Basing
Chairman
13 May 2020

CHIEF EXECUTIVE'S STATEMENT AND OPERATING REVIEW

WE ARE INVESTING IN OUR BUSINESS TO KEEP IT MODERN AND RELEVANT

DUNCAN GARROOD, CHIEF EXECUTIVE OFFICER

45
CENTRES ACROSS THE UK

£14.60
SPEND PER HEAD

OVERVIEW OF 2019

I am pleased with this strong set of results, delivering an eighth year of profitable sales growth. We continue to develop and innovate our customer proposition offering great value entertainment for families and friends across the UK.

The business has performed well in 2019 across all aspects of the portfolio. We have continued to invest in high returning programmes that enhance the customer experience and balance like-for-like growth in the existing estate with opening more locations in the UK. We have again grown profit faster than we have grown sales.

I am very proud of our teams across the country, who have worked tirelessly to provide excellent experiences for customers every time they visit our centres. During 2019 we strengthened and modernised our communication across the business on a digital platform and have developed our regional management teams to help build internal talent. Our ambition is to continue to promote managers from within the business.

Regrettably our plans for 2020 are under review in light of the Covid-19 situation. After a very strong start to 2020, our focus has been on securing long term liquidity for the business and our partners to ensure that we are in the strongest possible position when we reopen.

Our strategy

Our strategy is clear and remains unchanged for the medium term. Continued profit growth generates strong cash flow which is used to fund a strong dividend policy for our shareholders and the remaining cash is deployed on investing in high returning projects to support the three pillars of the strategy:

- Inward investment – modernising and developing the existing estate
- Transforming the customer experience – keeping the customer offer innovative and fresh
- Expanding the estate – acquisition of existing bowling centres and redeveloping retail units

The strategy is underpinned by an investment in our people. Well trained, motivated and rewarded employees provide better customer experiences, focused on service.

Growth

Like-for-like sales growth for the year was 8.0%, significantly ahead of the 2.7% growth seen in 2018. Even allowing for the slightly subdued nature of the 2018 performance because of the heatwave, this level of growth represents a very good step forwards in 2019 and demonstrates the underlying strength of the business.

The growth was primarily a result of increased footfall to our centres at +6.4%, although spend per head ("SPH") also grew in the year by 1.7% to £14.60. The average realised price of a game remains excellent value at only £5.21 including VAT, making bowling a highly accessible and great value leisure activity.

All categories experienced good growth year-on-year, benefiting from an improved food menu; revised drinks range; and investment in the very latest gaming machines. Bowling remains at the heart of our entertainment offering though, accounting for 47% of total sales and 43% of the sales growth.

Inward investment

2019 was a year of meaningful and targeted investment in the existing estate, with £4.2m invested in four site refurbishments and the continued rollout of the transformational Pins & Strings technology. At the end of 2019, 32 of the 45 centres (71%) are benefiting from the latest technology pinsetter machines which offer a far more reliable bowling experience for our customers and more efficiency for our centres.

Over the past three years the business has made significant investment in 37 of its 45 centres and will continue to develop the customer offer across the UK to ensure it remains contemporary.

Edinburgh's Fountain Park centre was refurbished early in 2019. We took on additional space from an adjoining vacant unit which allowed the construction of four more bowling lanes equipped with the latest HyperBowl technology.

> "WE IMPROVED, INNOVATED AND EVOLVED OUR BUSINESS IN 2019"

Fountain Park benefits from a vibrant local community of students and the investment in refurbishing the bar area, including provision of local brands such as Tennent's lager, and updating the washroom facilities has delivered strong sales and profit growth at the centre.

Our centres at Cambridge and Parrs Wood (Manchester) also benefited from extensive bar refurbishments and new washrooms in 2019. The upgrading to Lucky Voice branded karaoke booths at Cambridge has proved popular with customers. In Parrs Wood the Sector 7 space has been repurposed to provide a broader and more modern range of machines better suited to the local customer demographic. Both sites have seen a good uplift in sales and profit.

The targeted refurbishment of existing centres began in early 2020 with our largest centre which is almost complete, but further investment is currently on hold.

13 additional centres were equipped with the latest Pins & Strings technology in 2019. Average games played per stop ("GPS"), a key measure of pinsetter reliability, has continued to increase for the estate and for 2019 was 662, a 56% improvement on 2018. The programme will continue based on appropriate prioritisation of cash. The technology means lower running costs; reduced cost of maintenance and spare parts; and a better overall customer experience, helping generate very strong returns on investment.

CHIEF EXECUTIVE'S STATEMENT AND OPERATING REVIEW CONTINUED

OVERVIEW OF 2019 CONTINUED

Transforming the customer experience

2019 has been a year of modernising and evolving the customer proposition with £2.2m invested in the latest technologies and experiences. A significant redevelopment of our centre at Cheshire Oaks has trialled several of these new concepts with fantastic feedback from our customers. A new menu has been extensively tested with customers and is being rolled out across the estate with positive results. We have invested in a joint venture with Houdini's Escape Room Experience Limited offering world class experiences for an even wider audience.

Cheshire Oaks represents a significant step forwards in our development of the overall entertainment experience. State of the art lighting systems, combined with HyperBowl and the latest scoring systems on all our lanes, give a best in class bowling experience. We have combined the bar and reception area to improve service and have developed better zoning of customer activities, from traditional favourites like pool and air hockey to the latest in Virtual Reality Gaming with Nintendo's superb Super Mario VR or Houdini's extremely popular Escape from Alcatraz room. Whilst some aspects of the centre are testbeds for new activities and are in development, we are delighted to have seen a very strong leap forward in sales and our customers clearly love the overall entertainment experience. Many of the modern design features will be incorporated into future centre developments.

We are delighted with our partnership with Houdini's which we formalised in December 2019. We have invested £300k to purchase 50% of the company as a joint venture. The company already operates nine escape rooms across five locations, three of which are at Tenpin centres, and these are profitable with a short payback period on the capital investment. The founders continue to run the business, using their expertise and knowledge to create totally immersive and industry leading escape experiences. They are fully incentivised to grow the business and deliver profitable growth. The Group will also form part of the Board of Houdini's and provide financing in the shape of an interest-bearing loan facility, access to space in suitable Tenpin centres, and expertise in property acquisition. We are excited that this mutually beneficial joint venture alliance will help accelerate the growth of Houdini's escape rooms across the UK.

Improvements in the customer offering for food and beverage have made good progress in 2019. A new drinks range was rolled out in Q4 which not only offered better terms but more importantly broadened the range and availability to our customers. We now have key locally relevant products such as Tennent's lager in Scotland and a broadened cider range in the South West. We are also trialling cocktails in several centres which are enhancing the overall appeal of our drinks range. There has been an extensive trial of a new food menu in around 20% of our estate. This has delivered good sales uplifts and will be rolled out to the rest of the estate in due course. We remain focused on providing good quality finger food appropriate to bowling, but have extended the healthy options; introduced better quality ingredients; catered for vegan and halal palates; and enhanced our presentation.

Our new website launched early in 2020. We now have a responsive and modern platform that allows booking of the entire entertainment range across our estate. The new website also gives access to far better customer data and allows better targeting of our marketing that is relevant and timely for our customers.

Expanding the estate

We welcomed two new centres to the Tenpin family in 2019. A total investment of £2.6m is lower than 2018 as the business has started to explore new build developments as well as acquisitions. These have a slightly longer gestation period and so there have been fewer new sites added in the year as a result of broadening the pipeline. We are looking forward to opening our first new build centre in Manchester's prestigious Printworks.

Southport was already a profitable existing bowling centre which has now undergone Tenpinisation for a relatively low level of investment. This is targeted at building on the existing customer base and enhancing the entertainment offering through more modern machines, and an improved bowling experience to attract more customers. The centre is performing well and contributed increased profitable growth in 2019.

Falkirk was acquired from a landlord for nil consideration due to its very poor state of repair due to a historic lack of investment. The refurbishment has been transformational, introducing Pins & Strings; modernising the entire machine offering; improving lighting and decor; and modernising the food and beverage offering. The centre now represents the strongest leisure offering in the local catchment area and a targeted campaign of marketing to encourage local customers to experience the new entertainment offering has been highly successful. Sales are anticipated to be three to four times higher than they were before the acquisition.

Progress has been made on developing the pipeline of new centres for the business. Manchester Printworks' build is nearly completed but construction has been impacted by Covid-19. This centre will be a metropolitan version of Tenpin with an appeal to groups of friends and work colleagues, with strong trade during the week as well as families at weekends. The design will take many learnings from our research at Cheshire Oaks and will incorporate a contemporary look and feel relevant for the city centre environment.

Community and environment

Our business is family focused, and we are proud that our centres are at the heart of the communities they serve. Each site has its own nominated charity that it works with to help raise funds and participate in local events and national fundraising activities. Colleagues are supported to help give back to their local community and are allowed paid time off to work with charitable organisations. We work with local schools to provide bowling experiences as rewards and incentives for pupils and have a broad range of local community groups and charities enjoying bowling during weekdays including discounts for NHS and service personnel. Once we reopen, Wednesdays will be dedicated to offering free bowling to NHS employees and their families and friends.

+12.7%

SALES GROWTH IN THE 11 WEEKS TO 15TH MARCH 2020

Our commitment to investment in our centres has improved our energy efficiency, and since 2018 we have delivered a 19.4% reduction in our CO_2 emissions per centre. Total Group emissions were 15.4% lower than in 2018 despite a 10.2% increase in sales. We will continue to explore ways to reduce our carbon emissions and invest in energy efficient programmes. In addition to our focus on energy efficiency, we have reduced the use of single-use plastics at our sites.

Our colleagues are the key to providing our customers with a memorable and enjoyable experience every time they visit, and we are committed to ensuring we have a safe and healthy environment for them to work in. We have a comprehensive Health and Wellbeing strategy in place which ensures that every member of the team has access to health benefits, including discounted eye care and dental treatment.

People and culture

I am delighted with the quality and talent of our teams across the organisation. Since arriving in the business, the quality of my executive leadership team has been strengthened, bringing in some key talent with expertise in their fields from retail, restaurants and leisure. We have combined this with promotions from within our business giving continuity of experience within the bowling sector. The executive team is now of the very highest quality with a blend of complementary skills which can combine experience of operating bowling centres with fresh ideas and thinking about delivering best in class customer experience.

We have driven a people first culture with all team members having Talent Talks to understand their own personal aspirations and to grow their own careers. These will in time lead to a greater proportion of planned internal promotions and development, and I know from experience that a committed and engaged team always delivers a better experience for customers.

The Group pays many of its colleagues the National Living Wage and estimates that around 51% of total pay is directly linked to statutory increases in the wage level. This means that our colleagues' wages continue to rise ahead of inflation, providing them with a better standard of living. The relatively low cost of labour as a percentage of sales compared to other operators in the leisure sector means that the Group is able to mitigate the cost of wage inflation through cost benefits with improved operational efficiencies and increased volume. Therefore, the increase in pay levels across the UK in general can be considered an opportunity as more of our customers are benefiting from increased levels of disposable income and our business continues to offer a great option for great value family entertainment. We have continued to strengthen our reward and recognition programmes to offer discounts for team members via a digital platform.

Outlook

2020 began well, with +12.7% sales growth in the 11 weeks to 15th March 2020. Like-for-like sales growth over this period has been +9.3%. However, this run of good growth was prematurely halted by the enforced closure of our sites on Friday 20th March as a result of the worldwide Covid-19 pandemic. We swiftly took action to safely close our sites, with the protection of our customer and employees of paramount importance.

Our focus since closure has been on cash conservation and securing the future of the business, and I am pleased to say that we have had very strong support from our shareholders, employees, business partners, banks and the Government. On 26th March we issued an additional 5% of equity, raising an additional £5m of funds. This, combined with our £25m revolving credit facility with the Royal Bank of Scotland, meant that we began the crisis with just over £30m of liquidity headroom.

We acted swiftly and decisively to reduce our costs in the business. We have taken full advantage of the Government support available, which includes a one year business rates holiday, a Time to Pay scheme with HMRC and placing 99% of our employees on furlough under the Coronavirus Job Retention Scheme (CJRS). At the same time, we have been pleased with the support we have received from many of our critical business partners, and we have negotiated for long term contracts to be placed on hold. Landlords have been supportive with rent deferrals during this period of closure and wherever possible we have moved to monthly payment schemes. We have ensured that these discussions have been collaborative rather than unilateral in order to secure continued support for when we reopen our business.

The result of these swift actions is a reduction of 70% in our monthly cash consumption to around £1.4m per month. This means that the business could continue to run closed and we believe puts us in a strong position not only to ensure our longevity but to enable us to open our doors to customers on a positive footing when the time comes.

Looking further forward, we are confident that with more normal trading conditions we will build an even stronger business for the future. The leisure market has been in consistent growth and our business offers a broad entertainment offering for the whole family at good value, making it ideally positioned to benefit, even in straitened economic times. Our strategy is proven, and while these are very uncertain times in the market, we are ready to open our entertainment centres to our customers again as soon as we are allowed to.

Duncan Garrood
Chief Executive Officer
13 May 2020

MARKET OVERVIEW

The Group operates in the UK leisure market, which was estimated to be worth approximately £111bn[1] in 2019 and which is expected to grow to £125bn[1] by 2024. Whilst impacted by Covid-19 in the short term we remain confident that the long-term growth in the market will continue. Tenpin bowling is a fast-growing sector of the leisure market and part of the wider range of entertainment and competitive socialising activities available. Tenpin Bowling is estimated by Mintel to have grown by 26% between 2014 and 2019 to a total size of approximately £320m. Growth in the bowling market has outgrown many other leisure sectors, with the total leisure market estimated to have grown 18% over this same time period. Bowling represents a very small part of the wider market at just 0.29% and has significant opportunity to continue to out-perform as the competitive socialising market gains momentum. Consumers are continuing to transfer expenditure of their disposable income from possessions and goods to creating experiences with friends and family, and broad entertainment offerings like our own are outpacing more passive activities.

The Group is focused on maximising its participation in this growth by innovating its broad family entertainment experience to offer consumers a range of great value entertainment all under one roof.

Bowling remains a relatively low-frequency activity, with 36% of UK adults participating in tenpin bowling in the 12 months to September 2019 compared to cinemas, which had 68% participation[1]. However, participation in bowling has increased from 34% in 2016 as two market leaders have invested in growth, refreshed centres and improved ancillary product offerings. There is a significant opportunity to continue to grow participation and engagement levels by targeting infrequent bowlers through our newly launched Customer Relationship Management ("CRM") programme and by developing our broader entertainment offering to attract a wider demographic group to our centres. We are doing this through our investment in Escape Rooms, the latest in video game technology and improved environments for our customers to enjoy a broad range of social activities.

£111BN

UK LEISURE MARKET WAS ESTIMATED TO BE WORTH APPROXIMATELY £111BN[1] IN 2019

Research shows that 66% of parents participated in leisure or social activities with their children in the past year, rising to 81% for parents with children between 12 and 15 years old[2], demonstrating that family friendly venues still have huge appeal. We have developed our facilities to appeal to a broad audience, but in particular families, in order to maximise its appeal to this group of more frequent participants. Bowling is a highly inclusive game and is one of the few leisure activities that can be enjoyed across generations with participation at any age from 3 to 93!

1 Mintel Leisure Review, December 2019.

2 Mintel Competitive Socialising report, September 2019.

COMPETITIVE LANDSCAPE

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

- "Major Multiples" (including the Group, Hollywood Bowl, Disco Bowl Group, QLP and Namco Funscape, which operate between seven and 60 sites);
- "Smaller Multiples" (operating six or less sites); and
- "Independents" (operating only one site).

The Smaller Multiples and Independents in aggregate operate approximately 189 sites. Due to the structure of the market, we believe that there are further opportunities to acquire additional sites, either individually from Independents or small groups of sites from Multiples seeking to divest through portfolio rationalisation. In addition, we have identified a target list of approximately 60 locations which may be suitable for development, taking into account a range of criteria including the local demographic, competition, recent trading history, type of location (e.g. within a leisure/retail park) and accessibility.

With the ongoing decline of the physical retail landscape, new opportunities are arising as landlords are diverting space to experiential leisure or competitive socialising concepts which are helping to drive footfall.

The Group has taken steps to enter available retail space this year and is currently building its first new bowling centre in Manchester Printworks, which is a high footfall metropolitan location. Expanding the remit to include existing retail and leisure space, as well as acquisition of existing bowling centres, has widened the range of opportunities to explore and gives the business a clearer runway for growth going forwards. We will continue to actively work with landlords to explore opportunities for brownfield development of these sites.

MAIN BRANDS AND OPERATORS

There is a significant gap between the two leading players in the market and the Smaller Multiples and Independents. Average sales per site in the two leading players is estimated to be more than double that of the average of the rest of the market. This reflects a higher level of investment as well as providing customers with wider range of entertainment activities and a much better overall customer experience. We believe this gap shows the importance of continuing to invest in our centres and ensure that we maintain our bowling centres to a high standard.

45
TENPIN

60
HOLLYWOOD BOWL

11
QLP

8
DISCO BOWL GROUP

7
NAMCO UK

189
INDEPENDENTS

TENPIN'S MARKET POSITION AND CUSTOMERS

We are refreshing our customer offer to provide a broader family entertainment experience. We focus on product innovation and continually seek opportunities to broaden the products and experiences available to consumers when they visit us, such as the introduction of Houdini's Escape Rooms (see case study on page 22 for more information). We firmly believe that we will benefit from economies of scale and increased frequency by evolving the entertainment experience within the demise of our existing sites, anchored on bowling but making full use of all of our available space. The Group's revenue mix for FY19 was bowling: 47%; amusement machines and entertainment activities: 27%; beverages: 16%; and food: 10%.

We are positioned well in the market, with a broad appeal to families, students, work colleagues and groups of friends. Our promotional strategy allows us to target different groups at different times of the week and this allows us to keep the environment relevant to our customers to ensure they get maximum enjoyment from their visit. Our well invested estate offers a high quality bowling experience and the latest in video games combined with more traditional physical games such as pool and air hockey. We offer good value for money, with the average spend per head being £14.60 and the average realised price for a game of bowling only £5.21.

27%
OF FY19 REVENUE FROM AMUSEMENT MACHINES AND ENTERTAINMENT ACTIVITIES

Recent investments in our food and beverage offering have further enhanced our appeal to customers, and the introduction of new products like escape rooms have broadened our appeal to a wider range of customers. We believe we are well placed to continue to benefit from the growth in the market.

OUTLOOK

Prior to the outbreak of the Covid-19 pandemic, overall growth in the tenpin bowling market looked set to continue over the coming years, and in the period to at least 2024, supported by the expectation of further market consolidation and investment from the leading players. It is uncertain whether the impact of Covid-19 will be short term or whether it will have longer lasting consequences in the longer term. 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 real potential for growth in the sector is underpinned by underlying strength of the model. Our centres are well invested, offer great value for money and choice and a wide range of activities for the whole family to enjoy. Tenpin bowling is a competitively priced and highly accessible form of family entertainment with the cost to a family of a visit being often 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.

STAKEHOLDER ENGAGEMENT

BOARD DECISION MAKING

Section 172 of the Companies Act 2006 ("s.172") imposes a general duty on directors to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its stakeholders. Our goal is to drive value for investors, employees, customers, and business partners alike. The Board believes that balancing the interests of stakeholders with our corporate purpose and the desire to maintain high standards of ethical conduct is embedded in the way we do business. The below sets out who we consider to be our key stakeholders, what their interests are, some key engagement areas in 2019, and examples of how our stakeholders' interests influence the way we do business. For more information on Board decision making, see pages 46 and 49.

Our investors

Our investors are the shareholders who have invested their capital into a business that delivers consistent returns through a proven strategy for growth

Our people

Our colleagues are the dedicated people who create the fun, entertaining environments to ensure our customers have a great time and that our business thrives

WHY IS STAKEHOLDER ENGAGEMENT IMPORTANT?

Our investors

We meet regularly with current and prospective shareholders to assist them in understanding the business so they can make informed decisions and so that we can understand what they expect from us.

We communicate with our shareholders by:

- Annual General Meeting
- Regular roadshows
- Investor conferences
- Analyst and investor site visits
- Ad hoc calls with shareholders

£16.1M

DIVIDENDS DECLARED SINCE IPO

Link to strategy: 3

Our people

Great customer experiences start with great colleagues. We engage regularly with our team to understand their opinions and to train and develop their skills. We aim to provide a consistent and open culture across the Group to attract and retain great talent, aligning these with the purpose, values and strategy set by the Board.

We listen to our colleagues through:

- Company-wide electronic communication platform
- Annual management conference
- Monthly townhall meetings
- Annual colleague football tournament
- Annual engagement surveys

97%

PERCENTAGE OF "TALENT TALKS" COMPLETED

Link to strategy: 1 2

Strategic objectives

1 Inward investment

2 Transforming customer experience

3 Expanding the estate

Our customers

Our customers are the people who visit our sites looking for a range of entertainment at great value for money in a safe family environment

Our suppliers & partners

Our strategic partners help us provide the latest in bowling and gaming technology as well as developing our food and drink offering to keep our entertainment experience enjoyable for all of our customers.

WHY IS STAKEHOLDER ENGAGEMENT IMPORTANT?

We listen to our customers' feedback so we can continually improve their experiences in our centres. We are continually developing our products to remain relevant and to appeal to more customers.

We engage with our customers through:

- Social media
- Mystery bowler programmes
- Team member engagement
- Online surveys

4.85M

NUMBER OF CUSTOMERS WHO VISITED OUR WEBSITE

Link to strategy: 2

We have strong relationships with our suppliers to ensure that our objectives are aligned in delivering a great service to our customers at great value for money.

We meet with suppliers, landlords and other parties during:

- Contract and lease negotiations
- Regular performance updates
- Strategic planning
- Industry conferences to seek innovation

41 DAYS

AVERAGE CREDITOR PAYMENT DAYS

Link to strategy: 1 2 3

BUSINESS MODEL

We have a differentiated, balanced, sustainable and flexible business model that creates value from our three pillar strategy. The business model uses the cash generated and the talent and assets within the business along with its suppliers, landlords and other parties to deliver strong return on capital employed, with good growth opportunities and sustainable returns for our investors.

STRONG CUSTOMER APPEAL

- Wide entertainment range under one roof
- Spans large customer segments
- Competitive socialising in long term growth

WE LOVE TO MAKE FRIENDS AND FAMILIES HAPPY; WE ENTERTAIN AND ENTHRAL PROFITABILITY

SINGLE MODERN BRAND

- Clear and simple proposition
- One brand focus
- Excellent value for money

MODERN TECHNOLOGY

- Fully integrated platform
- Best in class entertainment
- Maximise yield

Transforming Customer Experience

Inward Investment

STRONG CASH GENERATION

- Consistent growth in sales
- Operational gearing strengthens profit growth
- Cash conversion invested in high returning projects

OPERATIONAL EFFICIENCY

- Benefits of increasing scale
- Highly attractive landlord model results in low rent
- High margin economics

GREAT PEOPLE

- Happy customers served by happy employees
- Multi-skilled teams drives efficiency
- Developing talent from within

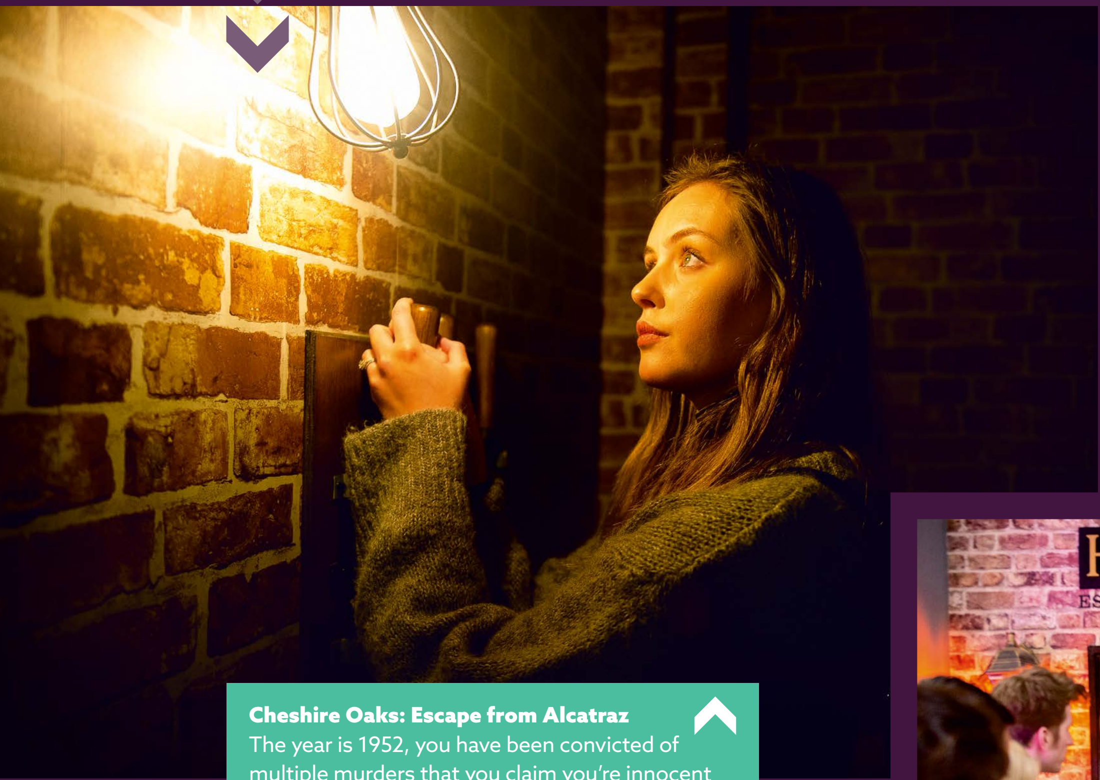
Expanding the Estate

Cash

CASE STUDY

TRANSFORMING CUSTOMER EXPERIENCE

HOUDINI'S ESCAPE ROOMS



Cheshire Oaks: Escape from Alcatraz
The year is 1952, you have been convicted of multiple murders that you claim you're innocent of. With only an hour to go before your execution, surely it's too late for your brother to finally prove your innocence and save your life?

Can you escape your prison cell in the infamous Alcatraz before the guards come to take you to the electric chair?

What are escape rooms?

Escape rooms offer consumers an immersive, engaging experience which involves players being locked inside a themed room and working together as a team to solve a series of puzzles, riddles and hints in order to escape. Escape rooms appeal to the growing demand for leisure activities that challenge people in a fun and competitive environment. As the skills needed for the games are wide ranging and physical demands are minimal, they can be enjoyed by all but the youngest age ranges. Family groups, friends, and businesses looking for team-building activities can all take part.

Escape rooms have rapidly expanded over the last six years, growing from 13 in 2013 to 1,400 in 2019[1]. They have moved from niche experiences only located in big cities to entering mainstream public consciousness with 27% of consumers interested in taking the challenge, ranking as the most popular emerging new activity[2]. The number of rooms continues to grow across the country and participation is expected to increase substantially.

3

TENPIN SITES NOW HAVE ESCAPE ROOMS OPERATING IN THEM

+1,400

ESCAPE ROOMS EXIST THROUGHOUT THE UK

Who are Houdini's?

Houdini's Escape Room Experience opened its first room in October 2016 and since then over 100,000 customers have played their games. They are currently rated the number one escape room in the UK on TripAdvisor and recently voted the number one escape room in the world using amalgamated review sites.

Houdini's is at the forefront of game design, combining new technologies alongside existing proven methods. They utilise the best prop builders from TV and film, as well as a game designer that holds the world record for most games played and represents the UK in the escape room world championships. This creates the best customer experience and journey. They currently operate nine games across five sites in the UK, with stand-alone locations, rooms located in Best Western hotels, and those located within our Tenpin bowling centres.

Our joint venture

In December 2019, the Group purchased a 50% share of Houdini's for £300,000. We currently have Houdini's escape rooms in three of our centres, with games such as Escape from Titanic, Escape from Alcatraz and Temple Raider. We plan to roll out Houdini's escape rooms to further centres in the future.

As part of transforming the customer experience, we are always looking out for new products that complement the activities available at our centres. The joint venture gives the opportunity for our customers to access another exciting family activity under the same roof as our bowling centres and taps further into the experiential leisure market. There are strong synergies to the partnership, with the Group providing infrastructure and footfall and Houdini's attracting a new customer base with their industry expertise. This proposition has more to offer than a stand-alone escape room venue, and the competitive, group based format of the games complement our centres and our core bowling offer and allow us to maximise our use of space.

1 Mintel Competitive Socialising report September 2019.

2 Mintel Leisure Review December 2019.

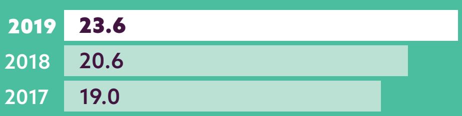
KEY PERFORMANCE INDICATORS

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

FINANCIAL

Adjusted EBITDA

£23.6M



Definition and how we performed

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 £23.6m (2018: £20.6m) was up by £3.0m, an increase of 14.7%.

Target and link to strategy: 1 2 3

Growth in year-on-year adjusted EBITDA is driven by the delivery of all three of our strategic pillars with strong returns from investments and growth in our estate. 2020 growth will be delivered through continued deployment of capital in our customer experience and new bowling centres.

Like-for-like sales

8.0%

Definition and how we performed

This is a critical measure of growth in the underlying business. The Group reported an 8.0% (2018: 2.7%) full-year increase in like-for-like sales, the eighth successive year of growth. A strong result achieved in the year, with most of the increase attributable to an increase in footfall as our core bowling product continues to attract more customers to our centres.

Target and link to strategy: 1 2

The increase in like-for-like sales is driven by investing in new products in the estate and ensuring that the core bowling product is well invested across all of our centres. By focusing on the first two pillars of the strategy in 2020, this will continue to generate like-for-like sales growth.

Bank net debt

£4.1M

Definition and how we performed

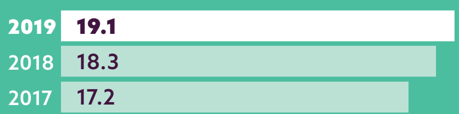
The Group's bank net debt is (£4.1m) (2018: (£4.2m) a decrease of (£0.1m). Bank net debt was made up of gross bank borrowings of (£6.3m) (2018: (£9.5m)) less cash and cash equivalents of £2.2m (2018: £5.3m).

Target and link to strategy: 1 2 3

The Group aims to fund investment from cash flow generated after payment of the dividend. Net debt is therefore expected to remain roughly constant, growing at a similar rate to the growth in EBITDA allowing the business to deploy capital into the highest returning projects.

Return on capital employed (ROCE) %

19.1%



Definition and how we performed

The Group's ROCE is operating profit as a percentage of total capital employed which consists of non-current assets and current assets less current liabilities. As the business deploys capital at high rates of return, the overall ROCE continues to improve and in 2019 this has improved by 0.8%pts to 19.1% (2018: 18.3%).

Target and link to strategy: 1 2 3

Rigorous discipline on capital allocation is a critical part of the TEG strategy, deploying investments in high returning projects to drive shareholder return. All three pillars of the strategy will drive revenue growth and profitability which will increase the Group's ROCE.

Strategic objectives

1 Inward investment

2 Transforming customer experience

3 Expanding the estate

OPERATIONAL

Spend per head ("SPH")

£14.60

2019	**14.60**
2018	14.36
2017	14.21

Definition and how we performed

SPH is the average spend by customer per visit, based on the number of customers bowling. The SPH has increased by 1.7% since last year which has been driven in equal measure by a combination of increased pricing and increased participation in other activities.

Target and link to strategy: 2

Investment in transforming the customer experience is aimed at increasing the dwell time and offering more products to customers to encourage them to spend more.

Footfall

5.8M

2019	**5.8**
2018	5.3
2017	5.1

Definition and how we performed

Footfall is the measure of the number of unique bowling sessions bought. There has been an 8.5% increase in footfall year-on-year with 6.4% being like-for-like footfall growth and 2.2% footfall at the new sites during non like-for-like periods.

Target and link to strategy: 1 2 3

The Group targets a footfall increase as a critical driver of growth, with more customers bowling, reflecting the underlying health of the business. The acquisition of new centres as well as investment in existing centres will provide additional footfall to grow total sales.

Games played per stop ("GPS")

662

2019	**662**
2018	424
2017	259

Definition and how we performed

GPS looks at the number of games played that are not interrupted by a breakdown. This improved by 56.1% to 662 (2018: 424) for the period as the business continues to focus on this area and through the continued rollout of Pins & Strings technology.

Target and link to strategy: 1

Investment in Pins and Strings technology is aimed at transforming the customer experience with less interruption from breakdowns.

Website visits

4.9M

2019	**4.9**
2018	4.0
2017	3.7

Definition and how we performed

The Group recognises digital media and the customer digital experience as a critical growth area in booking activities. 2019 saw a 21% increase in visits to our website.

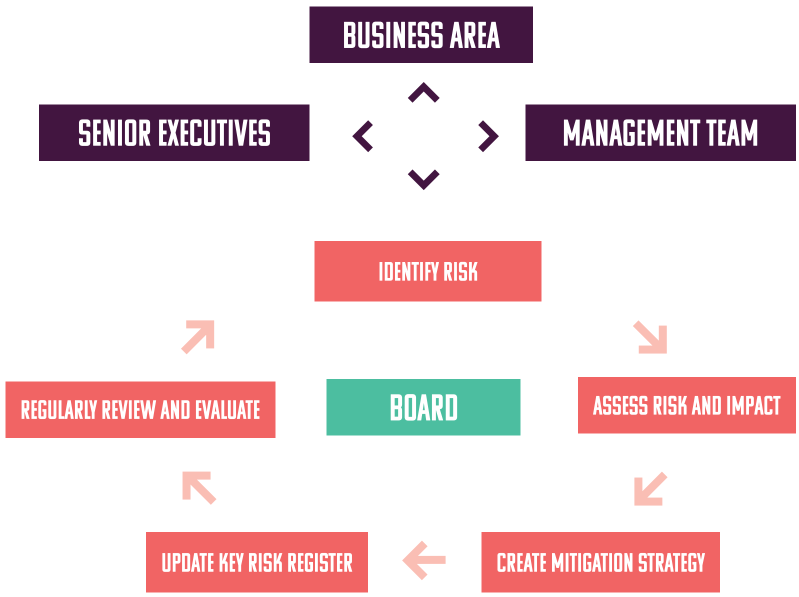
Target and link to strategy: 1 2

The new operational website went live in 2020 and is expected to continue to drive the increase in visits and conversion to bookings.

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.



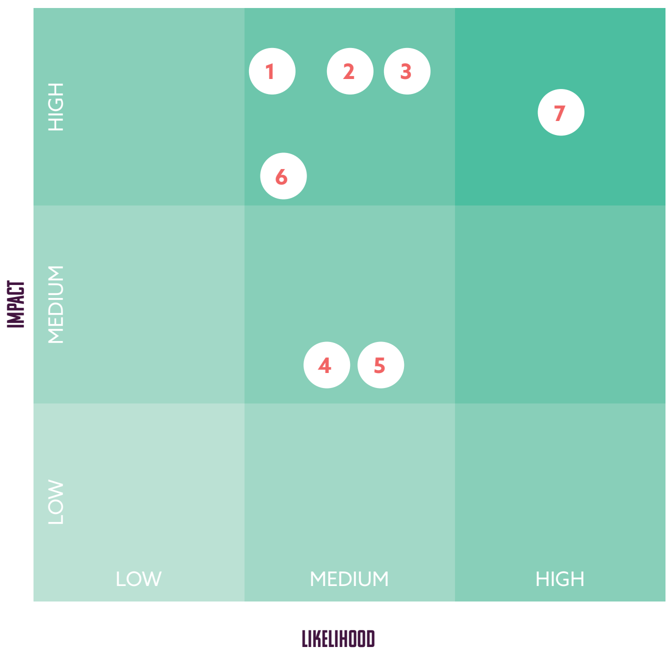
Ultimate responsibility for the Group's risk management framework sits with our Board which determines the risk appetite of the Group in undertaking its strategic objectives. The Board is responsible for the Company's risk management and internal control systems which have been in place for the year under review and up to the date of approval of the Financial Statements and Annual Report.

Current and emerging risks are identified by business area, with each area responsible for managing that risk, implementing appropriate controls and mitigating actions in the short term and monitoring the longer term impacts 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 on the left, 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.

Risk heat map

Each of the risks described in the previous section has been scaled into the risk heat map as reflected below:



1 Economic climate
2 Business interruption
3 Operational
4 Major supplier failure
5 Regulatory changes
6 Operational – allergens
7 Covid-19

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 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 of the effectiveness of the company's risk management and internal control systems captures changes in these risks and also changes in the direction of travel of any given risk. The Directors have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model and future strategy including emerging risks as recently identified relating to Covid-19, as reflected in the following tables.

Strategic objectives:

1 Inward investment

2 Transforming customer experience

3 Expanding the estate

Risk key:

- Low
- Medium
- High

Change key:

- ▲ Increased risk
- ◄► No change
- ▼ Decreased risk

Economic climate

Likelihood: Medium **Potential impact:** High **Change:** ◄►

Link to strategy: 1,2,3

Nature of risk

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

Impact on sales and ability to deliver our growth plans

Strategic context

TEG's Tenpin bowling business is based exclusively in the UK and so is exposed to UK economic conditions and consumer confidence. As a leisure activity, bowling may be affected by the general level of consumer spending on leisure and the potential impacts of Brexit.

Mitigation

The Board believes that, as a relatively low frequency and low ticket activity, bowling should withstand an economic downturn. The Group continually reviews its product offer, its value proposition and the quality of its estate to improve the customer experience.

Operational

Likelihood: Medium **Potential impact:** High **Change:** ◄►

Link to strategy: 1,2

Nature of risk

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

Impact on sales, costs and customer experience

Strategic context

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.

Mitigation

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.

Regulatory changes

Likelihood: Medium **Potential impact:** Medium **Change:** ◄►

Link to strategy: 1,2

Nature of risk

- 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

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.

Mitigation

Health & 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 in changes or developments to our business that are touched by legislation.

Business interruption

Likelihood: ● **Potential impact:** ● **Change:** ↔

Link to strategy: 1,2,3

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

Impact on sales, costs and reputation

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.

Mitigation
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.

Major supplier failure

Likelihood: ● **Potential impact:** ● **Change:** ↔

Link to strategy: 1,2,3

Nature of risk
- Sudden failure of key supplier

Impact on sales, costs and customer experience

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.

Mitigation
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.

Operational – allergens

Likelihood: ● **Potential impact:** ● **Change:** ▲

Link to strategy: 1,2,3

Nature of risk
- Incidents related to allergies to food products offered especially when there are changes to the menu.

Impact on sales, costs and reputation

Strategic context
There have been a number of high-profile incidents in the leisure industry related to allergens in food products. The incidents have arisen due to inadequate awareness, communication and display of allergen items included in menus

Mitigation
The Health & Safety adviser reviews all menus and menu changes for allergen-related products and wording included on the menus to reflect these items before they are released. Allergen awareness is part of the training programme and online allergen lists and information are provided for public access on all sites' websites.

Covid-19

Likelihood: ● **Potential impact:** ● **Change:** ▲

Link to strategy: 1,2,3

Nature of risk
- The increased profile of the Covid-19 virus in recent months has raised the impact that a pandemic could have on the Group by impacting its staff and customer base or restricting its ability to trade or customer demand

Impact on sales, costs and reputation

Strategic context
A pandemic that has a national impact could have an effect on the business if sites were put into quarantine, sites had to be closed as part of a government instruction or the reputational impact if any of the sites were specifically associated with the spread of a pandemic.

Mitigation
At the time of preparing this report, all of our site are closed in the UK. We are monitoring the impact of the Covid-19 pandemic in the UK on a daily basis. Our priority is to ensure the safety of our customers and employees and to assure the financial security of the business. We are following our robust risk management framework and ensuring that an active risk assessment and business continuity plan is in place, overseen by the Board. The Group will follow Public Health England and Health Protection Scotland guidance, and medical and local authority advice where relevant, to ensure that we respond to any developments quickly, safely and in the best interests of our people. This includes responding to instructions to close the entire estate as occurred on 20 March 2020. In addition, management has taken significant action to reduce monthly cash costs by 70% to mitigate the disruption caused by the outbreak, and will utilise the various government support schemes available.

FINANCIAL REVIEW

2019 was another year of profitable growth for the Group, with 10.2% (FY18: 7.5%) sales growth delivering 11.0% (FY18: 57%) of growth in profit after tax and 16.3% (FY18: 3%) increase in adjusted earnings per share. We remain committed to delivering our growth through a self-funded programme of investment, and in 2019 we delivered a positive cash inflow whilst paying a dividend of 3.7p and delivering a strong investment programme for future profit delivery.

We refinanced the business in 2019 with a larger and more flexible revolving credit facility of £25m at a lower cost of financing. This protects the business for the future with a high level of headroom for future investments or to insulate against unexpected risks.

Overall the business has demonstrated rigour and discipline in its investment programme and has delivered sales and profit growth without stretching indebtedness.

A DISCIPLINED APPROACH TO CAPITAL ALLOCATION ENSURES GOOD CASH FLOW AND STRONG RETURNS

ANTONY SMITH, CHIEF FINANCIAL OFFICER

Financial summary

£000	52 weeks to 29 December 2019	52 weeks to 30 December 2018
Revenue	**84,122**	76,350
Cost of sales[1]	**(10,387)**	(8,814)
Gross margin	**73,735**	67,536
GP%	**87.7%**	88.5%
Total operating costs	**(40,855)**	(38,910)
Centrally allocated overheads	**(3,155)**	(2,994)
Support office	**(6,157)**	(5,080)
Group adjusted EBITDA[2]	**23,568**	20,552
Profit on share of joint venture	**10**	—
Depreciation and amortisation	**(7,379)**	(6,396)
Net interest	**(788)**	(693)
Group adjusted profit before tax[2]	**15,411**	13,463
Exceptional items	**(2,391)**	(1,701)
Loss on disposal of assets	**(932)**	(634)
Amortisation of acquisition intangibles	**(293)**	(459)
Profit before tax	**11,795**	10,669
Taxation	**(2,758)**	(2,527)
Of which: taxation attributable to Group adjusted profit	**(2,836)**	(2,665)
Profit after tax	**9,037**	8,142
Earnings per share		
Basic earnings per share	**13.9p**	12.5p
Adjusted basic earnings per share	**19.3p**	16.6p
Full-year dividend	**3.7p**	11.0p

1 Cost of sales and operating expenses are presented on the basis as analysed by management. Cost of sales in the financial summary are determined by management as consisting of the direct bar, food, vending, amusements and gaming machine related costs. Statutory costs of sales reflected in the statement of comprehensive income also include the staff costs but excludes security and machine license 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 and profit or loss on disposal of assets. Group adjusted profit before tax is defined as profit before exceptional items, profit or loss on disposal of assets and amortisation of acquisition intangibles. 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.

Revenue

	52 weeks to 29 December 2019	52 weeks to 30 December 2018
Revenue (£000)	**84,122**	76,350
Number of bowling centres	**45**	43
Like-for-like sales growth	**8.0%**	2.7%
Net new space sales growth	**2.2%**	4.8%
Total sales growth	**10.2%**	7.5%

Total sales grew by 10.2% to £84.1m (FY18: £76.4m). Like-for-like sales grew by 8.0% with net new space contributing 2.2% of growth. The new space is slightly lower than in previous years with only two 2019 centres compared to four in 2018 and with the 2018 sites having been acquired in the early part of the year.

Like-for-like sales have benefited from a weaker 2018 comparative due to the heatwave experienced in that year. Management estimates that this impact is c. 2%pts, and therefore the underlying like-for-like sales growth for 2019 is 6%, which is at the upper end of target for the year.

FINANCIAL REVIEW CONTINUED

Gross margin

Gross margin has reduced slightly in 2019 but remains high at 87.7% (FY18: 88.5%) reflecting the margin rich nature of the bowling sales. Whilst the slight shift in product mix from bowling to food and machines is slightly margin dilutive, these sales are principally add-on sales from customers already visiting, and also attract good margin. Therefore, a slight erosion in overall gross margin is not considered to be a cause for concern but rather an indication of the underlying health of our ancillary products and customer offering.

Sales growth in 2019 has been driven principally by a strong increase in footfall from existing centres (+6.4%) as well as new centres (+2.2%). This has been supplemented by a +1.7% increase in spend per head ("SPH"). Pricing was held stable in 2019 with the SPH growth resulting from our improved ancillary product offerings, with more customers choosing to play other amusements or to drink and eat with us. We have seen food sales and machine sales grow ahead of the core bowling product as customers have enjoyed a wider range of activities when they visit us. This shows the benefit of our focus on modernising our offering across the business.

Operating costs

Our operating costs have been well controlled throughout the year. Operating costs increased by 5.0% to £40.9m (FY18: £38.9m) which is half the +10.2% growth rate in sales. New centres have added to the costs, and increased labour has been deployed in line with the increase in customers to ensure good customer service and to deliver incremental bar and food sales. Overall, operating costs as a percentage of sales have reduced in the year as a reflection of the operational gearing that the business generates as it grows.

The business has continued to benefit from good property deals and rent re-gears and, whilst the portfolio of centres has now largely been re-geared following the IPO in 2017, the business continues to seek opportunities to improve its commercial position.

Support office costs

Support Centre costs grew by £1.1m (+21.2%) in the year as a result of an investment in activities to continue to drive customer innovation and like-for-like sales growth. We have guided that we anticipate overheads to persist at this new increased level going forwards as the business continues to maximise its market opportunities for growth.

Principal increases in support costs this year have been: developing and trialling a new menu; negotiating an improved drinks contract delivering lower costs for the next three years; investing in an enhanced operations structure to maximise centre performance; and an increased spend on customer marketing communications and managing our online offering. Each of these elements has contributed to like-for-like growth in 2019. We have also been able to pay a modest bonus for central colleagues and centres, equivalent to around 0.9% of EBITDA, in recognition of the strong growth in sales and EBITDA.

Group adjusted EBITDA

Group adjusted EBITDA has increased by 14.7% to £23.6m (FY18: £20.6m). Like-for-like sales have been the principal driver of this profit growth, as well as the cost reductions generated through Pins & Strings and rent re-gears. The model is efficient, with £7.7m of incremental sales generating £3.0m of additional EBITDA; a conversion rate of 39%, well ahead of the business underlying margin of 28.0%.

Depreciation and amortisation and capital expenditure

Depreciation and amortisation in 2019 was 15.3% higher than last year at £7.4m (FY18: £6.4m) as a result of the ongoing investment in the business in modernising our asset base. Maintenance capital spend, on items that are direct replacements and not customer facing, was £2.4m, with a further £6.4m of spend on inward investment and transforming the customer experience. This total investment in the existing estate at £8.8m is slightly higher than the overall depreciation reflecting an ongoing programme of overall improvement of our asset base. In addition, £2.6m has been invested in growing the estate through the acquisition and refurbishment of two new centres.

These additions to the asset base have been instrumental in generating a significant proportion of the overall sales growth and have resulted in an increase in the overall depreciation charge. Overall the increase in adjusted profit after tax is +11.9% which is in line with the growth in adjusted EBITDA and shows that the increased depreciation is proportionate to the overall business growth.

Finance costs

£000	**52 weeks to 29 December 2019**	52 weeks to 30 December 2018
Interest on bank debt	**(277)**	(197)
Amortisation of bank financing costs	**(56)**	(67)
Finance lease interest charges	**(282)**	(187)
Other finance costs	**(173)**	(242)
Net interest	**(788)**	(693)

Net interest has increased by £0.1m (+13.7%) in the year. This is proportionate to the +14.1% increase in net debt to £12.2m at the year end. The interest in bank net debt in the final quarter has benefited from the improved financing costs from our new revolving credit facility agreed during Q3 2019. This revised facility offers a £25m revolving credit facility which can be drawn at any time providing banking covenants are met. The margin and arrangement fees are both significantly lower than the previous facility, reflecting the ongoing progress of the business and its enhanced financial position.

Group adjusted profit before tax

Group adjusted profit before tax has increased by £1.9m to £15.4m. This is a 14.5% increase, in line with the +14.7% increase in Group adjusted EBITDA and comfortably ahead of the sales growth of 10.2%.

Exceptional items

£000	**52 weeks to 29 December 2019**	52 weeks to 30 December 2018
Provision for updated HMRC guidance	**822**	—
Redundancy and restructuring costs	**643**	385
Costs relating to acquisitions and one-off lease changes	**926**	1,316
Total exceptional costs	**2,391**	1,701

Three elements of exceptional spend have been identified in 2019 resulting in a charge of £2.4m, of which £1.4m is a cash outflow with the balance being a movement in provision.

Recent case law in 2019 based on a company in a somewhat similar industry has led the business to review how that ruling may apply to the bowling sector. The Group has proactively engaged with HMRC in this matter. Whilst there is a range of possible outcomes, until a final position has been agreed, a provision of £0.8m has been made to cover any potential tax settlement and associated fees.

The new management team reviewed the senior leadership, central and operations structures during 2019 which resulted in some redundancies and one-off costs to move to a new structure. These costs included redundancy payments for some central staff and specific centre staff, technicians being made redundant due to the implementation of Pins & Strings, as well as some costs of change in the office infrastructure.

Costs relating to acquisitions and one-off lease changes have been incurred in relation to the two centre acquisitions in 2019 and the formation of a joint venture with Houdini's Escape Room Experience Ltd. In addition, the Group completed its review of the property lease portfolio to take advantage of changes in the property market which have made Tenpin an attractive tenant for landlords and has incurred fees in respect of the signing of these new lease agreements. It is anticipated that the Group will not incur further re-gear costs through exceptional items going forward.

Disposal of assets

The business has continued the rollout of the latest technology of bowling pinsetters, referred to as Pins & Strings. When these are installed, it results in a non-cash loss on disposal of the existing pinsetters and in 2019 this loss was (£0.7m), slightly higher than in 2018 when the loss was (£0.6m). Although the programme does result in this non-cash loss, the technology generates a significant return on investment from reduced costs and an improved customer experience. The business will continue with a full rollout of the new technology, with further losses expected in FY20 as the final old pinsetter assets are eliminated from the estate.

Amortisation of acquisition intangibles

The amortisation of acquisition intangibles charge was £0.3m (FY18: £0.5m) with the decline arising from the amortisation of customer lists to nil.

Taxation

The tax charge for the year is £2.8m (FY18: £2.5m) which is higher due to the increase in profit before taxation to £11.8m (FY18: £10.7m). The tax charge amounts to 23.4% (FY18: 23.7%) of profit before tax compared to the statutory tax rate of 19% due to certain exceptional costs not being allowable for tax purposes. Taxation attributable to Group adjusted profit before tax is £2.8m (FY18: £2.7m) at an effective tax rate of 18.4% (FY18: 19.8%) which is more in line with the statutory tax rate.

Profit after tax

Profit after tax increased 11.0% to £9.0m (FY18: £8.1m).

Number of shares and earnings per share

The number of shares remains unchanged at 65,000,000. Earnings per share were 13.9p, up 11% from last year's 12.5p. Adjusted earnings per share were up 16.3% to 19.3p (FY18:16.6p).

FINANCIAL REVIEW CONTINUED

Dividends

The Board is not recommending a final dividend for the year due to the potential impact of Covid 19 and will instead conserve the cash to assist trading. Thus the full-year dividend will remain at 3.7p per share. The Board will review the dividend policy again once the Group resumes normal trading and has sufficient cash resources to support the Group's strategic plans.

Balance sheet

£000	**As at 29 December 2019**	As at 30 December 2018	Movement
Assets			
Goodwill and other intangible assets	**30,314**	29,014	1,300
Property, plant and equipment	**47,248**	41,717	5,531
Inventories	**1,297**	1,505	(208)
Trade and other receivables	**4,929**	4,307	622
Cash and cash equivalents	**2,188**	5,298	(3,110)
	85,976	81,841	4,135
Liabilities			
Finance lease liabilities	**(8,109)**	(6,467)	(1,642)
Bank borrowings	**(6,109)**	(9,412)	3,303
Trade and other payables & provisions	**(11,505)**	(8,487)	(3,018)
Other liabilities	**(3,342)**	(2,567)	(775)
	(29,065)	(26,933)	(2,132)
Net assets	**56,911**	54,908	2,003

Net debt analysis

£000	**As at 29 December 2019**	As at 30 December 2018	Movement
Closing cash and cash equivalents	**2,188**	5,298	(3,110)
Bank loans	**(6,250)**	(9,500)	3,250
Bank net debt	**(4,062)**	(4,202)	140
Finance leases	**(8,109)**	(6,467)	(1,642)
Statutory net debt	**(12,171)**	(10,669)	(1,502)

Cash flow

£000	**52 weeks to 29 December 2019 £000**	52 weeks to 30 December 2018 £000	Movement
Cash flows from operating activities			
Group adjusted EBITDA	**23,568**	20,552	3,016
Maintenance capital	**(2,369)**	(2,417)	48
Movement in working capital	**1,829**	2,020	(191)
Finance lease and taxation payments	**(5,325)**	(5,313)	(12)
Free cash flow	**17,703**	14,842	2,861
Dividends paid	**(7,150)**	(6,500)	(650)
Cash flow available for investment	**10,553**	8,342	2,211
Inward investment	**(4,183)**	(4,109)	(74)
Transforming customer experience	**(2,198)**	(250)	(1,948)
Expanding the estate	**(2,618)**	(6,030)	3,412
Exceptionals & share based payments	**(1,414)**	(1,726)	312
Cash flow after investment	**140**	(3,773)	3,913
(Repayment)/draw down of debt	**(3,250)**	3,500	(6,750)
Opening cash and cash equivalents	**5,298**	5,571	(273)
Cash and cash equivalents – end of period	**2,188**	5,298	(3,110)

Financing arrangements

In September 2019 the Group entered into a new Bank Facility Agreement with its bankers, Royal Bank of Scotland ("RBS"). The facility consisted of a £25m revolving credit facility which includes a £2m overdraft facility that has been separately carved out and replaces the prior facility that was in place with RBS. The facility is for three years and incurs a margin of 1.4% plus LIBOR and has the same key terms and security arrangements as the prior facility. The facility does have associated covenants but in the light of the current Covid-19 closures the bank has formally waived all covenant testing until June 28th 2021 at the earliest.

The Group also finances certain acquisitions by entering into finance leases with the suppliers. The Group has finance leased its gaming machine estate with Bandai Namco Europe Limited since 2014 with the balance at the end of FY19 amounting to £7.3m. It also has finance lease arrangements for centre Wi-Fi equipment and coffee machines amounting to £0.5m.

The Group has additional liabilities related to its obligation to the landlords for the renting of the property that the centres trade from. The Group has 45 (FY18: 42) operating leases and one (FY18: one) finance lease related to its trading sites. The rental related to these properties amounted to £11.9m (FY18: £11.8m) with the total commitment being the current rent until the end of their leases which amounts to £197.4m (FY18: £182.8m), with the increase arising from the acquisition of Falkirk and Southport, entering a new lease for Manchester Printworks and the re-gears at four sites where the terms of the leases were extended leading to the increase in the average lease length to 16.3 years from 15.8 years. These operating leases will be treated according to IFRS 16 in the next financial year and this is explained in more detail below.

IFRS 16

The Group's financial year commenced on 31 December 2018 and the adoption of IFRS began for year ends commencing on 1 January 2019. The Group has not early adopted this standard and the financial statements for FY19 have been prepared based on the application of IAS 17 and the Group will adopt IFRS 16, the new financial reporting standard for leases, for FY2020. IFRS 16 has no impact on the running of the Group and there will be no change to the Group's cash flows. IFRS 16 does, however, have an effect on the assets, liabilities and income statement of the Group, and there are also changes to the classification of cash flows relating to lease contracts. IFRS 16 permits a choice on the method of implementation and, after careful consideration, the Group has decided to adopt the modified retrospective approach. This adoption means that all prior year comparatives are not restated, but the cumulative effect of adoption is recognised as an adjustment to reserves in the opening balance sheet for FY2020. More detail on the impact of IFRS 16 on our FY2020 financial statements can be found on pages 81 and 82 of the financial statements.

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 29 December 2019. The basis for preparation is outlined in the accounting policies to the financial statements on page 81.

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 89.

Principal risks and uncertainties

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

It is worth noting in particular the risk associated with Covid-19. At the time of signing all sites in the Group are closed due to the ongoing international pandemic. The business has taken significant actions to conserve cash, raise financing and work with the banks to ensure liquidity is available. These actions, described in the CEO's Operating Review mean that the Directors are confident that the business has sufficient liquidity to continue closed for well over 12 months. Therefore these accounts have been prepared on a Going Concern basis.

Antony Smith
Chief Financial Officer
13 May 2020

LONG-TERM VIABILITY STATEMENT

Strategic planning process

As explained on pages 20 and 21 for the business model and pages 7 to 9, the strategy revolves around the three key pillars, being inward investment, transforming the customer experience and expanding the estate. The successful delivery of these pillars will drive the business forward and ensure it is viable entity going forward. The development and review of the strategic plan is thus an important process and a key task of the Board.

The Board meets annually to discuss the strategy of the Group and this year met in October to discuss and agree the plan for the next three years. The strategy day included:

- an industry and business overview from our brokers, Peel Hunt;
- a review of the three key pillars and the drivers of growth in each of the pillars;
- a review of the people in the team to deliver the strategy;
- a presentation of new expansionary opportunities available to the Group by an external consultant; and
- a review of the three year financials driven by the planned developments and growth opportunities discussed in the above.

After the approval of the Strategic Plan, this then formed the base for the detailed review of FY20 and the development of the FY20 budget that was approved by the Board in November.

Assessment of viability

In accordance with the UK Corporate Governance Code (the "Code"), the Directors have assessed the Group's prospects and viability over a three-year period to 1 January 2023. 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 investment capex; and
- principal risks and uncertainties.

These were extended as part of the Group's three-year plan forecasts and appropriate stress testing 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 stopped. The -5% like-for-like scenario was the most stressing test and required minor mitigating actions around cashflows in the third year. Separate scenarios have been reviewed as part of the impact of Covid 19 and these are discussed in the next section as part of the Group's review of its going concern. 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 1 January 2023.

Going concern

In assessing the going concern position of the Group, and the Company, for the Annual Report and the financial statements for the year ended 29 December 2019, the Directors have considered the Group's cash flows, its banking facilities, liquidity and business activities. At 29 December 2019, the Group had cash balances of £2.2m and undrawn financing facilities of £18.7m which are available for general corporate purposes, including but not limited to funding new sites, dividend payments, working capital and capital expenditure.

Based on the Group's forecasts, the Directors have adopted the going concern basis in preparing the Financial Statements. The Directors have made this assessment after consideration of the Group's cash flows and related assumptions and in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting 2014 published by the UK Financial Reporting Council.

In making this assessment the Directors have made a current consideration of the potential impact of the Covid-19 pandemic on the cashflows and liquidity of the Group over the 2020 financial period. This assessment has taken in to account the current measures being put in place by the Group to preserve cash and reduce discretionary expenditure during this period when the Group has needed to temporarily close all of its sites as a result of enforcement action by the UK Government as well as reductions in revenues resulting from changes in the behaviours of customers both before and after the closure. The Group's financial modelling has tested several scenarios in particular a downside scenario of full closure for the next 12 months. Other scenarios tested have been a mix of closure and periods of reduced trade than it would have otherwise expected during the 2020 financial year both during the period of any closure and thereafter.

The downside scenario is run until August 2021 when the cash facilities will eventually run out. The scenario over this period assumes full closure of sites to the public resulting in zero income, includes furlough relief from the Government's Coronavirus Job Retention Scheme (CJRS) with no top up from the Group, relief from business rates and deferrals of VAT and corporation tax. In addition, the Group has identified self-help initiatives by working with suppliers and landlords to reduce the cost base in the short term and in the downside scenario assumes that these initiatives would carry on if the business remained closed until August 2021. To save further cash resources in the scenario, the Group assumes that it does not expend new capital investment or pay dividends. The Group has also raised £5.0m in cash resources from its shareholders after completing the Placement announced on 25 March 2020 which is included within the scenario. The CJRS support is vital in the downside scenario and if it were not available then the Group would have to make staff redundant in-order to save cash. A redundancy scheme would generate cash outflows but if these were factored into the downside scenario the Group would still have sufficient cash resources for the next 12 months. In the downside scenario the Group will breach its financial covenants with the Bank from the third quarter of the 2020 financial period going forward. The Group has a leverage covenant and a fixed charge covenant which are both related to a 12 month EBITDA. However, the Bank have provided the Group with a waiver letter, setting aside any potential breaches of the financial covenants until the letter expires on 28 June 2021.

Using a mixed scenario of closure and then re-opening, the business can run at approximately 26% of the level of trade of the prior year for the next 12 months and still have sufficient liquidity within its £25m debt financing facilities to remain viable. As this is a trading scenario it does not include the CJRS support and thus includes strong actions to reduce salary and wage costs, variable operating costs and overheads by around 35% to provide the level of savings that allow the business to be viable at this level of trade for the next 12 months.

The Directors have assessed the combination of these various options and the impact of a potential liquidity shortfall in the event of a longer period of impact from the Covid-19 pandemic and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months. For these reasons, they continue to adopt a going concern basis for the preparation of the Financial Statements. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group and Company were unable to continue as a going concern.

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

Antony Smith
Chief Financial Officer
13 May 2020

CASE STUDY
EXPANDING THE ESTATE
FALKIRK, SCOTLAND

Last year we introduced Falkirk to the Tenpin family. This was a site operated by the landlord that was in need of a significant level of investment.

We acquired the site for nil consideration in exchange for a leasehold agreement and we have used our bowling expertise and strategic partnerships to refurbish the site to a high standard. The site reopened in late 2019 and was welcomed by the local community as a modern and safe environment for local people to enjoy competitive socialising together.

The refurbishment capital was considerably lower than the usual total cost of acquisition and the transformation has been significant. We have already seen a fourfold increase in sales at the site and are projecting returns to be in excess of 30% in 2020.

This is a great example of how a local investment in a neglected local amenity can deliver immediate and significant benefits both for the local community and for the Group.

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:

1. 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. Our focus in 2019 has been a continued reduction in our energy usage, and our CO_2 emissions per site reduced by 19.4% (2018: 15.2%). In addition, the Group continues to demonstrate environmental care 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.

19.4%

REDUCED CO_2 EMISSIONS PER CENTRE IN 2019

2. 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 as well as support with health and wellness through a third-party provider. 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. During the current uncertainty in relation to Covid-19 the Group has paid particular attention to employees' wellbeing. The Government's Coronavirus Job Retention Scheme (CJRS) has meant that 99% of employees have been furloughed. We maintained employees' pay at 100% until the end of April. In May we moved to the Government supported 80% and in so doing have avoided making any redundancies to date.

97%

OF EMPLOYEES PARTICIPATED IN TALENT TALKS

3. Charity and work within the community

The Group encourages employees to support charities they care about both nationally and locally in the form of events and fundraising at site level. The Group is also reactivating its relationship with a Company-wide nominated charity in 2020. 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. We are extremely proud of our colleagues and their support for their local communities during the Covid-19 pandemic. We have seen wonderful examples of our employees using their time while we are closed to support local charities, volunteer for the NHS, shop for vulnerable neighbours and bake cakes and treats for local hospital staff. When the business reopens we are looking forward to giving NHS staff free bowling for them and their families and friends in our centres across the UK.

FREE

BOWLING FOR NHS AND SERVICE PERSONNEL

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4. Social

Bowling is a fun, family-oriented activity that encourages people to be active and promotes enjoyable social time together. Our sites provide drink and food as part of the experience and we understand the focus on diet and wellbeing. We are passionate about our food and strive to always provide the best quality food to our customers, introducing a new improved menu at a number of our centres. 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.

>1,000

EMPLOYEES USING YAPSTER TO COMMUNICATE

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

Greenhouse gas emissions

Greenhouse gas ("GHG") emissions for FY19 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: 557.9 (2018: 465.7) tCO_2e

Scope 2 emissions: 3,256.3 (2018: 4,041.7) tCO_2e

Total scope 1 and 2 emissions: 3,814.2 (2018: 4,507.4) tCO_2e

Intensity ratio: (tCO_2e per centre): 84.76 (2018: 105.2)

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

Achievements for 2019 include:

- celebration of success with colleagues through team lunches; an all-site five-a-side football tournament; and a Company awards event recognising the top performers;
- employee engagement delivered a consistent +85% (2018: 88%) engagement score;
- revision of the new appraisal process with over 97% participation leading to a comprehensive talent map of the entire population;
- clear learning and development strategy with a focus on leadership development;
- taking employee training online – to be delivered in 2020;
- Company-wide rollout of a communication app to engage with every team member;
- introduction of monthly "town halls" with clear cascade of key messages; and
- launch of additional products to complement our reward and recognition strategy.

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 below:

	Female	Male	Total
Board	1	7	8
Managers	70	98	168
Staff	629	405	1,034
Total	**700**	**510**	**1,210**

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 414C (11) of the Companies Act 2006. The below table, and information it refers to, is 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 & safety on page 55
Employees	Diversity, gender pay gap, Health & Wellbeing Strategy	See stakeholder engagement on pages 18 and 19 and pages 38 and 39 of the corporate social responsibility statement
Human rights	Slavery and Human Trafficking Statement, Whistleblowing policy, Data Protection policy	Slavery and Human Trafficking Statement on page 40, whistleblowing on page 55
Principal risks	Risk Register	Risk management and internal control statement on pages 27 and 54, Principal risks on pages 28 and 29
Business model		Our business model and strategy are described on pages 20 and 21 and 7 to 9
Non-financial key performance indicators		Our non-financial KPIs are explained on page 25
Anti-corruption and anti-bribery	Bribery Act policy and audit services	Page 55 for internal and external audit services and Bribery and Anti-Corruption policy

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

Duncan Garrood
Chief Executive Officer
13 May 2020

CORPORATE GOVERNANCE

CHAIRMAN'S INTRODUCTION

NICK BASING, CHAIRMAN

DEAR SHAREHOLDERS

I am pleased to introduce our Corporate Governance Report on behalf of the Board. I have continued to focus on high standards of corporate governance as we believe it is important that the governance structure supports the success of the Company's strategy and creation and preservation of shareholder value to benefit all stakeholders.

2019 was the first full year for our CEO, Duncan Garrood, and our Audit Committee Chair, Adam Bellamy, who both joined at the end of 2018. Our CFO, Antony Smith, also joined in March 2019 and has now been in the business for a year. These were big changes to the Board, but these new members have grasped the opportunity with both hands and have been very enthusiastic members of the team and have embedded well into the Board.

Key governance developments during the reporting period

The Board is committed to reporting against the UK Corporate Governance Code 2018 (the "Code") by the Financial Reporting Council 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). The principal steps we have taken this year to address other elements of the 2018 Code and other corporate governance developments include:

- reviewing and amending all Board and Committee terms of reference to reflect the requirements of the 2018 Code;
- agreeing the division of responsibilities between the Chairman, Senior Independent Director and Group Chief Executive;
- strengthening the Group's Whistleblowing Policy and reporting procedures (see page 55);
- improving reporting on how we engage with our key stakeholders and take account of their views in decision making (see pages 18 and 19); and
- continuing to improve upon the measures we take across the Group to guard against modern slavery.

Other activities in 2019

The Board is active, visiting many parts of the business and engaging with our colleagues, principal shareholders and other key stakeholders. Some of the other principal areas pertinent to good governance are set out below.

Culture, values and ethics – The Board is very aware of the importance of aligning business strategy with the Company's culture, values and ethics and on ensuring that good standards of behaviour permeate all levels of the organisation to support our long-term success. For more information on engagement with employees and other key stakeholders – see pages 18 and 19.

Meeting our investors – The Company maintains a comprehensive investor relations programme, designed to ensure that our Executive Directors meet with investors and analysts regularly, supported when appropriate by myself and other members of the Board. We carried out a series of investor roadshows during 2019 and received positive feedback for each event and see them as a valuable opportunity to understand the views of our major investors and develop constructive relationships with them – page 18.

Board balance – The Board believes the balance of Executive and independent Non-Executive Directors remains appropriate having regard to the size and nature of the business. In addition, the combination of the experience, diverse backgrounds, length of service and calibre of the Non-Executive Directors further enhances this balance and the ability to deliver the Group's strategy.

The names, roles and responsibilities of the Directors are detailed on pages 44 and 45 and the recruitment process is explained on page 50.

Independence of Directors – The Board reviewed the independence of all Non-Executive Directors (excluding the Chairman and Christopher Mills) and determined that they all continue to be independent.

Succession pipeline – The Board reviewed and discussed the formal plan put forward around succession planning for the Executive team which was topical after the recent change in the CEO and CFO.

Board activity in 2020

To date in 2020, the Board has focused on delivering the long term liquidity of the business in response to the Covid-19 pandemic. The Board has prioritised cash management and conservation, securing deals with landlords and suppliers to protect the business and ensuring that all of its employees have been kept safe and treated fairly during the furloughing process. As part of this, the Board approved the Placement of 3,250,000 ordinary shares on 25 March 2020 to raise an additional £5m in cash resources. As the Covid-19 pandemic develops, the Board is changing its usual working practices to meet through remote working, holding meetings by telephone and video conference, as permitted by the Company's Articles. The Board has also focused on preparing the year end results and Annual Report and Accounts, together with standing agenda items which include operational updates and governance matters.

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

Nick Basing
Chairman
13 May 2020

UK Corporate Governance Code – Compliance

The UK Corporate Governance Code 2018 applies to companies with accounting periods commencing on or after 1 January 2019. As the Company's period commences on 31 December 2018, it is not obliged to apply the Code but the Company as good practice has tried to comply with all of the main principles and provisions of the Code as they apply to it as a "smaller company" (defined in the Code as being a company below the FTSE 350) except as indicated below:

Provision explanation

Provision 5 – For engagement with the workforce the Board has not appointed a Director from the workforce, created a formal workforce advisory panel or selected a designated Non-Executive Director. The three Executive Directors spend time out at sites, meeting and engaging with the team. The Chairman of the Group visited the support centre regularly in 2019 and visited eight sites, discussing the business with the management teams and colleagues. This is a vital process to obtain feedback on what they would like to see the business stop, start and continue. This provision will be reviewed further by the Board in the next financial year to determine the best approach to take.

Provision 9 – The Chairman was not independent on appointment. However, he provides a wealth of experience in the industry and gives strong continuity to the continued transition from a private company to a listed company, particularly in a year of significant changes in the Executive Management. The Board also includes three independent Directors to provide balance to the governance of the Group.

Provision 11 – At least half of the Board should be Non-Executive Directors whom the Board considers to be independent. As reflected on pages 48 and 49 the Board consists of three Executive Directors, three independent Non-Executive Directors and two Non-Executive Directors. The two Non-Executive Directors, though not independent, consist of a Chairman with a wealth of experience in the industry that can guide the Board in the right direction and a Director who represents the largest shareholder and thus ensures the Board is always aware of the interests of its investors. We believe that this is a well-balanced Board with a strong combination of Executive skills; independent challenge and industry knowledge and this balance provides effective control of the business.

Provision 36 – Share awards granted as part of the remuneration policy should have a vesting or holding period of five years and the Remuneration Committee should develop a formal policy for post employment shareholding requirements encompassing both unvested and vested shares. The LTIPs granted in 2019 have a vesting period of three years which was maintained as the CEO and CFO were new to the business and had not participated in any of the previous schemes. The business remains in a high growth phase and sets stretching targets for its Executives to deliver. The rapid nature of the growth means that the Board deems the timescale of the current schemes to be appropriate.

BOARD OF DIRECTORS

NICK BASING
NON-EXECUTIVE CHAIRMAN

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

Committee membership
N

Experience, skills and qualifications
Nick is an experienced industry leader in public and private equity, with over 30 years in the consumer and leisure industry. Nick oversaw the turnaround and rapid expansion of Paramount restaurants plc (subsequently Paramount Holdings), where he was chief executive officer for over six years, before its private sale. Prior to that, he held a number of senior management positions with leading companies such as Rank, First Leisure, Granada and Unilever. He was appointed to the board of Essenden plc, the early forerunner to TEG plc, as chief executive officer on 18 August 2009, then become Chairman of IB Equity in 2015, whilst it was majority owned by Harwood Capital. In recent years, he has also served as a non-executive director on the board of the following companies: Brakes Brothers Holdings Ltd, Elegant Hotels Group plc and "The Championships, Wimbledon". He is currently a founding Operating Partner of bd Capital LLP, an Operating Adviser to Harwood Private Equity, Deputy Chairman of the Advisory Board to GrowthDeck LLP, and a principal investor and board adviser to WePlay Ltd, a European wide sports digital marketing agency. 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.

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. He also serves on the boards as a non-executive director of Eathos and the Chairman of Small Beer Brew Co.

ANTONY SMITH
CHIEF FINANCIAL OFFICER

Appointed to the Board
Antony was appointed as Chief Financial Officer on 1 April 2019.

Committee membership
–

Experience, skills and qualifications
Antony is a member of the Chartered Institute of Management Accountants ("CIMA"). He qualified in industry working across a variety of sectors in roles spanning Financial Control, Strategic Management and Reporting and Planning. He most recently served as Finance Director of Wickes, the retail division of Travis Perkins PLC, overseeing a strategic transformation programme to refurbish the retail estate and grow the online performance to create a truly omnichannel business. This resulted in 23% growth in sales and a significant increase in operating profit. Prior to his six years at Wickes, Antony spent ten years at RHM plc and Premier Foods plc as Director of Finance for Hovis and latterly in a central role overseeing a refinancing programme and finance transformation. Antony holds a Masters in Natural Sciences from the University of Cambridge. He was appointed as Chief Financial Officer on 1 April 2019.

GRAHAM BLACKWELL
CHIEF COMMERCIAL OFFICER

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

Committee membership
–

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

Committee membership 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.

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 Loungers plc and 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.

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

N

Experience, skills and qualifications

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

JULIE SNEDDON
NON-EXECUTIVE DIRECTOR

Appointed to the Board

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

Committee membership

A R N

Experience, skills and qualifications

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

Board Knowledge Matrix

	N Basing	C Mills	D Wild	A Bellamy	J Sneddon	D Garrood	A Smith	G Blackwell
Leisure and Hospitality	●	–	–	●	●	●	–	●
Digital/Omnichannel	●	–	●	–	●	–	–	●
Consumer Relationship	●	–	●	–	●	●	–	●
Supplier/Partner Management	●	–	●	–	●	–	–	●
Operating finance/Accounting	–	●	–	●	–	–	●	–
Corporate Strategy	●	●	●	●	●	●	●	–
M & A	●	●	●	●	–	●	●	●
Quoted Market Governance	●	●	●	●	–	–	●	–
Risk and Control	–	●	–	●	–	–	●	–
Technology and Systems	–	–	–	–	–	–	–	●
Shareholder Management	●	●	●	●	–	●	●	–
Employee Engagement	●	–	–	–	●	●	–	–
Multi Geographic Jurisdictions	●	●	●	–	●	●	–	–

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 ("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

Board decision making

As part of its decision making, the Board has regard to a variety of matters including the interests of various stakeholders, the consequences of its decisions in the long term and its long-term reputation in the marketplace. Each year, the Board holds a strategy session which considers future plans and initiatives for beyond the next 12 months. The Directors also review the Business Plan and Budget for the forthcoming year in detail. The Executive Committee attend these sessions and present to the Board on each of their respective departments to ensure the Board has all relevant information on behalf of stakeholder groups, such as environmental impact, community assessment via site appraisals, employee and member feedback, and any necessary communications, and to ensure that the Board's strategy is clearly communicated ahead of execution. To help reduce risk as part of decision making, the Audit and Risk Committee review all risks that the Company faces, which are not limited to those disclosed as principal risks in this report.

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 44 and 45. 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:

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

The Company does not comply with provision 11 of the Code as it applies to smaller companies that at least half of the Board should be independent Non-Executive Directors. 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 9 of the Code which requires that the Chairman should, on appointment, meet the independence criteria set out in provision 10 of the Code. The Chairman has been an employee of the Group within the last five years, has a material business relationship with the Company, and is a material shareholder of the business. 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 is the Chair of this Committee which also included David Wild 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 twice 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 and Julie Sneddon. The Remuneration Committee met four times during the year and will normally meet at least twice annually.

FY19 meeting attendance

Director	Independence	Main Board	Audit Committee	Nomination Committee	Remuneration Committee
Nick Basing (Chair)	NI	6/8		1/2	
Christopher Mills	NI	8/8		2/2	
David Wild (SID)	I	8/8	3/3	2/2	4/4
Julie Sneddon	I	7/8	3/3	2/2	4/4
Adam Bellamy	I	8/8	3/3	2/2	4/4
Duncan Garrood	Exec	8/8			
Antony Smith[1]	Exec	6/6			
Graham Blackwell	Exec	7/8			
Mark Willis[1]	Retired Exec	2/2			

1 Mark Willis resigned as CFO on 31 March 2019 and was replaced by Antony Smith on 1 April 2019.

Key: NI – Non-Independent I – Independent Exec – Executive Director

Board meetings and process

The Board met on eight 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 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.

In addition to formal meetings, the Chairman visits the Support Centre and has formal site visits for three three-day periods each year. This enables him to understand the progress against business strategy and understand the key dynamics of the business and to support the Executive Committee in delivering continued growth for the business.

The Board has met on a further two occasions to date in FY20, with key matters discussed including the approval of the 2019 Annual Report and financial statements.

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 and per the Code all members of the Board will be offering themselves for re-election at the Company's Annual General Meeting ("AGM") on 18 June 2020.

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 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, drivers of value in the business and 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 concern, 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

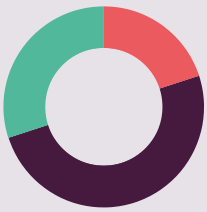
JULIE SNEDDON
CHAIR OF THE NOMINATION COMMITTEE

Chair
Julie Sneddon

Committee members
Adam Bellamy, David Wild, Nick Basing, Christopher Mills

Number of meetings held in the year
2

Committee activities



Appointments	20%
Board effectiveness	50%
Succession planning	30%

Attendance

Julie Sneddon	●	●
Adam Bellamy	●	●
David Wild	●	●
Nick Basing	○	●
Christopher Mills	●	●

Key
Attended ● Did not attend ○

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, and 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 consider the challenges and opportunities facing the Group and what skills and expertise will therefore be needed on the Board in the future.

Nomination Committee activities at the meetings held during the year ending 29 December 2019	February	Interim review	November
Appointments			
Interviews and appointment of CFO	●		
Review and probation process for CEO		●	
Review and probation process for CFO			●
Board effectiveness review			
Review of the effectiveness of the full Board	●		●
Review of reporting requirements for the year			●
Succession planning			
Review of requirements from the Code			●
Executive and senior management talent mapping			●
Succession planning			●

NOMINATION COMMITTEE REPORT CONTINUED

Activity

The Committee met twice during the period as well as conducting an interim review to approve the CEO's probation period. The focus was on Board effectiveness and talent mapping and succession planning for the Senior Executive. Principal focus areas in 2019 included encouraging the development of the internal talent pipeline, an evaluation of the Board's effectiveness and confirmation of the appointments of the CEO and CFO.

In 2019 the Committee followed up on the 2018 work on the Group's Board evaluation process. This work was facilitated by the Chair of the Nomination Committee in conjunction with the Chairman.

The 2018 findings and actions were reviewed in 2019 to assess the efficacy of any changes made to ensure that the Board's effectiveness had improved as a result of the work undertaken.

The Committee reviewed the internal succession planning of the Board's Executive Committee, and assisted in the restructure of the senior leadership team to ensure that the appropriate skills were in place to execute the strategy.

The Committee reviewed the process of internal succession planning and talent development for the management teams. 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
13 May 2020

AUDIT COMMITTEE REPORT

ADAM BELLAMY
CHAIR OF THE AUDIT COMMITTEE

Chair
Adam Bellamy

Committee members
David Wild, Julie Sneddon

Invitation
Nick Basing, Christopher Mills

Number of meetings held in the year
3

Committee activities

Financial statements	**50%**
Risk management	**30%**
External auditors	**20%**

Attendance

Adam Bellamy	●	●	●
David Wild	●	●	●
Julie Sneddon	●	●	●
Nick Basing	○	●	●
Christopher Mills	●	●	●

Key
Attended ● Did not attend ○

Annual statement by the Chair of the Audit Committee

I am pleased to present, on behalf of the Board, the Audit Committee report covering the role and 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. The Committee has continued to play an important role in the governance of the Group with its primary purpose 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 preparations for the adoption of IFRS 16 Leases, reviewing the Company's Annual Report for the period ended 29 December 2019, reviewing its 2019 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 and reviewing the internal audit reports for the two audits completed during the year. The below is a summary of the key matters reviewed by the Committee during the period:

Audit Committee activities at the meetings held during the year ending 29 December 2019	March	September	November
Financial statements and new accounting standards			
Review of the interim announcement and the Financial Statements and Annual Report for 2019	●	●	
Review of significant accounting policies and estimates in the year	●	●	
Going concern and viability statement assessment	●		
Fair, balanced and understandable assessment			●
Assessment of the impact of IFRS 16 Leases	●		●
Risk management and internal control			
Risk register and principal risks and uncertainties assessment			●
Review of internal audit function, requirements and internal audit reports		●	●
Health & Safety, whistleblowing and incident reporting		●	
Annual evaluation of the Committee's effectiveness			●
Review and approval of 2020 budget			●
External auditors			
External audit engagement, plan, budget and independence review			●
Review of interim and full-year audit reports	●	●	
Assessment of external audit effectiveness	●	●	●

AUDIT COMMITTEE REPORT CONTINUED

Significant accounting issues

The Audit Committee's review of the Annual Report for the period ended 29 December 2019 and the 2019 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.
- Reviewing the impairment assessments of the values of property, plant and equipment and goodwill for the Group and assessing the value of onerous lease provisions 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 and onerous lease assessments can be found in notes 10, 13 and 21 to the financial statements.
- Reviewing the HMRC provision including the background to new case law and guidance, assessing the value provided and the likelihood of its occurrence.

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.

Going concern, viability statement and Covid-19

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. In May 2020, the Committee considered the potential impact of the Covid-19 pandemic on the cashflows and liquidity of the Group, particularly in relation to the preparation of the Company's financial statements on a going concern basis and the assessment of the Group's viability. Appropriate financial modelling has been undertaken to support the assessment of the business as a going concern with the material uncertainty from Covid-19 and in support of viability.

The Company's going concern and viability statements are set out on page 36, and these show the approach taken and the conclusions made.

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.

New accounting standards

The Audit Committee dedicated a significant amount of time during FY19 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 reviews include understanding the different methods to be adopted, the contracts that fall under the standard and the discount rates to be applied in the calculations. The Group's financial year commenced on 31 December 2018, before the applicable date, and so the standard was not 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 will be adopted using the modified retrospective approach.

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:

- reviews of the Group's risk register;
- reviewing the system of financial and accounting controls, and considering the view of the external auditors in relation to the effectiveness of such controls;
- 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 audit committee also confirms that it has complied with the provisions of the Competition and Markets Authority's Order for the financial year under review and that it will continue to challenge management to further improve risk identification, evaluation and management processes across the Group.

Internal auditors

BDO UK LLP ("BDO") were appointed to the role as internal auditors at the end of FY17, when they commenced their first review. Their audit reviews are supplementary to the loss prevention and process audits, which are completed by internal roles with each site visited to perform process audits at least once per annum. The Committee has discussed and concluded that the best option for the Group is to continue to outsource this internal audit function.

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. During FY19 two internal audit reviews were carried out and covered the Group's approach to Health & Safety at both site and support centre level, with the second being a review of the payroll function and system. The Committee was presented the findings of both reports. Several improvements were identified as a consequence of the reviews, and these improvements have been 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.

Health & Safety and incident management

The Company operates an incident management policy at site level, recording incidents relating to health & 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 & Safety meetings are held by senior management monthly to understand incidents and to ensure compliance with or to update policies. These are attended by a risk adviser from our insurance brokers to provide the Company with a professional level of advice.

Whistleblowing

The Company has established procedures for employees to raise concerns, in confidence, relating to matters of financial reporting, financial control or other matters. The whistleblowing policy is applicable for all employees, who are made aware of the policy on joining the Company and are reminded of its availability through online portals and posters. A whistleblowing hotline is operated by an independent outsourced specialist, who provides direct escalation of incidents through the HR department and up to the Chair of the Audit Committee. No incidents were reported during FY19.

Bribery, fraud and anti-corruption

The Group has procedures in place to ensure compliance with the bribery Act 2011 and other relevant legislation including a bribery policy that has been reviewed and signed up to by all employees. Executive Board members with authority to place significant contract orders have received anti-bribery training and all Board directors acknowledge any conflicts of interest as part of each Board meeting held. The Group also reviews supplier terms and conditions for Bribery Act and tax evasion clauses and all payments to third parties must be supported by a valid invoice and segregated duties are in place in the finance team for approval and payment. Formal procedures are implemented for signing off gifts and hospitality accepted by colleagues.

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 was the last set of financial statements for which John Ellis acted as lead partner and Craig Skelton joined as the new lead partner as overseen by the Audit Committee.

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 Audit Committee Chair 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 Financial Reporting Council Ethical Standard 2016).

PwC provided non-audit related services to the Group, being the interim review and the review of the bank covenants. The external auditors are best placed to complete this work due to their knowledge of the Group. These services amount to £38,750 which represents 24% of the total fees to PwC and are not considered to be a threat to independence. These fees are reflected under audit-related services in note 5.

Annual evaluation

The Committee has made good progress during the year in strengthening governance and control infrastructures and will continue to work with the management team and the Board to ensure processes operate effectively to support the delivery of the Group's strategy. There have been no changes to the composition of the Committee and as a whole the Board has confirmed it believes the members have the 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
13 May 2020

DIRECTORS' REMUNERATION REPORT

DAVID WILD
CHAIR OF THE REMUNERATION COMMITTEE

Chair
David Wild

Committee members
Julie Sneddon, Adam Bellamy

Invitation
Nick Basing, Christopher Mills

Number of meetings held in the year
4

Committee activities

Bonuses awards and vesting review	50%
Remuneration policy	30%
Governance	20%

Attendance

David Wild	●	●	●	●
Julie Sneddon	●	●	●	●
Adam Bellamy	●	●	●	●
Nick Basing	○	●	●	●
Christopher Mills	●	●	●	●

Key
Attended ● Did not attend ○

Annual statement by the Remuneration Committee Chair

As Chair of the Remuneration Committee, I am pleased to present the report of the Board covering the policy and practice for the Company for the year ended 29 December 2019. 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 principles applied to setting the policy for Executive remuneration and the pay which has resulted for Executive Directors. We also set out the fees paid to the Non-Executive Directors and our approach for remuneration for FY20. 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 2019.

I am grateful for the dedication of the Committee members and of the TEG team who have supported us. In 2019 at last year's AGM, we were pleased to receive a 94.25% vote in favour of our Remuneration Report, endorsing our remuneration strategy. I would like to thank our shareholders and their representative bodies for their engagement and subsequent voting support.

As I write, the Committee is continuing to consider the impacts of Covid-19 on remuneration. Already as a Board, the Directors have agreed to postpone the annual review of fees and salary and LTIP grants for 2020. All Directors have also volunteered a 20% reduction in salary or fees for the second quarter of 2020.

Remuneration performance and outcomes

The annual bonus plan for Executive Directors was based on a target range 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. The Group achieved a Group adjusted EBITDA of £23.6m, a growth of 14.7% on 2018. This triggered a bonus payment of 17.2% of the potential achievable short-term bonus. This achievement of potential applied across the business for all members of the bonus scheme.

The earliest vesting date for awards made under the LTIP is FY20, being three years since the first awards were granted after the listing in 2017. Two of the three Directors who received awards under this scheme have left the Group and thus forfeited those awards; only Graham Blackwell holds awards that can vest. The awards issued were split based on two performance conditions, the first being adjusted earnings per share ("EPS") of the Group, which would cover 50% of the award and the second was total shareholder return ("TSR"), which would cover the other 50% of the award.

The minimum target for adjusted EPS was set at 21.08 pence. The actual performance was adjusted EPS of 19.19 pence (audited), therefore the EPS award will not vest. The TSR will be calculated against a comparator group of companies for the 30 days prior to the date the awards will vest to determine if the performance condition has been met.

The Committee is satisfied that the remuneration outcomes for the Executive Directors for FY19 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 2019 AGM in respect of the Annual remuneration report for the year ended 29 December 2019 is set out on page 59.

On behalf of the Board, I would like to thank shareholders for their support for the Company and I look forward to seeing you at the Annual General Meeting on 18 June 2020. 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
13 May 2020

The Remuneration Committee met on four occasions in FY19 and has met twice since the year end, with a focus on actions taken to preserve cash. The activities completed by the Committee in 2019 were as follows:

Remuneration Committee activities at the meetings held during the year ending 29 December 2019	February	March	May	November
Bonuses, awards and vesting review				
Review of FY2018 performance and bonus outturn and approval of Directors' bonuses for FY2018	●			
Approval of Directors' bonus KPIS/targets for FY2019 and FY2019 Pay		●		
Proposed 2019 LTIP performance targets			●	
Share plan awards and vestings			●	
Remuneration policy review				
Review of share schemes			●	
Review of Directors' Remuneration Report (including to ensure compliance with the Remuneration Reporting Regulations)	●			
Governance				
Review of 2019 AGM and Proxy Advisory comments				●
Updates on Corporate Governance developments				●
Review of the Committee's Terms of Reference				●

DIRECTORS' REMUNERATION POLICY

The Directors' remuneration policy was approved by shareholders on 9 May 2018 and will apply for a period of three years. The policy is available for inspection at the Group's registered office.

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;
- set appropriate performance conditions in line with the agreed risk profile of the business; and
- 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 below:

DIRECTORS' REMUNERATION REPORT CONTINUED

DIRECTORS' REMUNERATION POLICY CONTINUED

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 Antony Smith and £185,000 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 FY19. 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.

Long Term Incentive Plans ("LTIP")

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. The Committee has decided to add a third condition for awards in 2020 and going forwards being that the share price at grant date will be set as a base share price of which the share price when the awards vest must exceed. Awards are granted annually in the form of nil cost options, vesting at the end of a three-year performance period, which can at the discretion of the Committee be reduced in exceptional circumstances. The awards are subject to: the Executive Directors' continued employment at the date of vesting; and the satisfaction of the performance conditions. The award is 150% of base salary for the award granted, with a potential to increase to a maximum of 200% in exceptional circumstances.

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. These service contracts are available for inspection at the Group's registered office.

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 and do not receive pension contributions.

External board appointments

Where Board approval is given for an Executive Director to accept an outside non-executive directorship, the individual is entitled to retain any fees received. No Executive Directors are members of any external publically listed company boards.

Statement of conditions elsewhere in the Group

The Remuneration Committee considers pay and employment conditions across the Company when reviewing the remuneration of the Executive Directors and other senior employees. In particular, the Remuneration Committee considers the range of base pay increases across the Group.

The Committee supports the Board's initiative to implement a robust framework for employee engagement and regular communication, and is building its understanding of pay and benefits at all team member levels in the Group. The Company does not use remuneration comparison measurements.

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 at our Annual General Meeting held on 8 May 2019:

	Approval of Directors' remuneration report	
	Total number of votes	% of votes cast
For	47,074,037	94.25
Against	2,872,590	5.75
Withheld	111,717	—

Single total figure of remuneration (audited)

The table below sets out the single total figure of remuneration and breakdown for each Director in respect of FY19.

Director	Salary/fees £	Bonus £	Benefits[2] £	Pension £	**52-week period to 29 December 2019 £**	52-week period to 30 December 2018 £	Annual salary/fee £
Duncan Garrood	300,000	51,510	(2,877)	—	**348,633**	36,550	300,000
Antony Smith	158,015	34,340	(3,802)	7,693	**196,246**	—	200,000
Graham Blackwell	181,250	31,765	44	—	**213,059**	167,552	185,000
Nick Basing	135,000	—	5,807	—	**140,807**	141,432	135,000
Christopher Mills	50,000	—	—	—	**50,000**	50,000	50,000
David Wild	50,000	—	—	—	**50,000**	50,000	50,000
Julie Sneddon	50,000	—	—	—	**50,000**	50,000	50,000
Adam Bellamy	50,000	—	—	—	**50,000**	8,333	50,000
Alan Hand	—	—	—	—	**—**	293,125	—
Mark Willis[1]	59,738	—	801	2,987	**63,526**	210,740	—
Rob McWilliam	—	—	—	—	**—**	34,871	—
Total	1,034,003	117,615	(27)	10,680	**1,162,271**	1,042,603	1,020,000

1 Mark Willis resigned from the business in March 2019 and was replaced as CFO by Antony Smith.

2 These include medical aid net of deductions as part of the benefits offered to Executive Directors.

Of the three Executive Directors, only the CEO serves on the Board as a non-executive director of non listed external companies not related to the Group. He received remuneration totalling US$31,726.78 for his services at those companies.

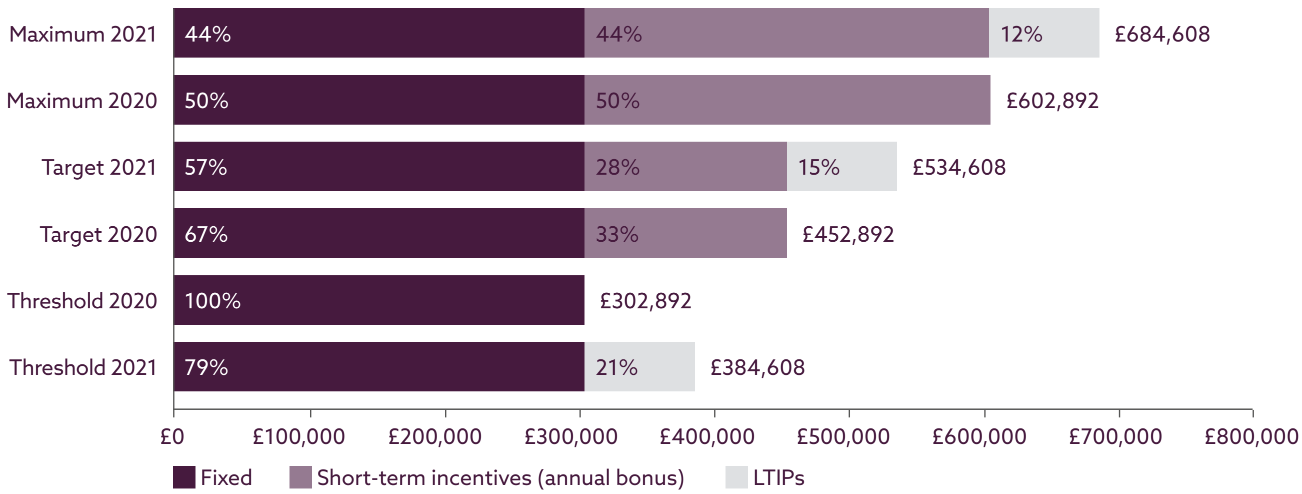
DIRECTORS' REMUNERATION REPORT CONTINUED

ANNUAL REPORT ON REMUNERATION CONTINUED

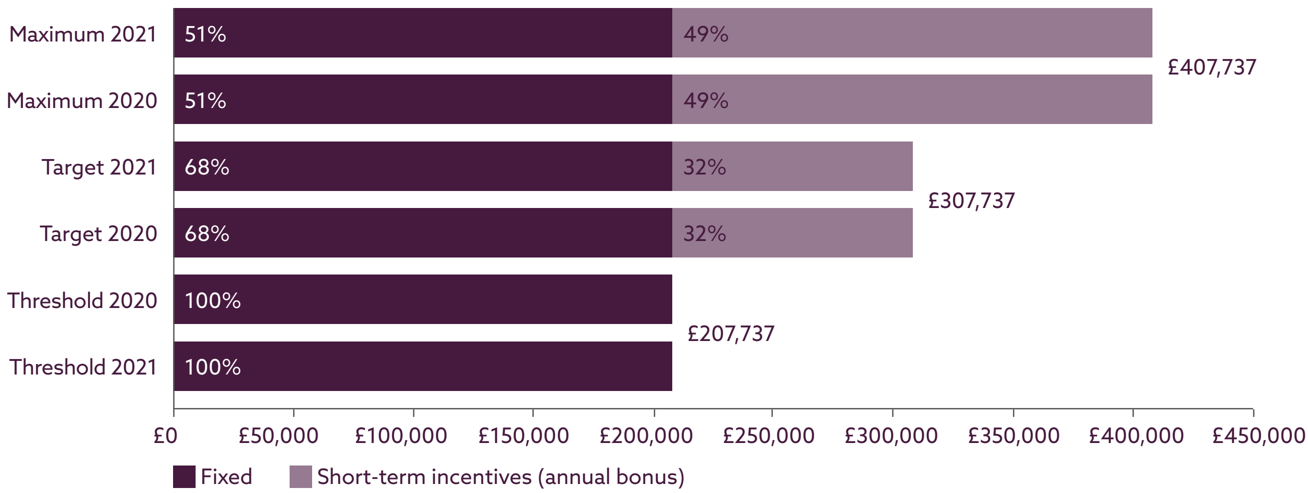
Performance scenarios

The graphs below set out performance scenarios for each Executive Director, for the years 2020 and 2021.

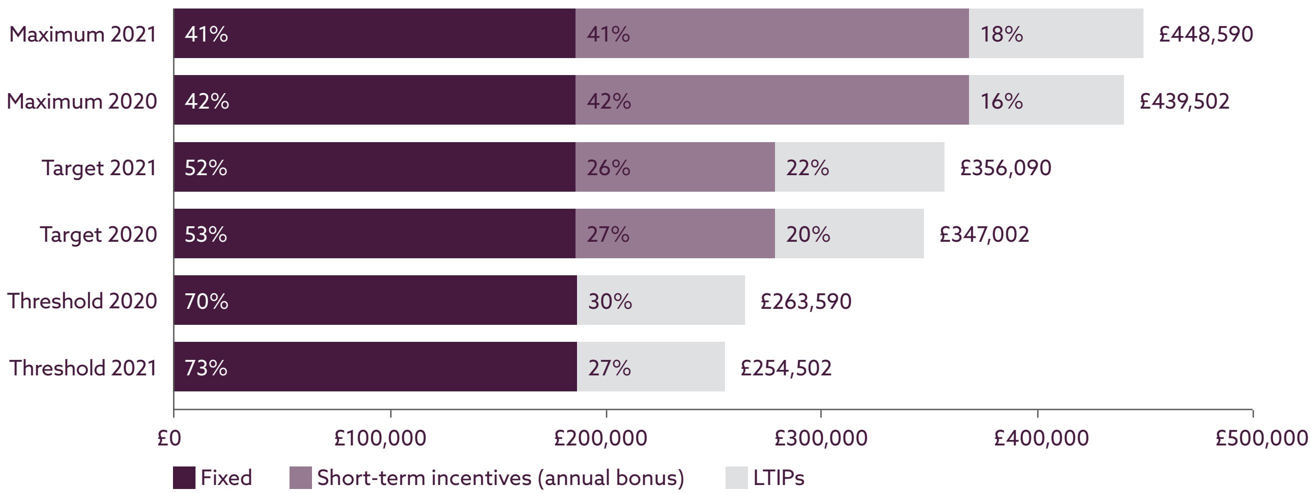
Chief Executive Officer



Chief Financial Officer



Chief Commercial Officer



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

Threshold performance – consists of fixed remuneration, no annual bonus and no vesting of LTIP awards
On target – fixed remuneration, 50 per cent annual bonus payout (50% of salary) and no vesting of LTIP awards
Maximum – fixed remuneration, 100 per cent annual bonus payout (100% of salary) and no vesting of LTIP awards

LTIP awards have been reflected as vesting for the CCO as his 2017 awards could be paid out in 2020 if the vesting conditions are met. The CEO and CCO also have 2018 LTIP awards that could vest in 2021 and could be paid out in 2021 if the vesting conditions are met. The CFO does not have any 2017 or 2018 awards to vest.

The fixed remuneration element is based on base salary effective for the year ended 27 December 2020, as set out on page 64, plus the pension and benefits paid in the year ended 29 December 2019, as set out in the table of Directors' remuneration on page 59.

Annual Bonus Plan

The incentive for FY19 was in the form of a bonus based on performance against a target scale to increase the Group's adjusted EBITDA. The scheme consisted of a threshold adjusted EBITDA target of £22.6m, scaling up to a maximum 100% payout if an adjusted EBITDA of £26.6m was achieved. The Executive Directors had a bonus opportunity of up to 100% of salary in respect of FY19 and the actual Group adjusted EBITDA of £23.6m results in a 17.17% bonus payment for the Executive Directors totalling £117,615 as reflected in the single total figure of remuneration table.

Performance Share Plan ("PSP") (Audited)

The Group issued Long Term Incentive Plans ("LTIPs") in 2017, 2018 and 2019. The below table reflects the Executive Directors' interests in LTIPs.

	Date of award	Vesting date	Awards as at 30 December 2018	Awarded	Exercised	Lapsed	**Awards as at 29 December 2019**	Grant price	Face value of 2019 awards
Duncan Garrood	11/12/2018	11/06/2021	111,940	—	—	—	**111,940**		
	20/05/2019	20/05/2022	—	200,000	—	—	**200,000**	£2.25	£450,000
Antony Smith	20/05/2019	20/05/2022	—	133,333	—	—	**133,333**	£2.25	£300,000
Graham Blackwell	22/05/2017	22/05/2020	193,939	—	—	—	**193,939**		
	11/06/2018	11/06/2021	95,149	—	—	—	**95,149**		
	20/05/2019	20/05/2022	—	123,333	—	—	**123,333**	£2.25	£277,500

LTIP awards granted in 2019

The following awards were granted to the Executive Directors on 20 May 2019:

Director	Position	Number of share awards granted
Duncan Garrood	Chief Executive Officer	200,000
Antony Smith	Chief Financial Officer	133,333
Graham Blackwell	Chief Commercial Officer	123,333
Total awards granted		**456,666**

DIRECTORS' REMUNERATION REPORT CONTINUED

ANNUAL REPORT ON REMUNERATION CONTINUED

LTIP awards granted in 2019 continued

In accordance with the PSP scheme announced on 20 May 2019, 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 2 January 2022 ("FY21"). 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 proportion of the awards vesting for the EPS proportion will be based on the following adjusted EPS targets in FY21:

2019 scheme	Vesting
Less than 25.65p	**0%**
25.65p	**12.5%**
25.65p–27.30p	**12.5%–50%**
More than 27.30p	**50%**

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 FY21 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.

LTIPs granted in 2017 vesting in 2020

As at 22 May 2017, 739,393 awards were granted to Executive Directors at a face value of 200% of salary and, following a three-year performance period ending on 29 December 2019, are due to vest on 22 May 2020. The vesting of awards is conditional upon the achievement of two performance conditions, being EPS which applies to 50% of the award and TSR which applies to the other 50%.

The proportion of the awards vesting for the EPS proportion are based on the following adjusted EPS targets in FY19:

2017 scheme	Vesting
Less than 21.08p	0%
21.08p	12.5%
21.09p–22.19p	12.5%–50%
More than 22.19p	50%

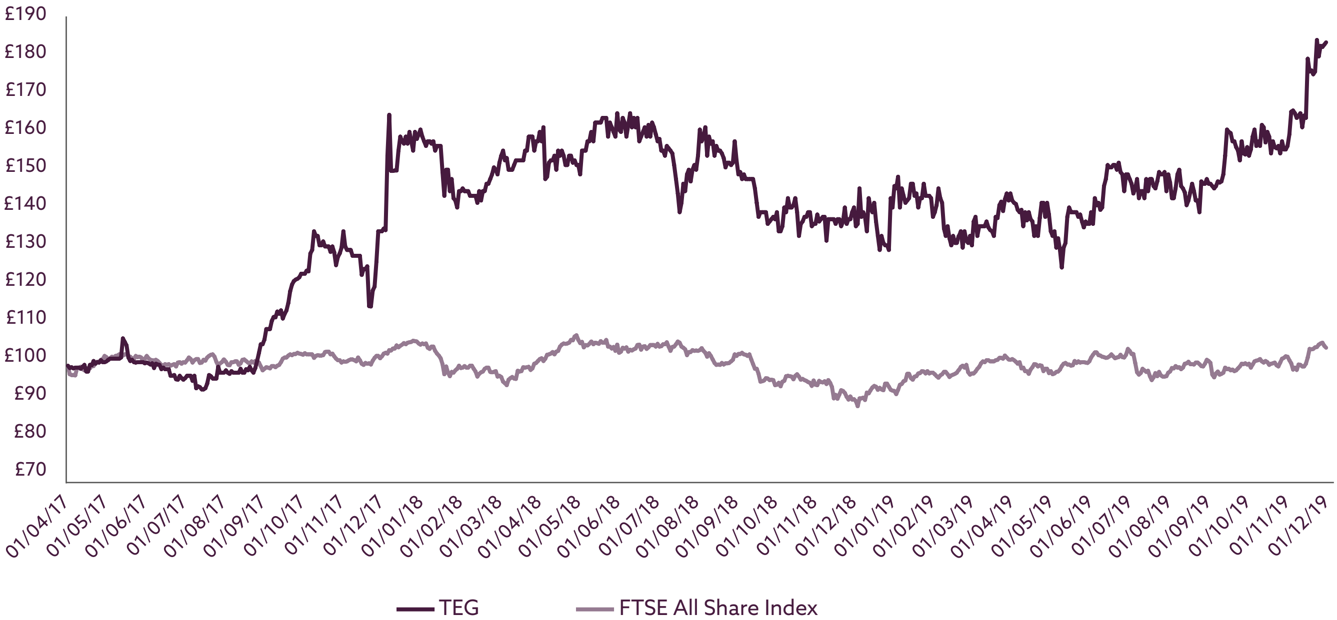
The minimum target for adjusted EPS was set at 21.08 pence. The actual performance was adjusted EPS of 19.33 pence (audited); therefore the EPS award will not vest. The TSR will be calculated against a comparator group of companies for the 30 days prior to the date the awards will vest to determine if the performance condition has been met. As two of the Directors who received awards in 2017 have left the Group and thus forfeited those awards, only Graham Blackwell holds awards that can vest.

The Remuneration Committee considers that performance conditions for all incentives are suitably demanding, having regard to the business strategy, shareholder expectations, the markets in which the Group operates and external advice. To the extent that any performance condition is not met, the relevant part of the award will lapse. There is no retesting of performance.

Comparison of overall performance

The below table reflects the performance of an investment in £100 in the Group against the same investment in the FTSE All Share on a monthly basis since the date of listing in April 2017 until the financial year ended on 31 December 2019.

TEG Share Price performance versus FTSE All Share



Chief Executive Officer historic remuneration

The table below sets out the total remuneration delivered to the Chief Executive Officer over the last four 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 four most recent financial years.

Chief Executive Officer	**29 December 2019**	30 December 2018	31 December 2017	1 January 2017
Total single figure	**£348,633**	£329,675	£205,754	£313,879
Percentage movement	**5.8%**	60.2%	(65.5%)	—
All Group employees' remuneration (£000)	**19,003**	17,329	16,225	15,242
Percentage movement of all Group employees' remuneration	**9.7%**	6.8%	6.5%	—
Remuneration received as a % of maximum opportunity	**58.4%**	54.5%	42.8%	—

The relative importance of remuneration in relation to other significant uses of the Group's cash is outlined below:

	29 December 2019	30 December 2018
Total staff costs	**£19,003**	£17,329
Dividends paid	**7,150**	6,500

Payments to past Directors/payments for loss of office

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

DIRECTORS' REMUNERATION REPORT CONTINUED

ANNUAL REPORT ON REMUNERATION CONTINUED

Statement of Directors' shareholdings and share interests as at 29 December 2019 (Audited)

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 29 December 2019 are set out in the table below:

Director	Shares held at 29 December 2019	**Shares held after placement announced on 25 March 2020**	Unvested LTIP interests
Duncan Garrood	9,938	**33,938**	311,940
Antony Smith	9,938	**39,938**	133,333
Graham Blackwell	95,395	**98,795**	412,421
Nick Basing	1,050,000	**1,102,500**	—
David Wild	10,000	**30,000**	—
Christopher Mills[1]	10,791,263	**11,345,386**	—
Julie Sneddon	—	**50,000**	—
Adam Bellamy	10,000	**30,000**	—

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 FY20

The Remuneration Committee proposes the below policy for FY20 due to Covid-19, with no increases to salaries:

	FY19		FY20		
Director	Salary £	Fees £	**Salary £**	**Fees £**	% increase
Duncan Garrood	300,000	—	**300,000**	—	0%
Antony Smith	200,000	—	**200,000**	—	0%
Graham Blackwell	185,000	—	**185,000**	—	0%
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%

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

The Remuneration Committee amended the remuneration policy in March 2020 such that a third condition is added for awards in 2020 going forward being that the share price at grant date will be set as a base share price of which the share price when the awards vest must exceed.

Advisers to the Remuneration Committee

During the year the Committee has received no advice from any external parties.

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

David Wild
Chair of the Remuneration Committee
13 May 2020

DIRECTORS' REPORT

The Directors have pleasure in presenting the audited financial statements for the Group for the 52 weeks ended 29 December 2019. 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 29 December 2019 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 15;
- the Chairman's statement on pages 10 to 11;
- the Chief Executive Officer's statement on pages 12 to 15;
- a description of the business structure, model and strategy on pages 20 and 21 and 7 to 9;
- the key performance indicators on pages 24 and 25;
- the discussion of risk management, uncertainties and the longer-term viability statement on pages 27 and 36;
- the Financial review on pages 30 to 35;
- the corporate social responsibility report on pages 38 to 40, including details of greenhouse gas emissions;
- details of long-term incentive schemes included in the Remuneration report on pages 61 and 62; and
- the Statement of Directors' responsibilities on page 69.

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 23 to the Group financial statements on pages 102 and 103. 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 42 to 64 inclusive are hereby incorporated by reference into this Directors' report. The Directors' remuneration is tabled by Director by category on page 59. 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 29 December 2019 are set out in the Directors' remuneration report on page 64. This includes the ordinary shares that were acquired by the Directors as part of the placement announced on 25 March 2020.

Other than these ordinary shares acquired, 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 13 May 2020. 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	
Antony Smith	Appointed 1 April 2019
Graham Blackwell	
Nick Basing	
David Wild	
Adam Bellamy	
Christopher Mills	
Julie Sneddon	
Mark Willis	Resigned 31 March 2019

The roles and biographies of the Directors as at the date of this report are set out on pages 44 and 45. 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.

DIRECTORS' REPORT CONTINUED

Directors' indemnities continued

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

Results and dividend

The results for the year are set out in the consolidated statement of comprehensive income on page 77. The Directors do not recommend the payment of a final dividend.

Share capital

As at 29 December 2019, the Company's authorised share capital was £650,000 divided into a single class of 65,000,000 ordinary shares of 1p each. Details of the Company's share capital, including changes during the year, are set out in note 17 to the financial statements.

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

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

There are no restrictions on the transfer of ordinary shares in the Company other than certain restrictions that may be imposed from time to time by the Articles, law or regulation and pursuant to the Listing Rules whereby certain Directors, officers and employees require approval to deal in ordinary shares of the Company. 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 communication with all employees on the performance of their bowling venue or central function and on the financial and economic factors affecting the overall performance of the Group.

For more information on the Company's employment practices please see page 38 and for the policy on remuneration and loss of office payments, please see pages 56 to 64.

AGM

The notice convening the AGM to be held on 18 June 2020 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.

Substantial shareholdings

As at 29 December 2019, 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 29 December 2019
North Atlantic Smaller Companies Investment Trust plc[1]	10,000,000	15.38%
Janus Henderson Investors	6,238,271	9.60%
Slater Investments	6,179,500	9.51%
BlackRock, Inc.	5,969,035	9.18%
Fidelity Management & Research	5,137,005	7.90%
Canaccord Genuity Wealth Management	4,512,550	6.94%
Gresham House Asset Management	3,602,248	5.54%

1 These are funds managed by Harwood Capital LLP.

There have been no further notifications of any changes to these interests between 29 December 2019 and 13 May 2020 including after the placement of shares announced on 25 March 2020.

DIRECTORS' REPORT CONTINUED

Relationship agreement continued

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 2019 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.

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 2020 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 review carried out and explained in the Viability statement on page 36.

Cautionary statement

These financial statements and Annual Report contains forward-looking statements. These forward-looking statements are not guarantees of future performance; rather, they are based on current views and assumptions as at the date of 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

Antony Smith
Company Secretary
13 May 2020

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 year. 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 International Financial Reporting Standards ("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 Financial Statements and Annual Report, 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 profit 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 Directors' 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
13 May 2020

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 29 December 2019 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 29 December 2019; 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 Statement of 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

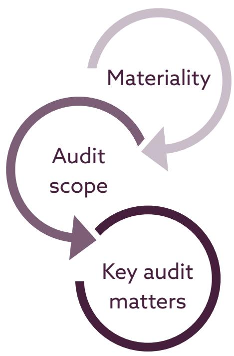
We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities 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 note 5 to the financial statements, we have provided no non-audit services to the group or the company in the period from 31 December 2018 to 29 December 2019.

OUR AUDIT APPROACH

Overview



- Overall group materiality: £709,000 (2018: £619,000), based on 5% of profit before tax adjusted for non-recurring exceptional items.
- Overall company materiality: £415,000 (2018: £410,000), 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 and the Company, 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 81% of profit before tax.

- Goodwill and site asset impairment.
- Covid-19

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 employment law, health and safety regulations and GDPR, and 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 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 the posting of inappropriate journals to increase revenue or improve results and management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work.

Capability of the audit in detecting irregularities, including fraud continued

Audit procedures performed by the group engagement team and/or component auditors 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 impairment Refer to page 54 (Audit Committee Report), page 85 (Critical accounting policies) and notes 10 and 13 of the Annual Report. The group has property, plant and equipment of £47.2 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.	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 impairment continued The group also has goodwill of £29.4 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. 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.

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
COVID-19 Refer to page 53 (Audit Committee Report), pages 82 and 83 (Statement of accounting policies) and notes 28 of the Annual Report. Management consider COVID-19 to be a non-adjusting event as at the balance sheet date. The ongoing and rapid spread of the disease prompted reactions that have had an impact on the group. Management undertook a review to assess the impact to the business which focussed on the timing of government interventions in the UK which had a direct impact on the business, such as social distancing rules and mandatory closure of sites, in order to assess what was reasonably known as at the balance sheet date. The impact if non-adjusting is that the annual report is prepared assuming no impact, and the potential future impact is considered as part of the going concern review and disclosures only. From a going concern perspective with regards to the financial covenants, management have obtained a waiver letter from the bank which removes the requirement to test these until the letter expires on 28 June 2021. From a liquidity perspective, management have considered a number of downside scenarios in their going concern assessment to demonstrate their ability to continue as a going concern, the most severe of which is full closure for 12 months. This is set out in the Statement of Accounting Policies on pages 82 and 83 in which they have demonstrated their ability to continue as a going concern.	We understand and agree with the non-adjusting conclusion made by management. The main focus of our work has been in auditing the going concern assessment, as well as post balance sheet event disclosures. In assessing the impact of the scenarios set out by management in their going concern model, which are referred to in the Statement of accounting policies, we performed the following procedures on the Directors' assessment that the group and company will continue as a going concern: • Assessed how the underlying cash flow projections are compiled, and assessed the accuracy of management's forecasts by considering historical budgeting accuracy and applying appropriate sensitivities to the assumptions where required; • evaluated the assumptions regarding the downside to revenue and associated EBITDA impact that would result from site closure; • evaluated the assumptions in respect of the costs that could be avoided in a period of closure of the bowling sites; • assessed the impact of the mitigating factors available to management in respect of the ability to restrict capital expenditure and the cash impact associated with non-payment of dividends; • reviewed the terms of the covenant agreement and the waiver received from the bank from assessing the financial covenants until June 2021; • checked the mathematical accuracy of the spreadsheet used to model future financial performance. We consider the downside scenarios used by management to be reasonable and are satisfied that the disclosures in the annual report are appropriate. With regards to the post balance sheet events disclosure, we agree with the expected impact as set out by management in note 28 and consider the disclosures to be adequate.

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 and the Company, 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 profit before tax.

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

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.

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	£709,000 (2018: £619,000).	£415,000 (2018: £410,000).
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 provides us with a consistent year on year basis in line with a measure which users rely on 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, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £415,000 and £640,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £35,000 (Group audit) (2018: £31,000) and £20,700 (Company audit) (2018: £20,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

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

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Reporting on other information continued

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 29 December 2019 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 69, 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 53 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' remuneration

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

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

Responsibilities for the financial statements and the audit
Responsibilities of the Directors for the financial statements
As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 69, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

We have no exceptions to report arising from this responsibility.

Appointment
Following the recommendation of the audit committee, we were appointed by the members on 12 April 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 31 December 2017 to 29 December 2019.

Craig Skelton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
13 May 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 52-WEEK PERIOD ENDED 29 DECEMBER 2019

	Notes	52 weeks to 29 December 2019 £000	52 weeks to 30 December 2018 £000
Revenue	1	**84,122**	76,350
Cost of sales		**(24,930)**	(22,423)
Gross profit		**59,192**	53,927
Administrative expenses		**(46,609)**	(42,565)
Operating profit		**12,583**	11,362
Analysed as:			
Group adjusted EBITDA		**23,568**	20,552
Exceptional administrative costs	5	**(2,391)**	(1,701)
Amortisation of acquisition intangibles		**(293)**	(459)
Depreciation and amortisation		**(7,379)**	(6,396)
Profit on share of joint venture		**10**	—
Loss on disposal of assets		**(932)**	(634)
Operating profit		**12,583**	11,362
Finance costs	4	**(788)**	(693)
Profit before taxation		**11,795**	10,669
Taxation	7	**(2,758)**	(2,527)
Profit and total comprehensive income for the period attributable to owners of the parent		**9,037**	8,142
Earnings per share			
Basic earnings per share	8	**13.90p**	12.53p
Diluted earnings per share	8	**13.87p**	12.50p
Adjusted basic earnings per share	8	**19.33p**	16.61p
Adjusted diluted earnings per share	8	**19.27p**	16.58p

The accompanying statements of accounting policies and notes on pages 81 to 107 are an integral part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION
AS AT 29 DECEMBER 2019

	Notes	Group		Company	
		29 December 2019 £000	30 December 2018 £000	**29 December 2019 £000**	30 December 2018 £000
Assets					
Non-current assets					
Goodwill	10	**29,350**	28,045	**—**	—
Intangible assets	10	**653**	969	**—**	—
Investments in joint venture	11	**310**	—	**310**	—
Investments	12	**—**	—	**38,915**	38,915
Property, plant and equipment	13	**47,248**	41,717	**—**	—
		77,561	70,731	**39,225**	38,915
Current assets					
Inventories	14	**1,297**	1,505	**—**	—
Trade and other receivables	15	**4,929**	4,307	**2,412**	29
Cash and cash equivalents	16	**2,188**	5,298	**3**	2,147
		8,414	11,110	**2,415**	2,176
Liabilities					
Current liabilities					
Bank borrowings and finance leases	19	**(9,227)**	(11,476)	**9**	—
Trade and other payables	20	**(9,819)**	(7,354)	**(6,871)**	(4,699)
Corporation tax payable		**(907)**	(719)	**—**	—
Provisions	21	**(91)**	(63)	**—**	—
		(20,044)	(19,612)	**(6,862)**	(4,699)
Net current liabilities		**(11,630)**	(8,502)	**(4,447)**	(2,523)
Non-current liabilities					
Bank borrowings and finance leases	19	**(4,991)**	(4,403)	**—**	—
Other non-current liabilities	20	**(1,284)**	(481)	**—**	—
Deferred tax liability	22	**(2,057)**	(2,087)	**—**	—
Provisions	21	**(688)**	(350)	**—**	—
		(9,020)	(7,321)	**—**	—
Net assets		**56,911**	54,908	**34,778**	36,392
Equity					
Share capital	17	**650**	650	**650**	650
Merger reserve		**6,171**	6,171	**—**	—
Share based payment reserve		**275**	159	**275**	159
Retained earnings		**49,815**	47,928	**33,853**	35,583
Total equity		**56,911**	54,908	**34,778**	36,392

The accompanying statement of accounting policies and notes on pages 81 to 107 are an integral part of these financial statements. The financial statements on pages 77 to 80 were authorised for issue by the Board of Directors and authorised for issue on 13 May 2020 and were signed on its behalf by:

Duncan Garrood
Company number: 10672501

Antony Smith

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS
FOR THE 52-WEEK PERIOD ENDED 29 DECEMBER 2019

Group	Notes	52 weeks to 29 December 2019 £000	52 weeks to 30 December 2018 £000
Cash flows generated from operating activities			
Cash generated from operations	18	**23,917**	20,846
Corporation tax paid		**(2,616)**	(2,472)
Finance costs paid		**(681)**	(619)
Net cash generated from operating activities		**20,620**	17,755
Cash flows used in investing activities			
Investment in joint venture		**(300)**	–
Acquisition of sites by Tenpin Limited		**(1,400)**	(3,908)
Purchase of property, plant and equipment		**(8,556)**	(8,708)
Purchase of software		**(212)**	(190)
Net cash used in investing activities		**(10,468)**	(12,806)
Cash flows (used in)/generated from financing activities			
Cash costs capitalised from new borrowings		**(153)**	–
Finance lease principal payments		**(2,709)**	(2,222)
Dividends paid		**(7,150)**	(6,500)
Drawdown of bank borrowings		**17,000**	8,500
Repayment of borrowings		**(20,250)**	(5,000)
Net cash used in financing activities		**(13,262)**	(5,222)
Net decrease in cash and cash equivalents		**(3,110)**	(273)
Cash and cash equivalents – beginning of period		**5,298**	5,571
Cash and cash equivalents – end of period	16	**2,188**	5,298

Company	Notes	52 weeks to 29 December 2019 £000	52 weeks to 30 December 2018 £000
Cash flows used in operating activities			
Cash generated used in operations	18	**(2,104)**	(7)
Net cash from/used in operating activities		**(2,104)**	(7)
Cash flows used in investing activities			
Investment in joint venture		**(300)**	–
Net cash used in investing activities		**(300)**	–
Cash flows generated from/(used in) financing activities			
Dividends received		**7,410**	6,695
Dividends paid		**(7,150)**	(6,500)
Net cash from financing activities		**260**	195
Net (decrease)/increase in cash and cash equivalents		**(2,144)**	188
Cash and cash equivalents – beginning of period		**2,147**	1,959
Cash and cash equivalents – end of period	16	**3**	2,147

The accompanying statement of accounting policies and notes on pages 81 to 107 are an integral part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE 52-WEEK PERIOD ENDED 29 DECEMBER 2019

Group	Share capital £000	Share based payment reserve £000	Merger reserve £000	Retained earnings £000	Total equity £000
52 weeks to 1 January 2018					
Balance at 31 December 2017	650	86	6,171	46,286	53,193
Dividends paid	—	—	—	(6,500)	(6,500)
Share based payment charge (note 26)	—	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
Share based payment charge (note 26)	—	116	—	—	116
Dividends paid	—	—	—	(7,150)	(7,150)
Profit for the period and total comprehensive income attributable to owners of the parent	—	—	—	9,037	9,037
Balance at 29 December 2019	**650**	**275**	**6,171**	**49,815**	**56,911**

Company	Share capital £000	Share based payment reserve £000	Merger reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018	650	86	—	37,344	38,080
Profit for the period[1]	—	—	—	4,739	4,739
Share based payment charge (note 26)	—	73	—	—	73
Dividend paid	—	—	—	(6,500)	(6,500)
Balance at 30 December 2018	650	159	—	35,583	36,392
Share based payment charge (note 26)	—	116	—	—	116
Dividend paid	—	—	—	(7,150)	(7,150)
Profit for the period[1]	—	—	—	5,420	5,420
Balance at 29 December 2019	**650**	**275**	**—**	**33,853**	**34,778**

1 The profit for the period in the Company is made up of the dividend income received of £7,410k and the loss after tax of £1,990k.

The accompanying statement of accounting policies and notes on pages 81 to 107 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 29 December 2019 were authorised for issue by the Board of Directors on 13 May 2020, and the balance sheet was signed on the Board's behalf by Duncan Garrood and Antony Smith.

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 29 December 2019 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 and IFRS IC interpretations as they apply to the financial statements of the Group and the Company for the 52 weeks ended 29 December 2019 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 29 December 2019 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 2019 and were adopted by the Group, none of which had a material impact on the Group's net cash flows, financial position, total comprehensive income or earnings per share.

At the date of authorisation of this financial information, certain new standards, amendments and interpretations to existing standards applicable to the Group have been published but are not yet effective, and have not been adopted early by the Group. These are explained as follows:

IFRS 16 "Leases"

IFRS 16 "Leases" has been issued and is effective for the Group for the financial year ending 27 December 2020. IFRS 16 addresses the definition, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. The standard replaces IAS 17 "Leases" and related interpretations.

IFRS 16 requires lessees to recognise right of use assets and lease liabilities on the statement of financial position for all leases, except short-term and low value asset leases. At commencement of the lease, the lease liability equals the present value of future lease payments, and the right of use asset equals the lease liability, adjusted for payments already made, lease incentives, initial direct costs and any provision for dilapidation and impairment costs. For operating leases entered into prior to the adoption of IFRS 16, the rental charge is replaced by depreciation of the right of use asset and interest on the lease liability.

IFRS 16 therefore results in an increase to Group adjusted EBITDA and operating profit, which is reported prior to interest being deducted. Depreciation is charged on a straight-line basis; however, as interest is charged on outstanding lease liabilities it reduces over the life of the lease. As a result, the impact on profit before tax is highly dependent on lease maturity.

The Group has carried out a detailed exercise to determine the impact of IFRS 16 on the Group's financial position and performance based on the lease commitments of the Group as at 30 December 2019. The Group will adopt the modified retrospective approach to transition, applying the practical expedients available under this approach. A right of use asset of between £160m and £180m will be recognised on the statement of financial position with a corresponding lease liability recognised of the same value adjusted for any lease prepayments, deferred income and impairment that will be recognised on transition. There will therefore be no impact on net assets on transition to IFRS 16. The approximate impact on profit before tax for the financial year ending 27 December 2020 is a decrease of between £2.5m to £3.5m.

The additional liabilities will have no bearing on the loan covenant for the facility described in note 19. Banking covenants are not impacted under the current facility which runs to September 2022 as they are set under accounting standards applicable at the time of entering the agreement.

In adopting this approach, the Group intends to use the following practical expedients and options as offered by the standard:

- application of the standard only to leases previously identified under IAS 17;
- no recognition of leases where the lease term is less than 12 months;
- no recognition of low value leases – the Group has chosen to apply this expedient to non-property leases where the total lease cost is under £5,000;
- application of a single discount rate to all leases with similar characteristics; and
- on transition, no recognition of initial direct costs incurred in entering the lease within the value of the right-of-use asset.

STATEMENT OF ACCOUNTING POLICIES CONTINUED

IFRS 16 "Leases" continued

The lease liability will be calculated by discounting the future lease payments. Lease payments shall be discounted using the incremental borrowing rate (IBR). This rate will be calculated based on the Revolving Credit Facility rate including LIBOR adjusted for a factor based on the lease term.

In order to familiarise readers of the accounts with the likely impact of transitioning to IFRS 16 on the Group financial statements, we show a proforma unaudited reconciliation for FY19 for illustrative purposes.

	52 weeks to 29 December 2019 £000	Exclude rent (Estimated) £000	Include depreciation (Estimated) £000	Include finance costs (Estimated) £000	Post IFRS 16 (Estimated) £000
Revenue	84,122	—	—	—	84,122
Cost of sales	(24,930)	—	—	—	(24,930)
Gross profit	59,192	—	—	—	59,192
Administrative expenses	(46,609)	11,932	(11,215)	—	(45,892)
Operating profit	12,583	11,932	(11,215)	—	13,300
Finance costs	(788)	—	—	(4,234)	(5,022)
Profit before taxation	11,795	11,932	(11,215)	(4,234)	8,278

IFRS 3 Definition of a Business

In October 2018, the International Accounting Standards Board ("IASB") issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition. Entities shall apply these amendments to business combinations for which the acquisition date is on or after annual reporting periods beginning on or after 1 January 2020.

IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments to the definition of material are not expected to have a significant impact on the Group's consolidated financial statements. The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020.

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

In assessing the going concern position of the Group, and the Company, for the Annual Report and the financial statements for the year ended 29 December 2019, the Directors have considered the Group's cash flows, its banking facilities, liquidity and business activities. At 29 December 2019, the Group had cash balances of £2.2m and undrawn financing facilities of £18.7m which are available for general corporate purposes, including but not limited to funding new sites, dividend payments, working capital and capital expenditure.

Based on the Group's forecasts, the Directors have adopted the going concern basis in preparing the Financial Statements. The Directors have made this assessment after consideration of the Group's cash flows and related assumptions and in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting 2014 published by the UK Financial Reporting Council.

In making this assessment the Directors have made a current consideration of the potential impact of the Covid-19 pandemic on the cashflows and liquidity of the Group over the 2020 financial period. This assessment has taken in to account the current measures being put in place by the Group to preserve cash and reduce discretionary expenditure during this period when the Group has needed to temporarily close all of its sites as a result of enforcement action by the UK Government as well as reductions

Going concern continued

in revenues resulting from changes in the behaviours of customers both before and after the closure. The Group's financial modelling has tested several scenarios in particular a downside scenario of full closure for the next 12 months. Other scenarios tested have been a mix of closure and periods of reduced trade than it would have otherwise expected during the 2020 financial year both during the period of any closure and thereafter.

The downside scenario is run until August 2021 when the cash facilities will eventually run out. The scenario over this period assumes full closure of sites to the public resulting in zero income, includes furlough relief from the Government's Coronavirus Job Retention Scheme (CJRS) with no top up from the Group, relief from business rates and deferrals of VAT and corporation tax. In addition, the Group has identified self-help initiatives by working with suppliers and landlords to reduce the cost base in the short term and in the downside scenario assumes that these initiatives would carry on if the business remained closed until August 2021. To save further cash resources in the scenario, the Group assumes that it does not expend new capital investment or pay dividends. The Group has also raised £5.0m in cash resources from its shareholders after completing the Placement announced on 25 March 2020 which is included within the scenario. The CJRS support is vital in the downside scenario and if it were not available then the Group would have to make staff redundant in-order to save cash. A redundancy scheme would generate cash outflows but if these were factored into the downside scenario the Group would still have sufficient cash resources for the next 12 months. In the downside scenario the Group will breach its financial covenants with the Bank from the third quarter of the 2020 financial period going forward. The Group has a leverage covenant and a fixed charge covenant which are both related to a 12 month EBITDA. However, the Bank has provided the Group with a waiver letter, setting aside any potential breaches of the financial covenants until the letter expires on 28 June 2021.

Using a mixed scenario of closure and then re-opening, the business can run at approximately 26% of the level of trade of the prior year for the next 12 months and still have sufficient liquidity within its £25m debt financing facilities to remain viable. As this is a trading scenario it does not include the CJRS support and thus includes strong actions to reduce salary and wage costs, variable operating costs and overheads by around 35% to provide the level of savings that allow the business to be viable at this level of trade for the next 12 months.

The Directors have assessed the combination of these various options and the impact of a potential liquidity shortfall in the event of a longer period of impact from the Covid-19 pandemic and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months. For these reasons, they continue to adopt a going concern basis for the preparation of the Financial Statements. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group and Company were unable to continue as a going concern.

Use of judgements and estimates

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:

Judgement: Joint ventures

Where the Group collaborates with other entities on a contract, a judgement is made of the nature of the relationship. Where there is joint control (as described by IFRS 11), the arrangement is classified as a joint arrangement and accounted for using the equity method (for joint ventures). The Group's joint ventures are disclosed in note 11.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised losses arising on transactions between the Group and its joint ventures are eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group funds its joint ventures through loans from Tenpin Limited which are secured and incur interest at a market rate. The Directors review the recoverability of investments and loans for impairment annually. Where an investment is held in a joint venture which has net liabilities, the investment is held at £nil.

Judgement: 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.

STATEMENT OF ACCOUNTING POLICIES CONTINUED

Use of judgements and estimates continued

Judgement: Non-GAAP performance measures continued

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 and profit or loss on disposal of assets. The reconciliation to operating profit is included in note 2.

Costs of sales – Cost of sales in the financial summary are determined by management as consisting of the direct bar, food, vending, amusements and gaming machine related costs. Statutory costs of sales reflected in the Statement of comprehensive income also include the staff costs but excludes security and machine license costs incurred by the sites.

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 impairment provisions. The reconciliation of this number to profit after tax is included under note 2.

Exceptional items – 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.

Free cash flow – this is Group adjusted EBITDA less cash flows from maintenance capital, working capital, finance lease and taxation payments.

Return on Capital Employed (ROCE) – This is operating profit as a percentage of total capital employed which consists of non-current assets and current assets less current liabilities.

Bank net debt – This is made up of bank borrowings less cash and cash equivalents.

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.

Estimate: Business combinations

IFRS 3 requires assets and liabilities acquired to be recorded at fair value and to separately identify intangible assets from goodwill. There involves 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.

Estimate: Intangible assets and tangible property, plant and equipment

These assets are affected by impairment assessments and estimates of value in use and residual value. The calculation of value in use is based on pre-tax cash flow projections from the financial budgets approved by the Board covering a one-year period and extrapolated by management using an estimated medium-term growth rate for a further two years. Cash flows beyond this three-year period are extrapolated over the life of the lease relating to that site at the estimated long-term growth rate, extended by 15 years for short leasehold premises in England and Wales where the provisions of the Landlord and Tenants Act apply and the Company has the right and expects to extend the lease on expiry, or over 50 years for a long leasehold or freehold site. The pre-tax discount rate applied to the cash flow projections approximates the Group's weighted average cost of capital, adjusted only to reflect the way in which the market would assess the specific risks associated with the estimated cash flows of the bowling businesses and to exclude any risks that are not relevant to estimated cash flows of the bowling businesses, or for which they have already been adjusted. The effect of varying the key assumptions in the goodwill and tangible property, plant and equipment impairment calculations is presented in note 13.

Estimate: Onerous lease provisions

Onerous lease provisions are made where the future minimum contractual payments exceed the estimated 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.

Estimate: 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.

Estimate: 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 26.

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. Payment of the transaction price is due immediately upon the customer booking the goods or services at the site or call centre, or on the website.

Revenue continued

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. The Group sells bundles whereby bowling is offered with food and drink at a discounted price versus if they were sold individually. The discount is allocated amongst the products in the bundle based on each products standalone selling price as a proportion of the sum of the total standalone selling prices of all the products in the bundle. Given the nature of the Group's revenue streams, recognition of revenue is not considered to be a significant area of judgement.

Deferred income

Advance bookings paid for by customers are recognised as deposits and held on the balance sheets as deferred income until the customer redeems their booking which becomes "paid and played". It is then transferred from the balance sheet and recognised as revenue in the statement of comprehensive income.

Intangible assets

Goodwill

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

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

Software

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

Fair valued intangibles on acquisition

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.

STATEMENT OF ACCOUNTING POLICIES CONTINUED

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.

Financial instruments
Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes party to the contractual rights and obligations of the instrument.

Initial recognition and subsequent measurement Financial assets
All financial assets are initially recognised at fair value less transaction costs and then can be subsequently measured at amortised cost or fair value.

Trade and other receivables
Trade receivables are measured at fair value at initial recognition, do not carry any interest and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement. Allowances for doubtful debts are recognised based on management's expectation of losses, without regard to whether an impairment trigger has occurred or not (an "expected credit loss" model under IFRS 9).

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. 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 and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Interest-bearing bank 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 using the effective interest rate method.

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.

Derecognition of financial assets and financial liabilities

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Impairment

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost. These are always measured at an amount equal to lifetime ECL. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. When determining whether there is default or the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis, based on the Group's historical experience and informed credit assessment and forward-looking information. This same information is used to determine if financial instruments have low credit risk upon initial recognition. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

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 29 DECEMBER 2019

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 29 December 2019 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 29 December 2019			
Segment revenue – external	**84,122**	—	**84,122**
Bowling	**39,912**	—	**39,912**
Food and drink	**21,426**	—	**21,426**
Machines and amusements	**19,649**	—	**19,649**
Other	**3,135**	—	**3,135**
Adjusted EBITDA (note 2)	**25,526**	**(1,958)**	**23,568**
Segment assets as at 29 December 2019	**88,420**	**(2,445)**	**85,975**
Segment liabilities as at 29 December 2019	**(28,189)**	**(875)**	**(29,064)**
Reconciliation of adjusted EBITDA to reported operating profit			
Adjusted EBITDA (note 2)	**25,526**	**(1,958)**	**23,568**
Amortisation and depreciation of intangibles and property, plant and equipment	**(7,379)**	—	**(7,379)**
Loss on disposals (note 5)	**(932)**	—	**(932)**
Profit on share of joint venture	**10**	—	**10**
Amortisation of fair valued intangibles	**(114)**	**(179)**	**(293)**
Exceptional items (note 5)	**(2,300)**	**(91)**	**(2,391)**
Operating profit/(loss)	**14,811**	**(2,228)**	**12,583**
Finance (costs)/income (note 4)	**(865)**	**77**	**(788)**
Profit/(loss) before taxation	**13,946**	**(2,151)**	**11,795**

	Tenpin Limited £000	Central £000	Group £000
For the 52-week period ended 30 December 2018			
Segment revenue – external	76,350	—	76,350
Bowling	36,578	—	36,578
Food and drink	19,811	—	19,811
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)
Exceptional items (note 5)	(1,537)	(164)	(1,701)
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

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 and profit or loss on disposal of assets.

Reconciliation of operating profit to Group adjusted EBITDA	52 weeks to 29 December 2019 £000	52 weeks to 30 December 2018 £000
Group adjusted EBITDA	**23,568**	20,552
Amortisation of software	**(283)**	(286)
Amortisation of fair valued items on acquisition	**(293)**	(459)
Loss on disposals (see explanation in note 5)	**(932)**	(634)
Depreciation of property, plant and equipment	**(7,096)**	(6,110)
Profit on share of joint venture	**10**	—
Operating profit before exceptional items	**14,974**	13,063
Exceptional items – other	**(2,391)**	(1,701)
Operating profit	**12,583**	11,362

Costs of sales – Cost of sales in the financial summary are determined by management as consisting of the direct bar, food, vending, amusements and gaming machine related costs. Statutory costs of sales reflected in the Statement of comprehensive income also include the staff costs but excludes security and machine license costs incurred by the sites.

Reconciliation of cost of sales	52 weeks to 29 December 2019 £000	52 weeks to 30 December 2018 £000
Cost of sales per the financial review	**(10,387)**	(8,814)
Site labour costs	**(15,173)**	(14,208)
Machine license and security costs in administrative expenses	**630**	599
Cost of sales per the statement of comprehensive income	**(24,930)**	(22,423)

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 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. The reconciliation of this % to the total sales growth is reflected on page 31.

Free cash flow – this is Group adjusted EBITDA less cash flows from maintenance capital, working capital, finance lease and taxation payments.

Return on Capital Employed (ROCE) – This is operating profit as a percentage of total capital employed which consists of non-current assets and current assets less current liabilities.

Bank net debt – This is made up of bank borrowings less cash and cash equivalents.

3 Staff costs and numbers

Staff costs – Group	52 weeks to 29 December 2019 £000	52 weeks to 30 December 2018 £000
Wages and salaries	**17,553**	16,091
Social security costs	**1,154**	1,019
Other pension costs	**180**	146
Share based payments (note 26)	**116**	73
	19,003	17,329

Staff costs included within cost of sales are £14.6m (2018: £13.6m). The balance of staff costs is recorded within administrative expenses. Details of Directors' remuneration are set out in the Directors' report on page 59. 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 29 December 2019 received remuneration of £348,633 (2018: £293,125) and no share options were exercised or due to be exercised. 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 29 December 2019 Number	52 weeks to 30 December 2018 Number
Staff	**978**	899
Administration	**56**	56
Unit management	**153**	127
	1,187	1,082

Staff costs – Company	52 weeks to 29 December 2019 £000	52 weeks to 30 December 2018 £000
Wages and salaries	**1,125**	1,061
Social security costs	**96**	91
Other pension costs	**13**	14
Share based payments (note 26)	**116**	73
	1,350	1,239

Staff numbers – Company	Number	Number
Administration (including Executive Directors)	**9**	9

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE 52-WEEK PERIOD ENDED 29 DECEMBER 2019

4 Finance costs

	52 weeks to 29 December 2019 £000	52 weeks to 30 December 2018 £000
Interest on bank loans and overdrafts	**277**	197
Amortisation of debt issuance costs	**56**	67
Finance lease interest	**282**	187
Notional interest on unwinding of discount on provisions (note 21)	**7**	7
Other	**166**	235
Finance costs	**788**	693

5 Profit before taxation

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

	52 weeks to 29 December 2019 £000	52 weeks to 30 December 2018 £000
Staff costs (note 3)	**19,003**	17,329
Consumables charged to cost of sales	**1,770**	1,360
Depreciation of property, plant and equipment (note 13)	**7,096**	6,110
Amortisation of software (note 10)	**283**	286
Amortisation of fair valued intangibles on acquisition (note 10)	**245**	425
Loss on disposal of assets[1]	**932**	634
Profit on share of joint venture	**(10)**	—
Operating lease rentals payable – property	**11,932**	11,821
Share based payments (note 26)	**116**	73
Repairs on property, plant and equipment	**1,943**	1,834
Exceptional items		
Provision for updated HMRC guidance[2]	**822**	—
Redundancy and restructuring costs[3]	**643**	385
Costs relating to acquisitions and one-off lease changes[4]	**926**	1,316
Total exceptional costs	**2,391**	1,701
Auditors' remuneration		
Fees payable to Company's auditors for the Company and consolidated financial statements	**53**	28
Audit of Company's subsidiaries	**70**	95
Audit-related assurance services	**39**	37
	162	160

1 The loss on disposals arises from bowling equipment and spares 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 of accelerated depreciation of bowling equipment.

2 Recent case law in 2019 based on a company in a somewhat similar industry has led the business to review how that ruling may apply to the bowling sector. The Group has proactively engaged with HMRC in this matter. Whilst there is a range of possible outcomes, until a final position has been agreed, a provision of £0.8m has been made to cover any potential tax settlement and associated fees.

3 Redundancy and restructuring costs relate to a one-off restructuring exercise carried out at the support centre and then specific site staff and technicians being made redundant due to the implementation of Pins & Strings.

4 These professional fees, taxes and other costs are one-off costs that have been incurred in site acquisitions including signing new leases and corporate-related transactions undertaken by the Group relating to the joint venture arrangement. This figure also includes the one-off costs of reviewing the property lease portfolio 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 not incur further re-gear costs through exceptional items going forward.

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 13 May 2020. The result for the financial period dealt with in the financial statements of Ten Entertainment Group plc was a profit of £5.4m (2018: profit of £4.7m). As permitted by Section 408 of the Companies Act 2006, no separate statement of comprehensive income is presented in respect of the Company.

7 Taxation

Recognised in the statement of comprehensive income:

	52 weeks to 29 December 2019 £000	52 weeks to 30 December 2018 £000
Current tax		
Current tax on profits for the period	**2,678**	2,366
Adjustment in respect of prior years	**126**	—
Deferred tax (note 22)		
Origination and reversal of temporary differences	**(92)**	161
Adjustment in respect of prior years	**46**	—
Tax charge in statement of comprehensive income	**2,758**	2,527

The tax on the Group's profit before tax differs (2018: differs) from the theoretical amount that would arise using the standard rate of tax in the UK of 19% (2018: 19%). The differences are explained below:

	52 weeks to 29 December 2019 £000	52 weeks to 30 December 2018 £000
Profit before taxation	**11,795**	10,669
Tax using the UK corporation tax rate of 19% (2018: 19%)	**2,241**	2,027
Expenses not deductible	**509**	328
Adjustment in respect of prior years	**172**	—
Allowable depreciation on finance leases	**(414)**	(415)
Permanent differences	**250**	587
Tax charge	**2,758**	2,527

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 29 December 2019 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 179,451 potentially issuable shares (2018: 126,617), 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 exceptional expenses and other one-off costs (and any associated impact on the taxation charge). Adjusted diluted earnings per share is calculated by applying the same adjustments to earnings as described in relation to adjusted earnings per share divided by the weighted average number of ordinary shares outstanding during the year adjusted by the effect of the outstanding share options.

Basic and diluted	**52 weeks to 29 December 2019 £000**	52 weeks to 30 December 2018 £000
Profit after tax	**9,037**	8,142
Basic weighted average number of shares in issue	**65,000,000**	65,000,000
Adjustment for share awards	**179,451**	126,617
Diluted weighted average number of shares in issue	**65,179,451**	65,126,617
Basic earnings per share (pence)	**13.90p**	12.53p
Diluted earnings per share (pence)	**13.87p**	12.50p

Below is the calculation of the adjusted earnings per share:

Adjusted earnings per share	**52 weeks to 29 December 2019 £000**	52 weeks to 30 December 2018 £000
Profit after tax	**9,037**	8,142
Amortisation of fair valued items on acquisition	**293**	459
Loss on disposals	**932**	634
Profit on share of joint venture	**(10)**	—
Exceptional costs	**2,391**	1,701
Tax impact on above adjustments	**(78)**	(138)
Adjusted underlying earnings after tax	**12,565**	10,798
Adjusted profit after tax	**12,565**	10,798
Weighted average number of shares in issue	**65,000,000**	65,000,000
Adjusted basic earnings per share	**19.33p**	16.61p
Adjusted diluted earnings per share	**19.27p**	16.58p

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE 52-WEEK PERIOD ENDED 29 DECEMBER 2019

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 – Southport
On 1 April 2019, the Group acquired 100% of the assets and trade of a bowling site in Southport. The Group entered into a Business Purchase Agreement with the seller and acquired control of the assets for £1.5m as summarised below:

Consideration as at 1 April 2019	£000
Cash consideration paid	1,400
Cash paid for other assets being prepaid rent	56
	1,456
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	111
Deferred tax liabilities	(16)
Other assets and liabilities, net	56
Total identifiable net assets	**151**
Goodwill	1,305
Total	**1,456**

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 £0.1m 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. As not all of the information was provided they are not disclosed 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 – Falkirk
On 3 June 2019, the Group acquired 100% of the assets and trade of a bowling site in Falkirk. The Group entered into a purchase agreement and a new 25-year lease. The business was acquired for a nil value with no purchase price paid in exchange for the Group entering into the 25-year lease for the property and the bowling equipment.

Property, plant and equipment fair values were determined internally as nil as well since most of the value of the assets would be in the bowling equipment which were not acquired. The majority of the other assets were ageing and a significant refurbishment plan has also started on the site to bring it in line with the rest of the Group's estate.

As part of the due diligence, the sales and profit numbers prior to acquisition from the seller's management accounts were reviewed. As not all of the information was provided they are not disclosed here to provide a guide to potential full-year performance. Since the date of the business combination, the site generated £0.3m of sales and made an EBITDA loss of £0.1m which has been included in the statement of comprehensive income. The site performance was impacted from the disruption of a full refurbishment in the second half of the year.

10 Goodwill and intangible assets

Group	Fair valued intangibles on acquisition £000	Goodwill £000	Software £000	Total £000
Cost				
At 1 January 2018	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
Additions	—	1,305	212	1,517
At 29 December 2019	**2,938**	**29,350**	**1,222**	**33,510**
Accumulated amortisation and impairment losses				
At 1 January 2018	1,906	—	362	2,268
Charge for the period – amortisation	425	—	286	711
At 30 December 2018	2,331	—	648	2,979
Charge for the period – amortisation	245	—	283	528
At 29 December 2019	**2,576**	**—**	**931**	**3,507**
Net book value				
At 29 December 2019	**362**	**29,350**	**291**	**30,003**
At 30 December 2018	607	28,045	362	29,014
At 31 December 2017	1,032	25,171	458	26,661

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 group of CGUs, 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 13 for property, plant and equipment. Due to the strong performance of the Group, there is significant headroom in excess of £163.3m 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 site in Southport on 1 April 2019 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.

11 Investments in joint venture

	£000
At 1 January 2018	—
Acquisitions and disposals	—
At 30 December 2018	—
Investment in new joint venture	300
Share of post tax profit in new venture	10
At 29 December 2019	**310**

Company	Country of incorporation	Ownership interest %	Principal activity
Houdini's Escape Room Experience Limited (Registered address: 11 Stares Close, Gosport, Hampshire, England PO13 9RZ)	UK	50%	Leisure

In December 2019, the Company entered into a Share Purchase Agreement and acquired 50% of the share capital of Houdini's Escape Rooms Experience Limited for £0.3m. The Company also entered into a joint venture agreement to determine the arrangements around the selection of Directors, dividend policy, premise use, provision of services, put and call option arrangements and deadlock procedures. Tenpin Limited and Houdini's also entered into a £2.5m loan facility agreement whereby Houdini's can borrow money from Tenpin Limited over a three-year period to fund the building of escape rooms on their premises. The loans will incur a market rate of interest and have been secured by a Debenture Agreement that the two parties entered. As the purpose of the Joint Venture is to fund and build escape rooms there is a restriction in the agreement around the payment of dividends by Houdini's. Houdini's has a financial year ending 31 July 2019 and once its accounts have been finalised and submitted the Group will look at changing the date to be that of the Group.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE 52-WEEK PERIOD ENDED 29 DECEMBER 2019

11 Investments in joint venture continued

Prior to the above agreements, in 2019 Houdini's built and operated escape rooms at three of Tenpin's sites which were covered by a revenue share agreement between the parties. Going forward after entering into the joint venture arrangement, Tenpin will charge Houdini's an operating licence fee instead.

12 Investments

Company	Subsidiaries' shares £000
At 1 January 2018	38,915
Acquisitions and disposals	—
At 30 December 2018	38,915
Acquisitions and disposals	—
At 29 December 2019	**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.

13 Property, plant and equipment

Group	Long leasehold premises £000	Short leasehold premises £000	Amusement machines £000	Fixtures, fittings and equipment £000	Total £000
Cost					
At 1 January 2018	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
Additions	—	—	3,624	9,951	13,575
Acquisition of new sites	—	—	—	111	111
Disposals	—	—	(1,514)	(943)	(2,457)
At 29 December 2019	**2,122**	**9,569**	**11,571**	**43,020**	**66,282**
Accumulated depreciation and impairment					
At 1 January 2018	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
Charge for the period	54	969	2,177	3,896	7,096
Disposals – depreciation	—	—	(1,164)	(234)	(1,398)
At 29 December 2019	**239**	**2,712**	**5,404**	**10,679**	**19,034**
Net book value					
At 29 December 2019	**1,883**	**6,857**	**6,167**	**32,341**	**47,248**
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

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 45 (2018: 43) 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:

	29 December 2019	30 December 2018
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	**13.0%**	12.9%

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE 52-WEEK PERIOD ENDED 29 DECEMBER 2019

13 Property, plant and equipment continued

The key assumptions to which the calculation is sensitive remain the future trading performance and the growth rate that is expected of each site. If the discount rate applied in the calculations is increased by 1%, the impairment charge increases by £0.04m (2018: £nil). If the growth rate applied is changed to 0% then impairment increases by £0.05m (2018: £0.1m). Increasing the discount rate to 14% results in impairment in two of the new sites but the business has been prudent in forecasting their growth and expects they will become more profitable sites in the future. The discount would have to increase to 21% for the impairment charge to reach £0.9m. 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 (2018: 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 £25.0m (2018: £20.0m). Properties held under finance leases had a net book value of £0.2m (2018: £0.2m) and the finance lease depreciation charged in the period was £0.0m (2018: £0.1m). Amusement machines held under finance leases had a net book value of £6.2m (2018: £5.1m) and the finance lease depreciation charged in the period was £2.2m (2018: £2.2m).

14 Inventories

	Group		Company	
	29 December 2019 £000	30 December 2018 £000	**29 December 2019 £000**	30 December 2018 £000
Goods held for resale	**1,297**	1,505	**—**	—

The cost of inventories recognised as an expense and included in cost of sales amounted to £7.5m (2018: £6.4m). There is a provision of £0.5m (2018: £0.3m) for obsolete bowling spares included in the figures above. Bank borrowings for the value of £25.0m (2018: £20.0m) are secured on all assets of the Group including inventory.

15 Trade and other receivables

	Group		Company	
Current receivables	**29 December 2019 £000**	30 December 2018 £000	**29 December 2019 £000**	30 December 2018 £000
Trade receivables	**198**	128	**—**	—
Amounts owed by subsidiary undertakings (note 25)	**—**	—	**2,405**	1
Other receivables	**252**	126	**—**	1
Prepayments	**4,479**	4,053	**7**	27
	4,929	4,307	**2,412**	29

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

16 Cash and cash equivalents

	Group		Company	
	29 December 2019 £000	30 December 2018 £000	**29 December 2019 £000**	30 December 2018 £000
Cash and cash equivalents	**2,188**	5,298	**3**	2,147

17 Share capital

	29 December 2019		30 December 2018	
	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.

18 Cash generated from operations

Cash flows from operating activities	Group 52 weeks to 29 December 2019 £000	Group 52 weeks to 30 December 2018 £000	Company 52 weeks to 29 December 2019 £000	Company 52 weeks to 30 December 2018 £000
Profit/(loss) for the period	**9,037**	8,142	**(1,990)**	(1,956)
Adjustments for:				
Tax	**2,758**	2,527	**—**	—
Finance costs	**788**	693	**—**	—
Profit on share of joint venture	**(10)**	—	**(10)**	—
Non-cash one-off costs	**800**	—	**—**	—
Non-cash share based payments charge	**116**	73	**116**	73
Loss on disposal of assets	**921**	634	**—**	—
Amortisation of intangible assets	**528**	711	**—**	—
Depreciation of property, plant and equipment	**7,096**	6,110	**—**	—
Changes in working capital:				
Increase/(decrease) in inventories	**208**	(149)	**—**	—
Increase in trade and other receivables	**(622)**	(678)	**(2,383)**	(1)
Increase in trade and other payables	**1,938**	2,808	**2,163**	1,877
Increase/(decrease) in provisions	**359**	(25)	**—**	—
Cash generated from/(used in) operations	**23,917**	20,846	**(2,104)**	(7)

19 Bank borrowings and finance leases

Current liabilities	Group 29 December 2019 £000	Group 30 December 2018 £000	Company 29 December 2019 £000	Company 30 December 2018 £000
Bank loans	**6,250**	9,500	**—**	—
Finance leases	**3,118**	2,064	**—**	—
Capitalised financing costs	**(141)**	(88)	**(9)**	—
	9,227	11,476	**(9)**	—

In September 2019, the Group entered into a £25.0m facility with the Royal Bank of Scotland plc ("RBS"). This facility consists of a committed £25.0m facility split into a £23.0m revolving credit facility and a £2.0m overdraft facility. All loans carry interest at LIBOR plus a margin of 1.40%.

Non-current liabilities	Group 29 December 2019 £000	Group 30 December 2018 £000	Company 29 December 2019 £000	Company 30 December 2018 £000
Finance leases	**4,991**	4,403	**—**	—

Bank borrowings are repayable as follows:

Bank loans	Group 29 December 2019 £000	Group 30 December 2018 £000	Company 29 December 2019 £000	Company 30 December 2018 £000
Within one year	**6,250**	9,500	**—**	—
	6,250	9,500	**—**	—

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 29 DECEMBER 2019

19 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 + 1.40%	Sept 2022	23,000	6,250
Bank overdraft	GBP	LIBOR + 1.40%	Annually	2,000	—
Total borrowings				25,000	6,250

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

	Property leases		Machines and other leases		Total	
Net	**29 December 2019 £000**	30 December 2018 £000	**29 December 2019 £000**	30 December 2018 £000	**29 December 2019 £000**	30 December 2018 £000
Within one year	**3**	3	**3,115**	2,061	**3,118**	2,064
Between one and two years	**3**	3	**2,323**	1,704	**2,326**	1,707
Between two and five years	**12**	11	**2,389**	2,417	**2,401**	2,428
After five years	**264**	268	**—**	—	**264**	268
	282	285	**7,827**	6,182	**8,109**	6,467

	Property leases		Machines and other leases		Total	
Gross	**29 December 2019 £000**	30 December 2018 £000	**29 December 2019 £000**	30 December 2018 £000	**29 December 2019 £000**	30 December 2018 £000
Within one year	**23**	21	**3,242**	2,255	**3,265**	2,276
Between one and two years	**23**	23	**2,385**	1,827	**2,408**	1,850
Between two and five years	**68**	68	**2,407**	2,497	**2,475**	2,565
After five years	**540**	564	**—**	—	**540**	564
	654	676	**8,034**	6,579	**8,688**	7,255
Future finance charges on finance leases	**(372)**	(391)	**(207)**	(397)	**(579)**	(788)
Present value of finance lease liabilities	**282**	285	**7,827**	6,182	**8,109**	6,467

Finance leases are in place for one (2018: one) property at a value of £0.3m (2018: £0.3m), amusement machines from Bandai Namco Europe Limited with a value of £7.3m (2018: £6.1m), Wi-Fi equipment with a value of £0.1m (2018: £0.1m) and coffee machines acquired in 2019 with a value of £0.5m.

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 (£4.1m) (2018: (£4.2m)). 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 2018	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)
Cash flows	(3,110)	3,250	140	2,709	—	2,849
Finance lease acquisition of amusement machines	—	—	—	(4,351)	—	(4,351)
Balance at 29 December 2019	**2,188**	**(6,250)**	**(4,062)**	**(8,109)**	**—**	**(12,171)**

20 Trade and other payables and other non-current liabilities

Trade and other payables	Group 29 December 2019 £000	Group 30 December 2018 £000	Company 29 December 2019 £000	Company 30 December 2018 £000
Trade payables	**2,771**	2,059	**—**	—
Amounts owed to subsidiary undertakings (note 25)	**—**	—	**6,793**	4,634
Social security and other taxes	**2,611**	1,634	**—**	—
Other payables	**1,923**	942	**—**	—
Accruals	**2,375**	2,634	**78**	65
Deferred income – lease incentives	**139**	85	**—**	—
	9,819	7,354	**6,871**	4,699

Other non-current liabilities	Group 29 December 2019 £000	Group 30 December 2018 £000	Company 29 December 2019 £000	Company 30 December 2018 £000
Deferred income – lease incentives	**1,284**	481	**—**	—

21 Provisions

The Group's onerous lease provisions are as follows:

	Total £000
At 1 January 2018 – current	70
At 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 and 31 December 2018 – current	63
At 30 December 2018 and 31 December 2018 – non-current	350
Provided in the period	382
Utilised in the period	(23)
Released unused in the period	—
Notional interest on unwinding of discount	7
At 29 December 2019 – current	**91**
At 29 December 2019 – non-current	**688**

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 1.9% (2018: 12.9%) applied in the calculations is increased or decreased by 1%, the onerous lease provision will increase or decrease by £0.0m (2018: £0.0m). In calculating the future budgeted trading performance, central overheads are allocated to the CGUs based on turnover.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE 52-WEEK PERIOD ENDED 29 DECEMBER 2019

21 Provisions continued

The provision is expected to unwind as follows:

Onerous lease provisions	Total £000
Between one and two years	92
Between two and five years	293
After five years	303
	688
Within one year	91
	779

22 Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	29 December 2019 £000	30 December 2018 £000	**29 December 2019 £000**	30 December 2018 £000	**29 December 2019 £000**	30 December 2018 £000
Property, plant and equipment	**—**	—	**(1,867)**	(1,900)	**(1,867)**	(1,900)
Tax losses	**—**	—	**—**	—	**—**	—
Fair value on business combination	**—**	—	**(190)**	(238)	**(190)**	(238)
Other	**564**	615	**(564)**	(564)	**—**	51
Total	**564**	615	**(2,621)**	(2,702)	**(2,057)**	(2,087)

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 29 December 2019 and 30 December 2018 on the losses other than that for the rollover relief. A 1% change in the corporation tax rate would cause a £0.1m (2018: £0.1m) change in the value of the deferred tax liability.

Movement in deferred tax during the 52-week period ended 29 December 2019:

	31 December 2018 £000	Recognised on-site acquisitions £000	Recognised in income statement £000	Taxation paid £000	**29 December 2019 £000**
Property, plant and equipment	(1,900)	—	33	—	**(1,867)**
Tax losses	—	—	—	—	**—**
Fair value on business combination	(238)	(16)	64	—	**(190)**
Other	51	—	(51)	—	**—**
Total deferred tax	(2,087)	(16)	46	—	**(2,057)**
Current income tax	(719)	—	(2,804)	2,616	**(907)**
Total taxation	(2,806)	(16)	(2,758)	2,616	**(2,964)**

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)

22 Deferred tax continued

The Group has carry-forward tax losses of an estimated £21.4m (2018: £21.4m). Of these, £nil (2018: £nil) are held by Tenpin Limited, £12.2m (2018: £12.2m) held by Essenden Limited, £8.7m (2018: £8.7m) held by Georgica Limited, £nil (2018: £nil) held by Indoor Bowling Equity Limited, £0.4m (2018: £0.4m) held by Indoor Bowling Acquisitions Limited, £nil (2018: £nil) held by Georgica Holdings Limited, £nil (2018: £nil) held by TEG Holdings Limited and £nil (2018: £nil) 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 (2018: £3.6m) on these losses is the only unprovided deferred tax. A deferred tax asset has been recognised on the £0.5m (2018: £0.6m) 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 £10.6m (2018: £11.0m). The £3.7m (2018: £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.

23 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 financial assets 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. The carrying value of all financial assets was materially equal to their fair value and hence there has been no impairment.

Financial instruments by category

Group	Financial assets	
	29 December 2019 £000	30 December 2018 £000
Financial assets		
Current trade and other receivables	**449**	254
Cash and cash equivalents	**2,188**	5,298
	2,637	5,552

Group	Financial liabilities at amortised cost	
	29 December 2019 £000	30 December 2018 £000
Financial liabilities		
Current borrowings excluding finance leases	**6,109**	9,412
Finance leases	**8,109**	6,467
Current trade and other payables	**7,070**	5,635
	21,288	21,514

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE 52-WEEK PERIOD ENDED 29 DECEMBER 2019

23 Financial instruments continued
Maturity analysis of financial liabilities

	29 December 2019				30 December 2018			
	Bank loans	**Finance lease**	**Trade and other payables**	**Total**	Bank loans	Finance lease	Trade and other payables	Total
Within one year	**6,109**	**3,118**	**7,070**	**16,297**	9,412	2,064	5,635	17,111
Between one and two years	**—**	**2,326**	**—**	**2,326**	—	1,707	—	1,707
Between two and five years	**—**	**2,401**	**—**	**2,401**	—	2,428	—	2,428
After five years	**—**	**264**	**—**	**264**	—	268	—	268
	6,109	**8,109**	**7,070**	**21,288**	9,412	6,467	5,635	21,514

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:

Interest rate risk profile of financial liabilities	**29 December 2019 £000**	30 December 2018 £000
Floating rate financial liabilities	**6,250**	9,500
Finance leases	**8,109**	6,467
Financial liabilities on which no interest is paid	**779**	413
	15,138	16,380

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 1.40%. 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 eight 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 (2018: £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.

23 Financial instruments continued

Financial risk management continued

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 £25.0m facility with £6.3m of the RCF in use.

The risk is measured by comparing the bank debt in use to the total facility available which shows that £18.7m 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 September 2022 after being renegotiated with the Royal Bank of Scotland plc in September 2019.

Credit quality of financial assets

Group	29 December 2019 £000	30 December 2018 £000
Cash at bank and short-term bank deposits		
A rated	**996**	4,210
Other cash-related balances	**1,192**	1,088
Total cash and cash equivalents	**2,188**	5,298

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 paid an interim dividend of 3.7p after not recommending a final dividend with a total of £2.4m returned 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.

	29 December 2019 £000	30 December 2018 £000
Total equity	**56,911**	54,908
Cash and cash equivalents (note 16)	**(2,188)**	(5,298)
Capital	**54,723**	49,610
Total financing	**54,723**	49,610
Finance leases (note 19)	**8,109**	6,467
Bank borrowings (note 19)	**6,250**	9,500
Overall financing	**69,082**	65,577
Capital to overall financing ratio	**79.2%**	75.7%

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE 52-WEEK PERIOD ENDED 29 DECEMBER 2019

24 Operating leases
The Group has re-geared four of its current leases, extending their terms, and also entered into three (2018: four) new operating leases after the acquisition of the two sites in the period and the signing of a new lease for an empty shell where the bowl will be completely built. The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Payments due:	**29 December 2019 £000**	30 December 2018 £000
Within one year	**12,033**	11,646
Between one and five years	**47,881**	47,158
After five years	**137,472**	124,033
	197,386	182,837

The Group had 45 (2018: 43) bowling venues open and one venue that is under construction as at the year end. One is under finance lease and 45 are held on operating leases, all with less than 25 years to run. The majority of the leases are in England and Wales (three 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.

25 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 56 with a table of their remuneration for the period on page 59.

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			
Houdini's Escape Room Experience Limited	—	—	42
Goals Plc	—	—	—
29 December 2019	**—**	**—**	**42**
Goals Plc	—	18	—
30 December 2018	—	18	—

25 Related party transactions continued

Transactions with other related parties continued

Sales and purchases between related parties are made at normal market prices. Outstanding balances with entities are unsecured and interest free and cash settlement is expected within 30 days of invoice. The Group has not provided for or benefited from any guarantees for any related party receivables or payables. During the financial period ended 29 December 2019, the Group has made a provision of £nil (2018: £nil) for doubtful debts relating to amounts owed by related parties. The related party balance with Houdini's Escape Room Experience Limited is an amount that was due by them to Tenpin Limited prior to the joint venture arrangement when Ten Entertainment Group plc acquired 50% of the share capital of Houdini's.

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:

	29 December 2019 £000	30 December 2018 £000
Essenden Limited	**(783)**	697
Georgica Limited	**3**	2
Indoor Bowling Equity Limited	**(2)**	2
Tenpin Limited	**(6,010)**	3,933
TEG Holdings Limited	**2,405**	(1)

26 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 20 May 2019 (the 2019 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 2 January 2022 ("FY21").

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 FY21 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 5.78%; 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	Dividend discount model	Monte Carlo
Share price at valuation date (£)	2.24	2.24
Exercise price (£)	nil	nil
Risk-free rate	n/a	0.68%
Expected dividend yield	5.78%	5.78%
Expected volatility	n/a	30.77%
Fair value of one share (£)	1.88	1.52

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
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26 Performance Share Plan continued

During the period ended 29 December 2019, 456,666 (2018: 319,029) share awards were granted under the PSP and nil (2018: 657,394) share awards were forfeited. For this, the Company recognised a net charge of £115,660 (2018: £73,547). These are equity-settled share based payments and the remaining contractual life of the 2019 scheme share options at the period end is two years and six months while the 2018 scheme share options' remaining contractual life is one year and six months and the 2017 scheme share options' remaining contractual life is six months. No share options have been exercised or have expired.

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 1 January 2018		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
Granted in the year:		
Duncan Garrood	Chief Executive Officer	200,000
Antony Smith	Chief Financial Officer	133,333
Graham Blackwell	Chief Commercial Officer	123,333
Forfeited in the year due to resignation:		
None		–
Total as at 29 December 2019		**857,694**
Split as:		
2017 scheme		193,939
2018 scheme		207,089
2019 scheme		**456,666**

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, 27 December 2020 for the 2018 scheme and 2 January 2022 for the 2019 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)

2019 scheme	2018 scheme	2017 scheme	Vesting
25.65p	24.50p	21.08p	12.5%
25.65p–27.30p	24.50p–26.69p	21.08p–22.19p	12.5%–50%
More than 27.30p	More than 26.69p	More than 22.19p	50%

27 Dividends paid and proposed

The following dividends were declared and proposed:

	29 December 2019 £000	30 December 2018 £000
The following dividends were paid by the Group:		
Final dividend year ended 30 December 2018 – 7.7p per ordinary share (2017: 7p)	**5,005**	4,550
Interim dividend paid 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 following dividends were declared and proposed by the Group:		
Interim dividend declared by Directors for year ended 29 December 2019 – 3.7p per ordinary share (paid 3 January 2020) (2018: 3.3p)	**2,405**	2,145
The below relates to final dividends proposed:		
Final dividend year ended 29 December 2019 – nil per ordinary share (2018: 7.7p)	**–**	5,005

The Company received a cash dividend of £2,405,000 (2018: £2,145,000) from its subsidiary TEG Holdings Limited that was declared in the financial year ended 29 December 2019 but paid after the year end on 31 December 2019.

28 Post balance sheet events

Placement of shares

The Group announced on 25 March 2020 that it was undertaking a placement of 3,250,000 ordinary shares through an accelerated book build to certain existing shareholders and institutional and other investors, including Directors of the Company.

The placement shares were subscribed at a price of 155 pence per share, raising approximately £5.0m gross proceeds. The net proceeds of the Placing will be utilised to provide additional liquidity headroom during this unknown period of uncertainty relating to COVID-19.

Directors of the Company participated in the Placing, subscribing for 199,900 Placing Shares in aggregate.

COVID-19

On 20 March 2020 the Group temporarily closed all of its 45 bowling sites following the UK Government's announcement that all leisure and entertainment businesses must close as part of the Government's Covid-19 containment plan. The extent of this period of closure and actions by customers once the sites are reopened are uncertain and as explained in the Viability statement on page 36 the Group has modelled a downside scenario with no revenue but a reduced cost base and a partial trading scenario with revenue at 26% of the prior year while maintaining a reduce costs base. These show that the business is a going concern for at least the next 12 months. As the Government interventions in response to the Covid-19 pandemic occurred after the balance sheet date, they represent a non-adjusting post balance sheet event. However, given the significance, and as the impact is still unknown the potential risk areas would be in the impairment of goodwill, property, plant and equipment and the value of the onerous lease provision which is for one site. Despite the potential reduction in Group Adjusted EBITDA, the Directors do not currently expect an impairment of goodwill, other intangibles, property, plant and equipment and right of use assets, inventory and other receivables as there was significant headroom when the impairment test was undertaken at the year end.

As a precaution against a potential period of disruption to the business resulting from the Covid-19 outbreak, the Group has drawn £20.2m of its £25.0m revolving credit facility in March 2020 and completed a share placement on 26 March 2020 that raised £5.0m of cash proceeds. All uncommitted capital expenditure plans have been halted and suppliers and landlords are being constantly communicated with to try identify measures to reduce unnecessary cash outflow. The impact of these matters on the Group's ability to continue as a going concern is set out on pages 82 and 83.

UNAUDITED FIVE-YEAR RECORD

	52 weeks to 29 December 2019 £000	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
Sales	**84,122**	76,350	71,040	67,319	52,965
Cost of sales	**(24,930)**	(22,423)	(21,478)	(20,639)	(16,698)
Gross profit	**59,192**	53,927	49,562	46,680	36,267
Administrative and other costs	**(46,609)**	(42,565)	(39,640)	(36,924)	(34,136)
Profit before finance charges	**12,583**	11,362	9,922	9,756	2,131
Finance charges	**(788)**	(693)	(2,630)	(4,320)	(2,075)
Profit before taxation	**11,795**	10,669	7,292	5,436	56
Taxation	**(2,758)**	(2,527)	(2,111)	(1,805)	(702)
Profit/(loss) after taxation	**9,037**	8,142	5,181	3,631	(646)

DIRECTORS, COMPANY SECRETARY AND ADVISERS

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