ten.
ENTERTAINMENT GROUP PLC

READY TO RETURN TO GROWTH

ANNUAL REPORT & ACCOUNTS 2020

CONTENTS

"THE STRENGTH AND SUPPORT I RECEIVE FROM EVERY LEVEL FROM THIS AMAZING COMPANY KEEPS ME GOING BACK FOR MORE."

TEAM EXETER

ENTERTAINING FRIENDS AND FAMILIES

OUR PURPOSE

To make friends and families happy; we entertain and enthral profitably.

WHO WE ARE

We are a family entertainment business offering a wide range of competitive social activities all under one roof, with bowling at the heart of what we do.

OUR CULTURE

We believe in providing fun and entertainment as a source of good health and wellbeing. We are active in our local communities and take pleasure in bringing together families and friends to socialise and have fun together across the generations.

"ALL SET TO ROCK'N'BOWL"

TEAM YORK

"WE'LL BE BACK IN NO TIME AND MORE AWESOME THAN EVER"'

REGIONAL TEAM

HIGHLIGHTS 2020

FINANCIAL HIGHLIGHTS

- Pre-Covid trading delivered +12.7% sales growth
- Bank debt well controlled to (£12.6m); growing only £8.5m in year
- New financing facility adds £14m liquidity

BUSINESS HIGHLIGHTS

Strong controls maintained the business in excellent shape

- Swift and decisive action taken to secure financial security for over 18 months of closure
- Over £18m of liquidity headroom still remains in place as at 26 March
- 75% reduction in non-property related cash spend during Lockdown

An underlying strong business that continued to develop

- Good progress in developing our digital platform
- Next generation development in Manchester exceeded expectations
- Underlying model still offers significant cash on cash returns to investors
- Long-standing eight-year track record of organic growth and >30% returns on acquisition investment

Well positioned for growth and expansion post Covid

- Strong demand in the summer when the business reopened after first Lockdown
- The business is operationally fit for purpose; all local management and teams remain in place
- Well placed to benefit long-term from reducing capacity in UK leisure and hospitality

WHY INVEST IN TEN ENTERTAINMENT GROUP?

PROVEN CUSTOMER PROPOSITION

VALUE FOR MONEY

The average spend per head of £13.99 provides an entertainment experience accessible to all

£4.59

AVERAGE PRICE PER GAME[1]

CUSTOMER DEMAND

A leader in experiential leisure with a fun and social environment for friends and families across the generations

36%

OF UK CONSUMERS WENT TENPIN BOWLING IN 2019[2]

CAPTIVATING INVESTMENT

We focus on strategic investments in our current estate to enhance the environment, atmosphere and experience

£10.5M

INVESTED OVER THE PAST FIVE YEARS

NATIONAL FOOTPRINT

Large, accessible centres across the UK offer a wide range of entertainment under one roof

46

LOCATIONS THROUGHOUT THE UK

COVID SECURITY

Our centres are safe, welcoming and can optimise the requirement to conform to social distancing

£1.2M

INVESTMENT MADE IN CUSTOMER SAFETY

STRONG INTERNAL FUNDAMENTALS

PROVEN ORGANIC GROWTH

A strong track record of like-for-like sales and profit growth pre-Covid

8

YEARS OF CONSECUTIVE LIKE-FOR-LIKE GROWTH

OPERATING MODEL

A proven model across site acquisitions and refurbishments while maintaining and improving operating margins

36%

RETURN ON INVESTMENT

DIGITALLY FOCUSED

Continually improving integration with embedded online booking system for all activities, integrated food and drink ordering technology, and significant investment in enhanced customer communications

34%

OF OUR CUSTOMER DATABASE BOWL EVERY 2 MONTHS

EXPERIENCED LEADERSHIP

Wide range of leisure and retail knowledge and skills amongst our Board and executive team

>60

COMBINED 60+ YEARS OF EXPERIENTIAL LEISURE

ROBUST BALANCE SHEET

Long-term liquidity protected through robust cost control, strong supplier and landlord relationships and support from financing partners

>£18M

LIQUIDITY HEADROOM MARCH 2021

1 Price per game is inclusive of VAT. Spend per head excludes VAT.
2 Source: Mintel Leisure Review UK, December 2019.

ATTRACTIVE MARKET

GROWTH

Our business sits in the sweetspot of the highly attractive experiential leisure category and the Group is well positioned to take advantage of short-term opportunities and long-term growth trends

FRAGMENTED COMPETITION

The two leading operators run a third of the UK centres but generate two thirds of the sales, at significantly higher operating margins

PENT-UP DEMAND

We anticipate an increasing demand and a reduced supply for experiential leisure as Lockdown ends. We are well positioned to meet the demand for social entertainment

£320M

UK TENPIN BOWLING GREW 26% IN THE 5 YEARS TO 2019[2]

>100

INDEPENDENT OPERATORS IN THE UK MARKET

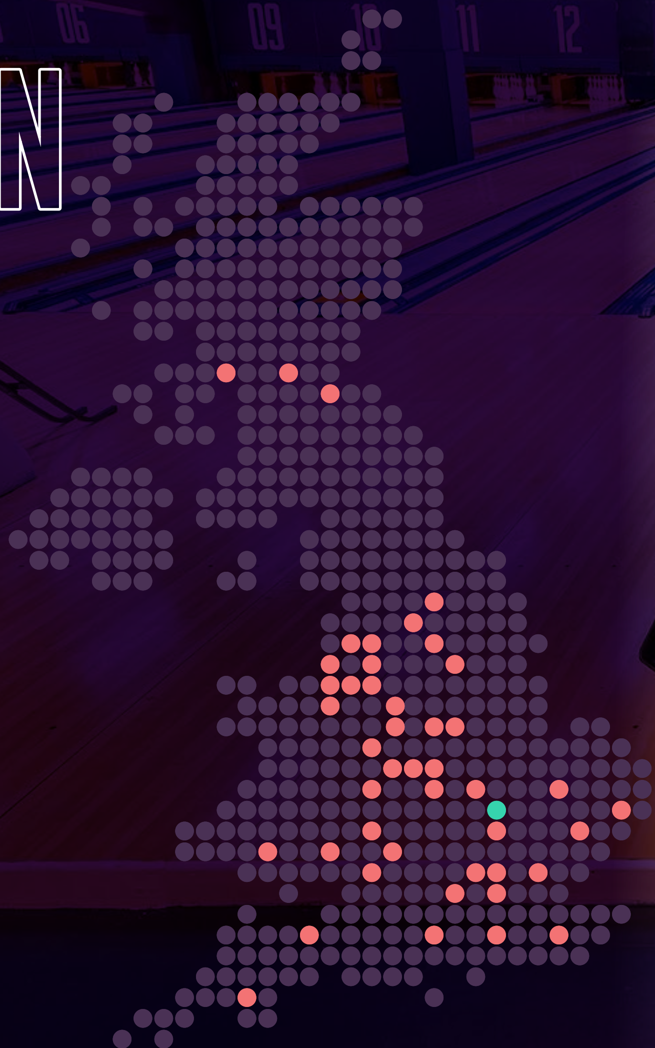
TOP 4

GROWTH SEGMENT IN THE £111BN UK LEISURE MARKET. 4.8% CAGR IN 5 YEARS TO 2019[2].

"THANKS FOR HELPING ME BELIEVE IN MYSELF"

TEAM MANCHESTER

LEADING THE WAY THROUGH INNOVATION



Ten Entertainment Group plc is a leading UK operator of family entertainment centres with a total of 46 centres across the UK. We have 1,100 bowling lanes across our estate and 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 range of food and drink that customers can enjoy while they play.

We operate best-in-class technology, including the latest bowling scoring systems and a fully integrated website and real-time booking engine for all our activities.

46
ENTERTAINMENT CENTRES

£13.99
AVERAGE SPEND PER HEAD

1.3M SQFT
OF FAMILY ENTERTAINMENT SPACE

13
ESCAPE ROOMS IN OPERATION ACROSS 6 UK LOCATIONS

MARKET-LEADING INNOVATION

2021
46% of the estate already using latest BESX scoring systems
ApplePay and GooglePay accepted online
Online employee wellbeing platform

2020
iServe replaced with at table F&B ordering app
Pins & Strings live in 87% of estate
Fully upgraded web and CRM platform

2019
HyperBowl trials installed
Cheshire Oaks development site launched
Escape Room joint venture with Houdini's
Yapster launched for employee communications

2018
Full Pins & Strings roll-out commenced
Virtual Reality trialled

2017
TEG plc IPO
Fully integrated real-time
booking engine to drive yield

2016
Pins & Strings introduced to UK by TEG
Commenced roll out of BESX scoring system

2014
Investors in People Gold award
iServe at lane ordering service introduced

2013
Paypal introduced

2012
Mobile booking engine launched
Free in-site WiFi across whole estate

2007
Online booking and
centralised customer database
Dynamic pricing trialled

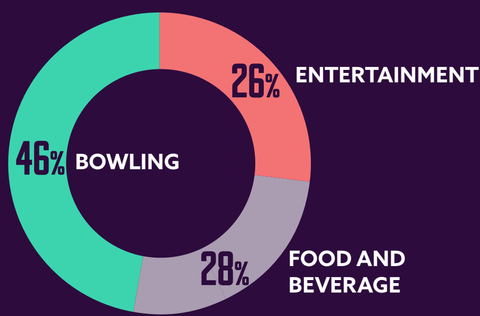
2003
Indoor golf trialled

2000
Qubica partnership began

"I'M LOOKING FORWARD TO WHAT 2021 BRINGS FOR TENPIN"

SUPPORT TEAM

THE GROUP'S REVENUE MIX IN 2020



FOCUSING ON OUR LONG-TERM FUTURE

KEEPING THE BUSINESS FIT FOR PURPOSE, READY TO RECOMMENCE GROWTH

NICK BASING CHAIRMAN

"WE ACHIEVED MUCH IN 2020, DESPITE THE ENORMOUS DEGREE OF DISRUPTION"

When I wrote this report in May last year, our business had already been closed for seven weeks as the global pandemic had begun to take effect. The scale of the challenge has been far greater than any of us could have imagined. This period has truly tested the resolve of all of us connected with the leisure and hospitality industry and of course Ten Entertainment Group.

We achieved much in 2020, despite the enormous degree of disruption, and I am delighted that all of us came together and worked tirelessly to secure the Company's future prosperity. Not only that, but I believe that our core business is now poised to benefit from a return to a new normal pattern of trading.

We have safeguarded our liquidity to ensure that we emerge from Lockdown with a secure cash position. We have used the time to further develop our business so that it remains modern, relevant, safe and fun when our customers return. We have demonstrated effective decision-making across a newly developed Board structure.

From the earliest days as the Covid-19 crisis emerged, the Board acted at pace to secure long-term stability and maintain confidence across all key stakeholders. The Group was the fourth UK-listed PLC to come to market with an equity placing which was extremely well supported, including the management team who all invested. I am extremely grateful for the confidence our investors showed in us. Our continued prudent approach to debt management and a high performing first quarter meant that despite being closed for 26 weeks, we ended the year with just £12.6m of bank debt. Since the year-end we have consolidated our position further with support from our bank under the Government's Coronavirus Large Business Interruption Loan Scheme ('CLBILS'). We currently have liquidity headroom of over £18m, more than sufficient to protect our business well into 2022.

We took the opportunity in the year to strengthen our business wherever possible. We enhanced our estate with the completion of our brand-new centre in Manchester (Printworks) and two major refurbishments at our flagship centres, Acton and Birmingham (Star City). We concentrated our focus towards our digital strategy in 2020. This had the dual effect of facilitating our

SIGNIFICANT REMAINING HEADROOM

>£18M

STRONG EMPLOYEE ENGAGEMENT

89%

response to the operational challenges of Covid-19, but more importantly it positions us as best-in-class for the coming years. We were the first bowling operator in the UK to enable all of our centres with contact-free food and drink ordering. Our customer engagement through social media channels grew significantly during Lockdown, and we are now the most followed bowling business in the UK on Facebook and Instagram. Our operational leadership played an active and impactful role in taking the lead for the industry's negotiations with the Government in setting and agreeing the safe operating protocols under Covid restrictions, and all our centres now have fixed lane dividers that allow us to operate all lanes safely.

Duncan Garrood's decision early in the crisis to leave the hospitality sector to take up an external position gave us the opportunity to redefine the appropriate leadership skills for this next phase of our journey. Graham Blackwell was appointed interim CEO, most ably supported by Antony Smith, our Chief Financial Officer, who has taken on additional leadership responsibilities. Graham's 30 years' experience in hospitality and bowling and his deep-rooted operational and commercial acumen make him ideally placed to lead the business back to achieving consistent growth and profitability as it has delivered previously over the past eight years prior to the pandemic. This arrangement has proved highly effective in navigating the choppiest waters the industry has ever faced and it was unanimously agreed by the Board to appoint Graham as Chief Executive Officer in January this year.

Financial support from the Government has been welcome. We have utilised the Coronavirus Job Retention Scheme responsibly which has protected the livelihoods of over 1,000 of our team. The business rates relief has also alleviated the financial burden on the business and its extension through to 2022 will help us as we reopen. A reduced rate of VAT for hospitality and leisure has been a sensible measure overall, although inexplicably it does not extend to bowling; a situation that we and the industry continue to pursue with the Treasury working with expert advisers.

Most importantly to highlight, my colleagues across the country, in all our centres, have been extraordinarily supportive throughout these challenging times. We have developed a very strong wellbeing programme to ensure people's welfare, in every respect, is considered and cared for. Tenpin is characterised by an incredible esprit de corps. The Board has done everything in its power to recognise and continue to support this crucial strength of our business. As a result, there have been no enforced redundancies as a consequence of Covid-19. I cannot express in words my true gratitude to each and every one of our team for their support to the business, each other and me, and I am incredibly excited to anticipate seeing everyone return back to their places of work and to provide the warmest welcome to our customers back into our centres up and down the country.

Our continuous track record of profitable growth for the past eight years has been temporarily paused for 2020. However, we have put everything in place to ensure that we are well positioned to make a strong return to growth. In fact, we believe that pent-up demand for families to enjoy the experience of socialising will lead to a rapid recovery.

The headlines of 2020 have been dominated by the drama of Covid-19 with some tragic and traumatic outcomes for society and individuals. As a business focused on family entertainment, we truly hope that this pandemic can be put behind us and important lessons learned to avoid a repeat for future generations. For TEG we would wish the year to be defined as maintaining clarity of purpose, taking decisive action, and working closely with all our stakeholders to prosper on return.

I have announced my decision to step down from the Board in September. When I joined in 2009, I inherited a business that was underinvested and had lost touch with its customers. With a necessary and innovative restructuring, a relentless new focus that put our customers back at the heart of everything we do, and a new team of highly talented people with energy and commitment, we delivered eight consecutive years of like-for-like growth. We successfully brought the business to a main listing on the London Stock Exchange with an IPO in April 2017 and have continued to deliver strong profit growth and investment returns since. The final chapter of my love affair with Ten Entertainment will be welcoming back our customers and colleagues in May and restarting our proven growth strategy for the business to begin its next exciting phase. I look forward to watching with great interest in its next chapter.

We are primed and ready to reopen and there is real cause for optimism; 30 million people have now received their first dose of the vaccination and there is a clear Government roadmap back to normality, with our centres due to reopen on 17 May. Although the leisure and hospitality landscape will have changed significantly, our customers will more than ever be seeking out our great value, well-invested family entertainment centres to reconnect with friends and family. Ten Entertainment's fundamental purpose is to make friends and families happy; we entertain and enthral profitably. I remain confident that the underlying strength of our business and the stellar work of the leadership team that has ensured that the business remains on a strong footing for the future.

NICK BASING
CHAIRMAN
29 MARCH 2021

PROTECTING PRESERVING PREPARING

IN CONVERSATION WITH GRAHAM BLACKWELL AND ANTONY SMITH

- **GRAHAM BLACKWELL** CHIEF EXECUTIVE OFFICER
- **ANTONY SMITH** CHIEF FINANCIAL OFFICER

CONSIDERING OUR STAKEHOLDERS

PEOPLE	CUSTOMERS	SUPPLIERS
Protecting our people has been a priority for 2020. A relaunched wellbeing strategy; enhanced employee communications; and a commitment to ensure that nobody fell through the gaps in respect of furlough.	Our digital integration has accelerated, helping us to be closer to our customers than ever. We are now the most popular UK bowling company on Facebook and Instagram.	Our strong relationships with our suppliers has meant that we were able to manage our cashflow through bilateral agreements that don't create a cash pressure on reopening.
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? How did you feel when you closed the business for the first time in March?

GB It was a real shock, never have we closed the entire business for more than Christmas day before. Of course it was an enormous disappointment to all of us because of the strong momentum we had built in the first few weeks of the year and we were looking for another fantastic year following our excellent performance in 2019. Nobody had ever seen anything like this before, so it was all new territory for everyone. However operational head takes over and you move to practical mode of securing the centres, closing down safely and protecting our people and business as best we could.

AS Yes I agree it was a real disappointment. Within a week though we had secured £5m of equity funding; agreed initial deals with all of our landlords and major suppliers; put over 95% of our staff on furlough; and reduced our cost base by nearly 70%. In ordinary times you wouldn't dream of doing even one of those things in such a short timescale let alone all of them.

? What was the most difficult thing you had to do in the early days?

GB Our business has a real family feel to it, we have worked hard to grow our relationships with our customers, staff and suppliers and all of a sudden it was like we had lost our momentum. It was hard to think of how those people would be feeling with so much uncertainty hanging over the business. So we focused on communication and wellbeing, we worked really hard on doing everything within our power to ensure all of our colleagues were well looked after and understood what was happening.

We have a family of 1,100 wonderful people relying on us to make the right decisions and to protect their security and future. Our aim was to ensure we treated our colleagues how we wanted to be treated. We have learned a lot of things throughout the last year in terms of the business, however we knew from the outset that relationships were key to surviving and we acted quickly. Our relationships are still very strong and we continue to work hard on those relationships whatever the circumstance.

? What impact has the Covid crisis had on your underlying business?

AS It was really disappointing to lose a year of momentum, and clearly the cash outflow has given us a bigger debt than we ordinarily tend to run with. However, I'm confident that we can bounce back quickly. The business is very strong, and bowling remains a popular activity, so there is no reason to think that 2020 will have a lasting effect on the underlying profitability, and we fully expect to return to our growth trajectory.

? Does your strategy change now?

GB No, not really. I was part of the team that brought the business to IPO in 2017 and we did so with a very clear strategy. We provide great value family entertainment by investing in modern bowling centres and introducing the latest in family entertainment technology such as Escape Rooms, Virtual Reality, video and gaming technology.

To grow our estate we look at various opportunities to sweat the asset that we already have. One example is the rollout of our Houdini Escape Rooms which increases our one stop shop approach to entertainment whilst utilising every square foot of property we have.

We will continue to always evaluate our current demise to ensure we direct capital in the best way to grow our business. We continue to closely monitor the bowling market and look to seek out great opportunities to acquire existing businesses, whilst carefully selecting preferred sites for building new bowling centres to add to our group at Tenpin. Those things are as relevant now as they were pre Covid, and we fully expect to continue that strategy.

? Can you afford to continue that strategy?

AS Yes, we can. We have always taken a prudent approach to debt, and when the crisis struck we had no bank debt. We do now need to prioritise reducing that debt a little, but we still have good liquidity headroom and a cash-generative model. We are likely to initially prioritise the less capital intensive programmes to grow our business in the short term, but longer term we are confident that we can reduce our debt and continue our self-funded investment programme.

? Did you make any strategic progress in 2020, or was it just all about Covid?

GB Yes, we did. We completed and launched our new site in Manchester and two fantastic refurbishments in Acton and Star City and I am delighted with the results. We also completed eight further Pins & Strings sites leaving just six to complete our estate and we utilised the time to install Escape Rooms into our sites in Acton, Star City and Southampton bringing our current total to 13 and expect to have 15 by the end of June. We completed the rollout of our F&B app and continue to develop this internally as part of our digital enhancements.

However, probably the greatest progress came with our developments in online and digital. It's nice to be the UK's best loved bowling operator on social media!

? How does your expansion pipeline look?

GB We had acquisitions and new builds ready to execute in line with our forecasts for 2020 which we had to put on hold in March due to Covid. We have continued to ensure those opportunities did not fall away. They remain options for us but we have not yet made any financial commitments, although we could action very quickly if we chose. I think having flexibility to be agile in our approach to estate expansion will work well for us in 2021.

AS To be honest, I'm quite pleased that we don't have commitments made in a pre-Covid era as the economics are likely to have changed. It is good not to have a high forward capital commitment in the current circumstances. I think better and more interesting deals are likely to become available with significant availability of new retail and leisure units as well as potentially some acquisition opportunities. Early targets will be low capital intensity, but we will remain vigilant for some great new sites in our future pipeline.

? Do you think there will be consolidation in the bowling industry in 2021?

GB Unfortunately I think that's inevitable. Not all operators are fortunate enough to have the financial support that we have nor access to the sorts of reserves we can call upon. There are lots of small groups and independently run operations out there and I do really feel for them in these difficult times. I have worked closely with them during Lockdown, supporting and advising where possible through the Tenpin Bowling Proprietors Association. I've worked within the industry for many years and know many of these operators well.

It is highly likely there will be some consolidation and TEG is in a strong position to help keep some of these centres open for their communities. We have a strong track record in acquiring these types of businesses, investing in them, delivering growth and achieving excellent returns.

? Will you be paying a dividend in 2021?

AS The CLBILS loan we secured in January does need to be fully repaid before we pay a dividend and our first priority is to return to cash generation and ensure the debt is at an appropriate level. We do also have a very strong track record for investing capital and generating significant returns, and any dividend policy needs to be balanced against that growth agenda. So I think it is highly unlikely that we will immediately return to a dividend in 2021, but I am committed in the medium term to a well disciplined capital allocation strategy that maximises shareholder returns.

? What are your priorities for 2021?

GB We just can't wait to get the doors open and welcome back our customers! We have excellent Covid protocols and a spacious environment packed full of fun activities that families and friends are just desperate to get back to. Everything is in place and we are ready to go, our teams are chomping at the bit to get back into our centres, we look forward to returning the business to growth.

AS Likewise I want to get us open and trading. Our first target is to get the business back to 2019 levels and then I think we can start to push beyond that. We generate cash quickly and that will help us to bring the debt down and refocus our investment programme.

? When do you think you will return to pre-Covid levels?

GB Our business remains as strong as ever, so there is no reason to think that we can't do so fairly quickly once the markets open up a little more. We need to be agile and adapt our business to understand any potential changes in customer behaviour, but I am confident that by continuing to offer great value entertainment our customers will be keen to return.

CONNECTING OUR PEOPLE

COMMUNICATING WITHIN OUR COMMUNITY BY USING A FULLY INTEGRATED MOBILE COMMUNICATIONS PLATFORM TO KEEP OUR PEOPLE AND SYSTEMS CONNECTED

Over the last 12 months, Yapster, our Company-wide mobile communication platform, has been of paramount importance for colleague engagement.

The Yapster app, which is used by both the support centre and site-based employees, facilitates instant messaging as either private messages or group conversations allowing employees to send text, photo and video messages in a private, secure workspace. There is also a Company-wide newsfeed feature which allows management and team members to keep in touch and share key achievements, milestones and important information in an interactive and social manner. The app is accessible on smartphones and via a browser, making it easy for site-based employees to access on their own devices and be connected in a way that could be difficult otherwise.

During the Covid-19 pandemic, when Government announcements were made at short notice during non-working hours for the majority, the app enabled the leadership team to communicate promptly and efficiently with the wider team; this helped ease any uncertainty and gave employees an instant forum to ask any pressing questions or share concerns. It also allowed the Executive team to share regular video content to keep everyone informed and get important messages across during periods of closure.

Throughout the first national Lockdown, a time when a large proportion of the team were furloughed, Yapster provided a vital way for team members to stay in touch with each other. There was a high level of engagement with team members feeling empowered to share anything they deemed worth sharing; from volunteering stories or relevant training they were completing, to amateur photography they had been practising or motivational quotes. It also enabled the internal communications team to share relevant and supportive content such as mental health matters and #MondayMotivation quotes. All these interactions helped to build a sense of togetherness at a time when face-to-face interactions were limited.

One of the Company highlights during Lockdown was the Team Tenpin Relay. This event, which was organised via Yapster, saw over 140 team members taking part in a relay from the north to the south of the country with each member walking, running, cycling or rowing 5km to raise money for MIND, the charity for better mental health. The event took place over four days in June with over 700km travelled and more than £3,000 raised for the charity. This was just one of many charitable efforts which was shared and promoted via Yapster.

The engagement on Yapster continued in the lead up to reopening, with many sharing their preparations to ensure they were Covid secure, tips to improve the customer experience as well as any initial customer feedback. When opening and closures became regional and site-specific the sense of comradery continued with posts of encouragement for centres opening and commiserative positive posts for those facing closure.

We have linked Yapster to all of our online platforms so that the app is now a one stop shop for a range of essential digital tools including our online learning and development resources; our highly popular Tenpin Treats reward gateway; our confidential feedback forum; and our whistleblowing hotline. This means that every member of the team has ready access through a single sign on with their phone.

In the latter part of the year, a number of initiatives helped to maintain the high level of engagement and participation in a fun and light-hearted way. This included #StepintoSeptember challenge which saw 13 teams across the support centre and centres competing to clock up more steps than their colleagues with weekly league tables being shared via the app and #Tenpinpaws which saw employees posting pictures of their pets throughout November in the hope of their pet being crowned the most popular furry friend.

At a time that has been anything but normal, Yapster has enabled the team to come closer together whilst staying apart, and many have returned to their centres with an even greater sense of belonging and unity.

NEWSFEED POSTS
4,000

YAPS SENT
100,000

GENERATED LIKES AND COMMENTS
80,000

ACTIVE USERS
1,017

Yapster

PROVIDING PEACE OF MIND

WHEN REOPENING OUR CENTRES, WE ADHERED TO STRICT SAFETY PROTOCOLS WHILE PROVIDING THE SAME OUTSTANDING CUSTOMER EXPERIENCE

The Group has been instrumental in developing the operating protocols for the industry as it exits Lockdown. Our operational expertise has ensured that we can implement these protocols to the highest standards in order to ensure our employees and customers can enjoy a safe environment and an enjoyable experience.

Our centres have been modified to protect our customers with clear signage, one-way systems and protective screens. Our gaming areas have been reflowed to enable customers to continue to enjoy our activities at a safe distance.

When we opened after the first national Lockdown we limited capacity by only operating alternate bowling lanes in order to comply with guidelines on social distancing, and this capacity limited sales growth. During the year we worked closely with the Department for Digital, Culture, Media and Sport ('DCMS') to agree safe protocols for opening all our estate's lane capacity, and further investments have now been made in lane dividers at all centres which means that our business can now safely operate 100% of available lanes.

We have invested in ensuring all our teams undertook a specially designed Covid training programme before they returned to work, as well as a refresher course to remind them of how we help our customers have fun in a safe environment. We have increased staffing to meet and greet our customers to help navigate our rules around masks and distancing, and ensuring all visitors are completing Track and Trace details. We have also added specific roles responsible for cleaning and sanitising the lanes and machine areas and ensuring a fast turnaround such that we can keep our customers safely moving to a clean and discrete area within their groups. These roles are performing well in ensuring we have great customer feedback on our Covid security measures as well as helping us to increase customer spend per head. The additional costs are manageable, and savings have been identified elsewhere to partially mitigate the impact.

We have launched a smartphone-based ordering system for food and drink which proved highly successful and helped us maintain spend per head. Customers can now use their phones to order and pay in a completely contact-free environment and to have their meals and drinks delivered directly to their lane or table. This not only helps social distancing but allows us to increase ancillary spend and give customers a better service.

Customer feedback has been positive. People understand the restrictions in place and have been complimentary about the way our centres have been set up to help keep them safe. Structurally our centres benefit from being large and open spaces with discrete places for customers to enjoy their game away from other groups. The 'Rule of Six' when in place, is well suited to the bowling environment where games are already limited to six people per lane.

These preparations, combined with excellent initial customer feedback give us confidence that when we reopen, we can give customers the great value family fun they are used to, with the added peace of mind that they are in a safe environment.

"LANE DIVIDERS ALL COMPLETE, KEEPING OUR STAFF AND CUSTOMERS SAFE! GREAT JOB!"

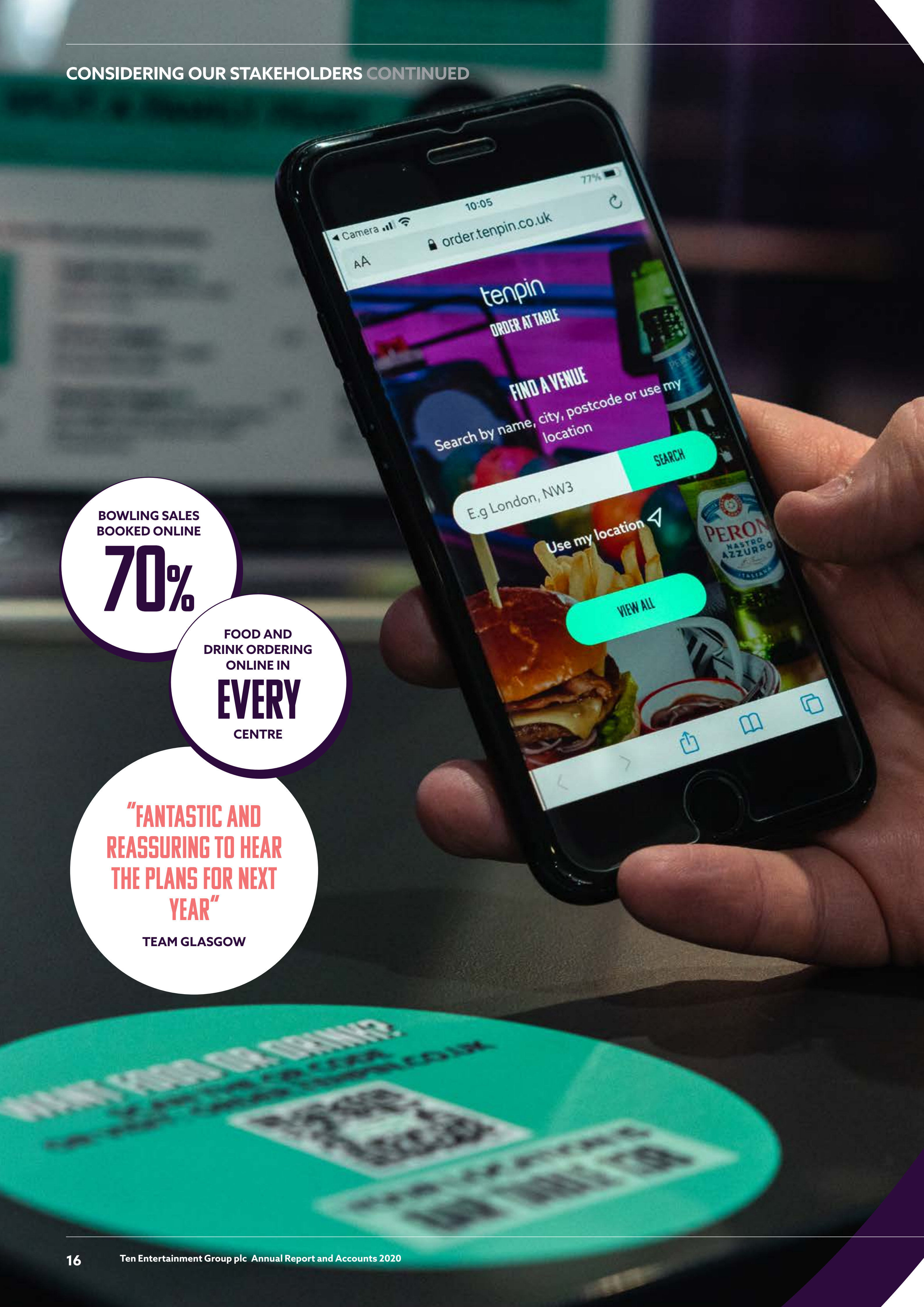
TEAM BEXLEYHEATH

100%

OF SITE-BASED EMPLOYEES COMPLETED COVID SECURITY TRAINING

COVID SECURITY INVESTMENT

£1.2M



BOWLING SALES BOOKED ONLINE

70%

FOOD AND DRINK ORDERING ONLINE IN

EVERY

CENTRE

"FANTASTIC AND REASSURING TO HEAR THE PLANS FOR NEXT YEAR"

TEAM GLASGOW

DIGITAL INNOVATION

WE MADE HUGE STRIDES IN 2020 IN ENHANCING AND INTEGRATING OUR DIGITAL SYSTEMS TO IMPROVE THE CUSTOMER EXPERIENCE

We were the first UK bowling operator to integrate a web-based food and drink ordering app in every centre.

Post Lockdown, customers could use their smartphones to order and pay in a completely contact-free environment and to have their meals and drinks delivered directly to their lane or table. This not only helps social distancing but allows us to increase ancillary spend and give customers a better service.

Our online booking system and in-site Wi-Fi was enormously effective at capturing customer data for Track and Trace, and we saw a surge in online bookings to around 70% of total bowling sales from our more typical 30%. This helped us to plan and manage capacities carefully and would not have been possible without the website platform development we completed in January 2020.

We continually cleanse and refresh our online customer database and have c.430,000 contactable customers who we were able to communicate with throughout 2020. During Lockdown we also increased our social media presence and engagement with our customers was strong, with games, competitions and offers. Facebook engagement doubled and we increased our presence on Instagram to broaden the customer reach. The Group now has over 130,000 Facebook followers, making us the most followed Tenpin bowling operator in the UK.

SEO optimisation was a key focus in the latter part of 2020 to ensure our website was accessible for customers looking for great value family fun. As a result, the website now ranks higher on Google for key search terms such as 'bowling' and appears in a wider number of search terms including 'entertainment centres', allowing us to gain position on competitors and appear higher up in a wider number of searches.

In addition to the significant website improvements made in the early part of 2020, we are now leading the way again in the sector with the introduction of ApplePay and GooglePay now live on our website.

"I HAVE THE BEST WORK FAMILY AND TOGETHER WE'LL GET THROUGH"

TEAM DONCASTER

THE GROUP OPERATES IN THE UK LEISURE MARKET, WHICH WAS ESTIMATED TO BE WORTH APPROXIMATELY £111BN[1] IN 2019 AND PRE COVID WAS EXPECTED TO GROW TO £125BN[1] BY 2024.

2020 has been a difficult year as Covid-19 and the resulting Government Lockdowns and restrictions have hit the leisure and hospitality industry extremely hard.

Some of the ways the market was restricted in 2020 included:

- The enforced Government closure of all leisure and hospitality venues ('Lockdown') from 20 March 2020. Our Welsh centres reopened first at the beginning of August, with the majority of our centres opening in England on 15 August, followed by our Scottish centres towards the end of the month.
- The 'Rule of Six' which came into effect on 14 September.
- The 10pm curfew which came into effect on 24 September until the beginning of December.
- Second Lockdown from 5 November to 2 December.
- The enforced closure of centres in Tier 3 areas from 3 December.

The restrictions resulted in TEG's centres being open for trade for only 51% of the year; with 21% taking place prior to Covid-19 restrictions and 30% taking place after the first Lockdown with varying levels of restrictions enforced.

Although this impact was significant in 2020 and has continued in the early part of 2021, we remain confident that the long-term growth in the market will continue once a there has been a successful vaccine rollout and a sense of normality is restored. The Government now has a clear roadmap for the lifting of restrictions in the UK which will enable the Group to recover and return to cash generation in the second half of 2021.

MARKET IMPACT SPECTRUM

THE GOVERNMENT HAS SET OUT A CLEAR ROADMAP FOR A RETURN TO NORMALITY, WITH EACH STEP REDUCING THE IMPACT ON CONSUMER BEHAVIOURS.

GI **Greatest Impact**

- **Fully closed**
- **Ban on households mixing**
- **'Rule of Six'**
- **'Curfews'**
- **F&B constraints**
- **Consumer confidence**
- **Back to FY19 levels**
- **Return to growth**

LI **Least Impact**

29 MARCH 2021
Some restrictions start to ease, but hospitality remains closed.

12 APRIL 2021
Indoor hospitality remains closed, but more relaxation of retail and outdoor attractions and events.

17 MAY 2021
Earliest expected date of reopening our centres in the UK, with social distancing in place.

21 JUNE 2021
Removal of limits on social contact and a return to normality.

+26%

ESTIMATED TENPIN BOWLING GROWTH

£111BN

UK LEISURE MARKET VALUE IN 2019

COVID-19 IMPACT

At this stage it is difficult to predict how the market and consumer behaviours may change over the coming months and years, but our business model is robust and its financial footing sound, making it likely to emerge as a long-term winner.

The uncertain economic climate and increased unemployment may impact disposable income and in turn leisure spend. However, 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 average customer in 2020 played 1.7 games of bowling and spent £7.57 on ancillaries. Our broad offering allows customers the flexibility to adjust their spend by either amending the number of games they play; flexing their spend on ancillaries; or choosing off peak times to play; all while maintaining an enjoyable experience.

Conversely, those who have remained employed throughout the pandemic and benefited from disposable income have had few opportunities for leisure spend in the last 12 months. The Centre for Economics & Business Research ('CEBR') estimates that Britons saved £200bn in 2020 as a result of Government restrictions limiting most, if not all, of their normal activities, which could lead to a spending boost and GDP growth of c.8% in 2021 and in turn increased demand for leisure activities.

In the current climate, mental health is more important than ever and we believe that tenpin bowling is a fun activity that can boost wellbeing and bring people together through competitive socialising. Bowling is a highly inclusive game and is one of the few leisure activities that can be enjoyed across generations with participation from virtually any age. We are sure that when socialising in person becomes commonplace again that Tenpin will continue to be a venue of choice.

UNDERLYING MARKET

FAST-GROWING SECTOR

Pre Covid-19, tenpin bowling was a fast-growing sector of the leisure market and part of the wider range of entertainment and competitive socialising activities available. Tenpin bowling was 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 outperform as the competitive socialising market gains momentum.

THE RISE OF EXPERIENTIAL LEISURE

In recent years consumers have transferred expenditure of their disposable income from possessions and goods to 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.

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 have a range of market-leading innovations that broaden our appeal including Houdini's Escape Rooms, HyperBowl, Electronic Darts, Virtual Reality, BatFast cricket batting cages, and shuffle boards.

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. There is a significant opportunity to continue to grow participation and engagement levels by targeting infrequent bowlers through our Customer Relationship Management ('CRM') programme and by developing our broader entertainment offering to attract a wider demographic group to our centres.

MARKET SUPPLY

OPPORTUNITIES FOR TEG

- Likely reduction in overall market capacity
- Knock-on effect of less casual dining
- Low-cost acquisitions may arise
- Availability of low-cost retail space
- Best-in-town leisure offering

THREATS

- Continuing Government restrictions
- Potential 'phoenix' operator entrants
- Attractive market brings new operators

CUSTOMER DEMAND

OPPORTUNITIES FOR TEG

- Migration to lower cost activities
- Pent-up demand for socialising
- Large centres conducive to social distancing
- Demise of high street retail increases spend on leisure
- Lockdown has increased individual savings
- Highly inclusive fun and social activity to enjoy together

THREATS

- Economic climate reduces disposable income
- Ongoing concern over Covid-19

COMPETITIVE LANDSCAPE

Tenpin is currently the second largest operator in the UK, with 46 centres. We have proven success in both out-of-town and city-centre locations. We are positioned well in the market, with a broad appeal to families, students, work colleagues and friends. Our promotional strategy allows us to target different groups at different times of the week, keeping the environment relevant to our customers to ensure they get maximum enjoyment from their visit.

There is a significant gap between the two leading players in the market and smaller multiples and independent operators. Average sales per centre 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 a 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 estate and ensure that we maintain our centres to a high standard.

Due to the structure of the market, we believe that there are further opportunities to acquire additional centres, either individually from independents or small groups of sites from multiples seeking to divest through portfolio rationalisation.

In addition, in the medium term 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 and accessibility. With the ongoing decline of the physical retail landscape, new opportunities at competitive prices 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 and during the year opened its first new centre in Manchester Printworks, 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. When we return to profitable and stable trading conditions, we will continue to actively work with landlords to explore opportunities for brownfield development of these sites.

OUTLOOK

Prior to the outbreak of the Covid-19 pandemic, growth in the tenpin bowling market looked set to continue over the coming years, supported by the expectation of further market consolidation and investment from the leading players.

It is not yet clear what impact Covid-19 will have in the longer term. While the bowling market is subject to changes in trends in consumer leisure spend, 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 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 well positioned to return to growth when the situation allows, to take advantage of the trend towards leisure time, and in particular the rise of both experiential leisure and competitive socialising.

1 Mintel Leisure Review, December 2019.
2 Mintel Competitive Socialising report, September 2019.

HOW WE DO IT

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.

We leverage our resources, relationships and sources of competitive advantage...

AN ESTABLISHED BRAND

The Tenpin brand is known and trusted in the market, with a broad appeal to families, students, work colleagues and groups of friends.

NATIONAL UK COVERAGE

Our well invested estate includes 46 centres across the UK, each offering a wide range of entertainment and a high-quality experience.

MODERN TECHNOLOGY

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

DEDICATED PEOPLE

Our talented colleagues create the fun and entertaining environments that ensure our customers have a great time and that our business thrives.

STRATEGIC PARTNERSHIPS

Our strategic partners help us provide an all-round experience, including the latest in bowling and gaming technology and a developing food and drink offering.

… to deliver our customer proposition and supporting activities…

WHAT WE DO

Ten Entertainment Group specialises in operating large, high-quality family entertainment centres throughout the UK. Our core bowling proposition is supplemented by a wide range of complementary family-focused entertainment options.

FOCUSED ON:

OPERATIONAL EFFICIENCY

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

STRONG CASH GENERATION

- Highly cash-generative model
- Consistent growth in sales
- Operational gearing strengthens profit growth

ESTATE MANAGEMENT

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

UNDERPINNED BY:

Our culture and values
See more on page 1

Robust risk management
See more on page 44

Sustainability focus
See more on page 32

High standards of corporate governance
See more on page 62

… and create value for our stakeholders

CUSTOMERS

We offer our customers a broad range of entertainment options at great value, creating a memorable and enjoyable experience every time they visit one of our centres.

PEOPLE

We invest in training and support for our employees in order to reach their potential and enable them to serve our customers well.

INVESTORS

The Board governs the business in the best interests of investors by delivering consistent returns through a proven strategy for growth.

SUPPLIERS & PARTNERS

We have strong, mutually beneficial relationships with our suppliers and partners allowing us to deliver a great service to our customers at a great value for money.

COMMUNITIES

The Group believes in giving back to the community, and encourages employees to support charities they care about both nationally and locally in the form of events and fundraising.

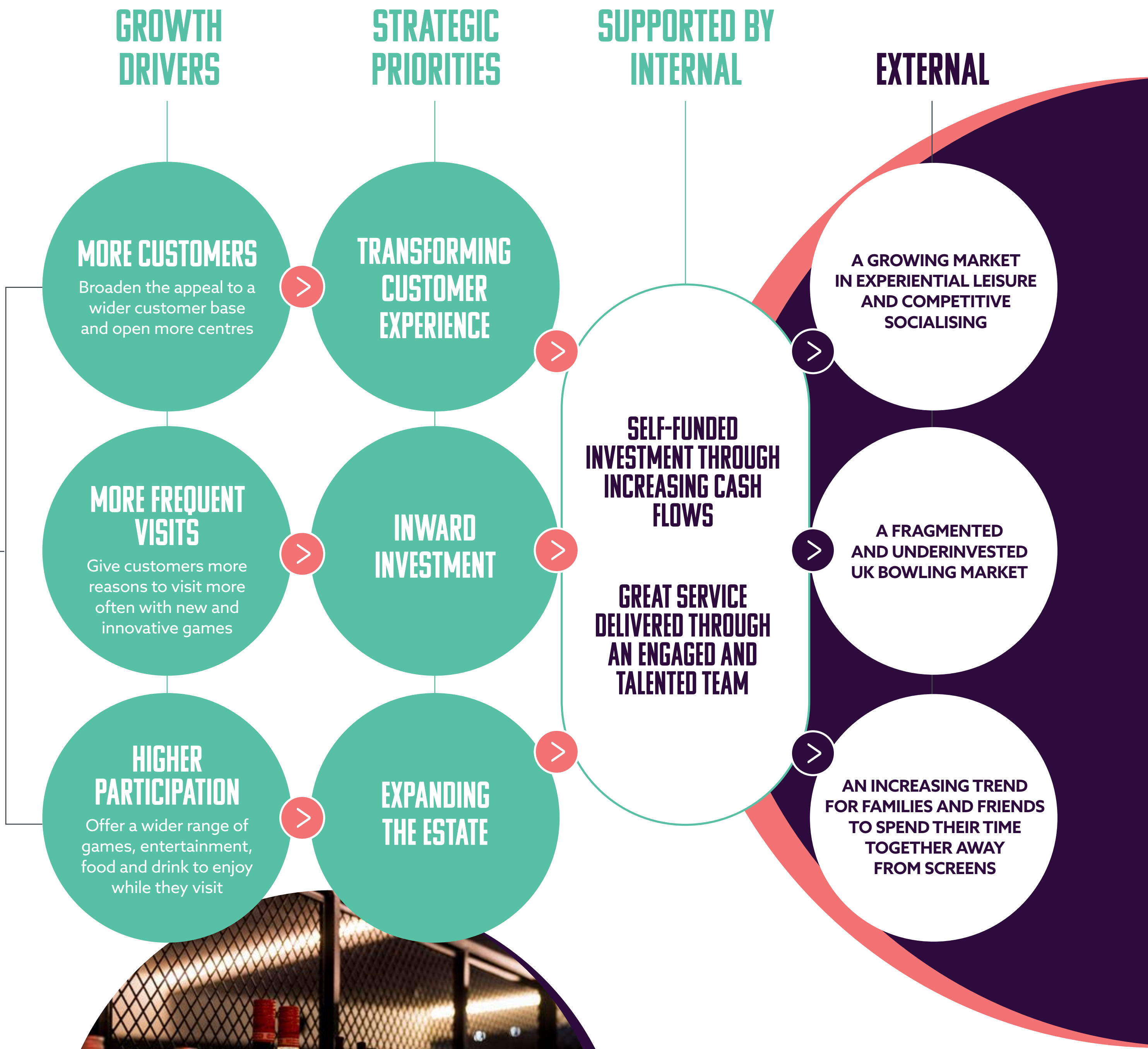
DRIVERS OF GROWTH

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.

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



GROWTH DRIVERS
STRATEGIC PRIORITIES
SUPPORTED BY INTERNAL
EXTERNAL
MORE CUSTOMERS
Broaden the appeal to a wider customer base and open more centres
TRANSFORMING CUSTOMER EXPERIENCE
MORE FREQUENT VISITS
Give customers more reasons to visit more often with new and innovative games
INWARD INVESTMENT
HIGHER PARTICIPATION
Offer a wider range of games, entertainment, food and drink to enjoy while they visit
EXPANDING THE ESTATE
SELF-FUNDED INVESTMENT THROUGH INCREASING CASH FLOWS
GREAT SERVICE DELIVERED THROUGH AN ENGAGED AND TALENTED TEAM
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

STRATEGIC PRIORITIES

TRANSFORMING CUSTOMER EXPERIENCE

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

Escape Rooms – 13 Escape Rooms across the UK maximising use of space and broadening the customer offer.

Digitally enabled – Modern bowling technology integrated to new web platform. Newly developed CRM system enabling targeted deals. Significantly strengthened social media engagement.

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

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

WHY IT IS IMPORTANT

Focus on this pillar will:

- **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

We have delivered customer benefits with:

- **First UK bowling operator to offer contact-free on-site food and drink**
- **Five new Houdini's Escape Rooms installed**
- **Locally-based pricing helping centre profitability**
- **Rollout of lane dividers across the whole estate**

INWARD INVESTMENT

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

Refurbishing our centres – an ongoing cycle of investment to keep the centres 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 IT IS IMPORTANT

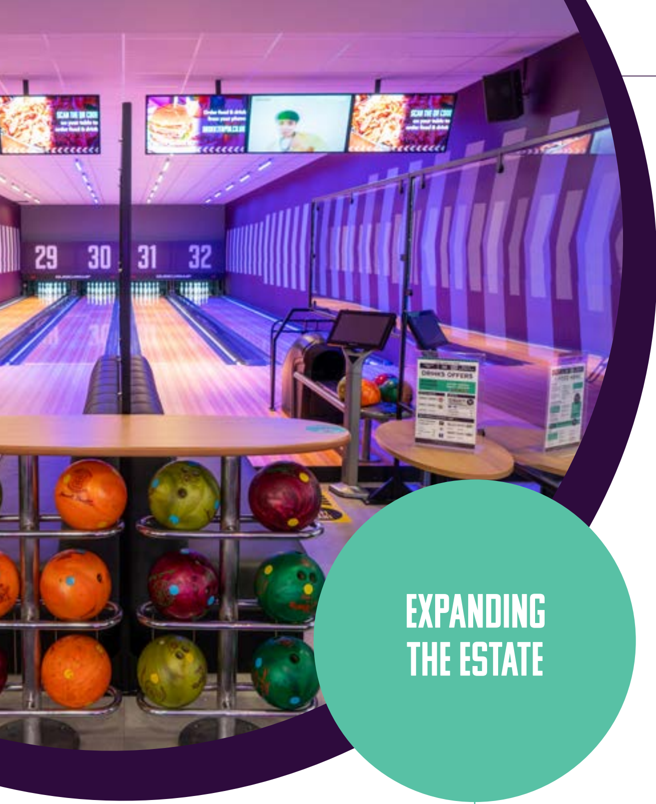
Focus on this pillar of the strategy delivers:

- **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**

ACHIEVEMENTS IN THE YEAR

Despite the significant disruption:

- **9.6% like-for-like growth pre Covid**
- **Refurbished two flagship centres in Acton and Birmingham Star City**
- **Seven lease regears to preserve cash flow**
- **Pins & Strings now 87% complete with only six centres remaining**



EXPANDING THE ESTATE

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

Acquire 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 IT IS IMPORTANT

This strategic priority delivers:

- **Growth in total sales and profit**
- **Opportunity to reach more customers**
- **Significant performance uplift from Tenpin systems, processes and customer offer**
- **Better efficiency of the model by spreading central costs over more bowling centres**

ACHIEVEMENTS IN THE YEAR

Development in this area has led to:

- **Next generation development in Manchester city centre opened with strong initial sales**
- **Pipeline paused due to Covid; but ready to be re-engaged**

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 profitability
- A disciplined approach to capital deployment that focuses on high yield for investors
- A strong track record of delivery on high-returning projects
- Disciplined cash management maintains significant liquidity headroom should it be required

Culture, people and systems

- We have delivered a step change in employee wellbeing in 2020 in response to the challenges of the pandemic
- We provide development for employees to help them provide a safe environment and memorable experiences for our customers
- We have acted responsibly to protect our employees' jobs throughout the uncertainties of 2020
- We believe all employees 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

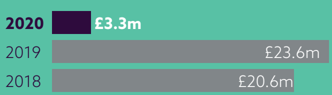
MEASURING OUR PERFORMANCE

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

£3.3M



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 £3.3m is on an IFRS 16 basis and so excludes £11.2m (2019: £12.5m) of rent. The significant decrease in this KPI is due to the Covid-19 pandemic.

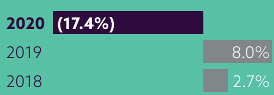
1 2 3

Target and link to strategy:

Adjusted EBITDA is driven by the delivery of all three of our strategic pillars but these have all been impacted by the enforced business closures in response to the Covid-19 pandemic.

LIKE-FOR-LIKE SALES

(17.4%)



Definition and how we performed

This is a critical measure of growth in the underlying business. The Group reported a (17.4%) (2019: +8.0%) full-year decrease in like-for-like sales while total sales decreased by (56.9%). This has been due to the impact of the Covid-19 pandemic with the centres closed for 49% of the year.

1 2

Target and link to strategy:

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. Focus on the first two pillars of the strategy will generate like-for-like sales growth. The year has been heavily impacted by the Covid-19 pandemic.

BANK NET DEBT

£12.6M

Definition and how we performed

The Group's bank net debt is (£12.6m) (2019: (£4.1m)) an increase of £8.5m. Bank net debt was made up of gross bank borrowings of (£20.0m) (2019: (£6.3m)) less cash and cash equivalents of £7.4m (2019: £2.2m).

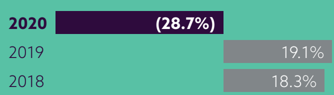
1 2 3

Target and link to strategy:

During the Covid-19 pandemic, the Group has prioritised managing cash, both by trying to conserve what was spent but also by raising cash. This has helped limit the growth of net debt by only £8.5m when EBITDA has reduced by £31.4m.

RETURN ON CAPITAL EMPLOYED ('ROCE')

(28.7%)



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 excluding IFRS 16. The decrease in the year has been driven by the impact of Covid-19.

1 2 3

Target and link to strategy:

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 once trade returns to more normal levels.

Strategic objectives

1 TRANSFORMING CUSTOMER EXPERIENCE

2 INWARD INVESTMENT

3 EXPANDING THE ESTATE

OPERATIONAL

SPEND PER HEAD ('SPH')

£13.99

2020	**£13.99**
2019	£14.60
2018	£14.36

Definition and how we performed

SPH is the average spend by customer per visit, based on the number of customers bowling. The SPH has decreased by 4.2% since last year which has been driven by Covid-19 as the dwell time by customers has reduced, as well as Government restrictions on alcohol sales.

2

Target and link to strategy:

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

2.6M

2020	**2.6m**
2019	5.8m
2018	5.3m

Definition and how we performed

Footfall is the measure of the number of unique bowling sessions bought. The decrease in footfall in the year is a direct result of the centres being closed for nearly half the year due to the Covid-19 pandemic.

1 2 3

Target and link to strategy:

The Group targets a footfall increase as a critical driver of growth, with more customers bowling, reflecting the underlying health of the business. Site acquisitions and investment in existing centres will provide additional footfall to grow total sales when trade returns to normal levels.

GAMES PLAYED PER STOP ('GPS')

882

2020	**882**
2019	662
2018	424

Definition and how we performed

GPS looks at the number of games played that are not interrupted by a breakdown. This improved by 33.2% to 882 (2019: 662) for the period as the Group benefited from the ongoing Pins & Strings investment as well as the Covid-19 closures giving the opportunity for more proactive preventive maintenance scheduling.

1

Target and link to strategy:

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

WEBSITE VISITS

3.6M

2020	**3.6m**
2019	4.9m
2018	4.0m

Definition and how we performed

The Group recognises digital media and the customer digital experience as a critical growth area in booking activities. Though the centres have been closed for nearly half the year, there were over 3.6m visits to the website which is only 26.5% down on last year.

1 2

Target and link to strategy:

The new operational website went live in 2020 and is expected to continue to drive the increase in visits and conversion to bookings when trade returns to more normal levels.

A PROVEN STRATEGY THAT REMAINS RELEVANT

"WE CAN BE PROUD OF THE WAY WE HAVE PROTECTED THE LONG-TERM FUTURE OF THE BUSINESS"

OVERVIEW OF 2020

2020 has been extremely challenging dealing with the Covid-19 pandemic, but it has also been a year that we can be proud of. We have protected the long-term future of the business. All our centres currently remain closed, almost exactly a year after the first Government Lockdown on 20 March. We are in good health and look forward to welcoming back our customers on 17 May as the Government Lockdown eases.

Our Covid actions can be characterised into four distinct phases, each with very clear priorities to secure the best possible outcome for our stakeholders.

Pre Covid

- Accelerating like-for-like growth at 9.6% with record-breaking February half-term sales
- Strategic investment in refurbishing two flagship centres and new centre in Manchester
- Significant progress on digital integration

Lockdown

- Decisive action to secure long-term liquidity against over 18 months of potential closure
- Supporting all major stakeholder groups equitably reducing cash outflow by over 70%
- Responsibly utilising available Government support

Reopening

- Taking the initiative with the Government in agreeing safe operating protocols with DCMS
- Digitally enabled from the outset with food ordering and Track and Trace technology
- Industry-leading initial sales at 82% of prior year despite restrictions on lane capacity

Retightening

- Looking after the health and wellbeing of customers and employees
- Re-engaging cash conservation measures
- Securing additional funding in preparation for further Lockdowns

CENTRES ACROSS THE UK

46

SPEND PER HEAD

£13.99

"WE TOOK THE LEAD IN DEVELOPING SAFETY STANDARDS FOR THE INDUSTRY"

I am proud of the way our team delivered the long-term security of the business during 2020. We treated our colleagues with dignity and respect and have worked hard to support their wellbeing as they cope with a year of uncertainty. We worked together with suppliers to find solutions that were to our mutual benefit, helping us conserve cash and long-term future relationships. When we did reopen, we deployed industry-leading safety standards having worked closely with the Department for Culture, Media and Sport ('DCMS') and Public Health England to develop those standards.

We used the time that we were closed wisely and did our utmost to turn adversity into advantage. Our digital integration moved at pace and was a critical part of ensuring that we could reopen safely, with a brand-new food and beverage ordering app that allowed contact-free ordering direct to lane or table. Online bookings reached record levels of 70% which helped deliver our Track and Trace requirements quickly and effectively. We completed high-quality refurbishments of two of our flagship centres and completed our city centre new-build site in Manchester Printworks. We have designed and built five new Escape Rooms taking our total to 13. We have now installed high-quality lane dividers across all our centres that mean we can operate 100% lane capacity in a Covid secure environment.

As a result of our focus on liquidity management, we exited 2020 with our bank debt at £12.6m, only £8.5m higher than at the beginning of the year. With the addition of a new financing facility we currently still have over £18m of remaining liquidity headroom and are well positioned to reopen strongly.

Our strategy remains unchanged. We will continue to develop our customer offering to deliver strong like-for-like sales growth; we will use the cash we generate to invest in existing infrastructure to ensure our centres remain modern; and we will take the opportunity of selecting the best quality available sites to expand our estate.

PRE COVID

The first 11 weeks of the year were very strong for the Group. Total sales grew by 12.7% and like-for-like sales grew by 9.6%, a culmination of the accelerating sales growth seen in the second half of 2019. Capital investment programmes from the new centres at Falkirk and Southport as well as the 2019 refurbishment sites all delivered good growth. Trading remained brisk right up until the first Lockdown was implemented.

LOCKDOWN

Lockdown came swiftly and presented a unique set of circumstances for most boards throughout the UK. The initial focus was clear: to conserve cash and maximise the length of time that the business could remain closed.

We closed all our centres on 20 March, and by 25 March we had successfully delivered an equity placing from our shareholders to provide an extra £5m of liquidity headroom and reduced our cash costs by over 70%, all of which ensured the business had sufficient funds to weather even an 18-month Lockdown. Cost savings were delivered through three key mechanisms: Government support; supplier support; and self-help cost savings.

We applaud the Government on its swift action with the introduction of the Coronavirus Job Retention Scheme ('CJRS'). This measure enabled us to furlough over 95% of our employees in order to save costs and preserve the jobs of our entire workforce. I am pleased to note that we have not enacted any site-based redundancies as a result of Covid-19. The one-year relief on business rates was also helpful. We were pleased to see this extended in the Chancellor's March 2021 Budget. We have fully utilised applicable Government grant schemes and HMRC Time to Pay schemes. We are mindful of our duty to act responsibly in respect of this level of support and are confident that we have done so.

Our suppliers have been extremely supportive throughout the periods of Lockdown. Many contracts have been paused while we are closed. We have regeared seven leases, benefiting from rent holidays in exchange for an extension to lease terms, as well as agreeing short-term deferrals and waiver periods on many other properties. The long-term nature of our leases, which is reflected in our very low average rent cost, gives the opportunity to defer payments over a considerable time, and as a result, the burden of deferred rents is not onerous in 2021 when we reopen.

Self-help cost savings have been essential to minimising the cash outflow from the business. The Board cancelled its plans for the final 2019 dividend and paused its expansion pipeline. The latter was not only a prudent cash-saving measure but also reflects our belief that the leisure landscape will look very different once we emerge from the crisis. We expect that there will be a variety of possible leisure space in the coming months and are confident that we can rapidly increase our estate expansion pipeline when the time is right.

REOPENING

Once the financial security of the business was secured, the focus turned to preparing to reopen the business. Our operational expertise, and close long-term involvement with the Tenpin Bowling Proprietors' Association ('TBPA') meant that we took the lead in dealing with the Government and the Department for Digital, Culture, Media and Sport ('DCMS') in designing and implementing safe operating protocols for the industry.

Bowling centres are large, well-ventilated spaces and can be readily adapted to social distancing. On average customers in our centres have four times the space that one would expect when visiting a bar or restaurant. A wide variety of measures were introduced to give customers peace of mind.

We were the first UK bowling operator to integrate a web-based ordering app to allow food and drink to be ordered directly to lane or table. Our online booking system and in-site Wi-Fi was enormously effective at capturing customer data, and we saw a surge in online bookings to around 70% of total bowling sales.

Initially we were required to close alternate lanes, limiting our capacity by 50%. We have subsequently installed sturdy steel and glass lane divider screens that we have agreed with the DCMS will allow us to deploy all of our lane capacity.

The wait to reopen was disappointingly longer than we had hoped. While bars and restaurants opened on 4 July, and gyms at the beginning of August, the majority of our bowling centres had to wait until 15 August. Once open, the initial results were very encouraging. In August, we delivered 82% of the previous year's sales on a like-for-like basis, despite the 50% reduction in lane capacity. In September, as the children returned to school, demand was concentrated more to the weekends. This exacerbated the impact of capacity constraints and increased the clipping of demand. Nonetheless, September delivered like-for-like sales at 74% of the prior year levels, a creditable performance that demonstrated that our customers were keen to return.

This level of performance enabled the business to return to cash generation in the second half of August and during September. However, by the end of September the Covid infection rates had started to increase and the Government started to move to a regime of tightening restrictions.

RETIGHTENING

October saw an almost weekly change in rules, as well as the added complexity of regionally-based tiers and local closures. As restrictions tightened there was a demonstrable effect on sales. This was caused in part by the restrictions themselves and in part by a fearfulness of venturing out from the public in response to Government messaging.

The 10pm curfew had an unwelcome 5-10% impact on sales performance. Complex rules governing alcohol sales with meals had a further 5% impact on sales and the overall level of consumer confidence was waning, restricting demand further. The most significant impact came with the introduction of rules forbidding household mixing in many regions. This is a cornerstone of a business that brings friends and families together and it is difficult to operate under these constraints. By the end of October an inevitable second Lockdown was enforced, and in reality, December broadly remained in Lockdown, with only a few of our centres allowed to open, and those that were open were highly compromised.

In total for 2020 our business was closed for 49% of the time and was significantly disrupted for more than half of the remainder.

OUR STRATEGY AND PLAN

Our immediate focus is to reopen the business on 17 May on a firm footing and return it to consistent cash generation. From there, our strategy is clear and remains unchanged for the medium term. Continued profit growth generates strong cash flow which is used to fund our three strategic pillars for growth:

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

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

2020 has been a year of adversity in many ways. However, we have sought to use the time in Lockdown wisely to create a stronger and more sustainable business for the future. We have made great strides in our digital integration, our sustainability agenda and in focusing on the wellbeing of our people.

DIGITAL INTEGRATION

We invested in a completely new platform for our website in 2019 which was launched in early 2020. This proved pivotal in ensuring that the business was well placed to deliver on the challenges of operating under Covid-19 restrictions. The website is fully integrated across all parts of the business. This gave us the flexibility to introduce our table ordering app for food and drink, offer the Eat Out to Help Out scheme, implement Track and Trace, and most importantly to scale up to 70% online bookings.

Our fully integrated systems are in place across the entire estate using the latest technology from the industry-leading supplier. All of our centres have the latest generation of scoring technology and are in the process of upgrading the last 50% of the estates software to BESX, Qubica's latest enhanced software package which includes multi-media software. The seamless real-time integration of our EPOS system to our website and booking engine enables best-in-class yield and capacity management and we are consistently upgrading our systems to maximise the use of the technology that we have deployed.

The enhanced digital integration also gave us the opportunity to engage with and listen to our customers better. We significantly increased our following on social media and Tenpin is now the most followed bowling company in the UK on Facebook and Instagram. This has helped us to cleanse and develop our customer database; analyse our critical customer demographics; and launch more targeted digital campaigns for when we reopen. I am really pleased with the progress we have made and look forward to continuing to enhance our digital engagement with customers.

"OUR PRIMARY FOCUS IS TO RETURN THE BUSINESS TO GROWTH"

We have appointed a new Digital Communications Director, Lisa Johnson, who has a strong background in digital strategy and experiential leisure having worked with Legoland, The Restaurant Group, Bounce and Amazon. Her strategic review has confirmed that our investment in developing our CRM system and website platform was well targeted and creates an excellent foundation for growth. She is now developing an exciting new focus for our customer engagement as we reopen, and we are looking forward to this coming to fruition during 2021.

SUSTAINABILITY

The importance of community in a year like 2020 cannot be overemphasised. I have been delighted to see the way our people worked together to support each other and their wider local communities. Many of our team members volunteered at local charities or within their local community, helping those less able to get out and about for food and essentials. We were able to donate food and drink to local food banks, charities and schools providing much needed Lockdown treats for families struggling in Lockdown.

During 2020 we partnered with Rays of Sunshine as our chosen national charity. Rays of Sunshine helps brighten the lives of seriously ill young people by granting wishes and providing ongoing support in hospital and within the community. We have engaged in fundraising activities and are looking forward when we are open to using our centres to help this fantastic good cause.

We have made good progress in reducing our energy consumption and have continued to invest in Pins & Strings which makes a substantial energy saving. 87% of the estate now benefits from this low-energy technology which means we have reduced our overall energy consumption by 8%. Low-energy screens and LED lighting installations have further contributed to our energy savings initiatives as we act to reduce our overall carbon footprint. In addition to these energy reductions we now purchase all our electricity from 100% renewable sources.

We will continue to engage with investors on ESG and sustainability issues and ensure that the Board and management team continually review ways to make further improvements in becoming a sustainable business.

PEOPLE AND WELLBEING

Looking after our people during 2020 was a key business priority. 98% of our employees were furloughed at least at some point during the year, and it was critical to preserve their income as far as possible. There were times where some people fell between the gaps in the CJRS scheme, and the Company supported those team members throughout. We are proud to say that we did not make a single site-based employee redundant as a result of Covid-19.

Communication is key in times of crisis, and we kept people fully engaged and informed using Yapster, our digital communication tool. This not only helped people understand the actions we were taking to secure the business's future, but also kept people in touch with friends and colleagues.

We introduced a comprehensive wellbeing strategy that cared for people's physical, mental and financial health. Over 80% of our employees accessed our extensive wellbeing online resources, gaining access to discount schemes to help with grocery bills and investment in technology to help with home-schooling as well as online support for mental wellbeing and mindfulness. We also launched a comprehensive set of voluntary skills toolkits and development aids to help people keep mentally active while on furlough.

Overall engagement levels remained high, and 95% of our people felt that they had been well treated and communicated with during 2020.

OUTLOOK

The year ended with all our centres closed, and this remains the case today. It is encouraging that during the pre-Covid and Reopening phases of 2020 the business traded well, and there is every reason to expect it to do so again. Almost 30 million people in the UK have now been vaccinated, creating a genuine prospect of a return to more normal trading conditions.

The Government's roadmap means that we expect to reopen on 17 May with much of the rest of UK hospitality. We anticipate that at this time there will be significant pent-up demand for leisure, and we believe that our business will continue to be highly attractive to families and friends who want to get together once again for a fun and social experience. We are well placed to capitalise on that demand as well as the inevitable contraction in supply from those businesses whose balance sheets were not as strong as ours.

At this stage, due to the continued uncertainty, it is not possible to provide financial guidance. However, we do know that we have a strong business that can return rapidly to its previous levels and then grow further from there. We have a proven strategy and a strong track record that will stand us in good stead as we reopen and rebuild.

Finally, I'd like to take the opportunity to thank Nick Basing for his unwavering support and guidance over the past 12 years. Nick has created something truly special in Ten Entertainment, and I am committed to ensuring that we continue his legacy. We will continue to deliver the passion, energy and edge that Nick brought to the team. Nick's core values that he instilled into the Group will always be at the forefront in everything we do. Over the coming months as we reopen, I have no doubt that Nick will continue to contribute ideas, energy and experience to the business as he passes on the baton to take the business into the next stage of its growth.

GRAHAM BLACKWELL
CHIEF EXECUTIVE OFFICER
29 MARCH 2021

PRIORITISING OUR STAKEHOLDERS

OUR APPROACH

The Group is committed to understanding and balancing our environmental, social and governance impacts to help demonstrate our responsible business approach and establish trust and goodwill amongst our stakeholders.

OUR THREE FOCUS AREAS

ESG reporting structure within this section:

1. **Environmental**
Streamlined energy and carbon reporting, Energy efficiency action, Waste usage and recycling

2. **Social**
Employee engagement and wellbeing, Diversity and inclusion, Customer engagement, Community engagement and charitable activities

3. **Governance**
Board decision making, Protecting human rights, Fair tax policy, Other governance disclosures

KEY SUSTAINABLE DEVELOPMENT GOALS

We fully endorse the UN Sustainable Development Goals ('SDGs') and use its framework to guide our policy and decision-making. We consider the following goals to be where the Group can have most impact and have highlighted in this section where relevant.

"GREAT TO HEAR WE ARE SUCCESSFULLY PUTTING OUR MORE VULNERABLE CUSTOMERS AT EASE' "

TEAM NORTHAMPTON

1

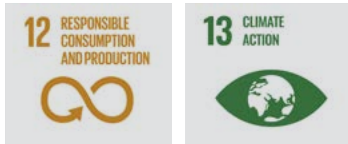
ENVIRONMENTAL

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.

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 such as climate change and developing waste minimisation initiatives in order to recycle, reuse and reduce waste in a responsible way.

44.7tCO$_2$e

INTENSITY RATIO PER CENTRE



STREAMLINED ENERGY AND CARBON REPORTING

The Group discloses all the measured emissions sources for FY20 as required under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The methodology has been based on the principles of the Greenhouse Gas Protocol, taking account of the 2015 amendment which sets out a 'dual reporting' methodology for the reporting of Scope 2 emissions. In the 'Total Footprint' summary, purchased electricity is reported on a location-based method.

	kWh			CO_2e tonnes (location-based)		
Emission type	FY19	FY20	Var %	FY19	FY20	Var %
Scope 1: combustion	**2,690,195**	**1,497,913**	**(44.3%)**	**557.9**	**275.4**	**(50.6%)**
Scope 2: purchased energy	**12,456,984**	**7,277,697**	**(41.6%)**	**3,256.3**	**1,696.7**	**(47.9%)**
Scope 3: indirect energy use	**–**	**356,357**	**100.0%**	**–**	**84.1**	**100.0%**
Total	**15,147,179**	**9,131,967**	**(39.7%)**	**3,814.2**	**2,056.2**	**(46.1%)**

GREENHOUSE GAS EMISSIONS INTENSITY RATIO:

Total Footprint (Scope 1, Scope 2 and Scope 3) - CO_2e tonnes	FY19	FY20	Var %
No of centres	**45**	**46**	**2.2%**
Intensity ratio (tCO_2e per centre)	**84.8**	**44.7**	**(46.1%)**

CO_2E TONNES (DUAL REPORTING METHODOLOGY)

Emission type	Location-based	Market-based (supplier specific)	Var %
Scope 1: combustion	**275.4**	**275.4**	**0.0%**
Scope 2: purchased energy	**1,696.7**	**58.2**	**(96.6%)**
Scope 3: indirect energy use	**84.1**	**84.1**	**0.0%**
Total	**2,056.2**	**417.7**	**(79.7%)**

Methodology notes:

- This includes limited emissions under Scope 1 and 2 (gas & fuel used in transport; purchased electricity), except where stated, and limited emissions under Scope 3 (fuel used in personal/hire cars for business purposes).
- In the prior year comparatives, all fuel (including fuel used in personal/hire cars for business purposes) was categorised under Scope 1.
- Energy use and emissions figures relate to our wholly UK-based operation.
- Conversion factors for UK electricity (location-based methodology), gas and other emissions are those published by the Department for Environment, Food and Rural Affairs for 2020.
- Conversion factors for UK electricity (market-based methodology) are published as provided by the relevant supplier, Haven Power.
- Electricity and gas data for landlord centres has been estimated based on available information.
- Gas data for direct supplied centres includes some supplier estimates.
- Some supplier billed electricity and gas data has been pro-rated to match the financial year due to monthly availability of data.

Statement of exclusions:

- All emissions data has been included based on either actual or estimated data, no exclusions.

Both usage and intensity ratios were impacted by Covid-19 in FY20.

1

ENVIRONMENTAL CONTINUED

ENERGY EFFICIENCY ACTION

During 2020 there was a continued focus on energy efficiency. Given the estate was closed for 49% of the year with capacity restrictions for much of the opening period, it is difficult to assess any underlying efficiency in the year, but this continues to be a priority in FY21. As part of our commitment to environmental responsibility and addressing the impact of climate change, 100% of our directly purchased electricity was renewable in 2020 via our contract with Haven Power.

During the year various energy-saving measures were implemented such as upgrading to energy-efficient LCD screens in four centres with calculated energy savings of 7,200 kWh per centre and the installation of new colour-changing LED systems for overhead lane lighting at our Acton and Manchester Printworks centres, with annual calculated energy saving of 10,000 kWh per centre. The Pins & Strings installation programme has also continued in a further eight centres bringing the total to 40 of 46 centres. This latest technology in pinsetter machines offers a far more reliable bowling experience for customers and increased efficiency.

Energy-efficient installations will continue to be considered as part of the ongoing centre refurbishment cycle across all centres. When acquiring and developing new centres, energy-efficient options will always be taken into consideration.

WASTE USAGE AND RECYCLING

As a Group we strive to minimise the level of waste we generate and believe that the amount we generate for our business size is an acceptable level. Waste volumes and recycling rates were impacted by Covid-19 in FY20. An area of focus for the Group in FY21 and beyond is to increase the proportion of waste that is recycled.

	2018	2019	2020
Total waste	**800**	**788**	**428**
Non-recyclable waste	**574**	**589**	**329**
Recycled waste	**226**	**199**	**99**
% recycled	**28.3%**	**25.3%**	**23.1%**

All waste data is supplied by Suez, measured in tonnes. This excludes data from centres where the landlord manages the waste.

"FEELS GOOD TO BE GIVING SOMETHING BACK!"

TEAM STOKE

2 SOCIAL

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 employees and is always seeking to understand what improvements can be made in employees' experiences at work. During the year, employee absence due to Covid-19 cases or isolation amounted to 1,439 days. Thankfully there were no fatalities.

The People team helps the Group keep focused on work-life balance initiatives and provides opportunities for employees to connect and network with each other. Centre Managers are key to the success of the Company. We give them the autonomy to run their own business and share their centre's success via a bonus scheme. All employees are provided with an excellent benefits package which includes access to the Group's reward scheme 'Tenpin Treats', the use of which is continuing to increase as employees understand the benefits of the scheme. The Group maintained its Investors In People Gold status for a sixth consecutive year.

44%

OF GROUP MANAGEMENT ARE FEMALE

3 GOOD HEALTH AND WELL-BEING

5 GENDER EQUALITY

10 REDUCED INEQUALITIES

INVESTORS IN PEOPLE

The Group has a strong focus on communication which was demonstrated throughout the year; in January 2020, the Executive team hosted a strategy day followed by the annual Company awards event to recognise top performers. The monthly 'town hall' meetings with clear cascades of key messages continued and became fully virtual when Lockdown occurred. Our mobile communications app has been particularly useful during the year. See the Yapster case study on page 12.

The Group's strategy is underpinned by investment in people, so learning and development remains high priority. During the year four new e-learning courses were made available to the support centre teams including a course covering personal resilience which was considered particularly helpful given the challenging year faced by all. We used a combination of in-house and third-party designed e-learning courses to support the training of Covid standards and procedures prior to reopening post Lockdown. Completion rates of overall training remain strong, averaging over 90% across centres and the support centre.

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 98% of employees were furloughed at some point during the year due to Lockdowns and periods of closure. 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.

"IT'S AMAZING TO BE GIFTED THE OPPORTUNITY TO SHARE OUR STOCK WITH A LOCAL CHARITY"

TEAM FELTHAM

2 SOCIAL CONTINUED

DIVERSITY AND INCLUSION

The Group's policy on diversity is that no individual should be discriminated against on the grounds of race, colour, ethnicity, nationality, religious belief, political affiliation, sexual orientation, gender, gender identity, age or disability, and this extends to Board appointments.

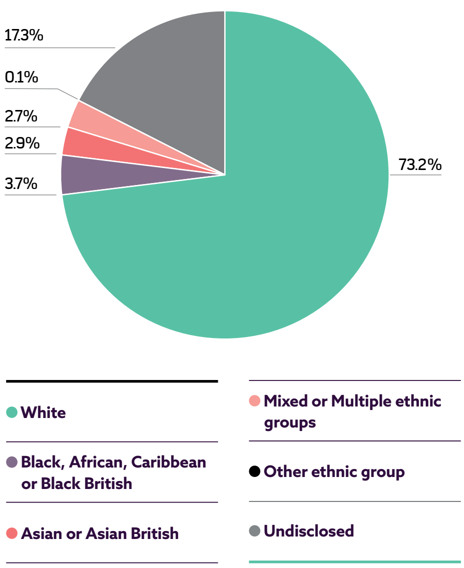
The Board recognises the benefits of diversity, including gender diversity, on the Board, although it believes that all appointments should be made on merit, whilst ensuring that there is an appropriate balance of skills and experience within the Board. The Board currently consists of 16.7% (one) female and 83.3% (five) male Board members while the total Group headcount is split as below:

	Female	Male	Total
Board	**1**	**5**	**6**
Board + Executive Committee	**2**	**6**	**8**
Managers	**86**	**107**	**193**
Staff	**572**	**359**	**931**
Total	**660**	**472**	**1,132**

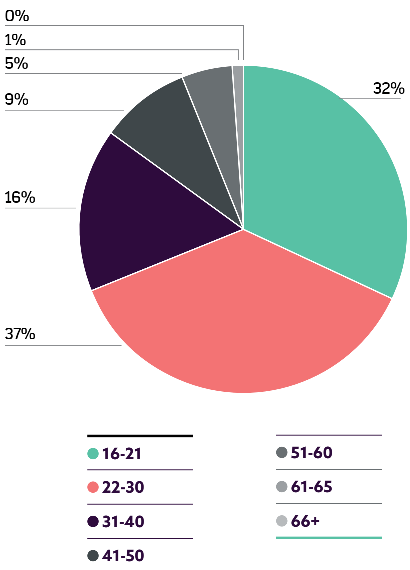
The Group is passionate about fairness, equality and inclusion and is committed to reducing the gender pay gap. The latest Gender Pay Gap report can be found on the Company's website.

The Group recognises the importance of transparency when it comes to diversity and has disclosed splits in relation to employee ethnicity and age.

Ethnicity



Age



CUSTOMERS
Bowling is a fun, family-oriented activity that encourages people to be active and promotes enjoyable social time together. Our centres 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. 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.

We engage with our customers in several ways, with social media considered particularly important during periods of closure when face-to-face interactions were restricted. The Group currently has a market-leading social media presence with over 130,000 Facebook followers.

COMMUNITIES
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 also reactivated its relationship with a Company-wide nominated charity, Rays of Sunshine, during 2020. Campaigns in aid of Rays of Sunshine in 2020 included the National Teddy Bear Day appeal whereby employees donated money to provide teddy bears to children in hospitals across the country; and the Alternative Secret Santa campaign which offered support centre employees the opportunity to donate to Rays of Sunshine through their #SunshineForChristmas appeal instead of taking part in team Secret Santa gift exchanges; this was our biggest campaign of the year, raising over £800.

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 employees 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.

As a thank you to the NHS we offered their staff free bowling for them and their families and friends in our centres across the UK, with over 6,000 NHS staff signing up to the offer.

"I'VE DECIDED TO LEARN A NEW LANGUAGE, SIGN LANGUAGE! AS WE DO GET A LOT OF DEAF AND HARD OF HEARING PEOPLE IN WORK"

TEAM EXETER

3 GOVERNANCE

BOARD DECISION MAKING

In compliance with Section 172 of the Companies Act 2006 ('s.172') the Board of Directors, both individually and together, act in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its stakeholders. The Board have designated Julie Sneddon, Independent non-executive director as a key point of engagement with the workforce. See stakeholder engagement on pages 39 to 43.

MODERN SLAVERY AND HUMAN TRAFFICKING

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.

PROTECTING HUMAN RIGHTS

The Group respects and supports the dignity, wellbeing and human rights of our employees, customers, supply chain and communities in which we operate. Although the primary duty to protect human rights sits with national governments, and as a solely UK-based business we believe the risk of breaching human rights is low, we fully recognise our responsibility as a company to respect human rights throughout our business. The Group's Human Rights policy is available on the Ten Entertainment Group plc website.

FAIR TAX POLICY

The Group is committed to fair and transparent tax practices and compliance with all applicable tax laws, rules and regulations, without exception. The Group aims to achieve an optimal tax position for the Group, which does not mean the lowest tax result possible in the short term, but rather the optimal tax result, considering sustainability and continuity of the positions taken over the longer term. The Group does not (and will not) enter into artificial arrangements in order to avoid taxation or to defeat the stated purpose of the tax legislation, nor does it (nor will it) undertake aggressive tax planning. The Group's tax policy is available on the Ten Entertainment Group plc website.

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.

220

SUPPLIERS ENGAGED WITH ETHICAL TRADING POLICY

For more information on our policies please visit our website **www.tegplc.co.uk**

Requirement	Policies	Additional information
Environment	Environment statement and Health and Safety policy	Environmental and greenhouse gas emission disclosures on page 33 and health & safety on page 74
Employees	Diversity, gender pay gap, Health & Wellbeing Strategy	See Stakeholder engagement on pages 39 to 43 and pages 35 and 36 of Environmental, Social and Governance
Human rights	Slavery and Human Trafficking statement, Whistleblowing policy, Data Protection policy	Slavery and Human Trafficking statement on page 38, whistleblowing on page 74, Data Protection policy on page 75
Principal risks	Risk Register	Risk Management and Internal Control statement on page 44, Principal risks on pages 46 to 48
Business model		Our business model and strategy are described on pages 20 and 22
Non-financial key performance indicators		Our non-financial KPIs are explained on page 26
Anti-corruption and anti-bribery	Bribery Act policy and audit services	Page 75 for Internal and External Audit services and Bribery and Anti-Corruption policy

SECTION 172

"THANK YOU TENPIN, FOR EVERYTHING"

TEAM CAMBERLEY

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 2020, and examples of how our stakeholders' interests influence the way we do business. For more information on Board decision making, see pages 62 and 65.

- OUR INVESTORS
- OUR PEOPLE
- OUR CUSTOMERS
- OUR SUPPLIERS & PARTNERS
- OUR ENVIRONMENT

Details of our approach for driving value for key stakeholders can be found on the next page.

As required by section 172 of the UK Companies Act 2006, the Directors have acted to promote the success of the Group for the benefit of its stakeholders. In meeting this responsibility during the year, the Directors have had regard, amongst other matters, to:

- the likely consequences of any decisions in the long-term
- the interests of the Group's employees
- the need to foster the Group's business relationships with suppliers, customers and others
- the impact of the Group's operations on the community and environment
- the Group's reputation for high standards of business conduct
- the need to act fairly as between members of the Group

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

OUR CUSTOMERS

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

WHY STAKEHOLDER ENGAGEMENT IS IMPORTANT

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.

Great customer experiences start with great employees. 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 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.

HOW WE ENGAGE

The global pandemic meant that the way in which we engaged with our stakeholders had to adapt; however engagement with our stakeholders remained as important as ever.

We communicate with our shareholders by:

- Annual General Meeting; held virtually for the first time in 2020 given Covid-19 restrictions
- Investor roadshows adapted to take place via video conference
- Video content of shareholder updates made available on website
- Regular shareholder engagement on ESG issues, including Board structure, remuneration and sustainability agenda

£4.9M

EQUITY RAISED WITHIN A WEEK OF THE FIRST NATIONAL LOCKDOWN

Link to strategy:

1 INWARD INVESTMENT

3 EXPANDING THE ESTATE

We engaged with our employees through:

- Company-wide electronic communication platform – Yapster. See case study on page 12
- Developing a best-in-class wellbeing strategy
- Access to discounts through Tenpin Treats
- 'Talent Talk' appraisals and succession planning
- Engagement surveys and check-ins during Lockdown, with review of results by the board
- Julie Sneddon as designated non-executive oversight for workforce engagement
- Payment support and top-ups where CJRS didn't offer protection

>80%

OF EMPLOYEES REGULARLY ENGAGED IN YAPSTER COMMUNICATIONS

Link to strategy:

1 INWARD INVESTMENT

2 TRANSFORMING CUSTOMER EXPERIENCE

We connected with our customers through:

- Social media and CRM
- Free bowling for key workers
- Deployment of robust safety protocols to protect against the spread of Covid-19
- Regular feedback to ensure safety standards were being met

130,000+

FACEBOOK FOLLOWERS – THE MOST FOLLOWED UK TENPIN BOWLING OPERATOR

Link to strategy:

2 TRANSFORMING CUSTOMER EXPERIENCE

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.

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 liaise with suppliers, landlords and other parties for:

- Clear and fair conversations with contracted suppliers to agree Lockdown payment plans
- Prioritised at-risk suppliers to ensure stability
- Mutual support during Lockdown to minimise cash burn
- Contract and lease renegotiations to recognise changed circumstances

£8.7M

OVER £8.7M OF PAYMENTS WAIVED OR DEFERRED TO ENSURE LIQUIDITY LONGEVITY

Link to strategy:

1. INWARD INVESTMENT
2. TRANSFORMING CUSTOMER EXPERIENCE
3. EXPANDING THE ESTATE

OUR ENVIRONMENT

The wider community and environment are impacted by the business decisions we take.

We acknowledge that our business can have a wider impact beyond our direct stakeholders and want to ensure that we are having a positive impact on local communities and minimising any environmental impacts.

We are conscious of our local community and wider environment in the decisions we take:

- Responsible deployment of Government support
- Moving to 100% renewable electricity supply
- Investment in energy-saving technologies
- Developed a new charity partnership with Rays of Sunshine
- Minimised waste and supported local communities with food and drink donations to schools and charities

8%

ENERGY SAVING PER CENTRE BY INTRODUCING PINS & STRINGS WHICH IS NOW 87% COMPLETE ACROSS THE UK

Link to strategy:

1. INWARD INVESTMENT
2. TRANSFORMING CUSTOMER EXPERIENCE
3. EXPANDING THE ESTATE

"I HAVE GROWN FROM A PARTY HOST TO A DEPUTY MANAGER"

TEAM DERBY

BOARD PRINCIPAL DECISIONS

The Board considered the interests of and the impact on all stakeholders when making a number of key decisions during the year, as demonstrated by the following examples.

RESPONSIBLY ACCESSING GOVERNMENT SUPPORT

THE IMPACT ON THE LONG-TERM SUSTAINABLE SUCCESS OF THE COMPANY

When the Covid-19 pandemic resulted in the enforced closure of all our centres on Friday 20 March the Board acted quickly and decisively to reduce our costs in the business and 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 98% of our employees on furlough under the Coronavirus Job Retention Scheme ('CJRS').

This support combined with other actions has helped secure the future of the business and means that the business could continue to run closed for a sustained period while meeting is contractual obligations. We believe this puts us in a strong position, not only to ensure our long-term success but to enable us to open our doors to customers on a positive footing when the time comes.

STAKEHOLDER CONSIDERATIONS

Employees

The Group's priority was to ensure that all of its employees have been kept safe and treated fairly during the Covid-19 pandemic and furloughing process. We helped our employees with the transition to furlough with additional financial support. We maintained their wages at 100% throughout April to ensure families could manage their existing financial commitments. In addition, we supported those employees unfortunate enough to miss the transition date of the end of February and have paid their furlough costs throughout Lockdown.

From May 2020 we then moved to the Government-supported 80% of wages for the balance of remaining periods of enforced closure. Up until the end of October 2020 we also elected to top up salaries to a full 80% for those individuals who earn more than the CJRS £2,500 monthly threshold. Utilising the Government support in this way allowed the Group to avoid any site-level redundancies and to retain its high quality and talented workforce.

Investors

Given the substantial impact of Covid-19 which ultimately resulted in the enforced closure of our centres for 49% of the year, the Board was focused on long-term liquidity and the impact on our ability to deliver for our investors. The board took the decision to maximise the support available from the Government with the goal of ensuring our longevity and restoring returns for our investors at the earliest opportunity.

OUTCOME

By maximising the Government support the Group has been able to conserve cash and protect the liquidity of the business to ensure that the business is in a robust position and ready to return to growth when able to reopen.

"NEXT PHASE OF MY VOLUNTEERING JOURNEY. PROUD TO BE HELPING ST JOHN'S AMBULANCE IN DELIVERING THE VACCINE"

SUPPORT TEAM

ISSUING A 5% EQUITY PLACING TO RAISE £4.9M OF ADDITIONAL FUNDS

THE IMPACT ON THE LONG-TERM SUSTAINABLE SUCCESS OF THE COMPANY

In response to the Covid-19 pandemic, the Board has focused on delivering the long-term liquidity of the business. The Board has prioritised cash management and conservation. As part of this, the Board acted swiftly and approved the placement of 3,250,000 ordinary shares on 25 March 2020, less than a week after the enforced closure of the estate.

The placement was undertaken 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 £4.9m 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.

STAKEHOLDER CONSIDERATIONS

Investors

At the time of the placing the situation remained uncertain, and it was impossible to be clear on when the crisis would conclude, but the Board agreed that the placing was a prudent precaution to strengthen its balance sheet further to provide additional flexibility and ensure the ongoing health of the business for investors and wider stakeholders. The additional liquidity and security provided by the placing was deemed to outweigh any share dilution impact.

Employees

Securing additional liquidity early in the Covid-19 pandemic allowed the Board to provide security to employees. The additional cash mitigated the need to take short-term decisions such as headcount reductions through redundancies and allowed the Group to provide additional financial support to employees who had been placed on furlough. For further details see principal decision 1.

OUTCOME

The placing, combined with our £25m revolving credit facility with the Royal Bank of Scotland, meant that we began the Covid-19 pandemic with almost £30m of liquidity headroom, which provided reassurance to our stakeholders that we had sufficient liquidity to run closed and ensure our longevity. Given the continued impact of Covid-19 and sustained periods of closure during the year the Board is confident that the equity placing was the correct measure to take at the time.

OUR APPROACH TO RISK MANAGEMENT

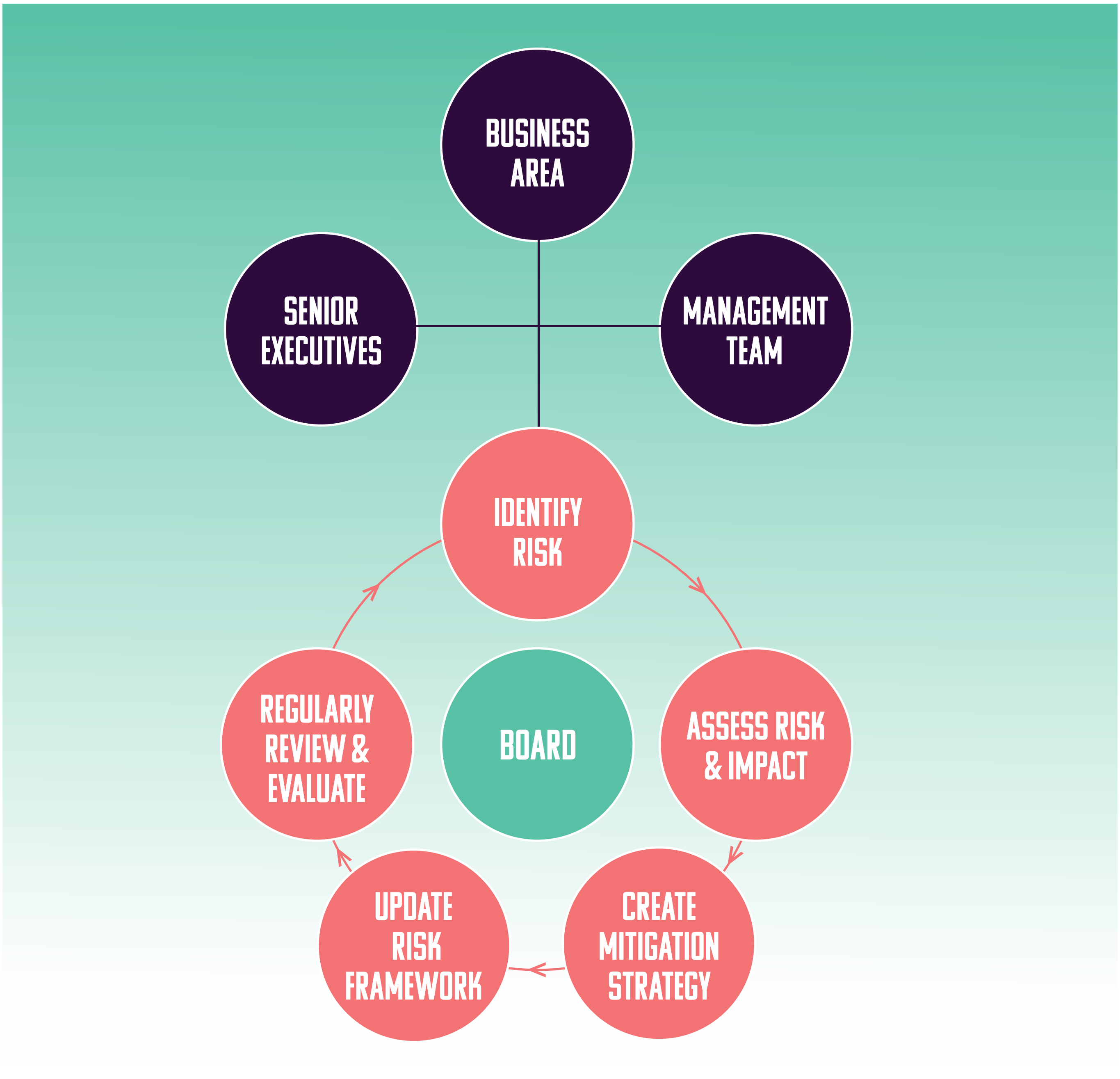
The Group recognises that the effective management of risk is key in achieving its strategic objectives and has continued to identify and assess risks that could impact sustainable growth in the year under review.

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 Annual Report and Financial Statements.

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 below, 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.

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 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 and emerging 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. Thus the Board confirms that:

- There is an ongoing process for identifying, evaluating and managing the principal risks faced by the Group, including identifying emerging risks.
- The systems have been in place for the year under review and up to the date of approval of the Annual Report and financial statements.
- They are regularly reviewed by the Board.
- The systems accord with the guidance to audit committees issued by the Financial Reporting Council dated April 2016.

INTERNAL CONTROL

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. The below summarises the Group's system:

BOARD

- Collective responsibility for internal control.
- Approval of key policies and procedures.
- Control framework setting out responsibilities.
- Monitors performance.

SENIOR MANAGEMENT TEAM

- Responsible for operating within the control framework.
- Reviews and monitors compliance with policies and procedures.
- Recommends changes to controls/policies where needed.
- Monitors performance.

AUDIT COMMITTEE

- Oversees effectiveness of internal control process.
- Receives reports from external auditor.
- Approves independent internal audit programme.
- Receives reports generated through the internal audit programme.

INTERNAL AUDITOR

- Provides assurance to the Audit Committee through independent reviews of agreed risk areas.

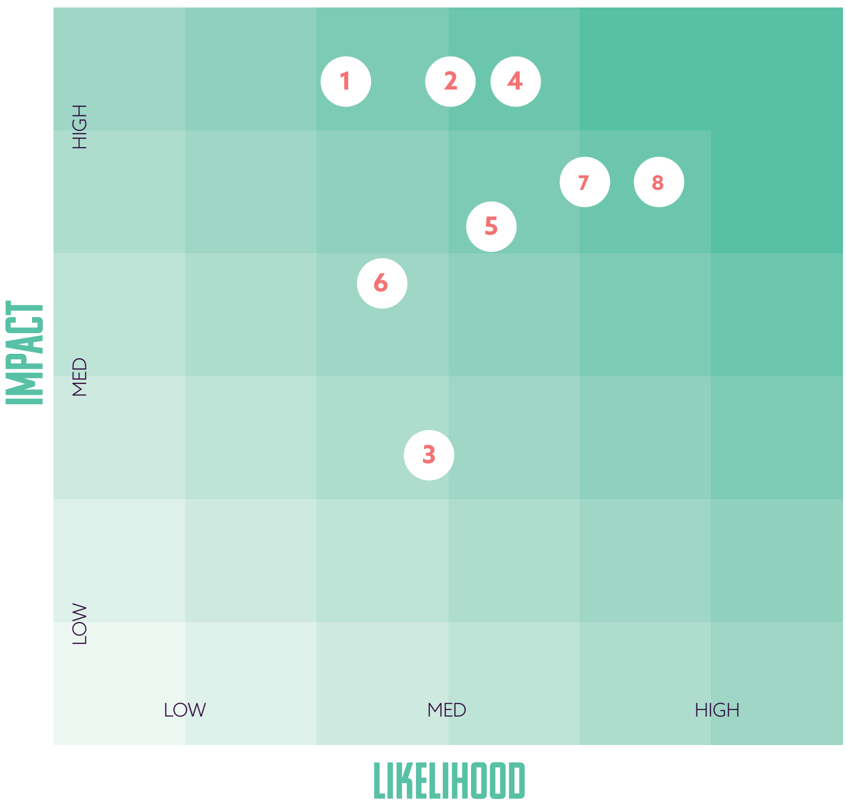
CONTROLS AND PROCESS IN PREPARING THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The Group has established internal control and risk management systems in relation to the process for preparing the Group's consolidated financial statements of which the key features are:

- Management regularly monitors and considers developments in accounting regulations and best practice in financial reporting and, where appropriate, reflects developments in the consolidated financial statements. The external auditor also keeps the Audit Committee appraised of these developments.
- The Audit Committee and the Board review the draft consolidated financial statements. The Audit Committee receives reports from management and the external auditor on significant judgements, changes in accounting policies, changes in accounting estimates and other pertinent matters relating to the consolidated financial statements, and provides robust and independent challenge to management where appropriate.
- The full-year financial statements are subject to external audit and the half-year financial statements are reviewed by the external auditor.

RISK HEAT MAP

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



Risks	Impact compared to 2019
1 Economic climate	↑
2 Operational	↔
3 Regulatory changes	↔
4 Covid-19	↑
5 Business interruption	↔
6 Major supplier failure	↔
7 Operational – allergens	↑
8 Covenant breach	↑

THE BUSINESS FACES A NUMBER OF RISKS ON AN ONGOING BASIS

The Board confirms that it has carried out a robust assessment of the principal risks facing the Group, including emerging risks, and those that would threaten its business model, future performance, solvency or liquidity.

THE IMPACT OF THE COVID-19 CRISIS

The Covid-19 crisis has impacted all aspects of the Group's performance, strategy and governance in the year and so has been looked at and addressed through all areas including our strategy and risk management processes. The Board members have brought their learnings on this crisis not only from their role within the business but also from their roles on other boards to help the Group make decisions with agility and pragmatism, while engaging with all key stakeholders to keep the business on solid ground. The following principal risks, which include Covid-19 as its own specific risk, have also been updated to reflect the impact Covid-19 has had on these specific risks.

Strategic drivers:

1. Organic growth
2. Transforming customer experience
3. Expanding the estate

Risk key:

- High
- Medium
- Low

Risk key:

- Increased risk
- No change
- Decreased risk

ECONOMIC CLIMATE

Likelihood: Medium **Potential impact:** High **Change:** Increased risk

Link to strategy: 1 2 3

Nature of risk

- Change in economic conditions, in particular the recession, due to Covid-19
- Increases in interest rates/inflation
- A decrease in consumer disposable income
- A prolonged period of uncertainty due to the Covid-19 pandemic
- A downturn in consumer spend

> Impact on sales and ability to deliver our growth plans thus affecting all four financial and four non-financial KPIs

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 as well as the impact Covid-19 has had on the economy, consumer disposable income and customer confidence to meet in social settings.

Mitigation

The Board believes that, as a relatively low frequency and low ticket activity, bowling should withstand the economic downturn as long as our centres are able to open.

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

A wide framework of changes were implemented across the centres to make them Covid secure and to provide a safe environment for all stakeholders.

During the Covid-19 periods of closure the business utilised numerous levers to preserve cash as well as to bring cash in through the placement, CLBILs or CJRS.

OPERATIONAL

Likelihood: Medium **Potential impact:** High **Change:** No 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's centres 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: ● **Potential impact:** ● **Change:** ↔

Link to strategy: 1 2 3

Nature of risk	Strategic context	Mitigation
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	There has been the introduction of GDPR, changes to sentencing tariffs and calculations and constant updates to legislation around competition, bribery, carbon reporting and sustainability, 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.	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.

COVID-19

Likelihood: ● **Potential impact:** ● **Change:** ↑

Link to strategy: 1 2 3

Nature of risk	Strategic context	Mitigation
The increased profile of the Covid-19 virus in the last year has raised the impact that a pandemic could have on the Group by impacting its staff and customer base, restricting its ability to trade, decreasing customer demand to increased costs to make the centres safe and secure. > Impact on sales, costs and reputation	A pandemic that has a national impact could have an effect on the business if centres were put into quarantine, centres had to be closed as part of a government instruction or the reputational impact if any of the centres were specifically associated with the spread of a pandemic.	Over the last year since the Group first closed all the centres on 20 March 2020, the business has opened and closed the centres a number of times depending on the guidance or instructions from the Government related to our sector. During times of closure, management has focused on conserving cash through negotiations with landlords and suppliers for savings, applying for CJRS and Government Lockdown grants through to applying for a CLBILs loan and raising cash from shareholders through a placement. In preparation for and during periods when the centres were allowed to open, the business has acquired PPE equipment to be set up and used around the centres, trained staff to ensure the centres were Covid secure, introduced software to allow on-lane ordering, and set up barriers between every lane to promote social distancing.

BUSINESS INTERRUPTION

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

Link to strategy: 1 2 3

Nature of risk	Strategic context	Mitigation
• Risk of cyber-attack/terrorism • Failure or unavailability of operational and/or IT infrastructure • GDPR risk > Impact on sales, costs and reputation	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. More bookings are being taken online increasing risk and there has been an increase in the level of high-profile cyber-attacks in recent years, including on providers of IT services which increases the risk that business information could be accessed via these providers without ever breaching the Group's servers.	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 through internal and external sources that regularly review the level of monitoring and threat protection systems that are in place. The providers of IT solutions are vetted and reviewed regularly.

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 Executive 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

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 centres' websites.

COVENANT BREACH

Likelihood: Potential impact: Change:

Link to strategy: 1 2 3

Nature of risk

The RBS financing facilities have covenants which are to be reported on and met quarterly. A decrease in performance adversely affecting these could jeopardise future loan renewals while current covenant breaches could result in the withdrawal of funds or a review of the facilities which could cause potential liquidity issues.

> Impact on liquidity, going concern and reputation

Strategic context

The availability of liquidity supports the Group's strategy to grow through expansion, refurbish its centres and to transform its processes which highlights the importance that the facilities with RBS are secured in these key times.

Mitigation

RBS provided a waiver of the covenants until the end of June 2021. However, as the pandemic has continued this had to be reviewed further and this was done as part of the negotiation with RBS of a new CLBILs term loan facility with rewritten covenants. As is explained in more detail under the Going Concern section and Viability statement, the Group has a Minimum Liquidity and Minimum EBITDA covenant test to meet during 2021 after which the traditional Leverage and Fixed Cost covenant will return in 2022 but with new reference levels.

LONG-TERM VIABILITY STATEMENT

STRATEGIC PLANNING PROCESS

As explained on page 20 in the business model and on pages 22 to 25, 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 a 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 LLP;
- 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 FY21 and the development of the FY21 budget that was approved by the Board in November.

GOING CONCERN

In assessing the going concern position of the Group and Company for the Annual Report and the financial statements for the year ended 27 December 2020, the Directors have considered its business activities in light of the uncertainty caused by the Covid-19 outbreak and the impact on the Group's profit, cash flow, liquidity and covenants. All the Group's centres were closed for trade from 20 March 2020 with a phased reopening from 4 August 2020 when it reopened the three Welsh centres, with the majority of the English centres then reopening from 15 August 2020. All English centres were closed again during the November Lockdown and though the majority of centres reopened in December, the bulk closed again during the month as local Lockdowns and tiered restrictions were imposed, leaving only six centres open as at 27 December 2020. These centres then closed when the national Lockdown resumed in January 2021 and all centres have remained closed until the date of this Annual Report.

As part of the review of the potential impact of the Covid-19 outbreak on the Group's cash flows and liquidity over the next 12 months, a base case and a downside case were prepared. Critical to both cases was the availability of cash from the bank facilities with RBS and amended covenants that could be met in both cases.

In January 2021, the Group negotiated a new £14m CLBILS term loan facility agreement with RBS, with a term of three years. This, along with the current £25m revolving credit facility with RBS, provides the Group with a £39m available debt facility.

In May 2020, RBS agreed to the waiver of the leverage and fixed charge covenants that were in place, until the end of June 2021. As part of the negotiation of the CLBILS facility in January 2021, the covenants were renegotiated and amended to the following:

CURRENT COVENANTS:

Leverage covenant (Ratio of total net debt to adjusted EBITDA)	Fixed charge covenant (Adjusted EBITDA plus rent to rent adjusted finance costs)
Testing for 2021 waived, replaced by new covenants	Testing for 2021 waived, replaced by new covenants
March 2022 – reference level – 1.10x	March 2022 – reference level – 7.50x
June 2022 – reference level – 1.25x	June 2022 – reference level – 5.00x
September 2022 – reference level – 1.50x	September 2022 – reference level – 4.00x
December 2022 – reference level – 1.50x	December 2022 – reference level – 2.25x

NEW COVENANTS:

Introduced for January 2021 to December 2021:

Minimum EBITDA	Minimum liquidity
Quarter 1 – £5,550,000 EBITDA loss	Quarter 1 – £4,750,000 in cash and cash equivalents
Quarter 2 – £10,550,000 cumulative EBITDA loss	Quarter 2 – £4,000,000 in cash and cash equivalents
Quarter 3 – £10,550,000 cumulative EBITDA loss	Quarter 3 – £1,500,000 in cash and cash equivalents
Quarter 4 – £12,550,000 cumulative EBITDA loss	Quarter 4 – £1,500,000 in cash and cash equivalents

The base case was prepared using the following key assumptions:

- centres forced to close with no revenue for January to May 2021;
- during closure, CJRS is still being provided and a significant portion of employees are on furlough, variable operating and central costs are kept to a minimum, the business rates holiday is still being provided, but fixed costs as rent and service charges are maintained as normal;
- centres reopen from May, with levels of trade starting at -65% of the equivalent periods in FY19, moving up to -30%, with trade by the latter quarter of the year and the first quarter of FY22 expected to be at similar levels to FY19;
- the -65% and -30% trading options reflect disruption from local Lockdowns and reflects the similar effects of social distancing restrictions such as the 'Rule of Six', household mixing and curfews, as was felt in 2020, had on revenue. Variable operating and administrative costs
- are reflective of the level of trade with fixed costs as rent, business rates and support centre costs maintained as normal as the centres are open;
- reduced maintenance and marketing spend, as well as reducing all non-essential and non-committed capital expenditure in FY21 and the first quarter of FY22; and
- no dividend payments in FY21 or FY22.

Under this base case scenario in FY21, the Group is not expected to be profitable but will have sufficient liquidity and no covenant breaches are forecast within the next 12 months from the signing of the Annual Report and Accounts.

The downside case was prepared using the following key assumptions:

- revenue is assumed at 37% down on the base case for FY21 and 9% down on the base case for FY22;
- where the base case expected trade to return to FY19 levels for the last quarter of FY21 and into the first quarter of FY22, the downside case reflects these at -65% and -30% of FY19 levels;
- in line with the revenue reduction, there is a reflective reduction in variable operating costs including employee costs. Where centres are forced to close, it is assumed CJRS is available and is taken up until September but after that no claim is assumed;
- reduced maintenance and marketing spend, as well as reducing all non-essential and non-committed capital expenditure in FY21 and FY22 as in the base case; and
- no dividend payments in FY21 or FY22.

The downside case modelled is severe but plausible and would still leave the Group with £5m of liquidity at the end of FY21 and in 12 months from now and the Group would pass the minimum liquidity tests but would breach the EBITDA test for September and December 2021 as there would be no CJRS claimed after September when it is currently expected to end. The fixed cost and leverage covenants commencing from quarter one of FY22 pass. In the event of a full lockdown in any of the months in quarter one of FY22, there would be a breach of the first quarters covenants. In the event that a covenant is breached, an extension of this covenant would need to be negotiated with RBS.

LONG-TERM VIABILITY STATEMENT CONTINUED

The Directors believe this would likely be given as the Group would still have £5m of liquidity available, has a strong relationship with RBS and has successfully obtained covenant waivers recently.

Nevertheless, in the event of extended Lockdown measures impacting the Group's operations, the possibility of a covenant breach at the end of December 2021 cannot be discounted, and as such represents a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern.

Taking the above and the principal risks faced by the Group and Company into consideration, and the Directors expectation that they could negotiate an extension to the covenant should the need arise, the Directors are satisfied that the Group and Company have adequate resources to continue in operation for the foreseeable future, a period of at least 12 months from the date of this report. Accordingly, the Group and Company continue to adopt the going concern basis in preparing these financial statements.

The Financial Statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

VIABILITY STATEMENT

In accordance with the 2018 UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a three-year period to 31 December 2023. The Directors believe this period to be appropriate as the Group's strategic planning encompasses this period, and because it is typically a reasonable period over which the impact of key risks can be assessed for a business of this size and in the leisure sector. The heightened uncertainty driven by the Covid-19 pandemic has meant that forecasting across such a time frame is now materially more challenging and therefore the Directors' focus is on understanding the level of headroom available before the Group reaches a position of financial stress.

In making this viability statement, the Directors have reviewed the strength and resilience of the Group and have specifically considered a robust assessment of the impact, likelihood and management of principal and emerging risks facing the Group, including consideration of those risks that could threaten its business model, future performance, solvency, liquidity or sustainability. The assessment of viability has specifically considered risks that could threaten the Group's day-to-day operations and longer-term existence. The assessment considered how risks could affect the business now and how they may develop with the financial analysis and forecasts showing financial position, performance, cash flow and covenant requirements, over the three-year period.

In light of the current economic uncertainty caused by Covid-19, the Group performed a robust analysis of the going concern of the business and created a new base case for FY21, where the short-term volatility from Lockdowns, social distancing measures and other disruptive measures to trade were reflected and as expected, had an adverse effect on the results compared to a pre-Covid-19 year as FY19.

The Group expanded on the base case model to determine the financial performance over a three-year 'viability assessment period' upon which the Board has made its assessment of the Group's ongoing viability, and which reflects prudent expectations of future customer demand and the successful execution of the Group's strategic plans.

VIABILITY ASSUMPTIONS

The Directors made a robust consideration of the principal and emerging risks and uncertainties that could impact the future performance of the Group and the achievement of its strategic objectives, as discussed on pages 46 to 48 of this Annual Report. Particular regard was paid to the potential impacts of Covid-19, while acknowledging that the significant uncertainties surrounding the future trajectory of the pandemic and the related Government response present an additional source of variability. The base case viability scenario takes into account all of the principal risks and uncertainties facing the Group across the three-year period in order to assess the Group's ability to withstand multiple challenges. The impacts of Covid-19 have been built into the scenario, but the impact of further one-off events that cannot be reasonably anticipated have not been included.

The base case forecast starts with the FY21 period that is the same as that built for the going concern analysis as described on page 49, where annual revenues when compared with FY19 reflect double-digit decline. The forecast expands into FY22 and FY23, with FY22 seeing a recovery to FY19 levels, with low single-digit growth thereafter, plus growth in FY23 for the acquisition of sites. The process undertaken considers the Group's adjusted EBITDA, capital spend, cash flows and other key financial metrics over the projected period. The base case assumes no significant change in gross margin percentage, employee, maintenance and other operating costs, which are discretionary in nature, are reduced on a linear basis with revenue declines and fixed costs, in particular rent and support centre costs, are kept at normal levels. Maintenance capital expenditure levels follow the trajectory of revenue while investment and expansionary capital levels are discretionary and follow the levels of cash generation. No dividend payments are expected.

Mitigating actions have been taken in year one, as reflected in the going concern base case, to preserve cash which include, but are not limited to, reducing planned capital expenditure, employee costs, discretionary marketing, maintenance and other operating costs as well as suspension of the dividend payments. External mitigations include the utilisation of the Government business rates holiday and CJRS when centres are forced to close. The forecasts for FY22 and FY23 assume revenues and costs follow the same pattern as those generated in FY19. The Board considers this scenario to be reasonable. Revenues to date, in FY21, are in line with the base case.

VIABILITY ASSESSMENT

Although the base case viability scenario reflects the Board's best estimate of the future prospects of the Group, the Board has also tested the potential impact of a range of downside scenarios, by quantifying the financial impact and overlaying this on the detailed financial forecasts in place. These downside scenarios are most sensitive to changes in the length of the Covid-19 impacting period and the depth of the impact and a prudent approach has been taken to stress test the base case with a severe downside case which is made up from the following assumptions and has the following impact:

- Significant disruption to trade in the three-year period which results in the severe downside case revenue declining by -19% for FY21, -14% for FY22 and -24% for FY23 compared to the base case;
- As explained in the downside case in the going concern assessment, there are covenant breaches that will arise;
- Mitigation includes the flexing of variable costs in line with sales and all investment and expansionary capital spend being halted;
- Fixed property costs and support centre costs remain the same as the base case.

While the assumptions we have applied in this scenario are plausible, it does not represent our view of the likely outturn. However, the results of this scenario help to inform the Directors' assessment of the viability of the Group.

VIABILITY STATEMENT

The Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due, retain sufficient available cash, and not breach any covenants under any drawn facilities over the remaining term of the current facilities.

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

ANTONY SMITH
CHIEF FINANCIAL OFFICER
29 MARCH 2021

FINANCIAL REVIEW

LONG-TERM RESILIENCE WITH SIGNIFICANT LIQUIDITY HEADROOM

SWIFT AND DECISIVE ACTION TO SECURE FUNDING AND REDUCE COSTS HAS SECURED THE FUTURE

ANTONY SMITH CHIEF FINANCIAL OFFICER

ADDITIONAL FINANCING FROM EQUITY AND CLBILS
£19M

COST SAVINGS DELIVERED
£12M

INVESTMENT IN COVID SECURITY
£1.2M

"TIGHT CONTROLS HELPED LIMITED THE CASH OUTFLOW TO ONLY £8.5M DESPITE THE TEMPORARY CLOSURES."

2020 was a year of significant disruption as a result of the Covid-19 pandemic. The business was fully closed for 49% of the year and severely disrupted for a further 30% of the time. Consequently, sales fell by (56.9%) in the year and the Group generated a loss after tax of (£12.2m) (FY19: +£9.0m).

Our business operates out of 46 centres that are held on a long leasehold basis. The nature of the disruption was such that while no income was generated for half the year, a significant proportion of the fixed costs of the business, particularly the leasehold property costs, could not be removed during the temporary closure periods. As a result, the (£47.9m) reduction in sales resulted in a (£21.3m) reduction in profit after tax on an IAS 17 basis.

The principal focus for the year was cash management and liquidity conservation. The Group made an equity placing of 3,250,000 ordinary shares, 5% of the issued share capital, which raised £5.0m. We fully utilised the available Government support to protect the livelihoods of our employees and we took a highly disciplined approach to cash management with many contractual commitments waived or deferred with the support of our strong supplier base.

As a result of the robust cash conservation measures, the bank net debt grew by only £8.5m in the year to (£12.6m), which left a further £12.4m of available liquidity headroom. The headroom has subsequently been further supplemented with a £14m three-year term loan raised through our existing banking partner under the Coronavirus Large Business Interruption Loan Scheme ('CLBILS'). As at 26 March, the Group has remaining liquidity headroom in excess of £18m.

FINANCIAL SUMMARY

£000	**52 weeks to 27 December 2020 IFRS 16**	**52 weeks to 27 December 2020 IAS 17**	52 weeks to 29 December 2019 IAS 17	Movement
Revenue	**36,269**	**36,269**	84,122	(47,853)
Cost of sales[1]	**(4,854)**	**(4,854)**	(10,387)	5,533
Gross margin	**31,415**	**31,415**	73,735	(42,320)
GP%	**86.6%**	**86.6%**	87.7%	(1.1%)
Total operating costs	**(18,051)**	**(29,177)**	(40,855)	11,678
Centrally allocated overheads	**(4,537)**	**(4,537)**	(3,155)	(1,382)
Support office	**(5,480)**	**(5,561)**	(6,157)	596
Group adjusted EBITDA[2]	**3,347**	**(7,860)**	23,568	(31,428)
Profit on share of joint venture	—	—	10	(10)
Depreciation and amortisation	**(16,634)**	**(7,986)**	(7,379)	(607)
Net interest	**(5,815)**	**(457)**	(788)	331
Group adjusted (loss)/profit before tax[2]	**(19,102)**	**(16,303)**	15,411	(31,714)
Exceptional items	—	—	(2,391)	2,391
Profit/(loss) on disposal of assets	**(99)**	**123**	(932)	1,055
Impairment	**(2,521)**	—	—	—
Amortisation of acquisition intangibles	—	**(142)**	(293)	151
(Loss)/profit before tax	**(21,666)**	**(16,322)**	11,795	(28,117)
Taxation	**3,919**	**4,101**	(2,758)	6,959
Of which: taxation attributable to Group adjusted (loss)/profit	**3,463**	**4,097**	(2,836)	6,933
(Loss)/profit after tax	**(17,747)**	**(12,221)**	9,037	(21,259)
(Loss)/earnings per share				
Basic (loss)/earnings per share	**(26.3)p**	**(18.1)p**	13.9p	
Adjusted basic (loss)/earnings per share	**(23.2)p**	**(17.9)p**	19.3p	
Full-year dividend	—	—	3.7p	

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 licence costs incurred by the centres. 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 represent 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 and adjusting for whether a centre was forced to close due to Covid regulations over a comparable trading period.

REVENUE

YOY % change	Pre Covid			Full Lockdown		Reopening		Retightening		
	Jan	Feb	Mar	Apr – Jul	Aug	Sep	Oct	Nov	Dec	Total
Total Sales	+10.6	+20.3	(40.1)	(100.0)	(64.1)	(26.4)	(41.0)	(89.7)	(85.7)	**(56.9)**
Like-for-like	+7.5	+16.7	(24.9)	n/a	(18.0)	(26.0)	(39.5)	(62.1)	(64.3)	**(17.4)**

Pre Covid trading was strong, delivering +12.7% total sales growth and +9.6% like-for-like sales growth in the first 11 weeks of the year before the Lockdown, continuing the business's strong momentum of eight consecutive years of like-for-like growth. A particularly strong February with well executed half-term plans delivered like-for-like sales growth of +16.7%.

Over the course of the year, our centres were closed for 49% of the available time, with a full national Lockdown from late March until mid-August and a further English and Scottish Lockdown in November.

Reopening in mid-August was encouraging, with August and September delivering 77% of last year's sales despite operating at only 50% capacity. Initial consumer appeal as the country exited Lockdown demonstrated good pent-up demand for our family entertainment centres. Our market-leading Covid security measures, including a rigorous cleaning regime and a food and drink ordering app for table service, ensured that our customers felt safe to return. Further investments have now been made in fixed lane dividers at all centres which means that we can now safely operate 100% of available lanes.

The regulatory landscape continued to evolve, and as it tightened in the autumn and winter there was a significant impact on consumer demand. The introduction of curfews; the 'Rule of Six'; complex constraints governing alcohol sales; and most significantly a ban on household mixing all contributed to considerable consumer confusion. This impacted on our ability to run our centres profitably in the final quarter of the year.

Total sales for FY20 were £36.3m which is (56.9%) down on FY19 and (17.4%) down on a like-for-like basis adjusting for enforced centre closure periods. Unsurprisingly, with the significant disruption which has impacted all but three months of 2020, the Group is reporting a loss for FY20.

The Board is satisfied that consumer demand for family entertainment remains strong and the underlying fundamentals of the business model remain in place. This is a highly cash-generative model that typically generates 75% of EBITDA into free cash flow. We are confident that as restrictions are eased, growth will return as consumers emerge from more than a year of Lockdowns and restrictions.

GROSS MARGIN

Gross margin has reduced slightly in 2020 but remains high at 86.6% (FY19: 87.7%) reflecting the margin rich nature of our business model. Overall, the pattern of consumer behaviours has been slightly impacted by Covid-19 restrictions which has resulted in a small erosion of the business margin. Bowling sales, when open, remained resilient and still represented 46% of sales, all of which were delivered at high margin.

However, a number of Covid-19 restrictions had an adverse impact on margin. The introduction of the curfew reduced high-margin alcohol sales, and the restrictions that required customers to purchase food with alcoholic beverages further eroded the average margin. Social distancing measures led to the restriction of capacity on pool tables and table tennis tables as well as our very popular traditional children's arcade machines. These are all asset-based high-margin activities and thus the slight product mix shift had a small adverse effect.

As well as impacting margin, these restrictions slightly reduced the average spend per head, which declined slightly in the year by 4.2% to £13.99 (FY19: £14.60). We anticipate that as trading in our centres normalises, our margins and average spend will return to previous levels.

OPERATING COSTS

Total operating costs have been a significant focus in 2020 as the business has strived to reduce its cash commitments. On an IAS 17 basis, including property rent, operating costs were £29.2m, a £11.7m reduction compared to 2019. This represented a 28.6% reduction in costs for the year. During Lockdown, non-property related costs were reduced by over 75% in order to conserve cash.

Principal sources of the savings were a £3.6m reduction as a result of the Government business rates holiday; a £5.9m reduction in labour costs, supported by CJRS as the business was closed; a £2.1m reduction in site operating costs such as utilities and contracts; and a £1.3m reduction as a result of other cost-saving initiatives deployed.

The business was only trading for 51% of the year, and during this time costs were higher than would be expected at the suppressed volume levels. An increased cost of labour resulted as a function of the stringent safety and cleaning regime in place to ensure our customers and employees could enjoy their bowling experience safely. This meant that the operating cost of our centres while they were open was broadly flat year-on-year, with the volume based savings offset by the incremental labour for Covid security.

CENTRAL COSTS

Central costs comprise centrally allocated overheads and the cost of the support office, including the PLC. Total central costs grew by £0.8m in 2020 compared to 2019. A 9.7% saving in support office costs was offset by an increased cost of 43.8% in the centrally allocated site costs.

Centrally allocated costs grew by £1.4m in the year which included a £1.2m Covid security investment. This included the purchase of personal protective equipment ('PPE') for centre staff; sanitising stations; customer information and point of sale materials; and the design and construction of steel and glass lane dividers that now mean that the business can operate 100% of lanes. Given the Covid-19 specific nature of these modifications, the business was unable to estimate the useful economic life of these investments and has expensed the items in the year rather than assigning them as a capital investment. In addition, the business invested in increased communication and research with customers to ensure that we clearly understood and met expectations on reopening.

Over 98% of central and support centre staff were furloughed under CJRS or took a wage reduction at some point during the year. The Board took the decision to support the wages of all employees to the 80% level which meant topping up those employees who missed cut-off dates or were earning above the threshold. There was a £0.5m cost to that decision in the year, but the Board deemed this a responsible approach that would assure the financial and mental wellbeing of our teams. There was no bonus payable in respect of 2020, and there was a release in respect of both the 2018 and 2019 Executive LTIP scheme in the expectation that the EPS target will not be met. In order to secure liquidity longevity, the business incurred professional fees in respect of lease regears, the equity placing in March, preparation and application for the CLBILS and advice in respect of Government lobbying for reopening and securing the appropriate support measures such as the reduced rate of VAT. Overall net savings of £0.6m were delivered in the support office costs.

GROUP ADJUSTED EBITDA (ON AN IAS 17 BASIS)

Group adjusted EBITDA has declined to a (£7.9m) loss compared to the £23.6m profit in 2019. This swing of (£31.4m) is directly attributable to the (£47.9m) of lost revenue offset in part by the significant cost savings noted above.

Management estimate that the fixed cost of the business, particularly the property related costs, is such that, with the increased Covid security measures, it can be expected that the Group breaks even at roughly 60% of 2019 sales. During 2020, only January, February and during the Reopening phase of the business in the second half of August and September exceeded this threshold.

The leasehold nature of the business and the physical customer experience means that during Lockdown, with no source of income and fixed cost base of 93% of the standard run rate, it is not possible to avoid losses. However, the experience of 2020 has shown that once customers are allowed to return, so long as restrictions are not too onerous, the business can rapidly return to profit and cash generation.

DEPRECIATION, AMORTISATION AND CAPITAL EXPENDITURE

Depreciation and amortisation in 2020, on an IAS 17 basis, was 8.2% higher than last year at £8.0m (FY19: £7.4m). This resulted from the rollover effect of investments made in 2019 as well as a further £7.0m of capital investment made in 2020. Maintenance capital spend, on items that are direct replacements and not specifically enhancement investments, was £0.7m, which is a significant reduction on last year's £2.4m. This was a function of the Board's decision to reduce discretionary spend to an absolute minimum.

Commencement of new strategic capital expenditure was placed on hold at the announcement of Lockdown, but the Board decided to complete the projects that were already in progress. As a result, total spend in 2020 was £6.3m compared to £9.0m in 2019. This represents a 30% saving, reflecting the long-term planned nature of these investments as well as the decision at the end of 2019 to front-end load the strategic developments for 2020 to maximise the in-year benefits.

Inward Investment of £2.7m focused on eight further Pins & Strings implementations, taking the total completed estate to 87%, and two significant refurbishments at Acton and Birmingham Star City. These projects had little opportunity to deliver returns in 2020 but are fully expected to reduce costs and drive incremental returns on reopening.

Estate expansion was principally the investment in Manchester Printworks at £3.1m. Unfortunately, construction delays and complexities due to Covid-19 added around 20% to the total cost of the project. However, we are delighted with the result and even though the centre opened under significant restrictions in September, the initial trading exceeded expectations. We are confident that this next generation centre will be one of the strongest in our estate.

Finally, £0.5m was invested in the customer experience enhancement. This was a combination of ongoing investment in digital enablement, for example being first to market with a web-based food and drink ordering platform, as well as developing our CRM platform and enhancing our website to enable us to be the first UK bowling operator to offer ApplePay and GooglePay.

These additions to the asset base have all strengthened the underlying business model and we are confident that they remain relevant and additive to our customer proposition post Covid-19. We fully expect these projects to deliver strong double-digit returns once the business reopens.

Depreciation and amortisation on an IFRS 16 basis was £16.6m. The additional £8.6m compared to IAS 17 described above all relates to the depreciation of our right-of-use property assets.

FINANCE COSTS AND BANKING ARRANGEMENTS

£000	52 weeks to 27 December 2020 IFRS 16	52 weeks to 27 December 2020 IAS 17	52 weeks to 29 December 2019 IAS 17
Interest on bank debt	**(330)**	**(330)**	(277)
Amortisation of bank financing costs	**(49)**	**(49)**	(56)
Lease interest charges	**(5,393)**	**(27)**	(282)
Other finance costs	**(43)**	**(51)**	(173)
Net interest	**(5,815)**	**(457)**	(788)

Net interest has reduced year-on-year on an IAS 17 basis despite the increased burden of debt. Bank interest increased by 19.1% to £0.3m reflecting the increased drawings on the Group's RCF facility. However, other finance costs and leases both reduced by a larger amount as a result of support from our key suppliers who allowed us to pause our leases in exchange for a commensurate increase in term at the end of the lease.

Lease charges as a result of the liability on the right-of-use property assets was an additional £5.4m. This is larger than anticipated last year as the Group agreed seven lease regears in 2020 in order to help reduce the cash burden of leases in 2020.

Since the year end, the Group has secured an additional £14m term loan with our current banking partner under the Government's Coronavirus Large Business Interruption Loan Scheme ('CLBILS'). This facility increases the Group's available headroom significantly, and is sufficient to provide liquidity longevity well into 2022 even if the business should remain closed. As part of the process of securing the CLBILS, the Group agreed with the bank a new set of financial covenants on the existing RCF and the new CLBILS which recognise the impact of the pandemic.

GROUP ADJUSTED LOSS BEFORE TAX

The Group delivered an adjusted loss before tax of (£16.3m) on an IAS 17 basis. On an IFRS 16 basis this loss was (£21.7m). The difference is a result of the profit compression effect of the standard on businesses like ours that are at the early stages of their lease tenure. The differential is larger than anticipated in last year's report as a result of the lease regears in 2020 which have extended the weighted average lease expiry by three years to 19 years. This differential does not impact cash flow and in fact in 2020 and 2021 have benefited from improved cash positions as a result of the lease regears by exchanging short-term rent payments for a longer lease tenure.

DISPOSAL OF ASSETS

The business has continued the roll-out 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. In 2020 the profit of £0.1m arose on the disposal of gaming machines which was significantly lower than in 2019 when the loss from pinsetters was (£0.9m). The eight centres benefiting from Pins & Strings in 2020 had somewhat older pinsetters that had been almost fully depreciated.

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 has now almost completed the programme, with only six centres remaining, and has temporarily placed it on hold in order to conserve cashflow.

AMORTISATION OF ACQUISITION INTANGIBLES

The amortisation of acquisition intangibles charge was £0.1m (FY19: £0.3m) with the decline arising from the amortisation of customer lists to nil in the prior year.

TAXATION

There is no tax due for 2020 as a result of the loss, and the Group has generated a tax credit of £3.9m. This credit is split between:

- a £2.5m corporation tax credit being a prior year adjustment; and
- a £1.4m deferred tax credit mainly arising from the recognition of a deferred tax asset on the remaining FY20 tax losses.

The Group has submitted an early loss carry back claim to HMRC in respect of £2.3m of 2019 tax paid and this is included as a receivable on the balance sheet. The claim is still under consideration by HMRC and a tax refund has not yet been received.

(LOSS)/PROFIT AFTER TAX

The Group generated a loss after tax of (£17.7m). On an IAS 17 basis the loss after tax was (£12.3m) (FY19: +9.0m). The year-on-year change of (£21.3m) is a function of the lost revenue and enforced closures as a result of the Covid-19 pandemic.

NUMBER OF SHARES AND (LOSS)/EARNINGS PER SHARE

The number of shares in issue is 68,346,970. Increases in issued share capital in the year arose from a 5% equity placing of 3,250,000 additional shares in March and the issue of 96,970 shares in May in respect of the partial vesting of the 2017 LTIP scheme.

(Loss)/earnings per share were a loss of (26.3p). On an IAS17 basis the loss per share was (18.1p) (FY19: +13.9p). The EPS compression of (4.2p) as a result of two major elements: the front-end loaded nature of the lease portfolio, which charges a higher interest charge in the early years than the cash equivalent of the rent; exacerbated by the £1.4m savings to IAS 17 EBITDA in respect of lease regears which are not recognised under IFRS 16. The in-year savings to EBITDA as a result of savings in rent contribute 2.0p to the EPS compression, which is a one-off for 2020.

DIVIDENDS

The Board is not recommending a dividend for 2020 in order to conserve liquidity headroom. The Board's priority is to reopen the business safely and return trading to a steady and consistent position of cash generation. The Group has a track record of high-returning strategic investments, and the capital deployment policy will be reviewed together with the dividend policy and debt strategy once the Group resumes normal trading and has sufficient cash resources. The Group must first discharge its obligations under the CLBILS term loan in order for a dividend to be paid.

BALANCE SHEET

£000	**27 December 2020 IFRS 16**	**27 December 2020 IAS 17**	29 December 2019 IAS 17	Movement
Assets				
Goodwill and other intangible assets	**30,136**	**30,136**	30,314	(178)
Property, plant and equipment	**41,453**	**46,410**	47,248	(838)
Deferred tax asset	**4,118**	**1,131**	—	1,131
Right-of-use assets	**157,145**	**—**	—	—
Inventories	**508**	**508**	1,297	(789)
Trade and other receivables	**1,672**	**1,785**	4,929	(3,144)
Cash and cash equivalents	**7,394**	**7,394**	2,188	5,206
	242,426	**87,364**	85,976	1,388
Liabilities				
Lease liabilities	**(185,146)**	**(7,224)**	(8,109)	885
Bank borrowings	**(19,908)**	**(19,908)**	(6,109)	(13,799)
Trade and other payables and provisions	**(5,981)**	**(11,115)**	(11,505)	390
Other liabilities	**(1,582)**	**(1,579)**	(3,342)	1,763
	(212,617)	**(39,826)**	(29,065)	(10,761)
Net assets	**29,809**	**47,538**	56,911	(9,373)

NET DEBT ANALYSIS

£000	**27 December 2020 IFRS 16**	**27 December 2020 IAS 17**	29 December 2019 IAS 17	Movement
Closing cash and cash equivalents	**7,394**	**7,394**	2,188	5,206
Bank loans	**(20,000)**	**(20,000)**	(6,250)	(13,750)
Bank net debt	**(12,606)**	**(12,606)**	(4,062)	(8,544)
Leases – machines and other	**(6,945)**	**(7,224)**	(8,109)	885
Leases – property	**(178,201)**	**—**	—	—
Statutory net debt	**(197,752)**	**(19,830)**	(12,171)	(7,659)

CASH FLOW

£000	**52 weeks to 27 December 2020**	52 weeks to 29 December 2019	Movement
Cash flows from operating activities			
Group adjusted EBITDA	**(7,860)**	23,568	(31,113)
Maintenance capital	**(741)**	(2,369)	1,628
Movement in working capital	**5,489**	1,829	3,749
Lease and taxation payments	**(1,636)**	(5,325)	3,305
Free cash flow	**(4,747)**	17,703	(22,431)
Dividends paid	**(2,405)**	(7,150)	4,745
Cash flow available for investment	**(7,152)**	10,553	(17,686)
Proceeds from issue of shares	**4,878**	—	4,878
Inward investment	**(2,710)**	(4,183)	1,473
Transforming customer experience	**(483)**	(2,198)	1,715
Expanding the estate	**(3,105)**	(2,618)	(503)
Exceptionals and share-based payments	**25**	(1,414)	1,439
Cash flow after investment	**(8,544)**	140	(8,684)
Draw down/(repayment) of debt	**13,750**	(3,250)	17,000
Opening cash and cash equivalents	**2,188**	5,298	(3,110)
Cash and cash equivalents – end of period	**7,394**	2,188	5,206

IFRS 16

The Group adopted IFRS 16, using the modified retrospective method, on 30 December 2019, the first day of the accounting period. On adoption, the group recognised £164.9m of Right-of-Use ('ROU') property assets in respect of its leasehold properties. These assets were then immediately impaired, with the impairment charge of (£16.3m) going to reserves. This was a result of testing the expected cashflows against the assets. The discount rate to apply in determining the ROU asset is the Group's incremental borrowing rate, which ranged from 2.1% to 3.8%. The discount rate to apply to the expected cash flows is the Group's WACC of 11.6%

The future liabilities for the property assets on adoption were (£151.5m) with an average lease expiry of 19 years, a function of the recent property deals to secure long-term tenure at our centres.

During the year, a further impairment test was triggered because of the Covid-19 pandemic. Since this occurred after the 30 December 2019 adoption, the cashflows needed to be modified to include a reduced cashflow for 2020 and 2021 due to the enforced closures and reduced trading. This impairment test resulted in a further impairment charge in the 2020 P&L of £2.5m.

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 27 December 2020. The basis for preparation is outlined in the accounting policies to the financial statements on page 110.

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 121.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's principal risks and uncertainties are set out on pages 46 to 48 of the Annual Report.

Attention is drawn in particular to the risk associated with Covid-19. At the time of signing all centres in the Group are closed due to the ongoing international pandemic after operating only 51% of the year in 2020 and not open at all during 2021. The business has taken significant actions to conserve cash, raise financing and work with the banks to ensure liquidity is available and covenants are reset to recognise the pandemic. 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 financial statements have been prepared on a going concern basis.

NOTE ON ALTERNATIVE PROFIT MEASURES

The group uses a number of alternative profit measures ("APM"s) in the disclosure of its results. In particular for 2020, with the transition to IFRS 16, the Group has presented its results for the year on an IAS 17 and IFRS 16 basis. The use of IAS 17 basis for 2020 aids year-on-year comparison as it is not possible to restate 2019 on an IFRS 16 basis. Therefore, where year-on-year movements are discussed, these are on an IAS 17 basis.

Other APMs are also used, such as EBITDA and Free Cash Flow, where they provide the user with additional information that helps them to interpret the results using measures that the Board consider relevant and helpful. It should be noted that like-for-like sales refer to sales in centres that were open and trading in both periods. The measure excludes new centres that were not in place in the prior year, but also excludes periods where existing centres were in an enforced closure period in the current period due to Covid-19 restrictions.

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

GRAHAM BLACKWELL
CHIEF EXECUTIVE OFFICER
29 March 2021

ANTONY SMITH
CHIEF FINANCIAL OFFICER
29 March 2021

DURING A YEAR OF ADVERSITY, THE EXPERIENCE OF OUR BOARD HAS BEEN A GREAT ADVANTAGE

NICK BASING
CHAIRMAN

DEAR SHAREHOLDERS

The Board has worked tirelessly to assure the future of the business and has been extremely active throughout 2020 in taking swift and decisive action to meet the challenges of Covid-19 as they have unfolded. More than ever, good governance has been essential in preserving shareholder value and protecting the long-term interests of all stakeholders.

2020 was a year of change for the TEG Board, and I am confident that we have the strongest possible Board in place to lead the Group back to growth. In June our CEO Duncan Garrood made the decision to leave the hospitality sector, and he resigned from the Board on 8 September. Thanks to the wealth of experience of our Board we were able to make a seamless transition to our new CEO, Graham Blackwell, who has served the business since IPO as Chief Commercial Officer and latterly Chief Operating Officer. The Board is confident that the Executive partnership of our CEO and CFO is sufficiently strong and experienced that there is no requirement to replace the Chief Operating Officer role.

David Wild stepped down in June as Senior Independent Director at the same time as he stepped away from his executive position at Domino's Pizza. I am pleased to say that our continuity planning worked equally well with our non-executive positions and we were fortunate to have such high-calibre independent non-executives that allowed Adam Bellamy to again seamlessly make the transition. Due to the Board's focus on ensuring long-term liquidity and conserve cash, the appointment of a replacement Non-Executive Director was put on hold. It is our intention to appoint a further independent Non-Executive Director to the Board in 2021.

KEY GOVERNANCE DEVELOPMENTS DURING THE REPORTING PERIOD

The Board is committed to reporting against the UK Corporate Governance Code 2018 (the 'Code') of 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:

- A comprehensive review of the Group's remuneration policy, with the support of an independent adviser.
- Improving our reporting on how we focus on our sustainability goals
- Implementation of a Fair Tax Policy
- Designating Julie Sneddon as Non-Executive Director responsible for engagement with the workforce .

OTHER ACTIVITIES IN 2020

The restrictive nature of the Covid-19 pandemic on travel has meant that the Board has adapted to the new remote working environment. I am pleased with the effectiveness and I am also confident that some elements of these working practices will remain in the future. The Board has met via video conference call throughout 2020. This has meant that it has been able to do so more frequently, with more than twice the number of Board meetings held in 2020 compared to the previous year. Principal focus areas have been:

Culture, values and ethics – The challenges posed by the pandemic have emphasised the need to behave responsibly and fairly with those we do business with. 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 39 to 43.

Meeting our investors – The Company maintains a comprehensive investor relations programme, designed to ensure that our Executive Directors meet with investors and analysts regularly. While physical meetings have not been possible, the use of video conferencing platforms has ensured that our investors have been kept informed of developments, and we have engaged with the majority of our shareholder register in ensuring we meet their expectations in the context of the ESG agenda – see pages 39 to 43.

Board balance – The Board has worked extremely effectively throughout 2020. The transition to a new CEO has afforded the opportunity to reduce the Executive Board members to two (the CEO and CFO), who are ably supported by a strong Executive Committee. This has streamlined the decision-making process and facilitates an even balance between executive, independent non-executive and non-independent non-executive. The names, roles and responsibilities of the Directors and our Executive Committee are detailed on pages 60 and 61 and the recruitment process is explained on page 70.

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. The Chairman is not considered to be independent because he has previously held the position of CEO, albeit before the

Company was listed. However, the Board considers this depth of experience has been extremely useful in navigating the challenges of 2020 and has contributed to securing the long-term future. Christopher is also considered non-independent due to his shareholding as part of Harwood Capital. However, the Board considers that his very broad experience and expertise helps ensure that the interests of the shareholders are considered appropriately in all decision making.

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. The fact that the Board was able to appoint an internal successor to the role of CEO, as part of an independent external process, is testament to the strong succession pipeline in the business.

BOARD ACTIVITY IN 2021

In 2021, the Board has already met three times with the focus on preparing for reopening. The CLBILS loan has been completed and the new digital strategy has been signed off which, among other things, means that TEG is the first bowling operator in the UK to enable ApplePay and GooglePay on its website. The Board has also agreed an agile budgeting approach for FY21 whereby scenario-based cost and sales budgets have been set for the business which are dependent on the prevailing Government regulations.

The Board has dealt with the challenges posed by Covid-19 through careful consideration of all the stakeholder groups. I am confident that as we emerge from the crisis we have treated our employees, suppliers, customers and investors fairly and appropriately in making prudent decisions that have protected the interests of the business for the long-term future.

NICK BASING
CHAIRMAN
29 March 2021

COMPLIANCE WITH THE 2018 UK CORPORATE GOVERNANCE CODE ('THE CODE')

The UK Corporate Governance Code 2018 applies to companies with accounting periods commencing on or after 1 January 2019. As the Company's period began on 30 December 2019 the Code has applied to the Company for the first time in FY20. The Company has complied with all 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 9 and 19

The Chairman was not independent on appointment due to his previous role as CEO of the Group and his 11 years' tenure in the business. This experience has been invaluable to the business during 2020. The Chair has now made the decision to step down in September when a successor is in place. The board will ensure that the new Chair is independent on appointment.

Provision 11

At least half of the Board should be Non-Executive Directors whom the Board considers to be independent. As reflected on pages 60 and 61 the Board consists of two Executive Directors, two 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; 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. During the first half of 2020, the Board did have three independent Non-Executive Directors before David Wild left the business. The Nomination Committee intends to appoint a replacement independent Non-Executive Director during the course of 2021 which will bring the Board independence level back to 50%.

Provision 17

The majority of the members of the Nomination Committee should be independent Non-Executive Directors. After the departure of David Wild from the Board, this committee has had two independent Non-Executive Directors and two Non-Executive Directors. The Nomination Committee intends to appoint a replacement independent Non-Executive Director during the course of 2021 which will bring the majority requirement level back.

BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

NICK BASING
INTERIM EXECUTIVE CHAIRMAN

Appointed to the Board
Nick was appointed as Non-Executive Chairman of the Company on 15 March 2017 and Interim Executive Chairman on 26 June 2020 until 1 April 2021.

GRAHAM BLACKWELL
CHIEF EXECUTIVE OFFICER

Appointed to the Board
Graham was appointed to the Board on 15 March 2017 as Chief Commercial Officer and was appointed as Chief Executive Officer on 8 September 2020.

ANTONY SMITH
CHIEF FINANCIAL OFFICER

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

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 became 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 boards of the following companies: Brakes Brothers Holdings Ltd, Elegant Hotels Group plc and 'The Championships, Wimbledon'.

Graham has over 30 years' experience in the bowling industry following his roles at Granada, Allied, Georgica and Essenden Limited and has served on the Ten Entertainment Board since the IPO in 2017. He was appointed permanent Chief Executive Officer on 21 January 2021, following a successful period as interim Chief Executive Officer since September 2020. Graham had previously been Chief Commercial Officer of the Group since 2013 following his nine-year period as Operations Director of the Group's bowling business. Graham's experience in the sector and operational expertise is second to none and has been extremely valuable during a challenging 2020. Graham's expertise in his previous role as Chief Commercial Officer was instrumental in gaining the support of the supplier base and minimising cash burn through 2020.

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.

The Executive Committee
The Executive Committee comprises the Executive Directors Graham Blackwell and Antony Smith as well as the following Executive Committee Members:

BRET ASTLE
OPERATIONS DIRECTOR

Bret has over 20 years of leisure experience and 16 years of operational and commercial experience with the Group. Bret was appointed to the role of Operations Director in July 2020, having previously been on the Executive Committee since September 2019. Bret joined the Group as a site General Manager in 2005, progressing to both Regional Manager and Regional Director. Bret's in-depth understanding of the business and each of the centres in the estate makes him best placed to drive the success of the operation. Prior to joining the Group Bret had roles at other leisure companies including First Leisure plc and Luminar Leisure plc.

LISA JOHNSON
DIGITAL COMMUNICATIONS DIRECTOR

Lisa has over 25 years of marketing experience across the leisure, hospitality and travel sectors, as well as working for retail giant amazon.co.uk in its first few years of launching in the UK. Brand, customer and product development for Hilton Hotels, National Rail, Amazon and Yellow Pages as well as several creative agencies. Marketing director roles for Wagamama, Legoland and most recently Casual Dining Group, leading new concept development for the Concessions and Franchise division, tendering for new sites within airports, train stations and holiday parks, and franchising the core restaurant brands overseas. Strategic consulting positions include The Restaurant Group and Bounce Ping Pong bars.

ADAM BELLAMY
NON-EXECUTIVE DIRECTOR

Appointed to the Board
Adam was appointed as Non-Executive Director on 1 November 2018 and Senior Independent Non-Executive Director on 17 July 2020.

CHRISTOPHER MILLS
NON-EXECUTIVE DIRECTOR

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

JULIE SNEDDON
NON-EXECUTIVE DIRECTOR

Appointed to the Board
Julie was appointed as Non-Executive Director on 22 March 2017.

Committee membership: Adam Bellamy: A N R; Christopher Mills: N; Julie Sneddon: A N R

Experience, skills and qualifications

Adam is a highly experienced finance professional who has worked in a wide range of consumer facing growth businesses. He is currently a non-executive director at Loungers plc, In The Style Group plc and Gymfinity Kids Limited. He is also chair of the audit committee at Loungers and In The Style. Adam was previously chief financial officer and then a non-executive director at Pure Gym Limited, prior to which he was finance director at Atmosphere Bars & Clubs Limited and finance director at D&D London Limited. Earlier in his career he held various finance positions at Whitbread, House of Fraser and Granada Group.

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

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

Committee membership key:

A Audit Committee N Nomination Committee R Remuneration Committee ● Chair

Board knowledge matrix

Knowledge	N Basing	A Bellamy	C Mills	J Sneddon	G Blackwell	A Smith	B Astle	L Johnson
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.

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 attends these sessions and presents to the Board on each of its 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 reviews all risks that the Company faces, which are not limited to those disclosed as principal risks in this report.

The schedule of matters reserved for the Board includes:

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

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

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

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

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

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

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

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

KEY BOARD ROLES, RESPONSIBILITIES AND COMMITTEES

BOARD MEMBERSHIP

The Board currently comprises the Chairman, the Chief Executive Officer, the Chief Financial Officer, a Senior Independent Director and two Non-Executive Directors. The names and biographical details of the serving Directors and the offices held by them can be found on pages 60 to 61. 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.

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

THE ROLE OF THE CHIEF FINANCIAL OFFICER IS:

- overseeing the strategic planning cycle to plan capital allocation and investment decision making
- ensuring the business is adequately funded to meet its needs and obligations
- communicating with current and potential investors
- providing business information, KPIs and insight into running and improving the business
- key relationship management with critical professional partners
- keeping accurate financial records and controls
- providing HR operational support to the business

THE ROLE OF THE COMPANY SECRETARY IS:

- keeping accurate records of board meetings and decisions
- providing legal and compliance expertise
- ensuring compliance with relevant regulations and codes

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

GRAHAM BLACKWELL
CHIEF EXECUTIVE OFFICER
ANTONY SMITH
CHIEF FINANCIAL OFFICER

INDEPENDENT DIRECTORS

ADAM BELLAMY
SENIOR INDEPENDENT DIRECTOR
JULIE SNEDDON
INDEPENDENT NON-EXECUTIVE DIRECTOR

NON-EXECUTIVE DIRECTORS

NICK BASING
CHAIRMAN[1]
CHRISTOPHER MILLS

1 Nick Basing was temporarily made Interim Executive Chairman from 1 July 2020 until 31 March 2021 in order to oversee the transition to a new CEO and will revert to Non-Executive Chairman on 1 April 2021.

AUDIT COMMITTEE

Chair
Adam Bellamy

Members
Julie Sneddon;
David Wild (to 26 June)

Invitees
Nick Basing; Christopher Mills

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.

The Audit Committee met four times during the year and will normally meet not fewer than three times a year at the appropriate reporting and audit cycle.

2020 SUMMARY

The Committee spent considerable time and focus on the liquidity longevity of the business, particularly in relation to the long-term viability statement and testing scenarios in relation to Covid-19 risks. The Committee also reviewed the business modelling in relation to discussions with RBS for application for the CLBILS loan.

With the business substantially closed, the internal audit focus was on ensuring that the applications for Government funding were appropriately claimed and documented.

NOMINATION COMMITTEE

Chair
Julie Sneddon

Members
Adam Bellamy; Nick Basing;
Christopher Mills;
David Wild (to 26 June)

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.

The Nomination Committee met twice during the year, with further ad hoc meetings to finalise recruitment decisions, and will normally meet at least twice annually.

2020 SUMMARY

The principal focus of the Committee during the year was to ensure the smooth transition to a new CEO following the resignation of Duncan Garrood. The Committee decided to appoint Nick Basing as Executive Chairman on an interim basis from July 2020 until March 2021 to ensure that there was adequate continuity in place. The Committee then instigated a rigorous process of benchmarking an internal candidate against the external market. This resulted in the promotion of Graham Blackwell from Chief Operating Officer to Chief Executive Officer on 8 September 2020.

The Committee fully reviewed the Board structure and concluded that the Board was appropriate with two Executive Directors, the CEO and CFO, and that no replacement Executive Director was needed.

The Committee placed on hold the replacement of David Wild, who resigned as Senior Independent Director on 26 June, until there was more long-term cashflow certainty and the business reopened. A replacement Independent Non-Executive Director will be appointed in 2021 and Adam Bellamy has been appointed Senior Independent Director.

REMUNERATION COMMITTEE

Chair
Adam Bellamy

Members
Julie Sneddon*;
David Wild (Chair until 26 June)

Invitees
Nick Basing; Christopher Mills

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. The Remuneration Committee met four times during the year and will normally meet at least twice annually.

2020 SUMMARY

The principal focus of the Committee for 2020 was to ensure that investor feedback from the AGM was fully taken on board and the Remuneration Policy fully updated to address any concerns raised.

The Committee conducted a full review of the Remuneration Policy and remuneration levels for the Executive Directors, including taking into account the new Board structure and promotion of the Chief Operating Officer to Chief Executive Officer. This approach was supported by external remuneration consultants to ensure that the balanced changes implemented were better aligned to shareholder requirements as well as sufficient to retain the services of its strong Executive leadership team.

Also in 2020 the Committee adapted to the cash conservation needs of the Covid-19 pandemic, which included a 20% pay reduction during the first Lockdown; a delay in issuing 2020 LTIP awards; and an introduction of a share price underpin into the 2020 awards. The Committee considered the performance of the Executive during 2020 to have been strong but nonetheless concluded that it would not be appropriate to exercise discretion over any of the bonus targets and therefore no bonus was awarded in respect of the performance in FY20.

FY20 meeting attendance

Director	Independence	Main Board	Audit Committee	Nomination Committee	Remuneration Committee
Graham Blackwell[1]	**Exec**	**13/13**			
Antony Smith	**Exec**	**13/13**			
Adam Bellamy (SID)	**I**	**12/13**	**4/4**	**2/2**	**4/4**
Julie Sneddon	**I**	**12/13**	**4/4**	**2/2**	**3/4**
Nick Basing (Chair)	**Exec**	**13/13**		**2/2**	
Christopher Mills	**NI**	**13/13**		**2/2**	
Duncan Garrood[1]	**Retired Exec**	**8/8**			
David Wild[2]	**Retired I**	**6/6**	**2/2**	**1/1**	**3/3**

1 On 8 September 2020 Duncan Garrood resigned as CEO and existing Board member Graham Blackwell replaced him having previously been CCO.
2 David Wild resigned as Senior Independent Director on 26 June 2020.

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

BOARD MEETINGS AND PROCESS

The Board formally met on 13 occasions during the financial year with further ad hoc meetings to update on urgent matters. This is more than ordinarily expected as the Board guided the business through the Covid-19 pandemic. Key matters discussed included financial security and liquidity longevity; accessing Government support; preparing the business to safely reopen; our employees' financial and mental wellbeing; trading performance as the business reopened; and planning for rebuilding the business in 2021. All meetings except February's were conducted by video conference call. In the rare event that Board members were unable to attend meetings this was because the meetings were new to the 2020 calendar and clashed with long-standing commitments. On those occasions the Board members were provided with the Board documents, and the Company Secretary sought their input and feedback in advance of the meeting to ensure their views were represented.

The Board has met on a further three occasions to date in FY21, with key matters discussed including the approval of the 2020 Annual Report and Financial Statements; the planning for reopening in 2021; the Sustainability agenda for 2021; budget setting for 2021; and the progression of the digital enablement strategy.

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. This has been put to the test in 2020, where the commitment has been significantly more than usual, and the commitment of all Board members has been very strong. Any additional board appointments Non-Executive Directors are contemplating 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 5 May 2021.

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 newly appointed 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 of 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 23 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.

"HERE'S TO A MUCH BETTER 2021"

TEAM FOUNTAIN PARK

DRIVING RESILIENCE

IN RESPONSE TO THE GOVERNMENT'S LOCKDOWN MEASURES AND THE GROWING COVID-19 CRISIS, THE BOARD SET OUT CLEAR PRIORITIES: TO PROTECT OUR PEOPLE AND THEIR JOBS; TO PRESERVE THE LONG-TERM FUTURE; AND TO PREPARE FOR REOPENING.

PREPARING FOR A PANDEMIC

The Board reacted quickly as the pandemic started to emerge. At the beginning of March, the Board instigated weekly updates to ensure the safety of its employees and customers and the financial security of the business. Meetings moved to online video conference calls and the Executive Committee put in place contingency plans for preparing to safely close down the business and protect its people and key assets.

SETTING NEW PRIORITIES

Despite a very strong start to 2020, it was immediately clear that the priorities for 2020 would need rapid re-evaluation. The Board set three core principles of governance in order to protect the long-term future and to insulate the business against the worst impacts of the Covid-19 pandemic. These were to protect our business and our people; to preserve our cash and liquidity headroom; and to prepare for reopening.

PROTECT

Within a week of the Government's enforced closure of all TEG centres on 20 March, the Board had delivered the following:

- All centres closed and fully cleaned and sanitised
- All cash collected and key assets secured and insurance provision updated
- All landlords communicated with and over £3m of rent concessions secured
- All essential services and contracts shut down
- £5.0m equity placing delivered to add to the £25m debt headroom
- Over 95% of staff placed on furlough, even those not eligible for Government support
- All staff briefed through Yapster to provide security
- Customer refunds 80% completed

The primary Board objective was to ensure the business had been safely closed down for an indefinite period and was ready to reopen at short notice.

PRESERVE

Once the liquidity headroom of almost £30m had been secured, the Executive team focused on reducing the cash outflow in the business. This included a review of all contracts in place and discussions with all suppliers to pause, cancel or defer key contract payments.

The Board also made full use of the Government support available, including the Business Rates holiday, staff furlough support from the Coronavirus Job Retention Scheme ('CJRS') and HMRC Time to Pay schemes. The Board reviewed the projected tax position and reclaimed corporation tax payments on accounts, as well as securing grant payments and discussing utilisation of the Coronavirus Large Business Interruption Loan Scheme ('CLBILS').

The Board was very well aware of its responsibility to utilise Government funds responsibly. Each decision to utilise Government funding was accompanied by a review of the implications for the business and its people to ensure it was appropriate to preserve the long-term stability. The Board decided to pay furlough support to 87 employees who were not eligible for CJRS to ensure their jobs were protected and was able to ensure that throughout 2020 there was not a single site-based redundancy as a result of Covid-19. In addition the Directors chose to give up 20% of their salary during the closed months of May and June. The Board also conducted an external review of the CJRS claims to ensure that these were appropriately claimed and administered.

PREPARE

The CEO was instrumental in working with the Government and the DCMS to develop protocols for the safe reopening of bowling in the UK. The Chairman was active in the media in ensuring that the public understood that our large bowling centres were well suited to social distancing on reopening.

"WE ARE CONFIDENT THAT WE WILL RETURN THE BUSINESS TO GROWTH"

The Board critically evaluated all in-flight capital programmes at the time of closure with a view to cancelling or deferring the spend. As a result, only the critical developments of a new centre at Manchester Printworks; refurbishments of Acton and Star City; and eight Pins & Strings implementations were completed in the year.

The Board reviewed the business's digital capabilities and made rapid progress in becoming the only UK bowling business on reopening to be able to offer all customers at all centres the ability to order food and drink direct to lane or table through a contact-free app.

The Board also invested £1.2m in critical Covid security measures to ensure that it could reopen safely, including lane dividers, safety screens and additional cleaning facilities, which facilitated a strong sales delivery on reopening.

BOARD DECISION MAKING

The Board received weekly updates during Lockdown to ensure that it had all risks appropriately covered. 13 formal Board meetings were held, almost double that for a normal year, and these focused on the three critical business priorities. Decision making was informed by industry experience, clear data, and close scrutiny of the Government advice. Where appropriate the Board took suitable professional advice, particularly in relation to tax and legal matters and those relating to working with Government departments.

Board meetings

Board meetings all took place by video conference which was not only effective but enables more frequent updates

£25M

HEADROOM ENTERING LOCKDOWN

NOMINATION COMMITTEE REPORT

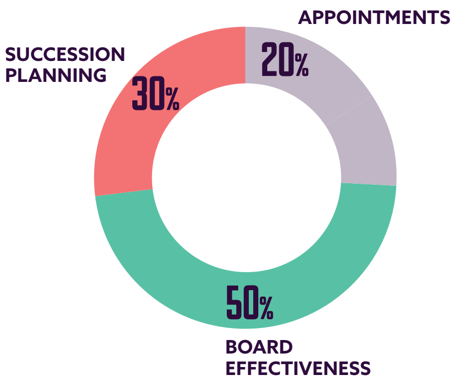
JULIE SNEDDON
CHAIR OF THE NOMINATION COMMITTEE

CHAIR
JULIE SNEDDON

COMMITTEE MEMBERS
ADAM BELLAMY,
NICK BASING, CHRISTOPHER MILLS,
DAVID WILD (RETIRED 26 JUNE)

NUMBER OF MEETINGS HELD IN THE YEAR
2

COMMITTEE ACTIVITIES



MEETING ATTENDANCE

Member	Meetings	Attendance
Julie Sneddon	2	● ●
Adam Bellamy	2	● ●
David Wild (retired)	1	●
Nick Basing	2	● ●
Christopher Mills	2	● ●

Key
● Attended
○ Did not attend

ANNUAL STATEMENT BY THE NOMINATION COMMITTEE CHAIR

As Chair of the Nomination Committee, I am pleased to present the report of the Committee covering the activity carried out during the year which consisted of appointments after two of our Directors resigned, and reviews of Board succession, effectiveness, diversity, culture and values.

COMMITTEE ACTIVITY

During the year, Duncan Garrood resigned as Chief Executive Officer on 8 September 2020 and David Wild resigned as a Non-Executive Director on 26 June 2020, both to pursue other opportunities. We as a Board thank them for their dedication to the Group and wish them well.

The Committee reviewed several options and carried out a rigorous search for a new CEO using external benchmarking expertise, after which the Board was pleased to appoint Graham Blackwell as Interim CEO on 8 September 2020 and the appointment was made permanent in January 2021. Graham was the Group's Chief Operating Officer prior to his appointment as CEO, has over 30 years' experience within this industry and has served on the Ten Entertainment Board since the IPO in 2017. His unique experience and outstanding execution skills make him ideally placed to lead the business through its next phase.

The Committee recommended to the Board that the position of Chief Operating Officer need not be filled with the promotion of Graham Blackwell to CEO. The responsibilities of the Executive Board members were realigned to accommodate this change with the CFO taking on responsibility for the People and Talent function.

Although the Board has not formally replaced the position left by David Wild, his role as SID and Chair of the Remuneration Committee has been taken on by fellow independent Non-Executive Director, Adam Bellamy. The Board intends to begin the search for a further independent Non-Executive Director in the second quarter of 2021.

BOARD SUCCESSION

We actively manage our Board succession plan, to ensure that our Board has an appropriate and diverse range of skills to enable us to deliver our strategy for the benefit of all of our stakeholders. We are a small and cohesive Board, and take care to ensure that all new members of our Board are aligned to our culture and share our values, whatever their skills and background. Our Board induction process, undertaken by all new members upon appointment, is an important way to get our new Board members up to speed and valued by our new

Nomination Committee activities at the meetings held during the year ending 27 December 2020	February	Interim review	November
Appointments			
Interviews and appointment of CEO		●	
Board effectiveness review			
Review of the effectiveness of the full Board	●	●	●
Review of reporting requirements for the year			●
Succession planning			
Executive and senior management talent mapping	●	●	
Succession planning		●	●

Non-Executive Directors. We have a formal plan for how Board membership should develop which aims to balance continuity of service with a regular refreshment of skills and experience needed to deliver our evolving strategy. We regularly review the balance of skills on the Board as a whole, taking account of the future needs of the business, and the knowledge, experience, length of service and performance of the Directors. We are very satisfied with the plan which has resulted in the internal replacement of Duncan's and David's roles.

BOARD AND DIRECTOR EFFECTIVENESS

Each Director receives a formal evaluation of their performance during the year, which is conducted by the Chairman. In addition, the CEO discusses with the Non-Executive Directors the performance of individuals of the Executive team and any changes that he proposes to make to this team. Whilst this activity does not take place formally within the meetings of the Nomination Committee, it does form part of its work in overseeing Executive team development and succession process, and the pipeline of talent available for succession to the Board.

The performance of our Board and the Committees is evaluated by the Chair of the Nomination Committee in conjunction with the Chairman and they have concluded that the Board is functioning well, is dynamic, has a breadth and depth of complementary skills and experience and that there is a strong trust between the Non-Executive Directors and the Executive Directors in the running of the Group, especially in these turbulent times. A key action to the effectiveness of the Board will be the decision on filling the Non-Executive Director position left after the resignation of David Wild.

DIVERSITY

We fully support diversity as an important contribution to good quality decision making and innovative thinking. Diversity has many dimensions and we particularly value diversity of thought, which in turn is assisted by diversity of background and experience, as well as of gender and ethnicity. We already have on our Board a diversity of gender, skills, experience, personality, and cognitive approach. Site-based teams are diverse with an even split of males and females in management positions. However, our senior leadership population does not currently reflect the broader ethnic mix of our employees and our customers. We continue to review how we can further broaden our approach, encouraging diversity and inclusion throughout the Board and the business.

CULTURE AND VALUES

Preservation of our culture as a family entertainment business has always been a priority, which stems from the values instilled by the Board. Our culture is brought to life through our shared values and business principles which the Board monitors through Board reports and agenda items, engagement with employees, and visits to centres. Our culture and values are an important part of what we look for in new candidates to join our Board, so that they may promote and engage with the development of these aspects throughout the business. It is important that they are aligned with our values so that they can be role models for all our employees and stakeholders.

TENURE AND RE-ELECTION OF DIRECTORS

The Nomination Committee considers the length of service of Board members at least annually. The tenure of the Directors is set out below:

Member	Appointment	Current term	Next renewal	Board role
Nick Basing*	15 March 2017	4 years	Annually at AGM	Chairman
Graham Blackwell	15 March 2017	4 years	Annually at AGM	CEO
Antony Smith	1 April 2019	2 years	Annually at AGM	CFO and Secretary
Julie Sneddon	22 March 2017	4 years	Annually at AGM	Nomination Chair
Adam Bellamy	1 November 2018	3 years	Annually at AGM	Audit and Remuneration Chair and Senior Independent Director
Christopher Mills*	15 March 2017	4 years	Annually at AGM	Non-Executive Director

* Nick Basing has been an Executive Director within the Group in the last 10 years, though this was before the IPO in 2017. He has been a Director within the Group for more than 10 years. Christopher Mills has been a Non-Executive Director within the Group for more than 10 years.

In accordance with the UK Corporate Governance Code, all continuing Directors will seek re-election at the 2021 AGM, and as now required by the Listing Rules, the Non-Executives will be subject to an additional vote by shareholders independent of Harwood Capital LLP.

Approved by the Board on 29 March 2021

JULIE SNEDDON
CHAIR OF THE NOMINATION COMMITTEE
29 MARCH 2021

AUDIT COMMITTEE REPORT

ADAM BELLAMY
CHAIR OF THE AUDIT COMMITTEE

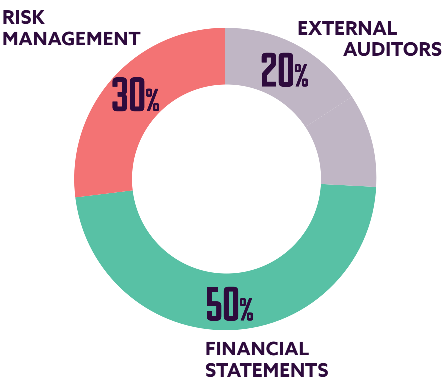
CHAIR
ADAM BELLAMY

COMMITTEE MEMBERS
JULIE SNEDDON
DAVID WILD (RETIRED 26 JUNE 2020)

INVITATION
NICK BASING
CHRISTOPHER MILLS

NUMBER OF MEETINGS HELD IN THE YEAR
4

COMMITTEE ACTIVITIES



MEETING ATTENDANCE

Member	Meetings	Attendance
Julie Sneddon	4	●●●●
Adam Bellamy	4	●●●●
David Wild	2	●●
Nick Basing	4	●●●●
Christopher Mills	4	●●●●

Key
● Attended
○ Did not attend

ANNUAL STATEMENT BY THE AUDIT COMMITTEE CHAIR

2020 has been a challenging year for the Group due to the Covid-19 crisis and this uncertainty has continued into the first quarter of 2021. The crisis has required us to balance the need for ongoing and continuous improvements with recovery and replanning around the substantial disruption that everyone has felt from the pandemic.

The Committee met four times during this financial year and has met once since the year end. The Committee has played 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, controls and risks (including those related to Covid-19). This includes overseeing the integrity of the Group's annual financial statements and public statements related to performance, considering the scope of the annual external audit and its fee and the extent of the non-audit work undertaken by external auditors, overseeing the appointment of external and internal auditors, reviewing the Group's risk profile and reviewing the effectiveness of the internal control systems and the processes to identify and manage risks in place within the Group.

No review of risk can now ignore the Covid-19 crisis which is discussed later in this report. Covid-19 was identified as an emerging risk in February 2020 and was upgraded to a principal risk at the Audit Committee meeting in March 2020 due to its impact on whether our centres could remain open for trade. The risk was included and discussed in detail in the Annual Report for the year ended 29 December 2019 and remains a principal risk in this year's Annual Report.

During the year the Committee completed key tasks on behalf of the Board including reviewing the Group's going concern position and long-term viability statement in light of the impact of Covid-19 on the Group's results and thus its ability to meet its financial covenants, reviewing the Company's Annual Report for the period ended 27 December 2020, reviewing its 2020 interim results published in September, and reviewing the internal audit report for the furlough audit 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 27 December 2020	March	May	September	November
Financial statements and new accounting standards				
Review of the 2020 interim announcement and the Financial Statements and Annual Report for 2019	●	●	●	
Review of significant accounting policies and estimates in the year	●	●	●	
Covid-19, going concern and viability statement assessment	●			
Fair, balanced and understandable assessment		●	●	
Annual review of the tax strategy and policy				●
Risk management and internal control				
Risk register and principal risks and uncertainties assessment	●			●
Review of internal audit function, requirements and internal audit reports				●
Annual evaluation of the Committee's effectiveness				●
External auditors				
External audit engagement, plan, budget and independence review				●
Review of interim and full-year audit reports and findings	●	●	●	
Assessment of external audit effectiveness	●			●

AUDIT COMMITTEE MEMBERSHIP

The Chief Executive Officer, Chief Financial Officer, the Chairman and Christopher Mills as a non-independent Non-Executive Director of the Board usually attend meetings by invitation. In addition, representatives of PwC for external audit matters attend by invitation.

The Board considers that I have recent and relevant financial experience to chair the Committee, by virtue of my professional qualification and my previous executive role as chief financial officer of PureGym. Members of the Committee can also demonstrate a breadth of experience across the retail and leisure sector through their current and previous roles – please see the Directors' biographies on pages 60 to 61 for full details.

SIGNIFICANT ACCOUNTING ISSUES AND JUDGEMENTS RELATING TO THE FINANCIAL STATEMENTS

Within its terms of reference, the Committee monitors the integrity of the annual and interim reports, including a review of the significant financial reporting issues and judgements contained in them. The Audit Committee's review of the Annual Report for the period ended 27 December 2020 and the 2020 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, right-of-use assets and goodwill for the Group including the factors considered in determining the cash flows and the rate used to discount those cash flows. Further detail of the impairment assessments can be found in Notes 9 and 12 to the financial statements.
- The Group adopted IFRS 16 this year and made its first disclosures of the impact of this standard in the interim statement. The Committee considered the approach taken, the impact on external and internal reporting, and the implications for bank covenants and measurement of performance under remuneration schemes.
- The Committee also considered a paper prepared by the external auditor, which included significant reporting and accounting matters.

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

In May and September 2020, the Committee considered the potential impact of the Covid-19 pandemic on the cash flows and liquidity of the Group, particularly in relation to the preparation of the Company's financial statements and interim statements on a going concern basis and the assessment of the Group's viability.

On behalf of the Board, for the financial statements for the year ended 27 December 2020, 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. 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 pages 49 to 50, and these show the approach taken and the conclusions made.

REVIEW OF NARRATIVE REPORTING

The narrative sections of this Annual Report have been updated to comply with a number of new reporting requirements, including the 2018 Corporate Governance Code, a statement of how the Board has complied with s172 of the Companies Act, and executive pay. The Committee has also reviewed the Environmental, Social and Governance ('ESG') reporting and associated KPIs, which are set out in the Annual Report.

FAIR, BALANCED, UNDERSTANDABLE AND COMPREHENSIVE REPORTING

At the request of the Board, the Committee also considered whether the Annual Report and financial statements as a whole are 'fair, balanced and understandable'. Factors considered included:

- Does the narrative of the Business Review and Financial Review fairly reflect the performance of the Group over the period reported on?
- Are the narrative sections consistent with each other, and with the financial statements?
- Is the connection between strategy and remuneration clearly described?
- Can readers easily identify key events that happened during the year?
- Is the language and tone of voice used commensurate with the spirit of 'fair, balanced and understandable'?

Committee members received the draft Annual Report and Accounts in advance and had the opportunity to make comments in advance of the formal meeting at which the report was tabled for approval.

Following its review, the Committee confirmed to the Board that in its view the 2020 Annual Report was 'fair, balanced and understandable' and provided the information necessary for our shareholders to assess the Company's position, performance, business model and strategy.

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 emerging risks which in this year included the impact of the Covid-19 pandemic;
- reviewing the system of financial and accounting controls, and considering the view of the external auditor 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. With the emerging risk from the Covid-19 pandemic the Committee and full Board held regular discussions regarding how resilient the Group was to withstand the impact of an event or combination of events that could significantly disrupt all or a substantial part of the Group's sales or operations and reviewed what, if any, mitigation could be implemented with the outcome fed into the risk process.

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 two internal team members with each centre 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 and has concluded that the internal audit function has been effective during the year. During FY20, which was significantly disrupted with the business being shut for large periods of the year, only one internal audit review was carried out, with the second being deferred into 2021 when it would provide more value. The review specifically chosen by the Committee covered the Group's approach to the Coronavirus Job Retention Scheme ('CJRS', furlough) at both site and support centre level. As the business was closed for large portions of the year, the furlough scheme was used extensively and due to the material value and complex nature of the regulations and calculations involved, a review was carried out to give comfort that these were being carried out in the spirit of the law. The Committee was presented with the findings and recommendations were identified and these improvements have been implemented. The Committee receives regular updates from management on progress.

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. These incidents are sent out to senior management for review and the Chief Financial Officer 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. There has been increased focus in this area to ensure that our centres are 'Covid secure' and as explained in detail in the Chief Executive's statement, the business has implemented a number of measures from constructing lane dividers to promote social distancing, to releasing an online ordering app so that customers can order from the comfort of their lane, cutting out queues at the bars.

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. In addition, the Group extended the

Whistleblowing facility to Yapster, where employees can raise concerns confidentially using our dedicated communications app, offering people more access to reporting incidents of concern. No incidents were reported during FY20.

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 employees.

CYBER SECURITY AND DATA PROTECTION

Cyber and data security remains one of the most important risk areas, being one of the Board's principal risks, as outlined in the 'Risks and Uncertainties' section on page 46 of this Annual Report. The resource and capability of the Information Security function was increased during the year, and the programme to improve our controls and practices in this area has continued. This has included improved network segmentation and a thorough review and reinforcement of our IT business continuity plans. Given the continuing external risks, this area will be the subject of an internal audit review in 2021, and cyber security remains a standing agenda item at all Committee meetings. The Committee was satisfied that there is an acceptable level of risk management in place.

EXTERNAL AUDITORS

The report and financial statements were audited by PricewaterhouseCoopers LLP ('PwC') who were appointed in 2017 after the IPO, since then no audit tender has been carried out. As reported last year, our audit partner from the 2019 audit onwards is Craig Skelton. Craig attended the Committee meetings in March, May, September and November 2020. The Committee also met privately with the auditors during each meeting and, as Chair of the Committee, I had regular dialogue with Craig.

The Audit Committee has reviewed the independence, objectivity and effectiveness of the external auditors and considers that PwC continues 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 around the level of understanding demonstrated by the audit team;
- the robustness of the audit around challenge to management and findings on areas that required judgement;
- the quality of audit work, reporting and advice given to the Audit Committee; and
- reports published by the FRC.

The conclusion was that the audit had been effective and carried out with the necessary objectivity and challenges to demonstrate independence and that no significant issues had been highlighted; this was endorsed by the Committee.

It is the Committee's responsibility to make recommendations to the Board in relation to the appointment, reappointment and removal of the external auditor, and to agree the audit fee. In November 2020, the external auditor presented their strategy for the 2020 audit to the Committee. The Committee reviewed and agreed with the external auditor's assessment of risk. The Committee also reviewed and agreed the audit approach and the approach to assessing materiality for the Group. The fee proposed by PwC for the statutory audit of the Group and Company financial statements and the audit of Group subsidiaries pursuant to legislation was reviewed and agreed.

Considering the review of the 2020 audit and the proposed plan and fee, the Committee agreed that PwC be reappointed as auditor for the 2020 audit for the fee proposed. A resolution by the Directors to agree their remuneration will be put to shareholders at the AGM and a resolution to reappoint PwC as auditor for the 2021 audit will be reviewed after the completion of the 2020 audit.

The Committee is aware that the use of audit firms for non-audit work is a sensitive issue for investors and corporate governance analysts, as it could potentially give rise to a conflict of interest and jeopardise the independence of the audit process. Following the issue of the EU Audit Directive in June 2016, we review any non-audit work to ensure fees for non-audit services provided by the statutory auditor in any year do not exceed 70% of the average fees for the Group statutory audit in the years and that they do not perform any non-audit services, including the majority of tax work, internal audit, corporate finance, involvement in management activities or the provision of financial information. The external auditor may not be engaged to provide any non-audit services without the agreement of the Audit Committee Chair either. We believe that this approach is still relevant and safeguards auditor independence and objectivity effectively.

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

During the period we paid PricewaterhouseCoopers LLP £35,000 for their review of the interim financial statements (considered to be a non-audit service). No other non-audit services were provided by the external auditor. Fees paid to PricewaterhouseCoopers LLP for audit work were £135,000.

Our auditor rotation policy is that we will tender the audit at least once every ten years and we will change auditor at least every 20 years. We will invite at least one firm outside the 'Big Four' to participate in any audit tender process. This is in line with the current EU Audit Directive. The latest date for the next tender will therefore be for the 2027 audit, but may occur sooner at the committee's discretion. The Committee concurs that a competitive tender is in the best interests of shareholders.

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 has been one change to the composition of the Committee after the resignation of David Wild, whose position has yet to be filled. 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
29 MARCH 2021

ADAM BELLAMY
CHAIR OF THE REMUNERATION COMMITTEE

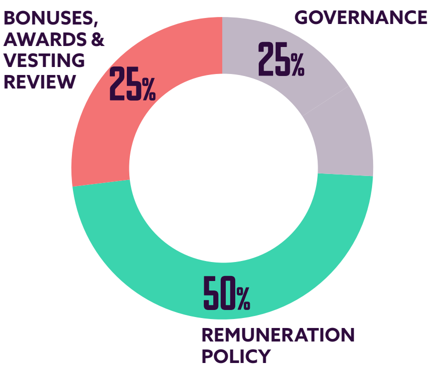
CHAIR
ADAM BELLAMY

COMMITTEE MEMBERS
JULIE SNEDDON
DAVID WILD (CHAIRMAN UNTIL RETIREMENT 26 JUNE)

INVITATION
NICK BASING
CHRISTOPHER MILLS

NUMBER OF MEETINGS HELD IN THE YEAR
4

COMMITTEE ACTIVITIES



MEETING ATTENDANCE

Member	Meetings	Attendance
Adam Bellamy	4	●●●●
Julie Sneddon	4	●●●○
David Wild	3	●●●
Nick Basing	4	●●●●
Christopher Mills	4	●●●●

Key
● Attended
○ Did not attend

ANNUAL STATEMENT BY THE REMUNERATION COMMITTEE CHAIR

I have taken on the Chair of the Remuneration Committee role following the departure from the Board of David Wild, whom I would like to thank for his time and dedication to the Group.

I am pleased to present the Remuneration Report of the Board and would like to start by reiterating that we are very proud of how our team have responded during the pandemic and of what we have achieved together. Protecting our employees, customers, suppliers and shareholders during this most unprecedented environment has been, and continues to be, our clear priority.

On 20 March last year we closed all of our centres in the UK as required by the Government and took quick and decisive action to manage our cash position and reduce our costs. We made significant operational cost savings and effectively put our centres into hibernation, utilising the Government's Job Retention Scheme precisely as it was intended, to preserve jobs which, with the significant drop in revenue, we might otherwise have had to cut. The Board also took a 20% pay reduction for the two months to the end of June.

At our 2020 AGM there was a binding shareholder vote on our Directors' Remuneration Policy and an advisory vote on the Chair's Annual Statement and our Annual Report on Remuneration. There were no changes to our Remuneration Policy except for the introduction of a share price underpin to our 2020 LTIP awards which our legal consultants had advised required a change to our shareholder approved policy.

The shareholder vote to approve the Policy was 76.26% and for the Chair's Annual Statement and Annual Report on Remuneration 79.84%. The Committee's understanding is that a small number of investors and the proxy voting agencies had concerns that certain best practice and Corporate Governance Code remuneration structural features were missing from our Remuneration Policy and that our remuneration reporting could be enhanced to provide shareholders with a clearer understanding of the remuneration decisions made in the year as well as remuneration outcomes.

The Remuneration Committee met on four occasions in FY20 and has met once since the year end. The activities completed by the Committee in 2020 were as follows:

Remuneration Committee activities at the meetings held during the year ending 27 December 2020	February	March	May	October
Bonuses, awards and vesting review				
Review of FY19 performance and bonus outturn and approval of Directors' bonuses for FY19	●			
Approval of Directors' bonus KPIs/targets for FY20 and FY20 pay		●		
Proposed 2020 LTIP performance targets	●			●
Share plan awards and vestings			●	
Remuneration policy review				
Review of policy, Directors' pay and 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				●

Following the AGM vote, we engaged an external consultant, Korn Ferry, to work with the Committee to carry out a full review of the Policy and our remuneration reporting.

The Committee has reviewed the current Remuneration Policy and has concluded that it remains fit for purpose, continues to support the Group's business strategy and that no changes are required to incentive quantum. However it proposes to incorporate UK Corporate Governance Code and best practice features into the Policy in line with investor expectations and introduce standard market practice flexibility for the Committee to select the most appropriate performance measures for the annual bonus and LTIP each year. We have also taken this opportunity to clarify those parts of our policy that were not previously detailed. This updated Policy will be brought to investors for approval at our 2021 AGM.

Set out below are the substantive changes that are being made to the Policy. The Policy on pages 81 to 85 sets out these changes as well as those elements that were not previously detailed in our published Policy:

Pension: Our policy for new appointments and incumbent Directors is to align them with the workforce, currently at 3% of base salary.

Annual bonus shares and holding period: 25% of any bonus paid in excess of target performance will be paid in shares to the Executive Directors who will be required to hold the shares for a two-year period which will continue to apply post cessation of employment. There is no increase in annual bonus quantum and the Committee considers that this is therefore a reasonable approach to 'deferral' at this time but will keep this matter under review, noting investors' preference for a percentage of bonus actually paid to be deferred.

Long-term incentive two-year post-vesting holding period: Commencing with the FY21 LTIP awards, Executive Directors will be required to retain the shares they acquire from vesting of LTIP awards for a further two years, except for sales to meet taxes arising on vesting. The holding period will continue to apply post cessation of employment.

In-service shareholding requirement: The Executive Directors will be required to build and maintain a shareholding in Ten Entertainment of 200% of salary with the expectation that this will be built up over a five-year period. The Committee will have the discretion to adjust the requirement in exceptional circumstances.

Post-employment shareholding policy: The Executive Directors will be required to hold shares acquired with FY21 and future annual bonus and LTIP awards equal to 100% of salary for one year post cessation of employment, subject to the Committee amending this requirement in exceptional circumstances. Holding periods on bonus shares and LTIP awards also continue to apply post employment.

Ability to select performance measures for annual bonus and LTIP: Our current policy sets out the specific measures that will be used for incentives and does not give the Committee the usual market standard flexibility to select the most appropriate performance measures to support the business strategy. An amendment is therefore being made to provide this flexibility going forward.

Discretion and clawback and malus: The Committee will have the discretion to adjust formulaic variable pay and vesting level outcomes in line with the Corporate Governance Code and the circumstances for clawback and malus will be widened to cover error, misstatement, gross misconduct, reputational damage, corporate failure and failure of risk management. Because the Committee will have discretion to adjust the formulaic bonus outcome, the specific strategic objective underpin (that requires a threshold level of EBITDA to be achieved before this element pays out) is no longer required and will be removed from the Policy. This wider discretion provides the Committee with a broader and more effective discretion to review and adjust the overall incentive outcome.
The Committee is comfortable that there is sufficient mechanism for the operation of clawback and malus, given the changes to the policy noted above.

Change of control and cessation: Our policy is that on a change of control, performance for variable pay awards will be measured to the change of control date and vesting pro-rated with discretion for the Committee to reduce pro-rating. On a termination, salary plus benefits and pension will be payable for the notice period in monthly instalments with a duty to mitigate. Annual bonus is payable at the Committee's discretion for good leavers only, subject to testing of the performance metrics, paid at the normal time and pro-rated for the period of service. LTIP awards will continue for good leavers with pro-rating for service. There is a discretion to pay outplacement costs, contribute to reasonable legal fees and settle potential legal disputes.

REMUNERATION REPORTING

The Committee has reviewed the 2019 Remuneration Report disclosures including the policy wording. The 2020 Remuneration Report addresses the concerns raised by investors and proxy agencies and includes additional disclosures where necessary to ensure transparent and clear reporting of our remuneration outcomes in line with applicable regulation, best practice and investor expectation for a SmallCap company. The wording of our policy has been enhanced to include those matters which are not currently included in our published shareholder approved policy.

OPERATION OF POLICY FOR FY20 BOARD CHANGES, BASE SALARIES AND OVERALL PACKAGES

As we announced on 26 June 2020, our former CEO Duncan Garrood resigned and left the business on 8 September 2020. As an interim measure, our Non-Executive Chairman took on an interim Executive Chairman role and our CFO and Chief Commercial Officer took on significant additional responsibilities. To recognise the increased workload and responsibilities both the Chief Commercial Officer and CFO were awarded a £50,000 p.a. salary allowance and our Executive Chairman's fee was temporarily increased to £350,000 for the interim period.

Following a comprehensive search process the Board were pleased to appoint our Chief Commercial Officer Graham Blackwell to the CEO role effective on 8 September 2020. Nick Basing remains as Executive Chairman until the end of March 2021, at which point he will revert to Non-Executive Chairman.

As part of the changes in executive leadership, the Remuneration Committee has reviewed the base salaries of the CEO and CFO. Our new CEO was appointed on a base salary of £310,000 with a pension allowance of 3% of salary aligned to the workforce. Our previous CEO's salary was £300,000 and the appointment of our new CEO on £310,000 is considered appropriate taking into account his increased responsibilities and normal workforce-aligned annual increases.

The salary of Antony Smith, our CFO, was increased, effective 8 September 2020, to £260,000 and his pension has been reduced to align to the workforce at 3% of salary. The increase in salary reflects significantly increased responsibilities as we move forward with a reduced Executive Board. Our CFO has taken on direct responsibility for Human Resources, Health & Safety and other commercial aspects around reporting and strategy.

The Committee understands investor concerns regarding increases in fixed pay, including the resulting increase to variable pay. In making these increases the Committee has taken into account the fact that the Chief Commercial Officer (Executive Director) role will not be replaced and therefore the CEO and CFO have significantly increased roles and responsibilities. The Committee and Board as a whole are committed to ensuring the Directors receive a fair and appropriate level of remuneration for their role, reflecting their skills and responsibilities. Total Executive Director salaries (ignoring the temporary Executive Chairman additional fee) are now £570,000 instead of £685,000 when there were three Executive Directors and the overall cost of annual bonus and LTIP awards was also reduced. The Committee is satisfied, having carried out a benchmarking exercise against companies of a comparable size by market capitalisation, that both the CEO and CFO's salaries remain below the median for companies of a similar size. The Committee also notes the increased focus on executive remuneration levels and the alignment to workforce rewards and investor experience resulting from the pandemic. Our Executive Directors will not receive a bonus for 2020, and as mentioned, received reduced salaries for a period during 2020.

The Committee strongly believes their remuneration is aligned to both employee reward and investor returns for 2020 but wishes to ensure that they are fairly and appropriately remunerated for their roles, experience and commitment as they work to drive business performance going forward.

Annual bonus maximum opportunity and LTIP award levels remain unchanged at 100% of salary for the annual bonus and 150% of salary for the LTIP award.

2020 long-term incentive awards

Long-term incentive grants for FY20 were delayed due to the difficulty in forecasting and setting targets and granted much later in the year than would be usual:

- Award levels were unchanged from FY19 at 150% of salary. No scaleback was considered necessary because our share price was within 20% of the grant price for the prior year's award.
- The award is based 50% on EPS and 50% on relative TSR with a share price underpin such that awards will only vest if the average share price over a three-month period prior to vesting exceeds the share price at the date of grant.
- The Committee reviewed and updated the TSR peer group and targets, further detail is set out on page 88.
- Threshold vesting for the EPS element occurs for achieving EPS of 17 pence and maximum vesting occurs at 23 pence.
- The Committee carefully reviewed the business outlook and believes the EPS targets set for the 2020 award are at least as stretching as the target ranges set in prior years, particularly given the current market uncertainty. The Committee has the overall discretion to scale back vesting if in all the circumstances it considers the formulaic outcome not to be appropriate, taking into account, amongst other matters, the assumptions made in determining the target range.

Investor consultation

Following the AGM votes, I wrote to investors, who collectively represented 82% of our base and had a number of follow-up discussions regarding the changes noted above. The feedback from our investors was welcomed by the Committee, following which we made some further refinements to our proposals, I am pleased to report that those investors who responded were supportive of the vast majority our proposals.

FY20 Remuneration outcomes

As a Committee we recognise the need for remuneration to reflect the shareholder experience and, accordingly, no adjustments were made to the performance targets for any of our performance-based awards (annual bonus and LTIP awards). Consequently, as a result of the impact of Covid-19 there will be no pay-out in respect of the 70% EBITDA financial element of the annual bonus for the year to December 2020.

The Committee has noted the very strong performance of the Executive Directors against their personal and strategic objectives, however given the EBITDA performance, recourse to Government support, non-payment of dividend and furlough of employees, there is no payment for this element.

The 2018 LTIP award is based on EPS targets (50%) and relative TSR (50%). The threshold EPS target has not been reached and this part of the award will lapse. The TSR element is not tested until the third anniversary of grant in June 2021. Based on our current analysis it is anticipated that some of this award may vest and actual vesting will be disclosed in the 2021 Remuneration Report. It should be noted that only our CEO holds a 2018 award.

The Committee is comfortable that the remuneration outcomes are aligned to the financial performance of the Company and shareholder experience and that the policy has operated effectively, noting that exercise of discretion has not been necessary. The Committee would like to note the exceptionally strong performance of Graham and Antony during a very challenging year.

Operation of policy for FY21

- Given the new salaries for the CEO and CFO in FY20, no increases to their salaries will be made for FY21.
- Maximum bonus opportunity and long-term incentive award levels will remain at 100% and 150% of salary respectively, subject to consideration of LTIP award levels taking into account the share price at the time awards are made.
- The annual bonus will continue to be based 70% on financial metrics and 30% on strategic objectives. The business has not yet reopened from the current Lockdown and the Committee has therefore delayed target setting for the financial metrics element of the bonus until it has more clarity on the outlook for the current year. While profit is a key metric, the Committee is considering whether other financial metrics critical to the current year should be included. More detail about the areas of focus for the strategic measures is included in the Annual Report on Remuneration. Targets and performance against them will be disclosed retrospectively in the 2021 Remuneration Report.
- The Committee's current thinking is that the vesting of the 2021 long-term incentive will again be based 50% on relative TSR and 50% on EPS targets. However, given the current uncertainty about when the business is able to reopen and resume normal trading levels, the Committee will review the measures and set targets at the time of grant. These will be fully disclosed at the time the awards are made.

NON-EXECUTIVE DIRECTORS' REMUNERATION

The Non-Executive Director fees are set by the Chairman of the Board, CEO and CFO. With the departure of one of the Non-Executive Directors in FY20 the responsibilities, time commitment and fees of the Non-Executive Directors were reviewed. A fee of £5,000 has been set for the role of SID and a fee of £5,000 where a Non-Executive Director holds more than one Committee Chair role. These fees are in addition to the base Non-Executive Director Board fee which has not changed.

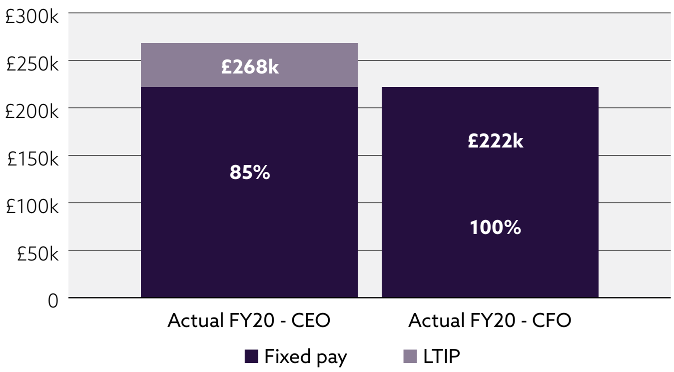
CONCLUSION

On behalf of the Board, I would like to thank our shareholders for their support for the Company and the engagement I have had with them this year on remuneration matters. I hope that, following the substantial work carried out during the year, investors are supportive of our remuneration arrangements and will equally support the shareholder resolutions on our new Directors' Remuneration Policy and 2020 Remuneration Report. 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 arrangements.

ADAM BELLAMY
CHAIR OF THE REMUNERATION COMMITTEE
29 MARCH 2021

REMUNERATION – AT A GLANCE

Remuneration for FY20



2020 Annual bonus outcome

Metric	Weighting	Outcome (of element)	Payout
EBITDA	70%	0%	0%
Strategic objectives	30%	30%	0%*

* No payment of annual bonus given financial outturn and recourse to Government support, furlough and non-payment of dividend.

2018 LTIP outcome

Metric	Weighting	Outcome (of element)	Payout
EPS	50%	0%	0%
Relative TSR	50%	25% estimated vesting*	

* Performance period runs from date of grant for TSR and ends 11 June 2021.

Remuneration for FY21

Policy element	G Blackwell (CEO)	A Smith (CFO)
Base salary for FY21	£310,000	£260,000
Pension	3% of base salary	3% of base salary
Annual bonus maximum opportunity	100% of base salary	100% of base salary
Annual bonus metrics	70% financial metrics, 30% strategic objectives. The Committee has delayed target setting for the financial metrics element of the bonus until it has more clarity on the outlook for the current year. While profit is a key metric, the Committee is considering whether other financial metrics critical to the current year should be included. The Committee retains discretion to adjust the bonus that is payable if it considers the formulaic outcome (for both the financial and non-financial element) is not appropriate in the context of the underlying performance of the Company, investor experience or employee reward outcome.	
Amount paid for threshold performance	0%	0%
Amount paid for target performance	50% of salary (50% of maximum annual bonus)	
Payment of bonus in shares	25% of annual bonus in excess of target (after tax) is paid in Company shares that are held for two years and remain subject to clawback.	
LTIP Award	150% of base salary	150% of base salary
LTIP metrics	Expected to be 50% relative TSR and 50% EPS targets. However, given the current uncertainty about when the business is able to reopen and the priorities at that time the Committee will review the measures and set targets at the time of grant. Measures and targets will be fully disclosed at the time the awards are made. The Committee retains discretion to adjust the LTIP vesting if it considers the formulaic outcome is considered to be not appropriate.	
Payment for threshold performance	25% of maximum	
Performance & post-vesting holding periods	3 years and 2 years respectively	
Shareholding requirement	200% of base salary to be met within five years. Post employment 100% of salary for 1 year.	
Shareholding as % of salary at FY20 year-end	101%	31%

DIRECTORS' REMUNERATION POLICY

This part of the Directors' Remuneration Report sets out the Remuneration Policy for the Company Directors and has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Companies (Miscellaneous Reporting) Regulations 2018 and the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 (the 'Regulations').

The Policy set out below will be brought to shareholders for approval at the Company's AGM on 5 May 2021. It incorporates the 2020 Policy elements except for the removal of those parts noted below. The rest of the Policy is either (1) new elements included in the Policy and which are detailed in the Chairman's Annual Statement and incorporated here by reference or (2) clarification of those parts of the Policy that were not previously detailed in our published Policy. The parts of our 2020 Policy that have been removed are the detailed performance measures for the annual bonus and LTIP. These have been replaced with a provision that is market standard and enables the Committee to select the most appropriate performance measures from time to time. An EBITDA underpin for annual bonus strategic measures has also been removed and replaced with the wider discretion to adjust the formulaic outcome of both the annual bonus and LTIP.

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 and that it continues to support and reward the Executive Directors to achieve the business strategy both operationally and over the longer term. The Policy is reviewed annually by the Committee to ensure that changes are not required prior to the triennial shareholder vote. When the Committee determines that changes are required it will formulate proposals as appropriate and depending on the change required to consult with its shareholders about the amendments. Shareholder feedback is then taken into consideration in finalising the Policy changes.

The Policy and its implementation are consistent with the six factors set out in Provision 40 of the Code:

- Clarity – our Policy is well understood by Management and has been clearly explained to our shareholders;
- Simplicity – the Committee is mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. Our policy is set out clearly and we have avoided the use of complex incentive structures, and pension policy is aligned throughout the organisation;
- Risk – our Remuneration Policy is designed to ensure that inappropriate risk-taking is discouraged through the use of long-term performance measurement, holding periods, shareholding requirements and malus and clawback provisions;
- Predictability – our incentive plans are subject to individual caps on maximum bonus opportunity and LTIP award levels and include discretion if incentive outcomes are not appropriate;
- Proportionality – there is a clear link between individual awards, delivery of strategy and our long-term performance. In addition, the significant role played by incentive/'at-risk' pay and the presence of malus and clawback provisions ensures that poor performance is not rewarded; and
- Alignment to culture – our executive pay policies and operation of policy are fully aligned to Ten Entertainment's culture including through the use of metrics in the incentive plans which align to the Company strategy.

ENGAGING WITH SHAREHOLDERS

The Committee welcomes dialogue with shareholders and seeks the views of its major investors and investor bodies when considering significant changes to the Directors' Remuneration Policy and its operation. Any views and feedback from our shareholders is considered by the Committee as part of its annual review of Policy and operation. The Committee also considers shareholder feedback received in relation to the Directors' Remuneration Report each year following the AGM. Detail about specific engagement with shareholders in determining the Policy and its operation from year to year is set out in the Annual Statement and the Annual Report on Remuneration.

REMUNERATION OF EXECUTIVE DIRECTORS

The following table summarises each element of the Executive Directors' remuneration package, the Policy for how these are operated and their link to the Company's strategy.

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Base salary	Reflects the value of the individual and their role. Takes account of experience, skills and personal contribution to Group strategy. Set at a level to facilitate recruitment and retention of suitably experienced executives.	Base salaries will be reviewed annually. The Remuneration Committee will consider the performance of the Group and the individual, the Executive Director's experience and changes in responsibility or scope of the role, as well as pay practices in relevant comparators of a broadly similar size and complexity (with due account taken of both market capitalisation and turnover).	There is no prescribed annual increase. The Committee is guided by the wider workforce increases, but may also need to recognise increases in certain circumstances such as assumed additional responsibility, or an increase in the scope or size of the role.	Takes into account the performance and personal contribution of the individual and performance of the Company.
Annual bonus plan	Rewards performance against specific near-term goals which are consistent with the strategic direction of the business. Acquisition of shares with bonus facilitates share ownership and aligns the interests of executives and shareholders. Clawback and acquisition of shares discourage excessive risk-taking and encourage a long-term view.	Performance is assessed by the Committee over a one-year period against the audited results of the Company, where relevant. With effect from the FY21 annual bonus, 25% of any bonus in excess of target is paid in the Company's shares and has a two-year holding period which continues post cessation of employment (with Committee discretion in exceptional circumstances to vary). The Committee retains discretion to adjust the bonus that is payable if it considers the formulaic outcome (for both the financial and non-financial element) is not appropriate in the context of the underlying performance of the Company, investor experience or employee reward outcome. Clawback and malus may be applied to all of the bonus (cash and share element), in the event of: (i) material misstatement of the Company's financial statements; (ii) an error in the computation of a bonus amount; (iii) termination of service for gross misconduct; (iv) reputational damage; (v) corporate failure; or (vi) failure of risk management.	A bonus of up to a maximum of 100% of salary can be awarded depending on the achievement of financial and strategic targets. Not more than 20% of the maximum bonus opportunity will be paid for threshold performance and 50% of maximum for target performance.	The Committee will select the most appropriate metrics for the annual bonus to support the business strategy. The majority of the annual bonus will be based on financial metrics. Financial metrics are scaled with a threshold and maximum target achievement which is set by the Committee at the beginning of the year, taking into account the Group's budget, economic environment and business outlook. In relation to non-financial individual/strategic targets, the structure of the target will vary based on the nature of the target set and it will not always be practicable to set targets using a graduated scale. Vesting may therefore take place in full if specific criteria are met in full.

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Long-term incentive awards	Aims to incentivise and reward long-term, sustainable growth and returns to shareholders. Facilitates share ownership thereby providing alignment with shareholders.	The LTIP awards are structured as nil-cost options, granted annually with awards vesting on the third anniversary of award subject to achievement of performance conditions measured over three years. Vested awards granted from 2021 are subject to a holding period of two years (subject to the right to sell sufficient shares to cover tax charges arising on vesting) which continues post cessation of employment (the Committee has discretion to vary this in exceptional circumstances). The Committee retains discretion to adjust the level of vesting under the LTIP if it considers the formulaic outcome is not appropriate in the context of the underlying performance of the Company, investor experience or employee reward outcome. Clawback may be applied, in the event of: (i) material misstatement of the Company's accounts; (ii) an error in the computation of a bonus amount; (iii) termination of service for gross misconduct; (iv) reputational damage; (v) corporate failure; or (vi) failure of risk management.	The normal award level is 150% of base salary but a maximum opportunity of 200% of salary can be approved by the Committee in exceptional circumstances. 25% of the award vests for threshold performance.	The Committee will select the most appropriate financial metrics to support the Company's medium to long-term strategy.
Benefits	To remain competitive in the marketplace, and to ensure minimal disruption to the business.	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 reimbursement of travel expenses for any business-related travel including any tax thereon grossed up, where appropriate.	There is no prescribed maximum. The value of the benefit is determined by the cost to the Company.	Not performance-related.
Pension	To facilitate retirement planning.	Payment is made either into a pension scheme, or paid as cash to the individual in lieu.	Maximum contribution is the same as the workforce, currently 3% of salary per annum.	Not performance-related.
Policy for Chairman and Non-Executive Directors' fees				
Chairman and Non-Executive Directors' fees	To pay appropriately for high-quality and experienced Chairman and Directors.	The Chairman and Non-Executive Directors are paid a basic annual fee. Supplemental fees may be paid for additional responsibilities and activities, including but not limited to, a multi-Committee Chairman and the Senior Independent Director. The Chairman's fee is inclusive of all of his responsibilities.	There is no prescribed maximum fee or maximum increase. Fees are 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. There may be a need to recognise increases in certain circumstances such as assumed additional responsibility (for example, taking on the Chairmanship of a Committee or a temporary role or increase in time commitment or responsibility) or an increase in the scope or size of the role. Reasonable expenses incurred by the Non-Executive Directors in carrying out their duties will be reimbursed, including any tax thereon grossed up, where appropriate.	Not performance-related.

PERFORMANCE METRICS

Performance metrics for the annual bonus and LTIP are reviewed and set annually by the Committee and are aligned to the Group's strategy. Stretching targets are set taking into account internal plan and external market expectations for the Company, economic and business outlook. Achievement of the threshold target results in lower levels of rewards and the maximum target reflects significant out performance.

POLICY ON REMUNERATION FOR EMPLOYEES

The remuneration policy for all employees is determined in line with best practice and aims to ensure that the Company is able to attract and retain the best people. This principle is followed in the development of our Directors' Remuneration Policy. The key difference between the Policy and the wider Group's policy is that the Executive Directors' packages (and the senior management team to a lesser extent) are weighted more to variable pay for those employees identified as having the greatest potential to influence Group-level performance.

COMMITTEE DISCRETIONS IN RESPECT OF ANNUAL BONUS PLAN AND LTIP POLICY

The Committee will operate the Annual Bonus Plan and LTIP according to the rules of each respective plan and consistent with normal market practice and the Listing Rules of the London Stock Exchange, including flexibility in a number of aspects as detailed below but always within the shareholder approved Policy (albeit with quantum and performance targets restricted to the descriptions detailed above):

- When to make awards and payments.
- How to determine the size of an award, a payment, or when and how much of an award should vest.
- How to deal with a change of control or restructuring of the Group.
- Whether a Director is a 'good' or a 'bad' leaver for incentive plan purposes and whether and what proportion of awards vest at the time of leaving or at the original vesting date(s).
- How and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or for special dividends).
- What the weighting, measures and targets should be for the Annual Bonus Plan and LTIP from year-to-year.

The Committee also retains the discretion within the Policy to adjust targets and/or set different measures and alter weightings for the Annual Bonus Plan and for the LTIP if events happen that cause it to determine that the metrics are unable to fulfil their originally intended purpose, provided the new metrics are not materially less difficult to satisfy. Any adjustments will be fully disclosed in the following year's Annual Report on Remuneration.

The Committee also has the discretion to amend the Policy for minor or administrative matters where it would, in the opinion of the Committee, be disproportionate to seek shareholder approval.

All historic awards that were granted under any current or previous share schemes operated by the Company, but remain outstanding, detailed on page 89, remain eligible to vest based on their original award terms.

SHAREHOLDING REQUIREMENTS

To provide alignment between shareholders and Directors, the Executive Directors are required to build up a holding of shares in the Company of 200% over a period of five years.

The post-cessation of employment shareholding policy requires the Executive Directors to retain shares from FY21 and future annual bonus and LTIP awards equal to 100% of salary for one year post cessation. Annual bonus and LTIP holding periods also continue post cessation of employment. In exceptional circumstances the Committee has the discretion to adjust these requirements.

SERVICE AGREEMENTS AND PAYMENTS FOR LOSS OF OFFICE OF EXECUTIVE DIRECTORS

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 this 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.

Any share-based entitlements granted to an Executive Director under the Company's share plans will be determined based on the relevant plan rules. The default treatment under the LTIP is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, ill-health, disability, redundancy, retirement or other circumstances, at the discretion of the Committee 'good leaver' status may be applied. For good leavers, awards from 2021 will normally vest on the original vesting date, subject to the satisfaction of the relevant performance conditions tested at the end of the performance period and reduced pro-rata to reflect the proportion of the three-year period actually served (and awards granted prior to 2021 will normally vest on cessation with Committee discretion to vest at the normal time). However, the Committee has discretion in exceptional circumstances to determine that awards vest at an earlier date and/or to disapply time pro-rating. Except in exceptional circumstances, the post-vesting holding period continues to apply post cessation of employment. On a change of control, LTIP awards will vest with performance being determined at that time and awards will be pro-rated to the date of the change of control. The Committee retains discretion to reduce the proration including to zero.

Pro-rata bonus may be paid to 'good leavers' for the period of active service based on performance tested at the usual time. In all cases performance targets would apply.

Annual bonus shares are owned from the day of acquisition, and are not forfeit on cessation of employment. The holding period (except in exceptional circumstances) continues post cessation and clawback applies.

Legal fees, or a contribution towards them, in connection with any settlement agreement and other reasonable relevant costs associated with termination including outplacement consultancy fees may be paid if this is considered appropriate. The Company may also make a statutory payment and a payment to settle any claim or potential claim in relation to the termination of employment.

RECRUITMENT POLICY

The remuneration package for a new Executive Director (including those promoted internally) would be set in accordance with the terms of the Company's prevailing approved Remuneration Policy at the time of appointment with annual bonus maximum opportunity of 100% of salary and LTIP award level maximum 200% of salary.

The Committee may, in exceptional circumstances, 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 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 schedule, delivery vehicle and performance targets) of the awards which are being replaced.

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue. For external and internal appointments, the Committee may agree that the Company will meet certain relocation and other incidental expenses as appropriate.

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.

CHAIRMAN AND NON-EXECUTIVE DIRECTORS

The Non-Executive Directors are engaged for fixed terms. The Chairman has a notice period of three months and the Non-Executive Directors have a notice period of one month. These appointments are subject to the Company's Articles of Association. All Directors submit themselves for re-election at the Annual General Meeting in accordance with the UK Corporate Governance Code.

STATEMENT OF CONDITIONS ELSEWHERE IN THE GROUP

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

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. During 2020 engagement with our employees has been focused on their health and wellbeing and managing the exceptional circumstances of the pandemic. The Committee does not currently engage with employees to explain the alignment of Executive remuneration to the wider workforce but is considering how this might be achieved during 2021. The Committee did not consult with employees in determining this Policy, although the CFO attends meetings by invitation and provides additional perspective on Group HR policies and practices including from an employee perspective. The Company does not use remuneration comparison measurements except to refer to market pay data where relevant.

ANNUAL REPORT ON REMUNERATION

STATEMENT OF SHAREHOLDER VOTING AT THE AGM

The following table shows the results of the votes cast by proxy on the Directors' Remuneration Report and the Directors' Remuneration Policy at the Annual General Meeting held on 18 June 2020:

	Approval of Directors' Remuneration Report		Approval of Directors' Remuneration Policy	
Company	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	48,411,360	79.84	47,038,961	76.26
Against	12,222,431	20.16	14,644,830	23.74
Total votes cast	**60,633,791**		**61,683,791**	
Withheld	1,050,000		—	

ENGAGEMENT BY THE REMUNERATION COMMITTEE

As a result of the shareholder voting reflected before, set out below are those areas the Committee focused on during the period.

ENGAGEMENT WITH SHAREHOLDERS

During 2020, the Committee engaged the services of Korn Ferry, to support the Committee in its review of the Group's Remuneration Policy and Remuneration Reporting. This was to address investor concerns raised through the AGM voting. The Committee's focus has been to ensure that the Policy going forward includes the UK Corporate Governance Code and best practice elements that have not previously been included and to ensure clear and transparent remuneration reporting. The Committee also reviewed its operation of Policy, taking into account Board changes that occurred during the year. The Committee Chairman wrote to over 80% of shareholders of the Company to explain the changes proposed to the Directors' Remuneration Policy, decisions made by the Committee in FY20, including the changes to the Board and related changes to the remuneration packages, and the operation of Policy for FY21. Feedback from investors has overall been supportive.

DETERMINING EXECUTIVE DIRECTOR REMUNERATION

The Committee considers the appropriateness of the Executive Directors' remuneration, not only in the context of overall business performance and environmental, governance and social matters, but also in the context of wider workforce pay conditions (taking into account workforce policies and practices as well as the ratio of CEO pay to all-employee pay) and the external market to ensure that it is fair and appropriate for the role, experience of the individual, responsibilities and performance delivered.

Further the Committee is comfortable, in reviewing the remuneration for 2020 against the turbulent period the Group has gone through, that there has been an appropriate link between reward and performance and that the Policy has operated as intended. The changes the Committee is proposing to the Policy are to include UK Corporate Governance Code and best practice remuneration structure features and to provide the Committee with the flexibility to select performance measures for the annual bonus and LTIP each year that support the business strategy and long-term performance and shareholder return.

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 FY20 and FY19. All Directors took a 20% pay cut over May and June 2020 due to the impact of Covid-19 on the business and this is reflected in the salary/fee shown below.

	Salary/Fees		Benefits		Pension		Total fixed pay		LTIP[5]		Bonus		Total variable pay		Total	
Director	**2020 £000**	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000
Graham Blackwell[1]	**219**	181	**6**	—	**3**	—	**228**	181	**40**	134	**—**	32	**40**	166	**268**	347
Antony Smith	**213**	158	**—**	(4)	**9**	8	**222**	162	**—**	—	**—**	34	**—**	34	**222**	196
Nick Basing	**213**	135	**6**	6	**—**	—	**219**	141	**—**	—	**—**	—	**—**	—	**219**	141
Christopher Mills	**48**	50	**—**	—	**—**	—	**48**	50	**—**	—	**—**	—	**—**	—	**48**	50
Julie Sneddon	**48**	50	**—**	—	**—**	—	**48**	50	**—**	—	**—**	—	**—**	—	**48**	50
Adam Bellamy	**51**	50	**—**	—	**—**	—	**51**	50	**—**	—	**—**	—	**—**	—	**51**	50
Duncan Garrood[2]	**196**	300	**19**	(3)	**—**	—	**215**	297	**—**	—	**—**	52	**—**	52	**215**	349
David Wild[3]	**23**	50	**—**	—	**—**	—	**23**	50	**—**	—	**—**	—	**—**	—	**23**	50
Mark Willis*	**—**	60	**—**	1	**—**	3	**—**	64	**—**	—	**—**	—	**—**	—	**—**	64
Total	**1,011**	1,034	**31**	—	**12**	11	**1,054**	1,045	**40**	134	**—**	118	**40**	252	**1,094**	1,297

1 Graham Blackwell was promoted to the role of CEO effective 8 September 2020.
2 Duncan Garrood stepped down from the Board and role of CEO on 8 September 2020.
3 David Wild resigned on 26 June 2020.
4 Mark Willis resigned from the business in March 2019 and was replaced as CFO by Antony Smith.
5 The value of the LTIP for 2019 has been restated using the actual value on vesting based on a share price of £1.38 as at 22 May 2020 multiplied by the number of shares vesting of 96,970.

The share price on the date of grant of the 2018 LTIP award that will vest in 2021 and that is shown as remuneration for 2020 was £2.68 compared to a share price assumed for the vesting value of £1.67. There is no increase in value of the award based on share price appreciation. This is an estimate of the vesting value, with actual performance being determined in June 2021. There is no exercise of discretion, this award has not yet reached the end of its performance period.

Neither of the two Executive Directors serve on the Board as Executive or Non-Executive Directors of listed or non-listed external companies not related to the Group, nor have they received remuneration for work from other companies not related to the Group.

ANNUAL BONUS FY20
The FY20 maximum bonus opportunity was 100% of salary for each Director and the targets and performance against them is set out below:

	Weighting	Threshold	Maximum	Actual	% maximum opportunity payable
CEO and CFO EBITDA target	70%	£26.5m	£27.3m	£(7.5)m	0%

Strategic objectives	Weighting	Achieved	% maximum opportunity payable
CEO	30%		30%
Implement capital programmes		Yes	
Integrate Houdini's		Yes	
Secure long-term liquidity		Yes	
CFO	30%		30%
Enhance Board reporting		Yes	
Enhance external reporting		Yes	
Secure long-term liquidity		Yes	

The strategic objectives are summarised below:

CEO
- Deliver capital programmes of refurbishments and completion of the Manchester Printworks new build
- Integrate the Houdini's joint venture within the Group and deliver on new customer innovation
- Secure the long-term liquidity of the Group through cost savings

CFO
- Develop Board reporting to be clearer and internal reporting to be more focused on business needs
- Develop investor relations and enhance external reporting
- Secure the long-term liquidity of the Group securing additional equity and/or debt facilities

Due to the significant impact of Covid-19 on the Group's results, the minimum EBITDA threshold was not met. The Committee determined full achievement of the strategic objectives as noted above, but given the EBITDA performance and recourse to Government support, non-payment of dividend and furlough of employees, the strategic element will not pay out.

LTIPS GRANTED IN 2020

Awards of 150% of salary were granted to the Executive Directors on 30 November 2020:

Director	Position	Number of shares subject to award	Share price on date of grant	Face value of awards granted	Percentage vesting at threshold performance	Performance period
Graham Blackwell	Chief Executive Officer	233,083	199p	£463,835	25%	3 years to FY22 for EPS
Antony Smith	Chief Financial Officer	195,489	199p	£389,023	25%	3 years from date of grant for TSR
Total awards granted		**428,572**				

The Committee considered whether a scale back of award level was necessary and taking into account the share price compared to that when awards were made in 2019 determined that no scale back was necessary.

The vesting of awards is determined as to 50% by earnings per share targets and 50% by total shareholder return with a share price underpin as set out below.

(1) EPS CONDITION

The earnings per share ('EPS') condition will be calculated on the results for the year to 1 January 2023 ('FY22') 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 FY22:

FY22 EPS	Percentage of award that vests
Less than 17.0p	0%
17.0p	12.5%
17.0p–23.0p	12.5%–50%
More than 23.0p	50%

Straight-line vesting in between threshold and maximum.

(2) TSR CONDITION

The total shareholder return ('TSR') of the Company will be measured over the period from the date of grant to the third anniversary of the date of grant relative to a comparator group of companies (set out in the following table) and this will apply to the remaining 50% of the award.

Young & Co.'s Brewery	Restaurant Group	Loungers
Marston's	Hollywood Bowl	Everyman Media
Fuller Smith & Turner	The Gym Group	City Pub Group
The Fulham Shore		

The extent to which the award will vest in accordance with the TSR condition is tabled as follows:

TSR performance against Comparator Group Companies	Percentage of award that vests
Below Median	0%
Median	12.5%
Between Median and Median plus 10% per annum	Between 12.5% and 50% on a straight-line basis
Median plus 10% per annum and above	50%

Straight-line vesting in between threshold and maximum.

SHARE PRICE UNDERPIN

No award or part of an award may vest unless the average share price of the Company calculated over a three-month period ending on the vesting date exceeds the share price on the date of grant.

The EPS target range is lower than the range set for the LTIP awards last year. Taking into account the difficult economic and market outlook and the uncertainty brought by the pandemic, the Committee is comfortable that the target range is no less stretching that the EPS ranges set in prior years. To the extent that any performance condition is not met, the relevant part of the award will lapse. There is no retesting of performance. Further there is a share price underpin for awards to vest and the Committee has the discretion to adjust the level of vesting if in all the circumstances it does not consider it to be appropriate.

PERFORMANCE SHARE PLAN ('PSP') (AUDITED)

The Group issued Long-Term Incentive awards ('LTIPs') in 2017, 2018, 2019 and 2020. The awards are granted as nil-cost options. The below table reflects the outstanding Executive Directors' interests in LTIPs.

	Date of award	Vesting date	Awards as at 29 December 2019	Awarded	Exercised	Lapsed in year*	**Awards as at 27 December 2020**	Grant price	Face value of 2020 awards
Duncan Garrood	11/12/2018	11/06/2021	111,940	—	—	(111,940)	**—**	—	—
	20/05/2019	20/05/2022	200,000	—	—	(200,000)	**—**	—	—
Antony Smith	20/05/2019	20/05/2022	133,333	—	—	—	**133,333**	£2.25	
	30/11/2020	30/11/2023	—	195,489	—	—	**195,489**	£1.99	£389,023
Graham Blackwell	22/05/2017	22/05/2020	193,939	—	(96,970)	(96,969)	**—**	—	
	11/06/2018	11/06/2021	95,149	—	—	—	**95,149**	£2.68	
	20/05/2019	20/05/2022	123,333	—	—	—	**123,333**	£2.25	
	30/11/2020	30/11/2023	—	233,083	—	—	**233,083**	£1.99	£463,835

* These awards lapsed following review of the relevant performance conditions by the Committee in 2020 or upon resignation from the Board.

LTIPS GRANTED IN 2018 WITH PERFORMANCE PERIOD ENDING IN FY20

On 11 June 2018, 207,089 awards were granted to Mark Willis and Graham Blackwell, with a further 111,940 awards granted to Duncan Garrood on 10 December 2018. The awards were all granted at a face value of 200% of salary based on a share price of £2.68. The vesting of awards is conditional upon the achievement of two performance conditions, being EPS which applies to 50% of the award and is measured over three financial years to FY20 and TSR which applies to the other 50% measured to the third anniversary of the date of grant. The LTIP awards to Duncan Garrood and Mark Willis have lapsed on their leaving the business.

(1) EPS CONDITION

The proportion of the awards vesting for the EPS proportion are based on the following adjusted EPS targets in FY20:

2018 scheme EPS target in FY20	Percentage of award that vests
Less than 24.5p	0%
24.5p	12.5%
24.51p–26.7p	12.5%–50%
More than 26.7p	50%

The minimum target for adjusted EPS was set at 24.50 pence. The actual performance was an adjusted EPS loss of (23.2) pence (audited); therefore the EPS part of the award did not vest and lapsed.

(2) TSR CONDITION

The TSR will be calculated against the following comparator group of companies over the last 30 days of the performance period to determine if the performance condition has been met.

Britvic	Goals Soccer	Pets at Home
Cineworld	Hollywood Bowl Group	Photo-me
Easy Hotels	Pendragon	Revolution Bars
Fuller Smith & Turner	The Gym Group	STV Group

The extent to which the award would vest in accordance with the TSR condition is tabled as follows:

TSR performance against Comparator Group Companies	Percentage of award that vests
Below Median	0%
Median	12.5%
Between Median and Upper Quartile	Between 12.5% and 50% on a straight-line basis
Upper Quartile and above	50%

Based on an assessment of the Company TSR performance against the comparator group to 31 January 2021, 25% of the award will vest. Actual vesting will be determined at the end of the performance period and set out in the 2021 Remuneration Report.

The below table summarises the 2018 scheme awards, performance measures, targets and performance and the expected value of the awards as explained before.

Director	Date of award	Vesting date	Performance measure	**Awards as at 27 December 2020**	Performance targets	Actual performance	Number of awards vesting	Three-month average share price	Value of award
Graham Blackwell	11/06/2018	11/06/2021	EPS	**47,574**	As per above	(23.2)p	No vesting	–	–
			TSR	**47,575**	As per above	25%	23,787	£1.67	£39,785

PERFORMANCE CONDITIONS FOR FY19 LTIP AWARD

The performance conditions for the PSP awards granted on 17 May 2019 are set out below.

EPS CONDITIONS

The award is based on 50% of adjusted earnings per share ('EPS') targets as set out below and measured in FY21:

2019 scheme	Percentage of award that vests
Less than 25.7p	0%
25.7p	12.5%
25.7p–27.3p	12.5%–50%
More than 27.3p	50%

TSR CONDITION

The other 50% of the award is based on relative TSR which will be calculated against the same comparator group set out above for the 2018 award for the one month ending on the third anniversary of the date of grant. The extent to which the award would vest in accordance with the TSR condition is tabled as follows:

TSR performance against Comparator Group Companies	Percentage of award that vests
Below Median	0%
Median	12.5%
Between Median and Upper Quartile	Between 12.5% and 50% on a straight-line basis
Upper Quartile and above	50%

OPERATION OF REMUNERATION POLICY IN 2021

EXECUTIVE DIRECTORS' SALARIES

Chief Executive Officer: £310,000
Chief Financial Officer: £260,000

The CEO's salary was set on his appointment and the CFO's salary adjusted at the same time to take account of increases to his role and responsibilities as noted in the Chairman's Annual Statement. No increases will be made in 2021.

NON-EXECUTIVE DIRECTORS' FEES

The fees for Executive Chairman and Non-Executive Directors for 2021 have not been increased from 2017 and are set out as below:
Executive Chairman: £350,000
Non-Executive Chairman £135,000
Non-Executive Directors: £50,000
SID allowance: £5,000
Dual Chair allowance: £5,000

The Chairman has taken on a more active role in the Group since the resignation of Duncan Garrood during the year, to help support the remaining two executives through a turbulent year, taking on media engagements, investor meetings and chairing a significantly greater number of Board meetings. His Chairman fee has thus been temporarily increased to £350,000 for the short term until 31 March 2021 whereupon he will revert back to a Non-Executive Chairman and his previous fee of £135,000.

BENEFITS AND PENSION

Benefits remain in line with those provided in FY20. As part of the overall review of operation of policy, both Directors receive a contribution towards pension arrangements of 3% of salary in line with all other employees.

ANNUAL BONUS PLAN

The Executive Directors' maximum annual bonus opportunity remains at 100% of salary and continues to be based 70% on financial metrics and 30% on strategic objectives. The Committee has delayed target setting for the financial metrics element of the bonus until it has more clarity on the outlook for the current year. While profit is a key metric, the Committee is considering whether other financial metrics critical to the current year should be included. The areas of focus for the strategic objectives have been determined. The strategic objectives have been set but are commercially sensitive (including the areas of focus). Full disclosure will be made in next year's remuneration report.

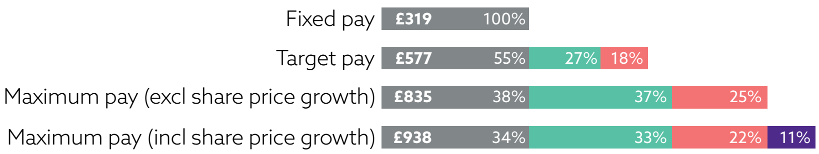
PERFORMANCE SHARE AWARDS

It is the Committee's intention to grant the Executive Directors performance share awards at the same level as FY20, 150% of salary, although award levels will be confirmed at the time of grant taking into account the prevailing share price. It is the Committee's intention that awards will continue to be based as to 50% on EPS and 50% TSR with a share price underpin although given the current uncertainty about when the business is able to reopen and when trading will return to normal levels, the Committee will review measures and set targets at the time of grant. Full disclosure will be made at the time of grant.

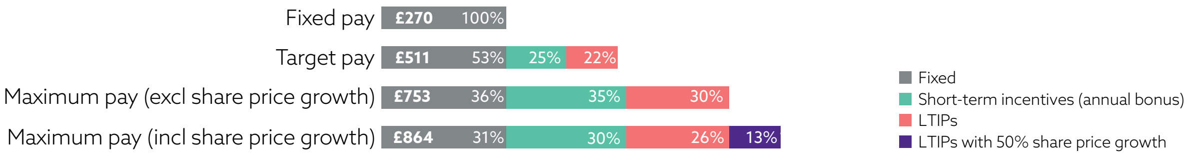
PAYMENT UNDER DIFFERENT PERFORMANCE SCENARIOS

Under the Regulations, we are required to show a bar-chart indicating the level of remuneration which would be received by the Executive Directors in 2021 under different scenarios. The charts provide an illustration of the proportion of total remuneration made up of each component of remuneration and the value of each component. The assumptions noted for target performance and maximum in the graphs following are provided for illustration purposes only. Three scenarios have been illustrated for each Executive Director:

CEO – £000



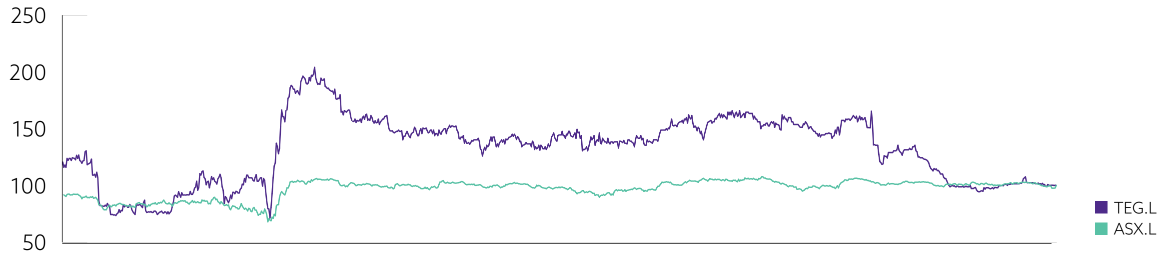
CFO – £000



- **Fixed pay** – consists of salary, benefits and pension contributions
- **Target pay** – is fixed pay plus 50% of annual bonus (50% of salary) and 50% of LTIP award
- **Maximum pay** – is fixed remuneration, 100% annual bonus (100% of salary) and 100% of the LTIP award (150% of salary for the CEO and CFO) with 50% of share price growth for the LTIP award also illustrated

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 27 December 2020. The FTSE All Share has been chosen as the comparator index as the Company has been a constituent of the index since listing.



CHIEF EXECUTIVE OFFICER HISTORIC REMUNERATION

The table below sets out the total remuneration delivered to the Chief Executive Officer since the Company listed. The 2020 figures for the Chief Executive Officer's remuneration are a combination of Duncan Garrood's remuneration until 8 September 2020 plus Graham Blackwell's remuneration from 8 September 2020 when he took over the position as Chief Executive Officer.

Year	Chief Executive Officer single figure of total remuneration £000	Annual bonus payout against maximum opportunity %	Long-term incentive vesting rates against maximum opportunity %
2020	360	0	25%
2019	349	9%	N/A
2018	330	0	N/A
2017	206	0	N/A

2020 LTIP vesting is based on assumptions on likely vesting of TSR element. Actual vesting percentage will be set out in the 2021 Remuneration Report.

CHIEF EXECUTIVE OFFICER TO EMPLOYEE RATIO

Year	25th percentile	50th percentile	75th percentile
2020	58	31	20

Total UK employee pay and benefits figures used to calculate the CEO pay ratio is set out in the table below:

£000	CEO	25th percentile	50th percentile	75th percentile
Salary	297	6	11	17
Total pay	360	6	11	18

The table above sets out the CEO pay ratio for 2020. The ratios have been calculated in accordance with Option A, as this is the most accurate method of calculation. The CEO pay is per the single total figure of remuneration for 2020 and comprises remuneration for Duncan Garrood until 8 September 2020 plus Graham Blackwell's remuneration from 8 September 2020 when he took over the position as Chief Executive Officer. The pay for the CEO is compared to the pay of our UK employees at the 25th, 50th and 75th percentile, calculated based on full-time equivalent base pay data as at 27 December 2020. As ratios could be unduly impacted by joiners and leavers who may not participate in all remuneration arrangements in the year of joining and leaving, the Committee has excluded any employee not employed throughout the whole financial year. Employees on maternity are included pro-rata for their FTE salary, benefits and short-term incentives. No other calculation adjustments or assumptions have been made. The Remuneration Committee is satisfied the median pay ratio is consistent with the pay, reward and progression policies of the Company's employees.

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

	% change	**27 December 2020 £000**	29 December 2019 £000
Total staff costs*	(7.8%)	**18,286**	19,003
Dividends paid	(66.4)	**2,405**	7,150

* CJRS amounts claimed during the period are excluded from this figure.

PERCENTAGE CHANGE IN DIRECTORS' REMUNERATION

	Salary			**Benefits**			**Bonus**		
	2020 £000	2019 £000	% change	**2020 £000**	2019 £000	% change	**2020 £000**	2019 £000	% change
Duncan Garrood [1]	**196**	300	(34.8%)	**19**	(3)	721.3%	**–**	52	(100.0%)
Antony Smith	**213**	158	34.9%	**0**	(4)	111.7%	**–**	34	(100.0%)
Graham Blackwell	**219**	181	20.9%	**6**	0	100.0%	**–**	32	(100.0%)
Nick Basing	**213**	135	57.8%	**6**	6	6.0%	**–**	–	0%
Christopher Mills	**48**	50	(3.3%)	**–**	–	0.0%	**–**	–	0%
David Wild	**23**	50	(53.3%)	**–**	–	0.0%	**–**	–	0%
Julie Sneddon	**48**	50	(3.3%)	**–**	–	0.0%	**–**	–	0%
Adam Bellamy	**51**	50	1.7%	**–**	–	0.0%	**–**	–	0%
Average employees[2]	**16,291**	17,233	(5.5%)	**1,233**	1,450	(15.0%)	**–**	320	(100.0%)

1 Duncan Garrood stepped down from the Board on 8 September 2020.
2 CJRS amounts claimed during the period are excluded from the salary figure.

PAYMENTS TO PAST DIRECTORS/PAYMENTS FOR LOSS OF OFFICE
Duncan Garrood gave notice of his intention to leave the business on 26 June 2020 and officially left the Board on 8 September 2020. He was paid his normal salary, pension and benefits up to that date as is reflected in the single figure of remuneration table and received no further remuneration after his leaving date. He has been paid no bonus and his LTIP awards have lapsed. There have been no payments to past Directors or for loss of office.

STATEMENT OF DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS AS AT 27 DECEMBER 2020 (AUDITED)
The number of shares of the Company in which Directors, and their connected persons, had a beneficial interest and details of long-term incentive interests as at 27 December 2020 are set out in the table below:

Director	**Shares held at 27 December 2020**	Unvested LTIP interests with performance conditions
Graham Blackwell	**153,554**	451,565
Antony Smith	**39,938**	328,822
Nick Basing	**1,102,500**	—
Christopher Mills[1]	**10,616,727**	—
Julie Sneddon	**50,000**	—
Adam Bellamy	**30,000**	—
Duncan Garrood[2]	**—**	311,940
David Wild[2]	**—**	—

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.
2 This was the Directors' LTIP interest up to the time they stepped down from the Board.

There have been no changes in these holdings since the year end date until the date this report has been approved.

SHAREHOLDING REQUIREMENT
The Executive Directors are required to build up a shareholding equivalent to 200% of base salary over five years from the later of date of appointment and the approval of the new policy. The shareholding requirement has not yet been met by either Executive Director.

Director	**Number of shares held as at 27 December 2020**	Shares held as a % of salary
Graham Blackwell	**153,554**	101
Antony Smith	**39,938**	31

ADVISERS TO THE REMUNERATION COMMITTEE
Korn Ferry was engaged during the period to support the Committee with its review of the Group's Remuneration Policy, Remuneration Report and the Directors' remuneration and to provide independent advice to the Remuneration Committee on the necessary changes to ensure compliance and transparency in its reporting and decision making. Korn Ferry does not provide any other services to the Company and the Committee is comfortable that its advice is independent and objective. Fees incurred in respect of advice provided to the Committee by Korn Ferry during the year amounted to £10,000.

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

ADAM BELLAMY
CHAIR OF THE REMUNERATION COMMITTEE
29 MARCH 2021

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited financial statements for the Group for the 52 weeks ended 27 December 2020. 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 27 December 2020 comprise the Company and its subsidiaries (together referred to as the 'Group').

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

- the Group's Strategic Report is set out on pages 1 to 57;
- future business developments on pages 8 to 9 and 28 to 31;
- the Chairman's statement on pages 8 and 9;
- the Chief Executive Officer's statement on pages 28 to 31;
- a description of the business structure, model and strategy on pages 20 to 25;
- the key performance indicators on pages 26 and 27;
- the discussion of risk management, uncertainties and the longer-term viability statement on pages 44 to 50;
- the Financial Review on pages 51 to 57;
- the Corporate Social Responsibility Report on pages 32 to 38, including details of greenhouse gas emissions;
- details of long-term incentive schemes included in the Remuneration Report on pages 76 to 93; and
- the Statement of Directors' Responsibilities on page 97.

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 134 to 136. 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 58 to 93 inclusive are hereby incorporated by reference into this Directors' Report. The Directors' remuneration is tabled by Director by category on page 92. 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.

STAKEHOLDER ENGAGEMENT

Details of how the Directors have engaged with employees and other stakeholders, and had regard to the interests of employees and the need to foster the Company's business relationships with suppliers, customers and others and the effect of that regard, including on the principal decisions taken by the Company during the financial year, are set out in the statement under s172(1) Companies Act 2006 on pages 39 to 43.

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	Resigned 8 September 2020
Graham Blackwell	
Antony Smith	
Nick Basing	
David Wild	Resigned 26 June 2020
Adam Bellamy	
Christopher Mills	
Julie Sneddon	

The roles and biographies of the Directors as at the date of this report are set out on pages 60 to 61. 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' INTERESTS

The number of ordinary shares of the Company in which the Directors were beneficially interested as at 27 December 2020 are set out in the Directors' Remuneration Report on page 93.

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 29 March 2021. 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.

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 in force during the financial year and also at the date of approval of the financial statements.

RESULTS AND DIVIDEND

The results for the year are set out in the consolidated statement of comprehensive income on page 106 and discussed in greater detail in the Financial Review on pages 51 to 57. The Directors do not recommend the payment of a final ordinary dividend (2019: Do not recommend).

SHARE CAPITAL

As at 27 December 2020, the Company's authorised share capital was £683,470 (2019: £650,000) divided into a single class of 68,346,970 (2019: 65,000,000) ordinary shares of 1p each. Details of the Company's share capital, including changes during the year after the share placement in March 2020 and the allotment of shares after the exercise of share options in May 2020, 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 35 and for the policy on remuneration and loss of office payments, please see pages 81 to 85.

SUBSTANTIAL SHAREHOLDINGS

As at 27 December 2020, 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 27 December 2020**
North Atlantic Smaller Companies Investment Trust plc*	10,000,000	**14.63%**
Slater Investments	6,914,926	**10.12%**
Fidelity Management & Research	6,834,697	**10.00%**
Janus Henderson Investors	6,238,271	**9.60%**
BlackRock, Inc.	5,969,035	**9.18%**
Gresham House Asset Management	5,691,184	**8.33%**
Canaccord Genuity Wealth Management	3,415,524	**5.00%**
Otus Capital Management L.P	3,446,234	**5.04%**

* These are funds managed by Harwood Capital LLP.

There have been no further notifications of any changes to these interests between 27 December 2020 and 29 March 2021 except for Gresham House Asset Management that now holds 6,469,184 ordinary shares which is 9.47% of the total voting rights.

AGM

The notice convening the AGM to be held on 5 May 2021 at Aragon House, University Way, Cranfield Technology Park, Cranfield, Bedford MK43 0EQ 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. It is currently expected that there will be a physical meeting at the venue specified above, but this may be subject to change in the light of Covid-19. Shareholders should regularly check the Company's website for updates.

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

In accordance with the disclosures required by LR 9.8.4 sub-paragraph (14), the Group is required to make a statement about any agreements entered in accordance with LR 9.2.2A. On 12 April 2017, the Company, the Harwood Shareholders, Harwood (as the discretionary investment manager of the Harwood Shareholders), and Numis (as Sole Sponsor and Financial Adviser) entered into a relationship agreement, the principal purpose of which is to ensure that the Company is capable of carrying on business independently at all times.

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

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

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

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

The Company confirms that it has complied with its obligations under the Relationship Agreement during the financial year under review, and that so far as it is aware, all other parties to that agreement have complied with it.

ARTICLES OF ASSOCIATION

The Articles of Association were amended by special resolution at the Annual General Meeting of the shareholders on 18 June 2020 to allow for general meetings to be held in both physical or electronic form or a hybrid of both.

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 26 to 27.

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.

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 and Company'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 and Company'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 pages 49 to 50.

CAUTIONARY STATEMENT

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

By order of the Board

ANTONY SMITH
COMPANY SECRETARY
29 MARCH 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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 and Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the directors to prepare the Group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and the directors have also prepared the company financial statements in accordance with this framework.

Under company law 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, for the group and company financial statements, international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed, 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.

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

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

- the Group and Company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group and profit of the Company; 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

GRAHAM BLACKWELL
CHIEF EXECUTIVE OFFICER
29 MARCH 2021

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 27 December 2020 and of the Group's loss and the Group's and Company's cash flows for the 52 week period then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2020 (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 27 December 2020; 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 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.

SEPARATE OPINION IN RELATION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED PURSUANT TO REGULATION (EC) NO 1606/2002 AS IT APPLIES IN THE EUROPEAN UNION

As explained in the Statement of accounting policies, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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.

Other than those disclosed in the audit committee report, we have provided no non-audit services to the Company in the period under audit.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Statement of accounting policies concerning the Group's and the Company's ability to continue as a going concern. The Covid-19 global pandemic has had, and continues to have, a significant impact on the level of trade of the business. During FY20, the Group obtained a waiver on the Group's financial covenants to the end of June 2021. Subsequent to year end the Group negotiated a £14m three-year term loan under the Coronavirus Large Business Interruption Loan Scheme (CLBILS) and amended its existing facility agreements, adding two new covenants (minimum EBITDA and minimum liquidity) for 2021 and amending the reference levels for the adjusted leverage and fixed charge covenants which come into effect from March 2022. As part of their review of the potential impact of the Covid-19 pandemic on the Group's cash flows and liquidity over the next 12 months, the Directors prepared a base case and a severe but plausible downside case. Critical to both cases is the availability of cash from the bank facilities with RBS and amended covenants that could be met in both cases. Under the severe but plausible downside forecast, the Group is forecasted to breach its loan covenants in September 2021, December 2021 and March 2022, which would require a waiver to be negotiated with RBS in order for the Group and Company to continue operating. These conditions, along with the other matters explained in the Statement of accounting policies, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining and reviewing the banking agreements setting out the Group's revised covenants to understand the facilities and financing arrangements in place and identify and confirm the applicable covenants.
- Obtaining evidence of the Group's available levels of finance including CLBILS.
- Obtaining management's detailed base case and severe but plausible downside case scenario models for the period of the going concern assessment and checking the mathematical accuracy and integrity of the model.
- Ensuring the model reflects the current government timetable for exiting lockdown.
- Comparing monthly forecasts to recent actual results for the period of full closure to May 2021.
- Challenging management's base and severe but plausible downside case assumptions for trading in the remainder of 2021 and 2022 by comparing these assumptions to UK economic outlook data and a range of industry analysis that considered the potential for further lockdowns and the speed of recovery post Covid-19. We applied a sceptical mindset to and where differences existed, we challenged management and understood the reasons for these differences. We have compared the forecast cash flows and trends to actuals for the periods immediately after lockdown in 2020. We considered overall whether management's forecasts were reasonable given the level of uncertainty over future restrictions and the UK economy in the short term.
- Checking management's planned use of key support schemes including the Coronavirus Job Retention Scheme and business rates relief to current legislation.
- Evaluating management's cost and margin assumptions for reasonableness and completeness by comparing with actual margins from recent years and understanding and testing, where possible, any adjustments made.
- Evaluating management's cost and margin assumptions for reasonableness and completeness by comparing with actual margins from recent years and understanding and testing, where possible, any adjustments made.
- Assessing sufficiency and consistency of disclosures.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, other than the material uncertainty identified in the Statement of accounting policies, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting, or in respect of the directors' identification in the financial statements of any other material uncertainties to the Group's and the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OUR AUDIT APPROACH

CONTEXT

Ten Entertainment Group plc operates under one main component, Tenpin Limited, which is a UK company. There are eight other UK based subsidiaries.

OVERVIEW

Audit scope

- 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 97% of profit before tax.

Key audit matters

- Material uncertainty related to going concern
- IFRS 16 transition (group)
- Goodwill and site asset impairment (group)
- Consideration of the impact of Covid-19 (group)

Materiality

- Overall group materiality: £709,000 (2019: £709,000) based on 5% of of the three-year average absolute adjusted profit before tax.
- Overall company materiality: £438,000 (2019: £415,000) based on 1% of total assets.
- Performance materiality: £531,750 (group) and £328,500 (company).

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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. 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 to manipulate financial results and potential management bias in accounting estimates . Audit procedures performed by the engagement team included:

- Discussions with the Chief Financial Officer, Financial Controller, and the Audit Committee including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing correspondence with legal advisors;
- Identifying and testing the validity of journal entries, in particular any journal entries posted with unusual account combinations and by unexpected users;
- Challenging assumptions made by management in its significant accounting estimates, in particular in relation to the assessment of going concern, the impairment of goodwill and site assets, and the adoption of IFRS 16 'leases' (see related key audit matters below); and.
- Reviewing disclosures for accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. 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.

In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

IFRS 16 transition is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
IFRS 16 transition (group) Refer to the Statement of accounting policies. On 30 December 2019 the Group adopted IFRS 16 and recognised a right of use asset and a lease liability of £148.6m and £163.9m respectively. We have focused our procedures on the adoption of IFRS 16 for those leases accounted for as operating leases under IAS17 due to the judgement applied by management in the application of the standard and the estimates associated with the valuation of right of use assets. The significant assumption made by management is the incremental borrowing rate (IBR) applied to the Group's property leases. Management performed sensitivity analysis on the IBR in the Statement of accounting policies. The recoverability of right of use assets is contingent on future cashflows. Management assessed the right of use assets for impairment on adoption of IFRS 16 and identified a £16.3m impairment. The significant assumptions made by management are the growth rates and the weighted average cost of capital used to discount the cash flows. Management performed sensitivity analysis on the discount rate and growth rate in the Statement of accounting policies..The impairment assessment at 27 December 2020 is considered in the following Key Audit Matter.	We obtained management's models for determining the value of the right of use asset and lease liability and checked the mathematical accuracy and integrity. We checked the completeness of leases by ensuring that there was a lease for each site. We agreed key inputs to contracts for a sample of leases. We agreed CPI and RPI to the respective indexes at the date of transition. We reperformed management's computation of the IBR and traced inputs to supporting documentation. We also used our independent experts to help determine a range of IBRs for the Group and concluded that the IBRs determined by management were within a reasonable range. We reviewed the disclosures given in the Statement of accounting policies for completeness and consistency. We reperformed the sensitivity analysis. We obtained management's impairment models as at 30 December 2019 and checked the mathematical accuracy and integrity. We checked that the forecasts used were consistent with those audited as part of the audit of the period ended 29 December 2019. We used our internal experts to determine a weighted average cost of capital for the Group and concluded that the cost of capital determined by management was within a reasonable range. We performed sensitivity analysis. We reviewed the disclosures given in the Statement of accounting policies for completeness and consistency. We reperformed the sensitivity analysis presented.

Key audit matter	How our audit addressed the key audit matter
Goodwill and site asset impairment (group) Refer to notes 9, 12 and 13 of the Financial Statements. At 27 December 2020 the Group had goodwill of £29.3m and site assets comprising right of use assets of £157.1m and property, plant and equipment of £41.5m million. As set out in the Material uncertainty related to going concern above, Covid-19 has had a significant impact on the operations of the Group. The Group operates in the leisure market and is exposed to fluctuations in consumer discretionary spending as well as the wider economy. Management performed an impairment assessment for the goodwill and site assets at 27 December 2020. No impairment was identified in goodwill. An impairment of £2.5m was recorded against site assets. Management considers each site to be a cash-generating unit (CGU) and performed the impairment assessment using discounted 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 and the speed of recovery from Covid-19 as well as the weighted average cost of capital used to discount these forecasts. 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. Management identified a £2.5m impairment of site assets. This was prorated across right of use assets and property plant and equipment other than where it would have reduced the value of an asset below its fair value.	We obtained management's impairment models as at 30 December 2020 and checked the mathematical accuracy and integrity. We agreed management's forecast to the latest Board approved strategic plan. We considered a number of external market forecasts and analysts reports assessing the likely speed of economic recovery from Covid-19 and subsequent economic growth as this is a key driver of revenue and EBITDA growth. Where management's growth assumptions varied from these forecasts, we evaluated the rationale, primarily due to the specific nature of the bowling industry. Due to the significant and unpredicted effect of Covid-19, we were not able to update our assessment of management's forecasting ability. However, we considered the evaluation undertaken as part of the audit of the Group's financial statements as at 30 December 2019 where we concluded management's ability to forecast was appropriate. We used our internal experts to determine a weighted average cost of capital for the Group and concluded that the cost of capital determined by management was within a reasonable range. We checked that the long term growth rate is in line with current expectations for UK long term growth. We reviewed the disclosures given in notes 9, 12 and 13 for completeness and consistency. We reperformed the sensitivity analysis. We evaluated the appropriateness of allocating goodwill to a single group of CGUs. We considered the rationale for the acquisitions, level of integration with the rest of the Group and the nature of synergies derived. We also confirmed this is the way in which management monitors goodwill by reviewing management's internal reporting. We were satisfied that synergies benefited the Group as a whole and therefore the allocation of goodwill to a single group of CGUs was appropriate.We considered the net asset 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 in excess of the net asset value.
Consideration of the impact of Covid-19 (group and company) Covid-19 has resulted in the Group's sites being closed for a significant proportion of 2020 and almost fully closed to date in 2021. The Group has furloughed over 95% of employees and taken advantage of business rates relief and government grants. The key areas Covid-19 has had the most impact on are: 1. The inability of the Group to generate revenue during lockdowns has created a material uncertainty over going concern; 2. The Group has site assets and goodwill of £227.9m as at 27 December 2020. Given the impact of the pandemic on the Group's trading results there is heightened risk of impairment; 3. The Group took advantage of HMRC's Coronavirus Job Retention Scheme ('CJRS'), claiming compensation in respect of UK employee wages over the period from March to December 2020. This has been disclosed in note 3 in accordance with IAS 20, 'Accounting for government grants and disclosure of government assistance'.	In response to the these risks we performed the following procedures: • Refer to our Key Audit Matter above for procedures over impairment of goodwill and site assets; • Refer to the material uncertainty related to going concern above; • We tested a sample of HMRC claims and associated cash receipts for accuracy and compliance in respect of the CJRS. We assessed management's accounting treatment and disclosures to confirm they were appropriate. We also considered the appropriateness of management disclosures in the financial statements in respect of the impact of the current environment and the increased uncertainty around certain accounting estimates outlined above and consider these to be appropriate. We conducted our year end work remotely but we did not encounter any difficulties in performing our audit testing or in obtaining the required evidence to support our audit conclusions. We considered the appropriateness of management disclosures in the financial statements in respect of the impact of the current working environment and the increased uncertainty around certain accounting estimates outlined above and consider these to be appropriate.

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.

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 eight 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 97% profit before tax.

MATERIALITY

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

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

	Financial statements - group	**Financial statements - company**
Overall materiality	£709,000 (2019: £709,000).	£438,000 (2019: £415,000).
How we determined it	5% of the three- year average absolute adjusted profit before tax	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. Due to the impact of COVID-19 on the market, a 3 year average absolute adjusted PBT is considered to be the most appropriate benchmark as the underlying operations of the business has not changed and it is expected that the decrease in adjusted profit before tax is a short term result. In the context of the current years performance we capped overall materiality at the level of the prior year materiality.	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 £1,000 and £631,000 . Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £531,750 for the Group financial statements and £328,500 for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £35,000 (group audit) (2019: £35,000) and £21,900 (company audit) (2019: £20,700) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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 27 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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.

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.

CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and, except for the matters reported in the section headed 'Material uncertainty related to going concern', we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

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

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, 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 obtained 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 4 years, covering the years ended 31 December 2017 to 27 December 2020.

CRAIG SKELTON (SENIOR STATUTORY AUDITOR)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 52-WEEK PERIOD ENDED 27 DECEMBER 2020

	Note	**52 weeks to 27 December 2020 £000**	52 weeks to 29 December 2019 £000
Revenue	1	**36,269**	84,122
Cost of sales		**(14,095)**	(24,930)
Gross profit		**22,174**	59,192
Administrative expenses		**(38,025)**	(46,609)
Operating (loss)/profit		**(15,851)**	12,583
Analysed as:			
Group adjusted EBITDA		**3,347**	23,568
Exceptional administrative costs	5	**—**	(2,391)
Amortisation of acquisition intangibles		**(142)**	(293)
Depreciation and amortisation		**(16,634)**	(7,379)
Impairment		**(2,521)**	—
Profit on share of joint venture		**—**	10
Profit/(loss) on disposal of assets		**99**	(932)
Operating (loss)/profit		**(15,851)**	12,583
Finance costs	4	**(5,815)**	(788)
(Loss)/profit before taxation		**(21,666)**	11,795
Taxation	7	**3,919**	(2,758)
(Loss)/profit and total comprehensive (loss)/income for the period attributable to owners of the parent		**(17,747)**	9,037
Earnings per share			
Basic (loss)/earnings per share	8	**(26.30)p**	13.90p
Diluted (loss)/earnings per share	8	**(26.30)p**	13.87p

The accompanying statements of accounting policies and notes on pages 110 to 139 are an integral part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

AS AT 27 DECEMBER 2020

		Group		Company	
	Note	**27 December 2020 £000**	29 December 2019 £000	**27 December 2020 £000**	29 December 2019 £000
Assets					
Non-current assets					
Goodwill	9	**29,350**	29,350	**—**	—
Intangible assets	9	**476**	653	**—**	—
Investments in joint venture	10	**310**	310	**310**	310
Investments	11	**—**	—	**38,915**	38,915
Property, plant and equipment	12	**41,453**	47,248	**—**	—
Right-of-use assets	13	**157,145**	—	**—**	—
Deferred tax asset	22	**4,118**	—	**—**	—
		232,852	77,561	**39,225**	39,225
Current assets					
Inventories	14	**508**	1,297	**—**	—
Trade and other receivables	15	**1,672**	4,929	**62**	2,412
Corporation tax receivable		**2,302**	—	**—**	—
Cash and cash equivalents	16	**7,394**	2,188	**4,577**	3
		11,876	8,414	**4,639**	2,415
Liabilities					
Current liabilities					
Bank borrowings and leases	19	**(34,031)**	(9,227)	**6**	9
Trade and other payables	20	**(8,282)**	(9,819)	**(1,312)**	(6,871)
Corporation tax payable		**—**	(907)	**—**	
Provisions	21	**—**	(91)	**—**	—
		(42,313)	(20,044)	**(1,306)**	(6,862)
Net current liabilities		**(30,437)**	(11,630)	**3,333**	(4,447)
Non-current liabilities					
Bank borrowings and leases	19	**(171,024)**	(4,991)	**—**	—
Other non-current liabilities	20	**—**	(1,284)	**—**	—
Deferred tax liability	22	**(1,582)**	(2,057)	**—**	—
Provisions	21	**—**	(688)	**—**	—
		(172,606)	(9,020)	**—**	—
Net assets		**29,809**	56,911	**42,558**	34,778
Equity					
Share capital	17	**683**	650	**683**	650
Share premium		**4,844**	—	**4,844**	—
Merger reserve		**6,171**	6,171	**—**	—
Share-based payment reserve		**250**	275	**250**	275
Retained earnings		**17,861**	49,815	**36,781**	33,853
Total equity		**29,809**	56,911	**42,558**	34,778

The accompanying statement of accounting policies and notes on pages 110 to 139 are an integral part of these financial statements. The Group has taken the s408 exemption to not show the company income statement separately. The company has reported a profit of £5.3m for the period. The financial statements on pages 106 to 109 were authorised for issue by the Board of Directors on 29 March 2021 and were signed on its behalf by:

GRAHAM BLACKWELL **ANTONY SMITH**

Company number: 10672501

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

FOR THE 52-WEEK PERIOD ENDED 27 DECEMBER 2020

Group	Note	**52 weeks to 27 December 2020 £000**	52 weeks to 29 December 2019 £000
Cash flows (used in)/generated from operating activities			
Cash generated from operations	18	**4,480**	23,917
Corporation tax paid		**(715)**	(2,616)
Finance costs paid		**(5,766)**	(681)
Net cash (used in)/generated from operating activities		**(2,001)**	20,620
Cash flows used in investing activities			
Investment in joint venture		**—**	(300)
Acquisition of sites by Tenpin Limited		**—**	(1,400)
Purchase of property, plant and equipment		**(6,044)**	(8,556)
Purchase of software		**(119)**	(212)
Net cash used in investing activities		**(6,163)**	(10,468)
Cash flows generated from/(used in) financing activities			
Cash costs capitalised from new borrowings		**—**	(153)
Gross proceeds from issue of new shares		**5,038**	—
Transaction costs from share issue		**(160)**	—
Lease principal payments		**(2,853)**	(2,709)
Dividends paid		**(2,405)**	(7,150)
Drawdown of bank borrowings		**18,350**	17,000
Repayment of borrowings		**(4,600)**	(20,250)
Net cash generated from/(used) in financing activities		**13,370**	(13,262)
Net increase/(decrease) in cash and cash equivalents		**5,206**	(3,110)
Cash and cash equivalents – beginning of period		**2,188**	5,298
Cash and cash equivalents – end of period	16	**7,394**	2,188

Company	Note	**52 weeks to 27 December 2020 £000**	52 weeks to 29 December 2019 £000
Cash flows used in operating activities			
Cash used in operations	18	**(5,358)**	(2,104)
Net cash used in operating activities		**(5,358)**	(2,104)
Cash flows used in investing activities			
Investment in joint venture		**—**	(300)
Net cash used in investing activities		**—**	(300)
Cash flows generated from financing activities			
Net cash received from issue of new shares		**4,878**	—
Dividends received		**7,459**	7,410
Dividends paid		**(2,405)**	(7,150)
Net cash generated from financing activities		**9,932**	260
Net increase/(decrease) in cash and cash equivalents		**4,574**	(2,144)
Cash and cash equivalents – beginning of period		**3**	2,147
Cash and cash equivalents – end of period	16	**4,577**	3

The accompanying statement of accounting policies and notes on pages 110 to 139 are an integral part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE 52-WEEK PERIOD ENDED 27 DECEMBER 2020

Group	Share capital £000	Share premium £000	Share-based payment reserve £000	Merger reserve £000	Retained earnings £000	Total equity £000
Balance at 30 December 2018	650	—	159	6,171	47,928	54,908
Dividends paid	—	—	—	—	(7,150)	(7,150)
Share-based payment charge (Note 25)	—	—	116	—	—	116
Profit for the period and total comprehensive income attributable to owners of the parent	—	—	—	—	9,037	9,037
Balance at 29 December 2019 (as previously reported)	650	—	275	6,171	49,815	56,911
Adjustment on initial application of IFRS 16	—	—	—	—	(14,970)	(14,970)
Taxation on IFRS 16 transition adjustment	—	—	—	—	3,168	3,168
Adjusted balance at 30 December 2019	**650**	**—**	**275**	**6,171**	**38,013**	**45,109**
Share-based payment charge (Note 25)	—	—	(25)	—	—	(25)
Issue of shares	33	4,844	—	—	—	4,877
Dividends paid	—	—	—	—	(2,405)	(2,405)
Loss for the period and total comprehensive loss attributable to owners of the parent	—	—	—	—	(17,747)	(17,747)
Balance at 27 December 2020	**683**	**4,844**	**250**	**6,171**	**17,861**	**29,809**

Company	Share capital £000	Share premium £000	Share-based payment reserve £000	Merger reserve £000	Retained earnings £000	Total equity £000
Balance at 30 December 2018	650	—	159	—	35,583	36,392
Profit for the period	—	—	—	—	5,420	5,420
Share-based payment charge (Note 25)	—	—	116	—	—	116
Dividend paid	—	—	—	—	(7,150)	(7,150)
Balance at 29 December 2019	650	—	275	—	33,853	34,778
Share-based payment charge (Note 25)	—	—	(25)	—	—	(25)
Issue of shares net of transaction costs	33	4,844	—	—	—	4,877
Dividend paid	—	—	—	—	(2,405)	(2,405)
Profit for the period[1]	—	—	—	—	5,333	5,333
Balance at 27 December 2020	**683**	**4,844**	**250**	**—**	**36,781**	**42,558**

1 The profit for the period in the Company is made up of the dividend income received of £7,459k and the underlying loss after tax of £2,126k.

The accompanying statement of accounting policies and notes on pages 110 to 139 are an integral part of these financial statements.

STATEMENT OF ACCOUNTING POLICIES

AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRS

The financial statements for Ten Entertainment Group plc (the 'Company') for the year ended 27 December 2020 were authorised for issue by the Board of Directors on 29 March 2021, and the balance sheet was signed on the Board's behalf by Graham Blackwell 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies to the European Union. 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 27 December 2020 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

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The accounting policies which follow set out those policies which apply in preparing the financial statements for the 52 weeks ended 27 December 2020 and have been applied consistently, to all periods presented in these consolidated financial statements, other than the adoption of IFRS 16 Leases which became effective for the Group from 30 December 2019. IFRS 16 is a replacement for IAS 17 Leases. There has been a significant impact on the Group's accounting for leases as a result of IFRS 16, the effect of which is set out further down this report. 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, the Group adopted IFRS 16 for the first time. The nature and effect of the impact of this are outlined in the leases section under these statements of accounting policies.

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 below:

Standard/interpretation	Content	Date applicable
IAS 1 Classification of liabilities as current or non-current	In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments are not expected to have a material impact on the Group.	1 January 2022
IAS 16 Property, plant and equipment: Proceeds before intended use	In May 2020, the IASB issued Property, Plant and Equipment: Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The amendment is not expected to have a material impact on the Group.	1 January 2022
IFRS 17 Insurance contracts	In May 2017, the IASB issued IFRS 17 Insurance Contracts ('IFRS 17'), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts ('IFRS 4') that was issued in 2005. The amendment is not expected to have a material impact on the Group.	1 January 2023
IFRS 3 Reference to the conceptual framework	In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework. The amendment is not expected to have a material impact on the Group.	1 January 2022
IAS 37 Onerous contracts	In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendment is not expected to have a material impact on the Group.	1 January 2022
Interest rate benchmark reform: Phase 2	The amendments address issues that might affect IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 as a result of the reform of an interest rate benchmark. The amendment is not expected to have a material impact on the Group.	1 January 2021

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 Company for the Annual Report and the financial statements for the year ended 27 December 2020, the Directors have considered its business activities in light of the uncertainty caused by the Covid-19 outbreak and the impact on the Group's profit, cash flow, liquidity and covenants. All the Group's centres were closed for trade from 20 March 2020 with a phased reopening from 4 August 2020 when it reopened the three Welsh centres, with the majority of the English centres then reopening from 15 August 2020. All English centres were closed again during the November Lockdown and though the majority of centres reopened in December, the bulk closed again during the month as local Lockdowns and tiered restrictions were imposed, leaving only six centres open as at 27 December 2020. These centres then closed when the national Lockdown resumed in January 2021 and all centres have remained closed until the date of this Annual Report.

As part of the review of the potential impact of the Covid-19 outbreak on the Group's cash flows and liquidity over the next 12 months, a base case and a downside case were prepared. Critical to both cases was the availability of cash from the bank facilities with RBS and amended covenants that could be met in both cases.

In January 2021, the Group negotiated a new £14m CLBILS term loan facility agreement with RBS, with a term of three years. This, along with the current £25m revolving credit facility with RBS, provides the Group with a £39m available debt facility.

In May 2020, RBS agreed to the waiver of the leverage and fixed charge covenants that were in place, until the end of June 2021. As part of the negotiation of the CLBILS facility in January 2021, the covenants were renegotiated and amended to the following:

CURRENT COVENANTS:

Leverage covenant (Ratio of total net debt to adjusted EBITDA)

Testing for 2021 waived, replaced by new covenants
March 2022 – reference level – 1.10x
June 2022 – reference level – 1.25x
September 2022 – reference level – 1.50x
December 2022 – reference level – 1.50x

Fixed charge covenant (Adjusted EBITDA plus rent to rent adjusted finance costs)
Testing for 2021 waived, replaced by new covenants
March 2022 – reference level – 7.50x
June 2022 – reference level – 5.00x
September 2022 – reference level – 4.00x
December 2022 – reference level – 2.25x

NEW COVENANTS:
Introduced for January 2021 to December 2021:

Minimum EBITDA
Quarter 1 – £5,550,000 EBITDA loss
Quarter 2 – £10,550,000 cumulative EBITDA loss
Quarter 3 – £10,550,000 cumulative EBITDA loss
Quarter 4 – £12,550,000 cumulative EBITDA loss

Minimum liquidity
Quarter 1 – £4,750,000 in cash and cash equivalents
Quarter 2 – £4,000,000 in cash and cash equivalents
Quarter 3 – £1,500,000 in cash and cash equivalents
Quarter 4 – £1,500,000 in cash and cash equivalents

The base case was prepared using the following key assumptions:
- centres forced to close with no revenue for January to May 2021;
- during closure, CJRS is still being provided and a significant portion of employees are on furlough, variable operating and central costs are kept to a minimum, the business rates holiday is still being provided, but fixed costs as rent and service charges are maintained as normal;
- centres reopen from May, with levels of trade starting at -65% of the equivalent periods in FY19, moving up to -30%, with trade by the latter quarter of the year and the first quarter of FY22 expected to be at similar levels to FY19;
- the -65% and -30% trading options reflect disruption from local Lockdowns and reflects the similar effects of social distancing restrictions such as the 'Rule of Six', household mixing and curfews, as was felt in 2020, had on revenue. Variable operating and administrative costs are reflective of the level of trade with fixed costs as rent, business rates and support centre costs maintained as normal as the centres are open;
- reduced maintenance and marketing spend, as well as reducing all non-essential and non-committed capital expenditure in FY21 and the first quarter of FY22; and
- no dividend payments in FY21 or FY22.

Under this base case scenario in FY21, the Group is not expected to be profitable but will have sufficient liquidity and no covenant breaches are forecast within the next 12 months from the signing of the Annual Report and Accounts.

GOING CONCERN CONTINUED
The downside case was prepared using the following key assumptions:
- revenue is assumed at 37% down on the base case for FY21 and 9% down on the base case for FY22;
- where the base case expected trade to return to FY19 levels for the last quarter of FY21 and into the first quarter of FY22, the downside case reflects these at -65% and -30% of FY19 levels;
- in line with the revenue reduction, there is a reflective reduction in variable operating costs including employee costs. Where centres are forced to close, it is assumed CJRS is available and is taken up until September but after that no claim is assumed;
- reduced maintenance and marketing spend, as well as reducing all non-essential and non-committed capital expenditure in FY21 and FY22 as in the base case; and
- no dividend payments in FY21 or FY22.

The downside case modelled is severe but plausible and would still leave the Group with £5m of liquidity at the end of FY21 and in 12 months from now and the Group would pass the minimum liquidity tests but would breach the EBITDA test for September and December 2021 as there would be no CJRS claimed after September when it is currently expected to end. The fixed cost and leverage covenants commencing from quarter one of FY22 pass. In the event of a full lockdown in any of the months in quarter one of FY22, there would be a breach of the first quarters covenants. In the event that a covenant is breached, an extension of this covenant would need to be negotiated with RBS. The Directors believe this would likely be given as the Group would still have £5m of liquidity available, has a strong relationship with RBS and has successfully obtained covenant waivers recently.

Nevertheless, in the event of extended Lockdown measures impacting the Group's operations, the possibility of a covenant breach at the end of December 2021 cannot be discounted, and as such represents a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern.

Taking the above and the principal risks faced by the Group and Company into consideration, and the Directors expectation that they could negotiate an extension to the covenant should the need arise, the Directors are satisfied that the Group and Company have adequate resources to continue in operation for the foreseeable future, a period of at least 12 months from the date of this report. Accordingly, the Group and Company continue to adopt the going concern basis in preparing these financial statements.

The Financial Statements do not include the adjustments 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 10.

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. 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 – Costs 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 licence costs incurred by the centres.

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.

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.

ESTIMATE: INTANGIBLE ASSETS, RIGHT-OF-USE ASSETS AND 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 centre at the estimated long-term growth rate. The pre-tax discount rate applied to the cash flow projections approximates the Group's weighted average cost of capital, adjusted only to reflect the way in which the market would assess the specific risks associated with the estimated cash flows of the bowling businesses and to exclude any risks that are not relevant to estimated cash flows of the bowling businesses, or for which they have already been adjusted. The effect of varying the key assumptions in the goodwill and tangible property, plant and equipment impairment calculations is presented in Note 12.

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: INCREMENTAL BORROWING RATE
The calculation of lease liabilities requires the Group to determine an incremental borrowing rate ('IBR') to discount future minimum lease payments. Judgment is applied in determining the components of the IBR used for each lease including the movement in risk-free rates, the Group's borrowing margin and any lease specific adjustments. The applicable IBR for each lease varies between 2.1% and 3.8% depending on its length of term. To determine the incremental borrowing rate, the Group where possible, uses recent third party financing received by the Group as a starting point otherwise it has obtained borrowing rates from its lender for a range of maturity terms. The same approach has been used for modifications during the year where a borrowing rate of 2.54% has been used.

LEASES

IFRS 16 Leases replaces existing guidance under IAS 17 and introduces a fundamental change to the recognition, measurement, presentation and disclosure of leases for lessees.

The Group adopted IFRS 16 with effect from 30 December 2019. The Group applied the standard using the modified retrospective approach and thus comparative information has not been restated and is presented, as previously reported, under IAS 17. The new standard results in all property leases which were classified as operating leases under IAS 17, being recognised on the Statement of Financial Position as, from a lessee perspective, there is no longer any distinction between operating and finance leases. Under IFRS 16, an asset, based on the right to use a leased item over a long-term period and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group leases properties, which under IAS 17 were classified as operating leases with payments made charged to profit or loss as arising over the period of the lease. From 30 December 2019, under IFRS 16, leases are recognised as a right-of-use asset with a corresponding lease liability from the date at which the leased asset becomes available for use by the Group. Each lease payment is allocated between the liability and a finance cost. The finance cost is charged to profit or loss over the lease period using the effective interest method. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Lease liabilities are measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and variable lease payments that depend on an index or a rate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- short-term leases (leases of less than 12 months) and leases with less than 12 months remaining as at the date of adoption of the new standard are not within the scope of IFRS 16;
- leases for which the asset is of low value (IT equipment and small items of office equipment) are not within the scope of IFRS 16; and
- exclusion of initial direct costs from the measurement of the right-of-use asset on transition.

On transition to IFRS 16, the Group elected to apply the practical expedient to apply the definition of a lease from IAS 17 for contracts in place at 30 December 2019. For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. For all leases previously classified as operating leases, these liabilities and assets were measured at the present value of the remaining lease payments, discounted using the Group's average incremental borrowing rate (IBR) as of 30 December 2019, specific to the portfolio of leases. The IBR is a significant area of estimation, as the Group obtained a range of borrowing rates for differing terms to determine a range of rates on adoption as reflected in IBR accounting policy. A 1% increase in all of these rates would decrease the value of the right-of-use asset on adoption by £13.1m, while a 1% decrease in the rates would increase the value by £15.1m.

Under IFRS 16, the right-of-use assets are tested for impairment in accordance with IAS 36 'Impairment of Assets'. This replaces the previous requirement to recognise a provision for onerous leases. An impairment assessment of the cash-generating unit ('CGU') assets was performed on transition at 30 December 2019 with an impairment charge of £16.3m identified as part of the adoption of IFRS 16 in retained earnings. A CGU is each of the 46 (2019: 45) centres open as at the period end. The recoverable amount of each 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 forecasts 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 centre.

The key assumptions of the value in use calculation at the adoption date are:

Period on which management-approved forecasts are based	3 years
Growth rate applied beyond approved forecast period	2%
Pre-tax discount rate	11.6%

The pre-tax discount rate applied to the cash flow projections approximates the Group's weighted average cost of capital ('WACC'), 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 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 centre which are expected by management to affect future performance, to reflect the operating circumstances and risks relevant to each part of the business at the time of adoption. They also include an allocation of central overheads which are allocated across the centres based on turnover. Due to the timing of the adoption of IFRS 16 these forecasts do not take the impact of Covid-19 into consideration.

The key assumptions to which the calculation is sensitive are the pre-tax discount rate, the future trading performance and the growth rate that is expected of each centre. If the discount rate applied in the calculations is increased by 1%, the impairment charge increases by £3.4m. If the growth rate applied is changed to 1% then impairment increases by £2.4m.

The effect of the accounting policy change on the Consolidated Statement of Financial Position at implementation on 30 December 2019 was:

Assets	As at 29 December 2019 £000	IFRS adjustment £000	As at 30 December 2019 £000
Right-of-use assets	—	148,645	148,645
Deferred tax asset on IFRS 16 transition	—	3,168	3,168
Prepayments	2,559	(2,559)	—
	2,559	**149,254**	**151,813**
Liabilities			
Lease – Property current	—	(12,400)	(12,400)
Lease – Property non-current	—	(151,538)	(151,538)
Deferred income – Lease incentive	(1,578)	1,578	—
Onerous lease provision	(779)	779	—
	(2,357)	**(161,581)**	**(163,938)**
Retained earnings			
Retained earnings	49,815	(11,802)	38,013
	49,815	**(11,802)**	**38,013**

The adoption of IFRS 16 reduced opening retained earnings as at 30 December 2019 by £11.8m.

During the period ended 27 December 2020, the application of IFRS 16 resulted in increased adjusted EBITDA, as reported in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, of £11.2m in comparison to treatment under IAS 17. There was an increase to operating profit of £2.6m. The differences have arisen as operating lease payments under IAS 17 were replaced by a depreciation charge on right-of-use assets, onerous lease provision under IAS 17 has been replaced by impairment of assets and adjustments to rent free periods and other lease incentives. Profit before taxation therefore decreased by a total of £2.8m with the inclusion of £5.4m of finance costs under the new standard. The table below reconciles operating profit between IAS 17 and the new standard, IFRS 16:

	£000
Add: Operating lease costs under IAS 17	11,230
Impact on adjusted EBITDA for the period ended 27 December 2020:	**11,230**
Less: Depreciation of right-of-use assets for leases previously recognised as operating leases under IAS 17	(8,648)
Less: Onerous lease provision previously recognised under IAS 17	(17)
Impact on operating profit for the period ended 27 December 2020:	**2,565**
Less: Finance costs (interest)	(5,388)
Net decrease to profit before tax	**(2,823)**

The table below represents a reconciliation from operating lease commitments disclosed at 29 December 2019 to lease liabilities recognised at 30 December 2019:

	£000
Operating lease commitments disclosed at 29 December 2019	197,386
Increase from contractual rent reviews[1]	37,248
Effect of discounting lease payments[2]	(70,695)
Lease liabilities recognised at 30 December 2019	**163,938**

1 The previous disclosure of commitments was based on the current agreed rent over the term of the lease, whilst under IFRS 16 lease commitments factor in the minimum rent increases agreed in the rent review clauses of the leases.
2 The previous disclosure of commitments was undiscounted, while under IFRS 16 lease commitments are discounted over the term of the lease based on the Group's incremental borrowing rate.

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. The transaction price is a fixed price set for the goods and services ordered by the customer and payment of the transaction price is due immediately upon the customer booking the goods or services at the centre or call centre, or on the website. The Group is not obliged to provide refunds or returns but all refunds are provided at 100% of the original transaction price paid for the goods or services by the customer. Revenue for food and drink is recognised when the performance obligation, being the transfer of the products to the buyer in exchange for consideration, 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. In accordance with IFRS 15 Revenue from Contracts with Customers, the discount is allocated amongst the products in the bundle based on each product's 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.

GOVERNMENT GRANTS
Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Coronavirus Job Retention Scheme (CJRS) grant is recognised against staff costs within administrative expenses and the local council Lockdown grants are recognised separately within administrative expenses in the Consolidated Income Statement.

CJRS grant is recognised against staff costs within administrative expenses in the Consolidated Income Statement.

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 centres 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:

Fixed furnishings	The length of the lease or their estimated useful lives
Fixtures, fittings and equipment	Between 3 and 40 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 and right of use assets is assessed at the cash-generating unit ('CGU') level being a bowling centre, 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.

RIGHT-OF-USE ASSETS
The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are related to the property leases and are depreciated on a straight-line basis over the lease term.

LEASES
The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

BUSINESS COMBINATIONS
The purchase of a company or bowling centre, 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.

FINANCIAL INSTRUMENTS CONTINUED

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. Other receivables are subsequently measured at amortised cost using the effective interest rate method and any interest income is recognised in profit and loss. 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.

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 12 months 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.

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 27 December 2020 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 27 December 2020			
Segment revenue – external	**36,269**	**–**	**36,269**
Bowling	**16,830**	**–**	**16,830**
Food and drink	**9,898**	**–**	**9,898**
Machines and amusements	**8,298**	**–**	**8,298**
Other	**1,243**	**–**	**1,243**
Adjusted EBITDA (Note 2)	**5,466**	**(2,119)**	**3,347**
Segment assets as at 27 December 2020	**223,200**	**21,528**	**244,728**
Segment liabilities as at 27 December 2020	**(193,029)**	**(21,890)**	**(214,919)**
Reconciliation of adjusted EBITDA to reported operating (loss)/profit			
Adjusted EBITDA (Note 2)	**5,466**	**(2,119)**	**3,347**
Amortisation and depreciation of intangibles, property, plant and equipment and right-of-use assets	**(16,634)**	**–**	**(16,634)**
Amortisation of fair value items	**(142)**	**–**	**(142)**
Impairment	**(2,521)**	**–**	**(2,521)**
Profit on disposals (Note 5)	**99**	**–**	**99**
Operating loss	**(13,732)**	**(2,119)**	**(15,851)**
Finance costs (Note 4)	**(5,654)**	**(161)**	**(5,815)**
Loss before taxation	**(19,386)**	**(2,280)**	**(21,666)**

	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

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 27 December 2020 £000**	52 weeks to 29 December 2019 £000
Group adjusted EBITDA	**3,347**	23,568
Amortisation of software	**(184)**	(283)
Amortisation of fair valued items on acquisition	**(142)**	(293)
Profit on disposals	**99**	(932)
Impairment	**(2,521)**	
Depreciation of property, plant and equipment and right-of-use assets	**(16,450)**	(7,096)
Profit on share of joint venture	**—**	10
Operating profit before exceptional items	**(15,851)**	14,974
Exceptional items – other	**—**	(2,391)
Operating profit	**(15,851)**	12,583

Costs of sales – Costs 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 licence costs incurred by the centres.

Reconciliation of costs of sales	**52 weeks to 27 December 2020 £000**	52 weeks to 29 December 2019 £000
Costs of sales per the financial review	**(4,854)**	(10,387)
Site labour costs	**(9,519)**	(15,173)
Machine licence and security costs in administrative expenses	**278**	630
Costs of sales per the statement of comprehensive income	**(14,095)**	(24,930)

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.

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 27 December 2020 £000**	52 weeks to 29 December 2019 £000
Wages and salaries	**11,829**	17,553
Social security costs	**1,088**	1,154
Other pension costs	**170**	180
Share-based payments (Note 25)	**(25)**	116
	13,062	19,003

Staff costs included within costs of sales are £9.0m (2019: £14.6m). The balance of staff costs is recorded within administrative expenses. The staff costs are net of CJRS which amount to £5.2m. Details of Directors' remuneration are set out in the Directors' Remuneration Report on pages 76 to 93. 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 27 December 2020 received remuneration of £267,323 (2019: £348,633). The 2017 LTIP scheme vested in 2020 and 96,970 awards were exercised at a market value of £133,819. 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 27 December 2020 Number**	52 weeks to 29 December 2019 Number
Site staff	**931**	978
Administration	**45**	56
Unit management	**150**	153
	1,126	1,187

Staff costs – Company	**52 weeks to 27 December 2020 £000**	52 weeks to 29 December 2019 £000
Wages and salaries	**1,144**	1,125
Social security costs	**123**	96
Other pension costs	**11**	13
Share-based payments (Note 25)	**(25)**	116
	1,253	1,350
Staff numbers – Company	**Number**	Number
Administration (including Executive Directors)	**6**	9

4 FINANCE COSTS

	52 weeks to 27 December 2020 £000	52 weeks to 29 December 2019 £000
Interest on bank loans and overdrafts	**330**	277
Amortisation of debt issuance costs	**49**	56
Lease interest	**5,393**	282
Notional interest on unwinding of discount on provisions (Note 21)	**—**	7
Other	**43**	166
Finance costs	**5,815**	788

5 (LOSS)/PROFIT BEFORE TAXATION

The following items have been included in arriving at a (loss)/profit before taxation:

	52 weeks to 27 December 2020 £000	52 weeks to 29 December 2019 £000
Staff costs (Note 3)	**13,062**	19,003
Consumables charged to cost of sales	**754**	1,770
Depreciation of property, plant and equipment (Note 12)	**5,498**	7,096
Depreciation of right-of-use assets (Note 13)	**10,965**	—
Amortisation of software (Note 9)	**171**	283
Amortisation of fair valued intangibles on acquisition (Note 9)	**101**	245
(Profit)/loss on disposal of assets	**(99)**	932
Profit on share of joint venture	**—**	(10)
Impairment	**2,521**	
Government grants received (excluding CJRS)	**(148)**	
CJRS grants received	**(5,205)**	
Operating lease rentals (receivable)/payable – property	**(10)**	11,932
Share-based payments (Note 25)	**(25)**	116
Repairs on property, plant and equipment	**2,436**	1,943
Exceptional items		
Provision for updated HMRC guidance	**—**	822
Redundancy and restructuring costs	**—**	643
Costs relating to acquisitions and one-off lease charges	**—**	926
Total exceptional costs	**—**	2,391
Auditors' remuneration		
Fees payable to Company's auditors for the Company and Consolidated financial statements	**40**	53
Audit of Company's subsidiaries	**95**	70
Audit-related assurance services	**35**	39
	170	162

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 29 March 2021. The result for the financial year dealt with in the financial statements of Ten Entertainment Group plc was a profit of £5.3m (2019: profit of £5.4m). 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 consolidated statement of comprehensive income:

	52 weeks to 27 December 2020 £000	52 weeks to 29 December 2019 £000
Current tax		
Current tax on (loss)/profit for the period	**—**	2,678
Adjustment in respect of prior years	**(2,494)**	126
Deferred tax (Note 22)		
Origination and reversal of temporary differences	**(1,384)**	(92)
Adjustment in respect of prior years	**(41)**	46
Tax (credit)/charge in statement of comprehensive income	**(3,919)**	2,758

7 TAXATION CONTINUED

The tax on the Group's (loss)/profit before tax differs (2019: differs) from the theoretical amount that would arise using the standard rate of tax in the UK of 19% (2019: 19%). The differences are explained below:

	52 weeks to 27 December 2020 £000	52 weeks to 29 December 2019 £000
(Loss)/profit before taxation	**(21,666)**	11,795
Tax using the UK corporation tax rate of 19% (2019: 19%)	**(4,118)**	2,241
Expenses not deductible	**(372)**	509
Adjustment in respect of prior years	**(2,535)**	172
Allowable depreciation on leases	**—**	(414)
Permanent differences	**605**	250
Loss carry back	**2,501**	—
Tax (credit)/charge	**(3,919)**	2,758

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax expense for the period by £1.2m, to increase the deferred tax asset by £1.0m.

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 68,346,970.

The Company has 103,673 potentially issuable shares (2019: 179,451), 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 27 December 2020 £000**	52 weeks to 29 December 2019 £000
(Loss)/profit after tax	**(17,747)**	9,037
Basic weighted average number of shares in issue	**67,471,461**	65,000,000
Adjustment for share awards	**103,673**	179,451
Diluted weighted average number of shares in issue	**67,575,134**	65,179,451
Basic (loss)/earnings per share (pence)	**(26.30)p**	13.90p
Diluted (loss)/earnings per share (pence)*	**(26.30)p**	13.87p

Below is the calculation of the adjusted earnings per share:

Adjusted (loss)/earnings per share	**52 weeks to 27 December 2020 £000**	52 weeks to 29 December 2019 £000
(Loss)/profit after tax	**(17,747)**	9,037
Amortisation of fair valued items on acquisition	**142**	293
(Profit)/loss on disposals	**(99)**	932
Profit on share of joint venture	**—**	(10)
Impairment	**2,521**	—
Exceptional costs	**—**	2,391
Tax impact on above adjustments	**(456)**	(78)
Adjusted underlying (loss)/profit after tax	**(15,639)**	12,565
Adjusted (loss)/profit after tax	**(15,139)**	12,565
Weighted average number of shares in issue	**67,471,461**	65,000,000
Adjusted basic (loss)/earnings per share	**(23.18)p**	19.33p
Adjusted diluted (loss)/earnings per share[1]	**(23.18)p**	19.27p

1 The diluted EPS is the same as the basic EPS as the adjustment for the share awards would be anti-dilutive so has been excluded.

9 GOODWILL AND INTANGIBLE ASSETS

Group	Fair valued intangibles on acquisition £000	Goodwill £000	Software £000	Total £000
Cost				
At 1 January 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
Additions	—	—	119	119
Adjustment on initial application of IFRS 16	—	—	(40)	(40)
At 27 December 2020	**2,938**	**29,350**	**1,301**	**33,589**
Accumulated amortisation and impairment losses				
At 1 January 2018	2,331	—	648	2,979
Charge for the period – amortisation	245	—	283	528
At 29 December 2019	2,576	—	931	3,507
Charge for the period – amortisation	101	—	171	272
Adjustment on initial application of IFRS 16	—	—	(16)	(16)
At 27 December 2020	**2,677**	**—**	**1,086**	**3,763**
Net book value				
At 27 December 2020	**261**	**29,350**	**215**	**29,826**
At 29 December 2019	362	29,350	291	30,003
At 30 December 2018	607	28,045	362	29,014

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 12 for property, plant and equipment. 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 have been fully amortised over the period for which the benefits were expected to be recognised. The remaining value is for the lease acquired at the Worcester centre which was significantly below market value and was fair valued and accounted for on acquisition in 2016 and is being amortised until the end of the lease. The amortisation charged on the above intangible assets is included in other administrative expenses in the statement of comprehensive income. Bank borrowings are secured on property, plant and equipment for the value of £25.0m (2019: £25.0m).

10 INVESTMENTS IN JOINT VENTURE

Group and Company	£000
At 1 January 2018	
Acquisitions and disposals	310
At 29 December 2019	310
Share of post-tax profit in new venture	—
At 27 December 2020	**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, premises 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. £0.2m has been borrowed as at 27 December 2020. The loans will incur a market rate of interest and have been secured by a Debenture Agreement that the two parties entered into. 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 and once its financial statements have been finalised and submitted the Group will look at changing the date to be that of the Group. Due to the Covid-19 pandemic, Houdini's has been closed for a significant portion of the year and no profit has been generated of which a 50% share would be added to the investment value. The business has not impaired the investment in Houdini's as it believes the impact of the pandemic on the joint venture is short term, and it will return to a profitable position once trade returns to normal.

Prior to the above agreements, in 2019 Houdini's built and operated Escape Rooms at three of Tenpin's centres 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. Further rooms are under construction at other centres but due to the Covid-19 pandemic, the rollout has been delayed.

11 INVESTMENTS

Company	Subsidiaries' shares £000
At 1 January 2019	38,915
Acquisitions and disposals	—
At 29 December 2019	38,915
Acquisitions and disposals	—
At 27 December 2020	**38,915**

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

GROUP INVESTMENTS

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

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

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

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

12 PROPERTY, PLANT AND EQUIPMENT

Group	Fixed furnishings £000	Amusement machines £000	Fixtures, fittings and equipment £000	Total £000
Cost				
At 1 January 2019	11,691	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	11,691	11,571	43,020	66,282
Adjustment on initial application of IFRS 16	—	(10,217)	(469)	(10,686)
Additions	—	47	6,548	6,595
Disposals	(323)	—	—	(323)
At 27 December 2020	**11,368**	**1,401**	**49,099**	**61,868**
Accumulated depreciation and impairment				
At 1 January 2019	1,928	4,391	7,017	13,336
Charge for the period	1,023	2,177	3,896	7,096
Disposals – depreciation	—	(1,164)	(234)	(1,398)
At 29 December 2019	2,951	5,404	10,679	19,034
Adjustment on initial application of IFRS 16	—	(4,378)	(22)	(4,400)
Charge for the period	1,022	133	4,343	5,498
Impairment charge	—	—	450	450
Disposals – depreciation	(167)	—	—	(167)
At 27 December 2020	**3,806**	**1,159**	**15,450**	**20,415**
Net book value				
At 27 December 2020	**7,562**	**242**	**33,649**	**41,453**
At 29 December 2019	8,740	6,167	32,341	47,248
At 30 December 2018	9,763	5,070	26,884	41,717

12 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Property, plant and equipment and right-of-use assets are reviewed for impairment on an annual basis. The recoverable amount of each CGU (each of the 46 (2019: 45) centres open as at the period end has been treated as a CGU) and 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 forecasts approved by the Board covering a one-year period and which accounts for the impact of Covid-19 with year two and three expected to have returned to 2019 pre-Covid-19 levels. Cash flows beyond this three-year period are extrapolated over the life of the lease relating to that centre.

The key assumptions of the value in use calculation are:

	27 December 2020	29 December 2019
Period on which management-approved forecasts are based	**3 years**	3 years
Growth rate applied beyond approved forecast period	**2%**	2%
Speed of recovery to pre-Covid-19 levels	**Year 2**	N/A
Pre-tax discount rate	**10.78%**	13.0%

The pre-tax discount rate applied to the cash flow projections approximates the Group's weighted average cost of capital ('WACC'), 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. The pre-tax discount rate has reduced in this financial year due to the adoption of IFRS 16. The target Debt:Equity ratio used in the WACC calculation now accounts for IFRS 16 and so there has been a significant increase in the debt side of the ratio as well as an increase in the value of the beta which increased the cost of equity element. As debt has a lower cost than equity, the calculation has led to a lower discount rate. The pre-tax cash flows have also increased as there is no longer a rental cost, but the value of the assets has increased due to the accounting for the right-of-use assets. The impact of the Covid-19 pandemic has been factored into the calculations of the cash flows at the year end which is why there has been further impairment raised when this has been retested at the period end. Impairment on transition has been explained under "Leases" in the statement of accounting policies. The impairment recognised at the year end as been apportioned between right-of-use assets and property, plant and equipment based on the total values of these categories. The approach used to test for impairment on the adoption of IFRS 16 is disclosed under "Leases" in the statement of accounting policies.

Due to the uncertainty brought about by Covid-19, the budgets which underly the calculations have been compiled on a Group basis, with gross margin, staff cost, property cost and other operating profit assumptions being based on past performance and known factors which are expected by management to affect future performance, to reflect the operating circumstances and risks relevant to each part of the business. This has been allocated on a site basis based on the actual 2019 trading performance and also includes an allocation of central overheads which are allocated across the centres based on turnover.

The key assumptions to which the calculation is sensitive remain the future trading performance, the growth rate that is expected of each centre, the pre-tax discount rate and speed of recovery. If the discount rate applied in the calculations is increased by 1%, the impairment charge increases by £3.5m (2019: £0.04m). If the growth rate applied is changed to 1% then impairment increases by £5.3m (2019: £0.05m). If the speed of recovery is slower and the year two trade levels mirror year one then impairment increases by £10.3m. The business has been prudent in its forecasting of its short-term profitability due to the impact of Covid-19.

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 (2019: 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 (2019: £25.0m).

13 RIGHT OF USE ASSETS

Group	Property £000	Amusement machines and other £000	Total £000
Cost			
At transition on 30 December 2019	164,920	10,727	175,647
Impairment of assets on transition	(16,275)	—	(16,275)
Lease additions	—	444	444
Disposals	—	(348)	(348)
Modification of leases	14,869		14,869
Lease surrenders	—	—	—
At 27 December 2020	**163,514**	**10,823**	**174,337**
Accumulated depreciation and impairment			
At transition on 30 December 2019	—	4,416	4,416
Charge for the period	8,648	2,317	10,965
Impairment charge	2,072	—	2,072
Disposals – depreciation	—	(261)	(261)
At 27 December 2020	**10,720**	**6,472**	**17,192**
Net book value			
At 27 December 2020	**152,794**	**4,351**	**157,145**
At 29 December 2019	—	—	—

14 INVENTORIES

	Group		Company	
	27 December 2020 £000	29 December 2019 £000	**27 December 2020 £000**	29 December 2019 £000
Goods held for resale	**508**	1,297	**—**	—

The cost of inventories recognised as an expense and included in cost of sales amounted to £3.6m (2019: £7.5m). There is a provision of £1.0m (2019: £0.5m) for obsolete bowling spares and shoes and then food and drink stocks due to the impact of centre closures around the year end, due to the Covid-19 pandemic. These are included in the figures above. Bank borrowings for the value of £25.0m (2019: £25.0m) are secured on all assets of the Group including inventory.

15 TRADE AND OTHER RECEIVABLES

	Group		Company	
Current receivables	**27 December 2020 £000**	29 December 2019 £000	**27 December 2020 £000**	29 December 2019 £000
Trade receivables	**58**	198	**—**	—
Amounts owed by subsidiary undertakings (Note 24)	**—**	—	**60**	2,405
Other receivables	**1,063**	252	**2**	—
Prepayments	**551**	4,479	**—**	7
	1,672	4,929	**62**	2,412

There is a provision of £0.1m (2019: £nil) for trade receivables that are beyond their due date and a provision of £0.1m against other receivables for a deposit paid to a landlord that may not be recoverable. Included in other receivables is a loan to Houdini's for £0.2m which is charged interest at the effective interest rate agreed at the time of the loan.

16 CASH AND CASH EQUIVALENTS

	Group		Company	
	27 December 2020 £000	29 December 2019 £000	**27 December 2020 £000**	29 December 2019 £000
Cash and cash equivalents	**7,394**	2,188	**4,577**	3

17 SHARE CAPITAL

	27 December 2020		29 December 2019	
Group and Company	**Shares**	**£000**	Shares	£000
65,000,000 ordinary shares of £0.01 each	**65,000,000**	**650**	65,000,000	650
Issue of share capital during the period	**3,346,970**	**33**	—	—
Ordinary shares of £0.01 each	**68,346,970**	**683**	65,000,000	650

As at 27 December 2020, the Company's authorised share capital was £683,470 (2019: £650,000) divided into a single class of 68,346,970 (2019: 65,000,000) ordinary shares of 1p each. All issued ordinary shares are fully paid up. 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

	Group		Company	
Cash flows from operating activities	**52 weeks to 27 December 2020 £000**	52 weeks to 29 December 2019 £000	**52 weeks to 27 December 2020 £000**	52 weeks to 29 December 2019 £000
(Loss)/profit for the period	**(17,747)**	9,037	**(2,126)**	(1,990)
Adjustments for:				
Tax	**(3,919)**	2,758	**—**	—
Finance costs	**5,815**	788	**—**	—
Profit on share of joint venture	**—**	(10)	**—**	(10)
Non-cash one-off costs	**—**	800	**—**	—
Non-cash share-based payments charge	**(25)**	116	**(25)**	116
(Profit)/loss on disposal of assets	**(125)**	921	**—**	—
Amortisation of intangible assets	**272**	528	**—**	—
Depreciation of property, plant and equipment	**5,498**	7,096	**—**	—
Depreciation of right to use assets	**10,965**	—	**—**	—
Impairment	**2,521**	—	**—**	—
Changes in working capital:				
Decrease in inventories	**789**	208	**—**	—
Decrease/(increase) in trade and other receivables	**3,257**	(622)	**2,350**	(2,383)
(Decrease)/increase in trade and other payables	**(2,821)**	1,938	**(5,557)**	2,163
Increase in provisions	**—**	359	**—**	—
Cash generated from/(used in) operations	**4,480**	23,917	**(5,358)**	(2,104)

19 BANK BORROWINGS AND LEASE LIABILITIES

	Group		Company	
Current liabilities	**27 December 2020 £000**	29 December 2019 £000	**27 December 2020 £000**	29 December 2019 £000
Bank loans	**20,000**	6,250	**—**	—
Leases – Machines/other	**3,201**	3,118	**—**	—
Leases – Properties	**10,922**	—	**—**	—
Capitalised financing costs	**(92)**	(141)	**(6)**	(9)
	34,031	9,227	**(6)**	(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 27 December 2020 £000	Group 29 December 2019 £000	Company 27 December 2020 £000	Company 29 December 2019 £000
Leases – Machines/other	**3,744**	4,991	**—**	—
Leases – Property	**167,280**	—	**—**	—
	171,024	4,991	**—**	—

Bank borrowings are repayable as follows:

Bank loans	Group 27 December 2020 £000	Group 29 December 2019 £000	Company 27 December 2020 £000	Company 29 December 2019 £000
Within one year	**20,000**	6,250	**—**	—
	20,000	6,250	**—**	—

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.

Available borrowings are as follows:

Group	Currency	Interest rates	Maturity	Total available £000	Total drawn £000
Revolving credit facility	GBP	LIBOR + 1.40%	Sept 2022	23,000	20,000
Bank overdraft	GBP	LIBOR + 1.40%	Annually	2,000	—
Total borrowings				25,000	20,000

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

Net	Property leases 27 December 2020 £000	Property leases 29 December 2019 £000	Machines and other leases 27 December 2020 £000	Machines and other leases 29 December 2019 £000	Total 27 December 2020 £000	Total 29 December 2019 £000
Within one year	**10,922**	3	**3,201**	3,115	**14,123**	3,118
Between one and two years	**6,168**	3	**2,667**	2,323	**8,835**	2,326
Between two and five years	**20,971**	12	**1,077**	2,389	**22,048**	2,401
After five years	**140,140**	264	**—**	—	**140,140**	264
	178,201	282	**6,945**	7,827	**185,146**	8,109

Gross	Property leases 27 December 2020 £000	Property leases 29 December 2019 £000	Machines and other leases 27 December 2020 £000	Machines and other leases 29 December 2019 £000	Total 27 December 2020 £000	Total 29 December 2019 £000
Within one year	**17,522**	23	**3,402**	3,242	**20,924**	3,265
Between one and two years	**12,348**	23	**2,768**	2,385	**15,116**	2,408
Between two and five years	**38,039**	68	**1,111**	2,407	**39,150**	2,475
After five years	**180,932**	540	**—**	—	**180,932**	540
	248,841	654	**7,281**	8,034	**256,122**	8,688
Future finance charges on leases	**(70,640)**	(372)	**(336)**	(207)	**(70,976)**	(579)
Present value of lease liabilities	**178,201**	282	**6,945**	7,827	**185,146**	8,109

Leases are in place for all 46 centres (2019: one) at a value of £178.2m (2019: £0.3m), amusement machines from Bandai Namco Europe Limited with a value of £6.4m (2019: £7.3m), Wi-Fi equipment with a value of £0.1m (2019: £0.1m) and coffee machines acquired in 2019 with a value of £0.4m (2019: £0.5m).

19 BANK BORROWINGS AND FINANCE LEASES CONTINUED

ANALYSIS OF STATUTORY NET DEBT

Net (debt)/cash as analysed by the Group consists of cash and cash equivalents less bank loans and amounts to (£12.6m) (2019: (£4.1m)). Statutory net debt as analysed below includes leases.

	Cash and cash equivalents £000	Bank loans and overdrafts £000	Net cash excluding notes and leases £000	Leases £000	Statutory net debt £000
Balance at 1 January 2019	5,298	(9,500)	(4,202)	(6,467)	(10,669)
Cash flows	(3,110)	3,250	140	2,709	2,849
Lease acquisition of amusement machines	—	—	—	(4,351)	(4,351)
Balance at 29 December 2019	2,188	(6,250)	(4,062)	(8,109)	(12,171)
Adoption of IFRS 16				(163,846)	(163,846)
Balance at 30 December 2019	2,188	(6,250)	(4,062)	(171,955)	(176,017)
Cash flows	5,206	(13,750)	(8,544)	2,853	(5,691)
Lease modifications in the year	—	—	—	(14,962)	(14,962)
Lease acquisitions	—	—	—	(1,082)	(1,082)
Balance at 27 December 2020	**7,394**	**(20,000)**	**(12,606)**	**(185,146)**	**(197,752)**

20 TRADE AND OTHER PAYABLES AND OTHER NON-CURRENT LIABILITIES

Trade and other payables	Group 27 December 2020 £000	Group 29 December 2019 £000	Company 27 December 2020 £000	Company 29 December 2019 £000
Trade payables	**1,856**	2,771	**—**	—
Amounts owed to subsidiary undertakings (Note 24)	**—**	—	**987**	6,793
Social security and other taxes	**2,222**	2,611	**—**	—
Other payables	**1,193**	1,923	**—**	—
Accruals	**3,011**	2,375	**325**	78
Deferred income – lease incentives	**—**	139	**—**	—
	8,282	9,819	**1,312**	6,871

Other non-current liabilities	Group 27 December 2020 £000	Group 29 December 2019 £000	Company 27 December 2020 £000	Company 29 December 2019 £000
Deferred income – lease incentives	**—**	1,284	**—**	—

21 PROVISIONS

The Group's onerous lease provisions are as follows:

Group	Total £000
At 31 December 2018 – current	63
At 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
Provided in the period	—
Released in the period as a transition adjustment upon the adoption of IFRS 16	(779)
Notional interest on unwinding of discount	7
At 27 December 2020 – current	**—**
At 27 December 2020 – non-current	**—**

The onerous lease provision was removed upon the adoption of IFRS 16 with the full lease liability now recognised on the balance sheet and any right-of-use asset tested for impairment. The net of all transition adjustments has been reflected against retained earnings.

22 DEFERRED TAX

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	27 December 2020 £000	29 December 2019 £000	**27 December 2020 £000**	29 December 2019 £000	**27 December 2020 £000**	29 December 2019 £000
Property, plant and equipment	**—**	—	**(1,426)**	(1,867)	**(1,426)**	(1,867)
Tax losses	**1,132**	—	**—**	—	**1,132**	—
Fair value on business combination	**—**	—	**(156)**	(190)	**(156)**	(190)
Other	**2,986**	564	**—**	(564)	**2,986**	—
Total	**4,118**	564	**(1,582)**	(2,621)	**2,536**	(2,057)

A deferred tax asset of £1.1m is recognised on taxable losses to the extent that there will be probable future taxable income against which the loss can be utilised. It is expected the Group will return to a profitable position and so a deferred tax asset has been provided for on the losses generated in the year. A deferred tax asset of £3.0m has been recognised on the impairment loss that was accounted for on adoption of IFRS 16 as the impairment is expected to be utilised against future taxable profits generated by Tenpin Limited. In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the deferred tax asset by £1.0m.

Movement in deferred tax during the 52-week period ended 27 December 2020:

	29 December 2019 £000	Recognised on-site acquisitions £000	Recognised in income statement £000	Taxation paid £000	**27 December 2020 £000**
Property, plant and equipment	(1,867)	—	441	—	**(1,426)**
Tax losses	—	—	1,132	—	**1,132**
Fair value on business combination	(190)	—	34	—	**(156)**
Other	3,168	—	(182)	—	**2,986**
Total deferred tax	1,111	3,168	1,425	—	**2,536**
Current income tax	(907)	—	2,494	715	**2,302**
Total taxation	204	3,168	3,919	715	**4,838**

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

	1 January 2018 £000	Recognised on-site acquisitions £000	Recognised in income statement £000	Taxation paid £000	29 December 2019 £000	Adjustment on IFRS 16 adoption £000	30 December 2019 £000
Property, plant and equipment	(1,900)	—	33	—	(1,867)	—	(1,867)
Fair value on business combination	(238)	(16)	64	—	(190)	—	(190)
Other	51	—	(51)	—	—	3,168	3,168
Total deferred tax	(2,087)	(16)	46	—	(2,057)	3,168	1,111
Current income tax	(719)	—	(2,804)	2,616	(907)	—	(907)
Total taxation	(2,806)	(16)	(2,758)	2,616	(2,964)	3,168	204

The Group has carry-forward tax losses of an estimated £21.4m (2019: £21.4m) on which no deferred tax has been recognised. Of these, £12.2m (2019: £12.2m) are held by Essenden Limited, £8.7m (2019: £8.7m) held by Georgica Limited and £0.4m (2019: £0.4m) held by Indoor Bowling Acquisitions Limited. The losses in the Group companies have not been recognised as these are historic brought-forward losses and these companies are not currently generating profits for which these losses can be utilised. The potential deferred tax asset not recognised is £4.1m (2019: £3.6m). There are £3.7m (2019: £3.7m) of capital losses from disposals of the historic CVA sites on which no deferred tax asset has been recognised as Tenpin Limited is not expected to generate profit from the disposal of sites which these losses could be utilised against. The potential un-recognised deferred tax asset on this would amount to £0.7m (2019:£0.7m).

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

FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets	
Group	**27 December 2020 £000**	29 December 2019 £000
Financial assets – measured at amortised cost		
Current trade and other receivables	**1,120**	449
Cash and cash equivalents	**7,394**	2,188
	8,514	2,637

	Financial liabilities at amortised cost	
Group	**27 December 2020 £000**	29 December 2019 £000
Financial liabilities – measured at amortised cost		
Current borrowings excluding leases	**19,908**	6,109
Leases	**185,146**	8,109
Current trade and other payables	**6,060**	7,070
	211,114	21,288

MATURITY ANALYSIS OF FINANCIAL LIABILITIES

	27 December 2020				29 December 2019			
	Bank loans £000	**Leases £000**	**Trade and other payables £000**	**Total £000**	Bank loans £000	Leases £000	Trade and other payables £000	Total £000
Within one year	**19,908**	**14,123**	**6,060**	**40,091**	6,109	3,118	7,070	16,297
Between one and two years	**—**	**8,835**	**—**	**8,835**	—	2,326	—	2,326
Between two and five years	**—**	**22,048**	**—**	**22,048**	—	2,401	—	2,401
After five years	**—**	**140,140**	**—**	**140,140**	—	264	—	264
	19,908	**185,146**	**6,060**	**211,114**	6,109	8,109	7,070	21,288

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	**27 December 2020 £000**	29 December 2019 £000
Floating rate financial liabilities	**20,000**	6,250
Leases	**185,146**	8,109
Financial liabilities on which no interest is paid	**—**	779
	205,146	15,138

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 £0.2m (2019: £0.1m). The bulk of the leases 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. A small balance of £0.1m has been made to provide for balances that are past due but are still to be chased and a further £0.1m provision made against a deposit with a landlord with whom rent negotiations are being carried out. There is a short-term loan to Houdini's as explained in Notes 15 and 24 to assist with the build of new Escape Rooms. As the company is 50% owned and managed by the Group it is believed the company will return to profit when trade returns to normal and will be able to repay this loan. The majority of prepayments are for rents, service charges, business rates and insurances which are to companies with strong credit histories and for less than six months in advance and thus pose a low risk of becoming impaired and thus no provision has been made.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as is possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group's cash position and cash flow forecasts are reviewed by management on a daily basis with the objective to ensure the Group has sufficient funds available to finance its business strategy. The current bank facilities consist of a £25.0m facility with £20.0m of the RCF in use. The risk is measured by comparing the bank debt in use to the total facility available which shows that £5.0m 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. During the year, due to Covid-19, the Group has implemented a number of measures to manage the outflow of cash from negotiating rent free periods and rent deferrals with landlords, payment holidays with key suppliers, claiming CJRS, VAT and corporation tax deferrals to obtaining cash from shareholders through the placement of shares.

Credit quality of financial assets

Group	**27 December 2020 £000**	29 December 2019 £000
Cash at bank and short-term bank deposits		
'A' rated	**6,703**	996
Other cash-related balances	**691**	1,192
Total cash and cash equivalents	**7,394**	2,188

23 FINANCIAL INSTRUMENTS CONTINUED

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 the 2019 interim dividend of 3.7p after not recommending a final dividend with a total of £2.4m paid in cash to shareholders in January 2020. 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 Statement of Financial Position.

	27 December 2020 £000	29 December 2019 £000
Total equity	**29,809**	56,911
Cash and cash equivalents (Note 16)	**(7,394)**	(2,188)
Capital	**22,415**	54,723
Total financing	**22,415**	54,723
Leases (Note 19)	**185,146**	8,109
Bank borrowings (Note 19)	**20,000**	6,250
Overall financing	**227,561**	69,082
Capital to overall financing ratio	**9.9%**	79.2%

24 RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The Executive and Non-Executive Directors are deemed to be key management personnel of the Company. It is the Board which has responsibility for planning, directing and controlling the activities of the Company. There were no material transactions or balances between the Company and its key management personnel or members of their close family. At the end of the period, key management personnel did not owe the Company any amounts. The compensation of key management personnel is summarised in Note 3 to the consolidated financial statements. The remuneration of the Directors of Ten Entertainment Group plc is set out in detail in the Directors' Remuneration Report commencing on page 76 with a table of their remuneration for the period on page 86.

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	Loans to related party £000	Amounts outstanding with related party £000
Related party				
Houdini's Escape Room Experience Limited	—	—	—	42
Goals Plc	—	—	—	—
29 December 2019	—	—	—	42
Houdini's Escape Room Experience Limited	—	—	166	237
Source BioScience	—	8	—	—
We Play Limited	—	4	—	—
27 December 2020	**—**	**12**	**166**	**237**

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 year ended 27 December 2020, the Group has made a provision of £0.1m (2019: £nil) for doubtful debts relating to amounts owed by related parties. The related party balance with Houdini's Escape Room Experience Limited consists of £0.1m 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 and then £0.2m was loaned to Houdini's by Tenpin Limited during 2020 to assist with the building of new Escape Rooms.

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:

	27 December 2020 £000	29 December 2019 £000
Essenden Limited	**–**	(783)
Georgica Limited	**–**	3
Indoor Bowling Equity Limited	**–**	(2)
Tenpin Limited	**(987)**	(6,010)
TEG Holdings Limited	**60**	2,405

25 PERFORMANCE SHARE PLAN

The Company operates a Performance Share Plan ('PSP') for its Executive Directors. In accordance with IFRS 2 Share-based Payments, the value of the awards is measured at fair value at the date of the grant. The fair value is written off on a straight-line basis over the vesting period, based on management's estimate of the number of shares that will eventually vest. In accordance with the PSP scheme announced on 30 November 2020 ('the 2020 scheme'), the vesting of these awards is conditional upon the achievement of three performance conditions which will be measured following the announcement of results for the year to 1 January 2023 ('FY22').

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 FY22 relative to a comparator group of companies and will apply to the remaining 50% of share awards granted.

The third condition is a share price underpin where by no award or part of an award may vest unless the average share price of the Company calculated over a three-month period ending on the vesting date exceeds the share price on the date of grant.

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

- an expected term for awards granted under the PSP as being three years from the date of grant on the basis that these are nil-cost awards and therefore we assume that participants will exercise their options as soon as possible to benefit from full shareholder rights (e.g. voting and sale rights);
- the risk-free rate has been based on the implied yield of zero-coupon UK Government bonds ('UK Strips') with a remaining term equal to the expected term;
- expected dividend yield is 6.16%; 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 with underpin	TSR condition with underpin
Model used for valuation	Monte Carlo	Monte Carlo
Share price at valuation date (£)	1.96	1.96
Exercise price (£)	£0.1	£0.1
Risk-free rate	-0.02%	-0.02%
Expected dividend yield	6.16%	6.16%
Life of option	3 years	3 years
Expected volatility	47.22%	46.70%
Fair value of one share (£)	0.94	0.83

During the period ended 27 December 2020, 428,572 (2019: 456,666) share awards were granted under the PSP, 311,940 (2019: nil) share awards were forfeited, 96,970 (2019: nil) lapsed and 96,970 (2019: nil) were exercised. For the exercised awards, these were settled by the allotment of ordinary shares in the Company. For the year, the Company recognised a net (credit)/charge of (£24,831) (2019: charge of (£115,660)) which has mainly been as a result of the forfeit of awards and the determination that the EPS performance conditions will not be met for the 2018 and 2019 schemes. The schemes are equity-settled share-based payments and the remaining contractual life of the 2019 scheme share options at the period end is one year and six months, while the 2018 scheme share options' remaining contractual life is six months and the 2017 scheme share options have been exercised or lapsed.

25 PERFORMANCE SHARE PLAN CONTINUED

The following table splits the awards that were granted, exercised, lapsed 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
Granted in the year:		
Antony Smith	Chief Financial Officer	195,489
Graham Blackwell	Chief Executive Officer	233,083
Forfeited in the year due to resignation:		
Duncan Garrood	Chief Executive Officer	(311,940)
Exercised in the year:		
Graham Blackwell	Chief Executive Officer	(96,970)
Lapsed in the year:		
Graham Blackwell	Chief Executive Officer	(96,970)
Total as at 27 December 2020		**780,386**
Split as:		
2018 scheme		95,149
2019 scheme		256,666
2020 scheme		**428,572**

As reflected in the Director's Remuneration Report, of the 95,149 awards from the 2018 scheme that are exercisable in 2021, it is expected that only 25% of the award will vest which amounts to 23,787 awards and at an average share price for the last three months of the 27 December 2020 financial year, giving a fair value of £39,785. 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 27 December 2020 for the 2018 scheme, 2 January 2022 for the 2019 scheme and 1 January 2023 for the 2020 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)

2020 scheme	2019 scheme	2018 scheme	Vesting
17.00p	25.65p	24.50p	12.5%
17.00p–23.00p	25.65p–27.30p	24.50p–26.69p	12.5% – 50%
More than 23.00p	More than 27.30p	More than 26.69p	50%

26 DIVIDENDS PAID AND PROPOSED
The following dividends were declared and proposed:

	27 December 2020 £000	29 December 2019 £000
The following dividends were paid by the Group:		
Final dividend year ended 29 December 2019 – nil, 30 December 2018 – 7.7p per ordinary share	—	5,005
Interim dividend paid by Directors for year ended 29 December 2019 – 3.7p per ordinary share (paid 3 January 2020) 30 December 2018 – 3.3p per ordinary share (paid 5 January 2019)	**2,405**	2,145
The following dividends were declared and proposed by the Group:		
Interim dividend declared by Directors for year ended 27 December 2020 – nil, 29 December 2019 – 3.7p per ordinary share (paid 3 January 2020)	—	2,405
The below relates to final dividends proposed:		
Final dividend year ended 27 December 2020 – nil per ordinary share, 29 December 2019 – nil per ordinary share	—	—

The Company received a dividend of £7,458,679 (2019: £2,405,000) from its subsidiary TEG Holdings Limited that was declared in the financial year ended 27 December 2020.

27 POST-BALANCE SHEET EVENTS
CORONAVIRUS LARGE BUSINESS INTERRUPTION LOAN SCHEME ('CLBILS')
The Group successfully applied for and received in January 2021, a £14.0m term loan under the scheme. The facility is a three-year loan that was arranged through RBS and whose terms and security mirror the same arrangements in the commercial banking agreement.

COVID-19 UPDATE
Following the phased introduction of Tier 4 restrictions in a number of regions in December 2020, the Group had closed 40 of its centres, with only 6 remaining open at the year end. On 4 January 2021 all remaining centres were required to close as the UK Government announced a nationwide lockdown. The UK Government has announced that the leisure sector in England could re-open on 17 May 2021 if there is continued progress with the Government's four criteria for monitoring the pandemic. The Scottish and Welsh Government have not yet announced firm dates for the re-opening of the industry.

In the Government's Budget statement of 3 March 2021, it was announced that Business Rates relief would be extended and further grants for closed businesses would be made available. The Group will benefit from both of these measures to an estimated combined value of approximately £2.7m between April and August 2021.

Unaudited five-year record

	52 weeks to 27 December 2020 – IFRS 16 £000	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
Sales	**36,269**	84,122	76,350	71,040	67,319
Cost of sales	**(14,095)**	(24,930)	(22,423)	(21,478)	(20,639)
Gross profit	**22,174**	59,192	53,927	49,562	46,680
Administrative and other costs	**(38,025)**	(46,609)	(42,565)	(39,640)	(36,924)
(Loss)/profit before finance charges	**(15,851)**	12,583	11,362	9,922	9,756
Finance charges	**(5,815)**	(788)	(693)	(2,630)	(4,320)
(Loss)/profit before taxation	**(21,666)**	11,795	10,669	7,292	5,436
Taxation	**3,919**	(2,758)	(2,527)	(2,111)	(1,805)
(Loss)/profit after taxation	**(17,747)**	9,037	8,142	5,181	3,631

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors:	Nick Basing Graham Blackwell Antony Smith Adam Bellamy Christopher Mills Julie Sneddon
Company Secretary:	Antony Smith
Registered Office:	Aragon House University Way Cranfield Technology Park Cranfield Bedford, MK43 0EQ
Solicitors:	**BDB Pitmans LLP** 50 Broadway London, SW1H 0BL
Independent auditors:	**PricewaterhouseCoopers LLP** Chartered Accountants and Statutory Auditors 1 Embankment Place London, WC2N 6RH
Registrars:	**Computershare Investor Services Plc** 120 London Wall London, EC2Y 5ET
Brokers:	**Peel Hunt LLP** 100 Liverpool Street London, EC2M 2AT **Liberum Capital** Ropemaker Place, 12th Floor 25 Ropemaker Street London, EC2Y 9LY
Company number:	10672501
Country of registration:	England and Wales (United Kingdom)

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ENTERTAINMENT GROUP PLC

Aragon House
University Way
Cranfield Technology Park
Cranfield
Bedford, MK43 0EQ