ten.

ENTERTAINMENT GROUP PLC

AHEAD OF THE GAME

Annual Report and Accounts 2021

ten.
ENTERTAINMENT GROUP PLC

EXCELLENCE IN ENTERTAINMENT

STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

THROUGH CREATIVE MINDS WE INSPIRE OUR TEAMS AND PARTNERS TO INNOVATE AND DELIVER THE BEST IN CUSTOMER EXPERIENCE.

"2021 HAS BEEN A HUGELY SUCCESSFUL YEAR, WITH A RETURN TO STRONG GROWTH AND PROFITABILITY"

Graham Blackwell,
Chief Executive Officer

A WINNING STRATEGY

REACHING A NEW LEVEL

- +41.7% like-for-like sales growth compared to 2019 in the 12 weeks to 20 March 2022
- In the 44 weeks since reopening in May 2021, 96% of the estate has delivered a record weekly sales figure
- Like-for-like sales in the 2021 school summer holidays up 57.1% compared to 2019

RAISING THE GAME

- Four major refurbishments completed in FY21, enhancing the customer experience
- Customer experience broadened through karaoke, escape rooms and laser tag developments
- Transformed digital strategy increased customer database by 89%

BUILDING SUSTAINABLE GROWTH FOR 2022

- Four new centres secured for 2022, with further pipeline for 2023 and beyond looking strong
- Seven refurbishments planned in 2022, expecting to deliver over 30% ROI
- Planning to reinstate a dividend for 2022

STRONG END TO 2021 CARRYING MOMENTUM INTO 2022

- Highly successful competitive socialising model well positioned to capitalise on market trends
- Despite challenging external factors, management expect growth throughout 2022
- The Group is anticipating delivering a year of record profitability

FINANCIAL HIGHLIGHTS

STRONG SALES GROWTH DELIVERS A PROFITABLE YEAR

+29.0%
like-for-like sales growth since reopening in May compared to 2019

£3.1M
adjusted profit before tax despite being closed for almost 40% of the year

£26.4M
of EBITDA in a record-breaking second half

SUSTAINED CASH GENERATION

£16.1M
full year free cash flow

£2.5M
bank net debt, below pre-Covid level

£6.2M
of strategic capital investment in second half

EVERYTHING TO PLAY FOR

OUR PURPOSE

Through creative minds, we inspire our teams and partners to innovate and deliver the best in customer experience. Fun, technology and entertainment for every player.

WHO WE ARE

We are an ideas-driven, interactive social experience. Our dynamic team loves to build, innovate, create and entertain. We deliver experiences, fun and social interaction underpinned by great value for money. Smart technology puts players at the heart of the game.

OUR CULTURE

We engage with, listen to and value feedback from our customers and teams. We are continually learning to build an amazing experience for all. We develop and reward our people to focus on results, and drive for excellence in entertainment. Every customer is Player 1.

1,101 BOWLING LANES

1,410 EMPLOYEES

1.4M SQFT OF FAMILY ENTERTAINMENT SPACE

3 SOFT PLAYS

15 LASER TAG ARENAS

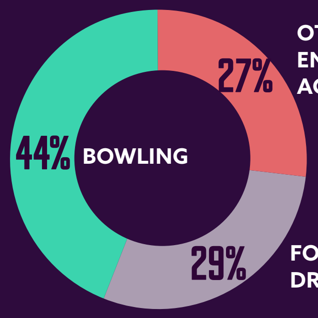
17 KARAOKE ROOMS

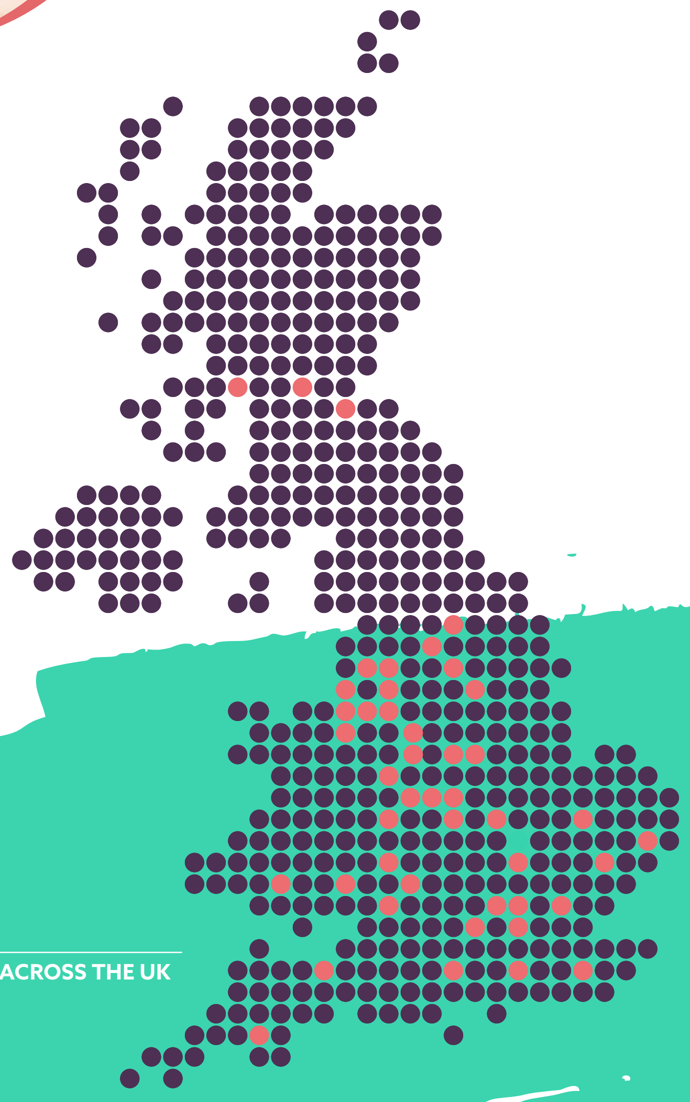
24 ESCAPE ROOMS

352 POOL TABLES

>1,600 AMUSEMENT MACHINES

THE GROUP'S REVENUE MIX IN 2021





46 LOCATIONS ACROSS THE UK

OUR INVESTMENT CASE

UNIVERSAL APPEAL

- Great value
- Competitive socialising in growth
- Fun for all ages

SUCCESSFUL MODEL

- Highly cash generative
- Robust balance sheet
- Well-invested estate

STRONG TRACK RECORD

- +29% LFL in 2021
- +11% CAGR sales over five years
- Consistent ROI >30%

SIGNIFICANT OPPORTUNITY

- Under supply in UK market
- Favourable property market
- Consumer trend towards experiential leisure

£15.10

REVENUE PER HEAD

3.9%

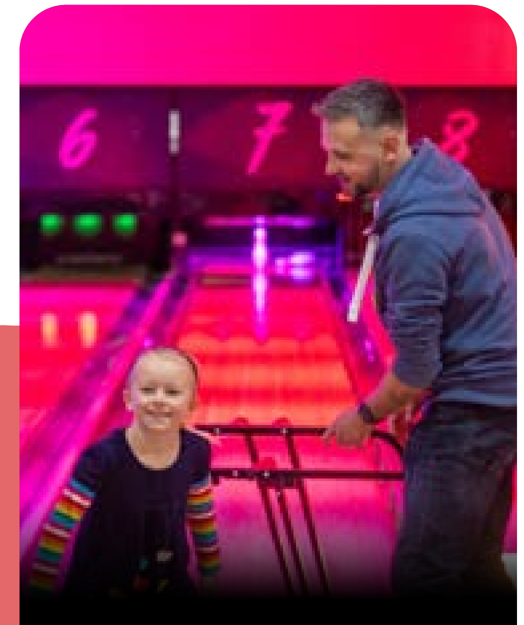
SHIFT INTO NON-BOWLING REVENUE STREAMS

VARIETY OF GAMES

A wide range of entertainment options to complement bowling.

Best in class games, including arcades, laser tag arenas, escape rooms, karaoke, pool and more.

Choice of social activities keeps each visit fresh and exciting.

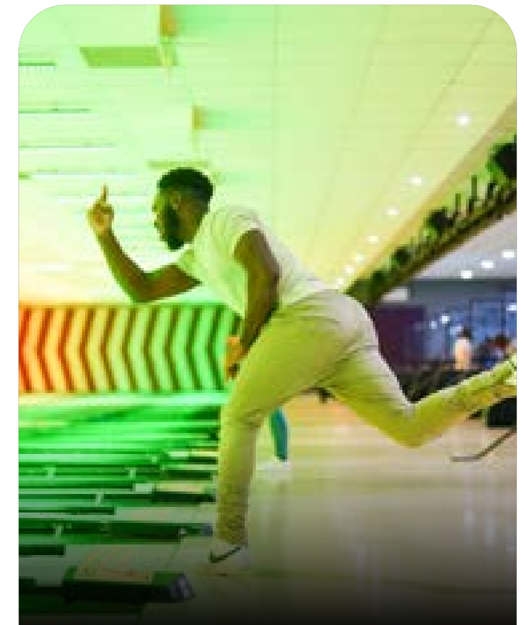


EXCELLENT VALUE

Average price of a game of bowling just £5.01, making it affordable fun.

Average revenue per head of £15.10, with customers enjoying multiple activities when they visit.

Affordable prices appropriate to the local market help drive footfall.



FRIENDLY COMPETITION

Competitive socialising is at the heart of the experience.

Bowling is one of the most established and popular forms of experiential leisure in the UK.

Our centres promote a friendly rivalry, where everyone can be Player 1 and be a winner.

EAT, DRINK AND PLAY

Food and drink provides something for everyone to enjoy as they play.

Snacks, sharing platters and main meals all tailored for groups to enjoy with their games.

Soft drinks, slushes and coffees complement a modern bar with cocktails and a wide range of drinks.

GREAT SERVICE

Simple online booking, creating a seamless digital experience.

Customer focused, making each visit a memorable experience.

An inclusive environment for friends and families to play together.

Simple lane ordering for uninterrupted play.

BACK IN THE GAME

"In conversation with Adam Bellamy and Graham Blackwell"

"I'M REALLY POSITIVE ABOUT THE FUTURE, WITH GREAT PLANS TO DRIVE GROWTH AND EXPAND THE ESTATE"

Adam Bellamy
Chairman

ADAM BELLAMY
CHAIRMAN

GRAHAM BLACKWELL
CHIEF EXECUTIVE OFFICER

Two years from the onset of Covid-19, how are you feeling about the future?

AB Initially, the pandemic was about existential crisis for businesses, particularly those in hospitality. I am now confident that is behind us as the UK learns to live with Covid. I've been with the management team every step of the way and am pleased with how they have taken everything in their stride. We have not just survived Covid but have emerged stronger than ever.

GB In March 2020, the impact was a complete unknown, and we took the best decisions we could on the information available to us. I think we did a pretty good job, but we have learnt so much since then. I am confident that we are giving our customers a fantastic experience every time they visit. If anything, Lockdowns for many people were an opportunity to reflect on how important socialising with friends and family is. That has been a long-term benefit to us, as customers have embraced the competitive social environment of our centres since reopening.

Does that mean you think Covid is behind us?

AB I think that the risk of business failure is now firmly behind us. Our business is stronger than ever and the outlook for the future is very positive. We have the expertise and experience now to manage any potential future Covid disruption and deliver growth.

GB Operating clean, safe and well-maintained entertainment centres with Covid safety embedded in the infrastructure is the new normal. Changes in staff and customer behaviour mean that we can be confident that people feel safe when they visit, and that shows in our strong footfall numbers.

You have outperformed almost every business is hospitality and leisure. Why do you think that is?

GB I think many people in the UK have had a chance to reflect on their priorities. The pressures of Lockdown made people realise that time with friends and family is really important to them. Our entertainment centres are perfectly placed to deliver that. People now want more from a night out than just a meal or a drink. Our activities such as bowling, pool, arcade machines, escape rooms and laser tag bring people together, and create more memorable experiences. Experiential leisure and competitive socialising is the future, and we've been delivering that for longer than most. That's why our customers keep coming back for more.

What do you expect to happen to growth in 2022 and beyond?

GB We've started this year really well, maintaining and even accelerating the momentum from 2021. It's too early to say how long it will continue at that rate, but we do have a track record of strong growth over the long term, and I am confident that we will continue to do so. We remain focused on giving our customers a great time, every visit, and that is what helps drive our growth.

AB I'm really positive about the future, with great plans to drive growth and expand the estate. The team are focused on consistently improving the experience for our customers. We see the benefit of refurbishments and broadening the games available to customers, and we have developed a very strong pipeline of growth for new centres.

Your 2021 sales growth was mostly footfall driven rather than relying on price increases. Is this strategy likely to change in the long term?

AB At our heart, we offer our customers great value for money, and that's a key reason why they come back to us. 2022 is subject to some significant inflationary pressures, but we are mindful that many of our customers will see their disposable income come under pressure this year. By maintaining our fantastic value offering and great family experience, we can ensure that customers will continue to visit even when times are hard.

GB We focus our pricing strategy on balancing our demand and our capacity to maximise yield from our centres. We will continue to use our balanced approach of using deals and promotions to incentivise shoulder periods which is highly effective at creating operational efficiencies.

Our new reward structure is set up to incentivise our employees to deliver excellent customer service. This drives footfall and repeat visits as well as growing our revenue per head. This balanced approach increases overall revenue and profit growth per centre and more than offsets inflation.

With the property market looking very favourable for your expansion plans, what does your pipeline look like?

AB I'm really excited about how the property pipeline is developing. Our Walsall development is under way, and we have an acquisition of an existing bowling centre almost finalised. By the end of the year, I am confident that we will have a further two centres open, with a similar number already in place for next year.

GB We have proved to landlords that we are one of the big winners in leisure and hospitality. As a result, many of them are delighted to talk to us about further development opportunities. We remain highly focused on the economic fundamentals that we know work for us and will continue to develop our pipeline across the UK.

How is Houdini's progressing? Is the plan still to roll-out at pace?

GB Houdini's is a great business offering a really high-quality social experience for customers. There is great synergy with Tenpin and we have already increased the pace of roll-out. We have more than three times as many rooms as when we started the partnership and continue to develop opportunities to expand the footprint further. However, it is just one part of our variety of entertainment options. We are also expanding our laser tag arenas and karaoke rooms and soft play, all of which are a fabulous complement to the bowling experience.

With such a strong profit and cash performance can investors expect dividends to be reinstated soon?

AB We are committed to our policy of self-funded investment in high-returning projects. Now that we built a very strong balance sheet and have strong momentum, we plan to return to a dividend in 2022. We will continue to monitor the external landscape carefully.

BRINGING OUR A GAME

A RETURN TO PROFITABILITY AND WELL POSITIONED FOR STRONG GROWTH

2021 has been an extraordinary year of transition for Ten Entertainment Group, and the entire team have raised their game in taking the business to a new level. We have returned the Group to profit for the year and have strengthened the balance sheet back to pre-pandemic levels with significant headroom in place to provide a strong platform for future growth and investment.

"REACHING A NEW LEVEL IN 2021."

ADAM BELLAMY
CHAIRMAN

We began 2021 in full UK Lockdown and the Board focused on ensuring that the business was fully prepared to relaunch. We increased our digital capabilities and reach; we prepared our teams for keeping themselves and our customers safe; we increased our efforts on building a pipeline of exciting new sites for 2022 and beyond; and we planned an upweighted strategic investment programme that we are confident will propel the business to a new level.

When the business reopened in May, our hard work was rewarded with an excellent performance, which strengthened further in the ever-important summer holiday period. We did see an element of one-off benefit from the Covid enforced staycations, but the sustained strength of our sales growth, culminating in the company's most successful ever week during the October half term, underlined that the new level of footfall and sales was not just a short-term phenomenon. This record sales performance has since been surpassed during the February 2022 half term trading.

Our business is a well-established leader in competitive socialising. Our centres offer high-quality entertainment at an affordable price and a wide choice of activities. Fundamentally, bowling is an activity that appeals across generations, and one where families and friends can get together to enjoy games, food and drink in a relaxed and sociable environment.

Perhaps as a result of the difficult circumstances many people have lived through over the last couple of years, we have seen that our customers want more from their time together. I believe that this is one of the reasons why our business has significantly outperformed the wider hospitality sector with customers prioritising a fun, social and competitive environment in which they can enjoy food and drink. This trend was already developing in 2019 and has been accelerated by the lifestyle and attitude changes that were driven by the restrictions which Covid enforced.

Our strategy has evolved to include an increasing focus on our digital platforms, but the fundamentals remain consistent. Every action we have taken in 2021 has been focused on four clear strategic imperatives: providing a first-class customer experience, digitally enabled, in high-quality centres, with increasing UK coverage. We have been rewarded with remarkable sales growth of around 30% consistently since we reopened in May.

One of our key themes since reopening has been to make our customers feel like Player 1 each time they visit. I have been delighted with the hard work and dedication that I have witnessed from our people in delivering this, and I would like to thank each and every one of them for their contribution to our business. In 2021 we were delighted to be able to reward their loyalty with a new recognition structure, giving our people the opportunity to share in our business success and to be rewarded for their hard work.

We have continued to develop our sustainability programme, engaging external experts to increase the knowledge of the Board in this key area, identifying climate-based risks, and building a sustainable action plan. Each refurbishment and new centre has sustainability designed in, using low energy technologies throughout. Our electricity is from 100% renewable sources and one of our key goals is to develop microgeneration utilising the large roof space available on our centres. We will increase our focus in 2022 and refine our longer-term plans for reaching net zero.

We also understand the importance of operating an ethical and sustainable business model. We have recognised the challenges of the labour market and have responded by enhancing our benefits and wellbeing support as well as increasing success-related rewards for our teams. Our strategic supplier relationships have limited our exposure to price rises and supply chain issues. Our long-term energy supply contracts, focused on 100% renewable electricity supplies, have been beneficial in mitigating much of the inflationary pressure seen elsewhere in the market. We will continue to focus our decision making on the long-term interests of all our stakeholders and I am confident that this will continue to bring benefits to all of them.

We are two years on from the start of the Covid-19 pandemic and we find ourselves facing a new landscape. The success of the vaccine roll-out means that Lockdowns have recently been avoided and are looking increasingly less likely in the future. Our business has adapted extremely well in delivering for our customers in the challenging environment, where demand for great value entertainment is stronger than ever. The trend towards experiential leisure is accelerating and we are well positioned to maximise our growth.

I have been a member of the Board since 2018 and was honoured to be appointed Chairman in 2021. I would like to extend my personal thanks to our Executive team and Board, who have navigated the Group through these challenging times with clarity of purpose and a focus on the long-term sustainable growth of the business. We now have less bank debt than we had at the end of 2019, which gives us confidence to accelerate our investment programme in 2022. We will have at least four new centres by the end of the year, and a pipeline of several more to come in 2023. We plan to refurbish a record number of centres this year, having proven that each refurbishment creates a substantial uplift in customer experience and profitability. Alongside this investment programme, we expect to return to paying a dividend to our shareholders, balancing disciplined capital investment with shareholder returns.

I am optimistic about our prospects for 2022 and am delighted to report that we now expect full year profit to be ahead of current market expectations. I am also very excited about our continued growth prospects into the future. While we do expect some of the extraordinary growth seen in 2021 to be tempered slightly as the one-off tailwinds fade, the underlying structural growth in our business will remain. I am pleased that we have returned to strong and consistent growth, creating value for all our stakeholders.

ADAM BELLAMY
CHAIRMAN
29 MARCH 2022

MOVING TO THE NEXT LEVEL

HIGH-QUALITY REFURBISHMENTS: NOTTINGHAM

The Group has an ongoing cycle of refurbishments to keep our centres modern, relevant, and offering the best-in-class entertainment experience.

Nottingham was one of four centres that were significantly refurbished in 2021. All 26 bowling lanes have been updated, creating a best-in-class bowling experience. We have introduced karaoke and Houdini's escape rooms and transformed the laser tag experience. At the same time we introduced a contemporary and exciting bar area serving cocktails, quality hot drinks and a wide range of soft and alcoholic drinks to complement our menu. This creates a focal point for our customers to relax, play and socialise.

Our launch night in early November saw guests from across the East Midlands visit the centre and exclusively experience the upgraded venue. Social media influencers, student societies and local Nottingham businesses took a first look at the venue and enjoyed the vast range of activities on offer. Feedback was overwhelmingly positive and the customer reaction has helped drive a much higher level of sales.

Our large centres offer flexibility to tailor the entertainment to optimise space, revenue, and the customer experience. During the Nottingham refurbishment, low revenue generating space and redundant offices were repurposed to add escape rooms. A reflow of the customer journey in the centre helped us to add karaoke rooms. These changes optimise the sale density of a centre and complement the bowling experience, giving customers more reasons to visit and spend with us.

Early analysis of our 2021 refurbishments is very encouraging, with returns ahead of expectations and our historic average and sales and profit uplifts delivered through increased footfall and revenue per head.

The level of investment for a refurbishment has been increased to ensure that each centre is completely modernised and the customer experience is transformed. We have been pleased to see a greater uplift in sales as a result which has allowed the overall investment returns to be maintained.

The Group plans to complete seven refurbishments in 2022 and anticipates continuing returns on investment of over 30%.

"TENPIN IS SUCH A TRENDY PLACE TO VISIT AND IS OUR GO-TO NOW. WHETHER IT BE FOR A DRINK, SOME FOOD, A GAME OR TWO OF BOWLING, OR AN ESCAPE ROOM OR ARCADE TRIP. IT'S GREAT, THERE'S JUST SO MUCH TO DO FOR EVERYONE"

NOTTINGHAM CUSTOMER FEEDBACK

16% INCREASE IN CUSTOMER FACING FLOOR SPACE

26% OF CENTRES NOW CONVERTED TO ENERGY EFFICIENT LANE LIGHTING

IT'S ALL ABOUT EXPERIENCE

EXPERIENTIAL LEISURE

- Competitive socialising activities bring families and friends together
- Bowling is one of the few leisure activities that can be enjoyed across generations
- Mental health awareness driving the desire for quality time with friends and family
- Bowling is complemented by a range of market-leading innovations to broaden appeal
- Tailored food and drink offering to enhance the player experience

COMPETITIVE ADVANTAGE

- Large centres offering a variety of entertainment activities
- Well-invested estate operationally geared to drive profit from footfall
- Bowling is high margin based on asset base providing protection from the worst of inflationary pressures
- Labour ratio relatively low giving less exposure to labour supply or inflation
- Scale creates long-term strategic partnerships with suppliers
- Digital reach and engagement strongest in the sector

FAVOURABLE MARKET

- Under-saturated market with only c.300 centres in the UK
- Significant growth opportunity
- New opportunities available in recently vacated big-box retail space
- Acquisitions can offer new markets at an attractive price
- Market trend for consumers to shift to experiences over possessions
- Exposure to supply chain challenges and inflation relatively low

A POSITIVE OUTLOOK

- Extraordinary growth seen in H2 2021 has continued into Q1 2022
- Demand may soften, but underlying sustainable growth potential remains
- Changes in consumer behaviour favour operators offering a variety of social activities
- Consumer confidence remains robust
- Low price point creates resilience even with cost of living squeeze

HOW WE ROLL

Ten Entertainment Group operates large, high-quality family entertainment centres throughout the UK.

Our core bowling proposition is supplemented by a wide range of complementary family-focused entertainment and great value food and drink.

Leveraging our competitive advantage...

A SUCCESSFUL MODEL

Our experience 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 of 46 centres across the UK offers a wide range of entertainment and a high-quality customer experience.

INNOVATION

From the most modern bowling equipment to the latest video games and a fully integrated digital experience, technology drives our growth.

DEDICATED PEOPLE

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

STRATEGIC PARTNERSHIPS

Our strategic partners provide an all-round experience, including the latest in bowling and gaming technology and tailoring a food and drink offering to be enjoyed while you play.

...to deliver a quality experience...

OPERATIONAL EFFICIENCY

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

STRONG CASH GENERATION

- Highly cash generative model
- Long-term trend of sales growth
- Disciplined approach to capital allocation

HIGH INVESTMENT RETURNS

- Proven model of sales driving investment
- Track record of profitable estate growth
- Investment returns in excess of 30%

... creating 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.

SUPPLIERS

We work with suppliers to ensure a mutually beneficial working relationship. We expect our suppliers to work within our ethical trading policy.

PEOPLE

We invest in rewarding, training and supporting our employees to reach their potential and enable them to deliver a first-class customer experience.

PARTNERS

We have strong long-term relationships with a core set of critical business partners who help us create a competitive advantage and deliver a best in class customer experience.

INVESTORS

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

ENVIRONMENT

We know our business can have a wider impact beyond our direct stakeholders and we work to ensure we are having a positive impact on local communities.

UNDERPINNED BY:

Our culture and values
See page 12 for more

Robust risk management
See page 28 for more

A focus on sustainability
See page 21 for more

High standards
See page 20 for more

PLAYING TO WIN

OUR PURPOSE

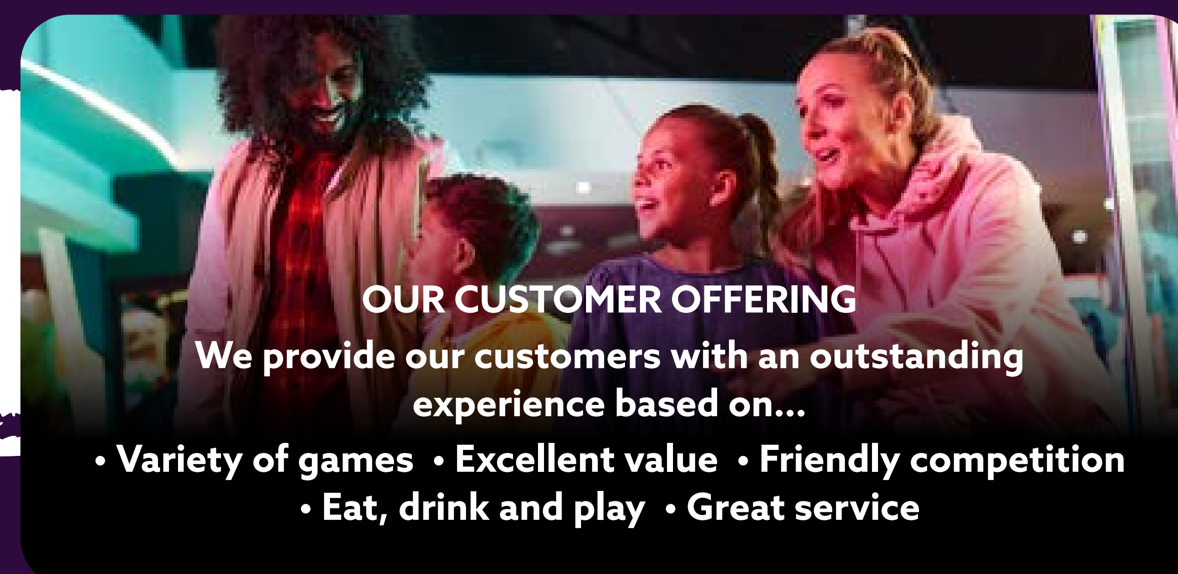
Through creative minds we inspire our teams and partners to innovate and deliver the best in customer experience. Fun, technology and entertainment for every player.

Our purpose explains why we do what we do. It drives and shapes all decisions and priorities

Our culture unites our people and inspires them to deliver on our purpose and vision

LONG-TERM GROWTH DRIVERS

- **More customers**
- **Higher frequency**
- **Higher spend**



OUR CUSTOMER OFFERING

We provide our customers with an outstanding experience based on...

- **Variety of games**
- **Excellent value**
- **Friendly competition**
- **Eat, drink and play**
- **Great service**

OUR CULTURE

We engage with, listen to and value feedback from our customers and teams. We are continually learning to build an amazing experience for all. We develop and reward our people to focus on results and drive for excellence in entertainment. Every customer is Player 1.

Our long-term growth strategy is underpinned by four strategic priorities

Monitoring and maintaining our culture is a vital part of our strategy

OUR STRATEGIC PRIORITIES

1. **A first-class customer experience**
2. **Digitally enabled**
3. **In high-quality centres**
4. **With increasing UK coverage**

Read more on our strategic priorities pages 13 to 16

A FIRST-CLASS CUSTOMER EXPERIENCE

OUR INVESTMENT HAS BEEN TARGETED TO DELIVER A MEMORABLE CUSTOMER EXPERIENCE FROM EVERY VISIT:

- Diversification of experience to maximise space – Houdini escape rooms; Karaoke; Laser Tag and more
- Best value pricing – ensuring that every player has access to the best value pricing that suits their needs
- Service focused employee incentives to drive high performance and service across all centres
- Simplified menu tailored to be enjoyed while playing

WHY IT IS IMPORTANT

FOCUS ON THIS PILLAR WILL:

- Generate growth from new customers
- Improve engagement with customers
- Increase revenue per head (RPH)
- Increase visit frequency
- Support and develop high performing people

ACHIEVEMENTS IN THE YEAR

WE HAVE DELIVERED CUSTOMER BENEFITS WITH:

- 11 new escape rooms taking the total to 24
- Bespoke local pricing in nine centres to increase footfall and profitability
- Incentives worth £0.8m awarded to over 1,200 people to reward service excellence
- Diversified offer increased RPH by 7.9%
- >30% ROI by adding new activities to existing centres

£5.01
AVERAGE PRICE PER GAME

23%
INCREASE IN LIKE-FOR-LIKE FOOTFALL

DIGITALLY ENABLED

OUR INVESTMENT HAS BEEN TARGETED TO IMPROVE DIGITAL CAPABILITIES:

- Modern bowling technology integrated to new web platform
- Newly developed CRM system enabling targeted deals
- Significantly strengthened social media engagement
- At table or lane food and drink ordering

WHY IT IS IMPORTANT

FOCUS ON THIS PILLAR WILL:

- Generate growth from new customers
- Improve engagement with customers to increase frequency
- Improve online bookings of range of additional experiences
- Keep centres engaged with their local community
- Enable targeted offers that are relevant to customers

ACHIEVEMENTS IN THE YEAR

WE HAVE DELIVERED CUSTOMER BENEFITS WITH:

- Increased online bookings to 63%
- Enhanced cyber security to protect our customers
- Increased our customer database by 89%
- Rapidly growing TikTok presence
- More than doubled the efficacy of digital marketing investment

67%
INCREASE IN WEBSITE VISITS

64K
TIKTOK FOLLOWERS

IN HIGH-QUALITY CENTRES

OUR CAPITAL INVESTMENT PROGRAMME IN THE EXISTING ESTATE IS FOCUSED ON THE FOLLOWING KEY AREAS:

- Refurbishing our centres – targeted investment to keep centres modern with best-in-class entertainment experience
- Catch up maintenance – ensuring all centres are maintained to a high standard and any pandemic shortfalls are caught up
- Best-in-class bowling – using latest bowling technology such as Pins & Strings across the estate to give a lower cost base and an improved experience for our customers

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
- A relevant and attractive offering focused on the growing market in competitive socialising

ACHIEVEMENTS IN THE YEAR

DESPITE THE SIGNIFICANT DISRUPTION:

- Consistently strong like-for-like growth for FY21 of +29%
- Sales growth well ahead of most restaurant and pub operators
- Refurbished Nottingham, Bristol, Plymouth & Kingston centres
- Pins & Strings programme completed

£6.2M
STRATEGIC INVESTMENT IN THE EXISTING ESTATE

4
SIGNIFICANT REFURBISHMENTS IN FY21

>30%
RETURN ON INVESTMENT

+3.4%
GROWTH VS 2019 FROM NEW CENTRES

WITH INCREASING UK COVERAGE

OUR PIPELINE COMPRISES EXISTING BOWLING CENTRE ACQUISITIONS AND NEW BUILD OPPORTUNITIES:

- Acquire bowling centres – driving significant uplifts through implementation of sector-leading processes and experience
- Develop new centres – converting brownfield sites into entertainment centres including selected city centre locations
- Grow the pipeline – identify 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 Tenpinisation
- Synergies by spreading central costs over more centres

ACHIEVEMENTS IN THE YEAR

DEVELOPMENT IN THIS AREA HAS LED TO:

- A new-build centre in Walsall to open in H2 FY22
- A new centre acquisition agreed for H1 FY22
- Expect two further new centres in FY22
- Further pipeline well developed for similar growth in FY23

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.

STRATEGIC OBJECTIVES

1. A FIRST-CLASS CUSTOMER EXPERIENCE
2. DIGITALLY ENABLED
3. IN HIGH-QUALITY CENTRES
4. WITH INCREASING UK COVERAGE

GROWTH DRIVERS

A – MORE CUSTOMERS
B – VISITING MORE OFTEN
C – WITH HIGHER SPEND

FINANCIAL

GROUP ADJUSTED PROFIT BEFORE TAX

£3.1M

2021	£3.1m
2020	(£19.1m)
2019	£14.2m

Definition and how we performed

The Group's underlying operational performance is measured using this metric, calculated as profit before tax less exceptional items and impairment. With the transition to IFRS 16: Leases, depreciation and finance costs have a more significant impact on profitability and so this metric becomes more important in particular when making property decisions.

1 2 3 4 A B C

Target and link to strategy:

Group adjusted profit before tax is driven by the delivery of all four of our strategic pillars. In 2021 the business was closed for the first 20 weeks creating a loss which was reversed by a very strong profit delivery of £13.9m in the second half, almost matching the £14.2m delivered in the full year 2019.

LIKE-FOR-LIKE SALES

+29.0%

2021	29.0%
2020	(17.4%)
2019	8.0%

Definition and how we performed

This is a critical measure of underlying growth in the business. The Group reported a +29.0% increase in like-for-like sales versus 2019 (2020: (17.4%) decrease). Consistent like-for-like sales growth demonstrates the success of the growth strategy. It allows the Group to defray its fixed costs over a broader sales base which enables growth in profitability.

1 2 3 4 A B C

Target and link to strategy:

Like-for-like sales is driven by investing in new products, growing ancillary sales, improving service, enhancing our digital integration and ensuring that the core bowling product is well invested across all of our centres. Focus on the four pillars of the strategy will generate like-for-like sales growth.

BANK NET DEBT

£2.5M

2021	£2.5m
2020	£12.6m
2019	£4.1m

Definition and how we performed

The Group's bank net debt is £2.5m (2020: £12.6m) a decrease of £10.1m. Bank net debt comprises gross bank borrowings of £14.0m (2020: £20.0m) less cash and cash equivalents of £11.5m (2020: £7.4m). Strong profit performance in H2 2021 has led to net debt below those pre-pandemic levels providing a strong base for investment in 2022.

1 2 3 4 A B C

Target and link to strategy:

During the Covid-19 pandemic, the Group prioritised managing cash, both by trying to conserve what was spent but also by raising cash during the closure periods. Managing bank net debt below £10m allows the Group to fund its strategic growth plans, pay dividends to shareholders and manage risk with a liquidity buffer.

RETURN ON CAPITAL EMPLOYED ('ROCE')

4.5%

2021	4.5%
2020	(28.7%)
2019	19.1%

Definition and how we performed

The Group's ROCE is operating profit as a percentage of total capital employed which consists of non-current assets and current assets less current liabilities. The increase in FY21 is a result of the return to profit. The significant increase in capital employed due to recognition of Right of Use Assets (ROU) means that a return to the 2019 level is not expected, although the cost of capital has also been reduced.

1 2 3 4 A B C

Target and link to strategy:

Disciplined deployment of capital investments in high-returning projects is key to driving shareholder return. The target is to maintain ROCE above 9.5% in the medium to long term which represents a return over and above the average cost of capital employed in the business and demonstrates delivery of additional shareholder value.

OPERATIONAL

REVENUE PER HEAD ('RPH')

£15.10

2021	£15.10
2020	£13.99
2019	£14.60

Definition and how we performed

RPH is the average revenue by customer per visit. This is the total revenue per centre divided by the footfall. RPH has increased by 7.9% since last year and increased by 3.4% compared to pre-Covid levels in 2019. This reflects customers' increased spend on food, drink and increased engagement in ancillary activities.

1 2 3 4 C

Target and link to strategy:

Investment in a first-class customer experience is aimed at increasing the dwell time and offering more products to customers to encourage them to spend more. Being digitally enabled enhances the overall customer journey and ease of ordering additional services such as food and beverage whilst maintaining high-quality centres encourages customers to increase their dwell time.

FOOTFALL

4.5M

2021	4.5m
2020	2.6m
2019	5.8m

Definition and how we performed

Footfall is the measure of the number of unique bowling sessions played. This is a crucial measure of overall customer demand and is carefully managed by centre to ensure that bowling capacity and footfall are balanced to optimise revenues. Despite being closed for 38% of the year, footfall recovered to 78% of 2019 levels, and was up 71% versus 2020.

1 2 3 4 A B

Target and link to strategy:

The Group targets increased footfall 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.

GAMES PLAYED PER STOP ('GPS')

1,002

2021	1,002
2020	882
2019	662

Definition and how we performed

GPS looks at the number of games played that are not interrupted by a breakdown. This improved by 13.6% to 1,002 (2020: 882) for the period as the Group benefited from the investment programme in Pins and Strings. Additionally, the period of closure enabled a proactive preventive maintenance scheduling, further improving the reliability of our equipment.

1 2 3 4 A B

Target and link to strategy:

Investment in Pins & Strings technology has transformed the customer experience with less interruption from breakdowns and a more energy efficient smoother playing experience. It has significantly reduced costs and increased the capacity of our centres, contributing to an increase in yield and profitability.

WEBSITE VISITS

6.0M

2021	6.0m
2020	3.6m
2019	4.9m

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 38%, there were over 6m visits to the website which is up 67% on last year and up 22% versus 2019. Increased web visits increase bookings, grow our customer database and enable targeted promotional campaigns.

1 2 3 4 A B C

Target and link to strategy:

Our ongoing digital enhancements are expected to continue to drive an increase in website visits and online bookings. Continuous improvement in the digital experience is integral to building customer engagement and encouraging repeat visits and great engagement with a wider range of activities.

TAKING THE LEAD

29% LIKE-FOR-LIKE SALES GROWTH

96% OF CENTRES HAVE BROKEN RECORD SALES WEEKS SINCE REOPENING

GRAHAM BLACKWELL
CHIEF EXECUTIVE OFFICER

"A REMARKABLE RECOVERY"

OVERVIEW OF 2021

2021 has been a year of milestones and records for the business. We have returned to profit, delivering full year Group adjusted profit before tax of £3.1m. We enjoyed our biggest ever summer holiday period with sales growth of +57%. We executed our strongest ever October half term campaign, which was surpassed in February 2022 with another record-breaking week. During 2021 we delivered seven of the top-ten trading weeks in the Group's history, consistently raising the bar on our sales delivery. Our excellent cash inflows in the second half have strengthened the Group's balance sheet back to its pre-pandemic levels, with lower bank net debt than we had at the end of 2019.

Despite being closed for the first 20 weeks (38%) of the year, the Group delivered sales of £67.5m. This is higher than the full year sales in FY16; a mark of how far the business has come in its development. The momentum with which we exited the year has built a sustainable platform for growth in 2022 and beyond.

Our relentless focus on great service, high-quality centres and growing our estate remains at the core of our strategy. Our digital engagement with our customers has strengthened enormously, with 89% growth in our customer database and enhanced engagement across all the major social media platforms. The sector-leading sales growth throughout 2021 is testament to the success of our strategy.

SUSTAINED SALES GROWTH

The business reopened on 17 May, along with most other indoor hospitality operators. Initial trade before the summer holidays delivered like-for-like sales growth of +16.9% compared to 2019. This was an encouraging start but was hampered by tight Government restrictions which remained in place until "Freedom Day" (19 July 2021).

Freedom Day and the school summer holidays saw a rapid and sustained uplift in the like-for-like performance compared to 2019. Over the full summer holiday period, sales were +57.1% compared to 2019. The lack of foreign travel helped, although it is difficult to disaggregate this staycation effect. However, there is no doubt that much of this growth is an underlying reflection of the strength of our customer proposition.

Our pricing strategy has more than offset the inflationary pressures across the cost base. Where direct input costs have increased, we have passed this on in the retail pricing. For our bowling, which is based on our fixed assets and so not subject to the same inflationary increases, we have optimised our pricing strategy to balance demand to the available capacity. This has allowed us to retain our core focus on great value for money. The increased footfall at peak times has created strong sales growth and we have spread our demand further across the week by continuing to offer off-peak incentives to fill the shoulder periods and focused deals to attract families during the school holidays. This strategy has optimised the demand and capacity throughout the year, and the increased footfall has generated significant cost efficiencies which are higher than the cost of inflation in our overheads.

We had anticipated that sales growth would soften once the school holidays had ended, and pent-up demand had subsided. This happened to some extent, but we were extremely encouraged to see that like-for-like sales growth remained well over 30% from September all the way through to mid-December, only falling away for a very short period with the uncertainty surrounding the onset of Omicron. This was a transitory effect as customers sought to "protect" their family Christmas and sacrificed the usual work and friends pre-Christmas parties.

The combined effect is that in the period from reopening on 17 May to the end of the year, total sales growth compared to the same period in 2019 was a very strong +32.4%.

In the first 12 weeks of 2022 up to 20 March, the momentum has continued and even accelerated. Like-for-like sales growth over this period compared to 2019 has been +41.7% and +36.2% compared to 2020. The recent February half term has surpassed the record previously set by October 2021 half term as the Group's largest ever week's sales. We have continued to create records, including our biggest ever October and February half term weeks, our largest ever weekend and busiest ever Christmas week. 96% of our centres have experienced their largest ever week of sales.

While this extraordinary growth has continued consistently into the first quarter of 2022, the second and third quarters are expected to normalise back to low double-digit levels. A combination of a late Easter, the Platinum Jubilee celebrations, and a summer of foreign travel are all likely to slightly suppress the relative demand. The mounting crisis in Ukraine is putting significant inflationary pressure into the UK economy and this is likely to further squeeze disposable incomes. However, the structural changes in the market and our targeted investments mean that we expect that growth compared to 2019 can continue to be delivered.

DELIVERING PROFIT AND CASH

Consistently strong sales have created excellent cash generation and ultimately a return to full year profitability. Despite the 20 weeks of closure, the Group delivered £10.1m of cash inflow in the year to reduce the bank net debt to (£2.5m) at the year end. This is lower than at the end of 2019 (£4.1m) and represents a very secure financial position. Our £25m RCF facility with RBS is sufficient to maintain the business's liquidity headroom for our future growth plans. It is our intention to repay the £14m Coronavirus Large Business Interruption Loan Scheme (CLBILS) term loan later in 2022 which will reduce our financing costs and allow for a resumption of dividend payments.

Group adjusted profit before tax for the year was £3.1m, with £13.8m of profit in the second half more than sufficient to offset the (£10.7m) loss reported for the first half.

At the start of the year we set ourselves the stretching goal of restoring our financial position to pre-Covid levels and delivering a better than breakeven profit for the year and I am delighted that we more than delivered against these very challenging targets. The business has created momentum to launch into a very promising next phase of growth.

There has been a significant shift in customer behaviours over the past 12 months. Experiential leisure has seen very strong growth as customers seek value for their leisure time and money. The Group offers a wide range of activities that can be combined with great food and drink to enjoy with family and friends. This is becoming increasingly popular in comparison to a trip to the pub or restaurant. Our like-for-like growth over the past 10 months since May 2021 has been +32.7%, which is significantly higher than that seen in most other hospitality venues, demonstrating the value of our competitive social model.

The resilience and strength of the business model has reset the cash position to allow a return to our programme of strategic investment. The strategy has been reviewed in detail and remains fit for purpose, with an enhanced emphasis on the digital experience for our customers.

The Group applies a disciplined approach to capital allocation, focusing on high-returning strategic investments. Average returns have been consistently above 30%, with a proven model of refurbishments, new centres and investments in customer experiences. Since reopening, these returns have continued to be delivered.

FIRST-CLASS CUSTOMER EXPERIENCE

Our emphasis in 2021 has been to develop the customer experience so that every visitor can feel like Player 1. A great experience starts with our people, where we have invested significant time in developing recruitment, training, and reward programmes. We have targeted our pricing and promotional strategy to ensure that our players enjoy a great value experience at every visit. The range of games for our customers to play has been extended, and in 2021 we saw a significant shift in participation across a wider range of activities.

We have significantly increased the range of activities on offer. We now operate 24 escape rooms across 12 locations in the UK, with a strong pipeline for 2022. We have 15 laser tag arenas, three soft play areas and karaoke rooms in eight of our centres. Adding these experiences into our existing centres generates an average return on investment of over 30%.

In addition to broadening the customer experience, we have simplified our menu to focus on core products that our customers can enjoy together while they are playing. We have supplemented our bar offering by introducing cocktails and mocktails as well as introducing a quality hot drinks menu. The key focus of each of these initiatives is to use our existing space to its maximum potential.

As a result of all these changes, the total revenue per head (RPH) in 2021 increased by 7.9% to £15.10. This measure indicates the overall engagement in the broad range of activities across our centres when customers visit. Bowling sales are still 44% of our turnover, but our accelerated growth into these other revenue streams is helping to optimise the sales density and efficiency of our centres. During the year we saw a 3.9% increase in our customers enjoying non-bowling activities. These additional activities are being rolled out to the estate as part of the refurbishment programme and as stand-alone projects where space allows.

Our recruitment and onboarding process is now fully digital, freeing up our managers' time to focus on getting the right people and ensuring we can speed up the onboarding process. During 2021, our recruitment and training systems have given us an extremely flexible way to bring new people into our business. This has allowed us to manage the challenging labour market successfully.

We introduced revolutionary new digital training tools for our team members in our centres. The training takes the form of a series of games in a bespoke app that takes our staff through the basics of great service and process. The games award points and stars so that our people are incentivised to level up and repeat the training where they may have fallen short. This enhanced training has delivered three main benefits: it has speeded up the onboarding of new staff; it has greatly enhanced customer service; and it has helped increase our ancillary sales.

We have significantly improved our manager bonus scheme to make it directly linked to over-delivery of targeted profit. We have aligned this development with a targeted awards programme to recognise great customer experience delivery. This has facilitated improved retention of key people and created a direct link between an individual's pay, great customer service and strong profit performance.

As well as great service, our customer experience depends on delivering good value for money. The core bowling product is based on our fixed assets and not subject to the same inflationary pressures as most other leisure and hospitality operators. During 2021 we targeted our promotional pricing strategy to optimise the yield in our centres. The average realised price for a game of bowling in 2021 was £5.01 including VAT which is 3.7% lower than in 2019. This approach drove a mix shift into periods and centres where there was available capacity, maximising our yield potential and increasing sales density across the estate over the weekly cycle. Average utilisation has increased by 22% compared to 2019. Overall, visiting our centres represents extremely good value for money for our customers, and that has been demonstrated by the strong growth in footfall of over 20%.

DIGITALLY ENABLED

A key element of our progress and growth has been the seamless digitally integrated experience. In 2021, 63% of bowling was booked online with customers taking advantage of our enhanced website and integrated booking system. This online booking is almost double the proportion experienced in 2019. We have significantly grown our contactable customer database by 89% and the frequency of visit of our most valuable customer segments has also increased.

In July 2020 we were the first in the UK bowling industry to introduce an online ordering system for food and drink, and this has continued to perform well throughout 2021. It has proved to be an effective driver of ancillary sales. Food and drink sales grew by 41.3%, increasing the overall sales mix of food and drink to 28.5% (FY19: 26.2%). By simplifying our menu, we have improved the speed and efficiency of food service, encouraging customers to order more often. We have also introduced several package deals, which encourages sharing snacks while players bowl.

Through better understanding of our customers, we have step-changed our social engagement with them. Our new TikTok channel stimulates interest, particularly in our younger demographic. Facebook still provides a route for more traditional targeted marketing and customer promotions and Instagram has become a crucial tool for launching new centres and refurbishments. This three-pillar social media strategy has helped us reach more customers in 2021 and created an aggregate following of over 224k people on social media.

We are continuing to develop the customer journey. In 2022 we will be expanding the overall player experience of our well-established competitive socialising model. We are investing in the latest interactive bowling software technology across the estate which greatly enhances gameplay and engagement.

IN HIGH-QUALITY CENTRES

Our customers come to us for the bowling experience but stay longer to enjoy the food, drink and ancillary activities. A crucial driver of this is to ensure that our centres are well maintained and of high quality. During 2021, in addition to our regular maintenance capital expenditure, we have invested a further £2.6m to improve our centres.

The refurbishments that we completed in 2020 at Acton and Birmingham Star City have shown significant growth ahead of the estate, delivering a return on investment of over 30%.

In 2021 we continued our refurbishment programme, investing a total of £2.4m in four significant transformations at Nottingham, Kingston, Bristol and Plymouth. These developments have refreshed the bar and food areas, creating a modern look and feel. We have invested significantly in the lane lighting to enhance the overall atmosphere in the centres. A key driver is to make efficient use of space and we have converted some under utilised areas into additional social and leisure activities. We have installed karaoke rooms, upgraded our laser tag arenas, and incorporated Houdini's escape rooms. All these additional activities improve the sales density of the centres and drive an uplift in food and drink sales because of the increased footfall.

In addition to these large-scale refurbishments, we have significantly upweighted our investment in the underlying bowling product. Over the past 5 years we have successfully completed the installation of Pins & Strings technology which has transformed the reliability of the lanes and increased our yield. We are now turning our focus to ensuring that the rest of the bowling product is best in class. We are replacing lanes, improving the gutters and ball returns and enhancing the overall lighting and bowling experience to ensure each player enjoys a modern and exciting game every time they visit.

Our strategy of continuing to develop the atmosphere and enjoyment of our centres continues to drive footfall. This combines with our enhanced customer service, increased variety of games and our investment in digital to ensure that we can continue to drive high returns on investment for each refurbishment we carry out. We expect our refurbishment programme to continue to deliver returns of over 30%.

AN EXPANDING ESTATE

We have a winning customer formula that delivers strong footfall across the UK in our 46 centres. We have expertise in delivering a high-quality competitive social experience with a wide variety of activities anchored on the core bowling product. Our aim is to continue to expand the estate with quality new centres each year.

During 2021 we did not add any new centres to the estate due to the uncertainty in the external environment. However, we did benefit from a strong performance from our new centre in the heart of Manchester's vibrant northern quarter at Printworks. This is a 12-lane centre in a high footfall metropolitan location. Printworks has exceeded expectations, with a more evening focused clientele. 2021 also benefited compared to 2019 from the annualisation of sales from Southport and Falkirk. Together these three centres are delivering a return on the £6m investment of over 30%.

We have made excellent progress in developing the pipeline of new centres for the future and will open four new centres in 2022. We have already started work on a new centre in an empty retail unit in Walsall and expect this to open in the second half of the year and we have almost finalised the acquisition of a new centre in the Home Counties. In addition to these two centres, we are well developed on a further five opportunities, mostly repurposed retail space, which we are confident we will be able to open over the course of the next 18 months.

We are maintaining our focus on good quality locations at affordable long term rental deals. Our property cost across the estate including all service charges is only £11.22 per square foot. This low average rent base means that we can invest in high-quality centres as a destination entertainment venue for our customers and continue to drive long-term returns on investment of over 30% on our new centres.

This significant expansion programme is accelerating as a result of the recent availability of varying sized retail space and because landlords are seeing the benefits of TEG as an attractive partner and a long-term stable tenant that brings significant footfall to their estate.

SUSTAINABLE DEVELOPMENT

Our new centres and refurbishments are all being developed with sustainability in mind. We are rolling out low energy lighting solutions across the estate to supplement the programme already completed on the energy-efficient Pins & Strings pinsetter machines. We continue to develop our energy reduction investments across the estate, reducing our overall carbon consumption. In conjunction with this, we continue to source 100% of our electricity from guaranteed renewable sources.

We have made good progress towards adoption of the Task Force on Climate Related Financial Disclosures (TCFD) reporting in 2022 and have conducted our readiness assessments. We have engaged with external consultants to develop our strategy for delivery of our net zero aspirations and expect to report on these in full during the course of 2022, incorporating a broad suite of metrics for the business to track progress.

We continue to develop our diversity and inclusion agenda. 33% of the Board are female and 50% of the management population of the Group is female.

We worked hard to ensure that our key stakeholders suffered as little as possible as a result of the Covid Lockdowns. All our suppliers have been paid in full or have newly negotiated contracts in place. During the whole Covid period we made no enforced redundancies and paid out over £12.4m to colleagues who were unable to work due to Covid-19. This was fortunately 71% funded by the Government's Coronavirus job Retention scheme (CJRS). Our landlords have now been repaid in full or have benefited from regeared leases to compensate for any property shortfalls. The £5m additional funds from shareholders have been reinvested into the business in 2021, generating returns in excess of 30%.

Now that the cash position is fully recovered and the bank net debt is below pre-pandemic levels, it is our intention later in the year to make full early repayment of the £14m CLBILS term loan. This will pave the way for the Group to reinstate a dividend for 2022. We will provide further detail on this at our half-year update later in the year.

OUTLOOK

We are delighted with how strongly we have begun 2022, with sales growth over the first 12 weeks of the year +41.7% ahead of the same period in 2019. This maintains the momentum from the end of last year, starting the year on a strong footing.

We are expecting the second and third quarters to be slightly more challenging, with a late Easter, Platinum Jubilee events and a return to foreign holidays all likely to impact on the demand for UK-based experiential leisure. The current squeeze on cost of living from rising fuel prices, food prices and inflation in general are all likely to have an impact on disposable income. As a result, we expect our growth to moderate to low double digits for the balance of the year.

Labour costs are relatively low compared to other businesses in the hospitality industry, representing less than 20% as a proportion of total sales. Labour costs are expected to be subject to around 7% inflation through pay rises and an increase in National Insurance contributions. However, our high sales growth rate means that the business has been able to use labour efficiencies to offset these inflationary pressures, which has enabled us to keep prices low for our customers. This creates a virtuous circle as footfall increases due to our centres becoming comparatively even better value for money.

Our property costs, which comprise around 20% of sales, are subject to long-term leases where increases are generally subject to a cap and collar mechanism and therefore not as vulnerable to short-term inflationary pressures. Food and drink direct costs and consumables only comprise less than 11% of the total cost base and have been passed through to the customer. Electricity is fixed until 2024 and the Group has a number of other fixed term contracts which are expected to result in relatively modest inflationary pressures in the year ahead despite the market volatility.

Although it is still early in the year, with some uncertainty in the external market, we are confident that our business is resilient and will continue to grow. We have a strong strategy in place with a proven track record of financial returns. Our cash position is fully restored with a pipeline of investments in place for the year ahead. Demand remains robust, and we are continuing to show significant sales growth against our 2019 baseline comparative. As a result, we expect the full year profit to be ahead of current market expectations.

GRAHAM BLACKWELL
CHIEF EXECUTIVE OFFICER
29 March 2022

REWARDING OUR PEOPLE

The Group has introduced a range of incentive mechanisms to recognise and reward the hard work and commitment of all of our people, particularly those working in our centres.

In 2021, there has been a step change in the culture to reward service, sales and profitability. Since reopening in May 2021, the Group has invested £0.8m in rewards and incentives that have helped drive a step change in service excellence. This investment was self-funded by the growth in profit delivered.

Excellence in Entertainment Awards were introduced upon reopening in May 2021. This is a new quarterly incentive scheme in which an external company completes 'mystery shopper' style visits to the centres and reports back to the Executive team, who then pick the final gold, silver and bronze winners. The prize is shared equally among all team members at the winning centres, proportioned by hours not by position.

The aim of this incentive is to motivate all team members to contribute to high performance and drive a customer service culture, giving a proportionately greater reward to more junior team members and a tangible reward for effort for all.

In addition to the Excellence in Entertainment, the Group runs a quarterly incentive scheme rewarding site management teams for delivery of their profit targets. This incentive encourages the management team to be personally invested in delivering sales and profit growth, and the shorter-term cycle makes rewards tangible and achievable.

In addition to the quarterly incentives, senior management are able to recognise great service at the moment it happens through our spot-awards programme.

ALL 46

CENTRES RECEIVED A BONUS IN 2021

WINNING MENTALITY

STRIKING THE RIGHT BALANCE

OUR APPROACH

The Group is committed to balancing our environmental, social and governance impacts to demonstrate our responsible business approach for all of our stakeholders. The board regularly reviews the Group's ESG performance and sets out in this section our goals and performance during the year.

OUR THREE FOCUS AREAS

ESG reporting structure within this section:

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

2. **Social**
Our People: Cultures and Values, Communication, Recruitment, Training and Development, Diversity and Inclusion, Gender Pay Gap, Investors in People, Customers, Communities

3. **Governance**
Board decision making, Respect and Dignity, Information Security, Fair tax policy, Other governance disclosures

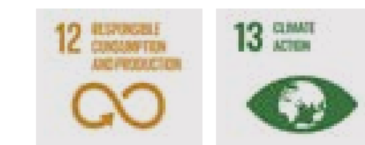
KEY SUSTAINABLE DEVELOPMENT GOALS

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.

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.



STREAMLINED ENERGY AND CARBON REPORTING

The Group discloses all the measured emissions sources for FY21 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	FY21	FY20	Var %	FY21	FY20	Var %
Scope 1: combustion	1,201,837	1,497,913	(20%)	220.9	275.4	(20%)
Scope 2: purchased energy	10,472,520	7,277,697	44%	2,223.6	1,696.7	31%
Scope 3: indirect energy use	427,860	356,357	20%	102.9	84.1	22%
Total	12,102,217	9,131,967	33%	2,547.4	2,056.2	24%

GREENHOUSE GAS EMISSIONS INTENSITY RATIO:

Total Footprint (Scope 1, Scope 2 and Scope 3) - CO_2e tonnes	FY21	FY20	Var %
No of centres	46	46	-
Intensity ratio (tCO_2e per centre)	55.4	44.7	24%

CO_2e TONNES (DUAL REPORTING METHODOLOGY)

Emission type	Location-based	Market-based (supplier specific)	Var %
Scope 1: combustion	220.9	220.9	0%
Scope 2: purchased energy	2,223.6	54.1	(98%)
Scope 3: indirect energy use	102.9	102.9	0%
Total	2,547.40	377.9	(85%)

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)
- 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 2021-22
- Conversion factors for UK electricity (market-based methodology) are published as provided by the relevant supplier, Drax 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
- Electricity usage for the Eastbourne site was estimated using a comparable operation estimation technique based on the Exeter site

Statement of exclusions:

- There are no known exclusions.

Both usage and intensity ratios were impacted by Covid-19 in both FY21 and FY20.

ENERGY EFFICIENCY ACTION

During 2021, there was a continued focus on energy efficiency. Given that the estate was closed for 38% of the year, with record trading periods upon reopening, it is difficult to assess any underlying efficiency in the year, but this continues to be a priority in 2022. As part of our commitment to environmental responsibility and addressing the impact of climate change, 100% of our directly purchased electricity was renewable in 2021 via our contract with Haven Power.

During the year various energy-saving measures were implemented, such as upgrading to energy-efficient LCD screens in one centre with calculated energy savings of 7,200 kWh, the installation of new colour-changing LED systems for overhead lane lighting at three centres, with annual calculated energy saving of 10,000 kWh per centre, and upgraded LED lighting front of house in our four refurbished centres, with annual calculated energy saving of 11,000 kWh per centre. There has been a HVAC system renewal at six different centres involving upgrades and replacement of heating and ventilation systems. Equipment upgrades have been made, including the purchase of efficient pizza ovens and burger holding cabinets to reduce the use of large commercial ovens. The Pins & Strings installation programme is now complete. 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.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

The Group is not required to report against the recommendations of the TCFD until FY22, but has carried out an assessment of readiness to comply with the TCFD recommendations. This work has been completed in conjunction with a carbon consultancy company, and has generated an early stage TCFD readiness report looking at the four TCFD recommendations. This work is part of an ongoing carbon footprinting, scenario modelling, strategy and TCFD compliance project that will look at all of Scopes 1, 2 and 3 of carbon in line with the GHG Protocol, as well as the compliance requirements for the disclosure.

TCFD requires reporting against 'Governance', 'Strategy', 'Risk Management' and 'Metrics and Targets'. The below work is currently being undertaken and will enable the Group to robustly report in coming years against these measures as the existing structures, measures and actions are developed as part of the detailed work being undertaken.

In line with the Streamlined Energy and Carbon Reporting (SECR) requirements, TEG have undertaken energy efficiency and planning that will reduce their impact on the environment in the last 12 months:

- Completed the switch to 100% renewable energy contracts
- Engaged with stakeholders, such as landlords, to ensure building fabric changes are discussed with regards solar panel self-generation activities
- Completed the technological shift to low energy "Pins and Strings" equipment across the TEG estate

In partnership with Energise, TEG is currently carrying out a comprehensive project looking at:

- Producing greenhouse gas inventories of all three scopes of carbon associated with their activities
- Conducting scenario modelling to ensure actions planned will reduce the carbon impact in line with the organisation's net zero aspirations
- Setting and adopting key metrics to target alignment towards net zero
- Ensuring robust planning is in place to complete the scenario actions to achieve these reductions
- Reviewing Risk and Opportunities associated with Carbon, Energy and Environmental operations
- Enhancing Carbon Literacy within the organisation
- Developing enhanced governance as a result of the improved understanding of risk, opportunities and impacts
- Development of a broader suite of metrics to ensure that targets and reporting are meaningful, and business led.

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 both FY21 and FY20. An area of focus for the Group in FY21 and beyond is to increase the proportion of waste that is recycled.

	2019	2020	2021
Total waste	**788**	**428**	**668**
Non-recyclable waste	**589**	**329**	**505**
Recycled waste	**199**	**99**	**163**
% recycled	**25.3%**	**23.1%**	**24.4%**

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

2. SOCIAL

OUR PEOPLE

The Group could not have asked for more from our people during the year, with their continued response to COVID-19 being nothing short of outstanding. Our people are integral to achieving our business objectives and they are a key asset who deliver an exceptional experience to all our customers.

The Group strives to create an environment to help to attract, retain and develop the right people to work at every level. We have established policies for recruitment, learning and development of our people, and are committed to achieving excellence in health, safety, welfare and the protection of our employees and their working environment.

Their dedication and commitment to ensuring our ongoing success highlights the strong company culture we have in place.

CULTURES AND VALUES

Our people are at the heart of everything we do and are central to our ability to succeed. As we continue to grow, our employees' wellbeing and happiness is key. We will continue to focus on employee engagement, to enhance our culture and deliver our long-term goals.

COMMUNICATION

Over the past two years, Tenpin has rapidly evolved and adapted the ways we communicate. Our teams spread from Plymouth to Falkirk and keeping our people informed, engaged, connected and motivated was essential.

We utilised our internal engagement portal to provide updates and information to our people, and our Centre Managers use it for shift briefings and to engage with their teams.

In addition to sharing their own news, views and successes, employees also have the ability to send private messages, share their Epic Ideas and talk to us in confidence. Our Chief Executive Officer reviews every idea and we ensure the suggestions and views of our people are taken into account.

During 2022, we will establish an internal Employee Forum, where representatives from throughout the business can attend meetings at least twice a year with Directors and Senior Leaders. This forum will enable and encourage open discussion on key business issues, policies and the working environment.

In utilising technology, we have engaged more and more of our Generation Z population, and our introduction of gamified learning has seen the highest engagement levels in the provider's history. For further details, see the "Raising the Game" on page 25.

RECOGNITION

We have step changed our approach to reward and recognition to give greater recognition for our teams. By introducing a suite of new incentive and rewards schemes we have empowered individuals to take ownership of the service they give customers and link that directly to the success of the business and their own rewards. For further details see "Winning Mentality" on page 20.

RECRUITMENT

A move towards digitalised recruitment and training has helped streamline the recruitment and onboarding process and engage Generation Z team members. From a recruitment perspective, the Group has an online application tracking system which supports the recruitment process from application to onboarding. Alongside this application is an online bot which is the first point of contact for applicants and provides a wide range of information to assist with common queries.

In 2021, 62.5% of all our vacancies were filled internally, which we are very proud of. The majority of these (96.5%) were promotions!

These were across the board from Customer Service Assistants moving into Supervisory roles; Deputy Managers being promoted to General Managers running their first Tenpin Centre; and Centre Management staff moving to Support Centre roles. Retaining our employees in this way shows that our development programmes work and our team are invested in continuing their careers within Tenpin.

TRAINING AND DEVELOPMENT

The Group aims to realise the potential of our employees by supporting their career progression and promotion wherever possible. We make significant investment in the training and development of employees at all levels, which contributes to their promotion prospects.

Our new strategy and approach to learning and development bodes well for the future. We have strengthened our Learning and Development team, and introduced new Regional Coach Trainers who will focus on delivering training appropriate for our people, together with more practical management and leadership development.

We allocate dedicated hours to select and recruit sufficient people for our Centres with training ensuring that our new starters are properly prepared and so are more likely to stay. This is proving very popular with our General Managers who believe that this makes a significant difference both to staff and to our customers.

We currently offer 21 different training courses internally, including our suite of six core compliance modules. We have 14 additional courses being added to our Training Portfolio in 2022, as well as at least two brand new Centres of Excellence (incorporating a new dedicated Management Course) and plans to introduce a Future Leaders Programme.

DIVERSITY AND INCLUSION

Diversity and inclusion are central to our business and we continue to value the many dimensions in this area. To us, diversity and inclusion is more than policies, programmes or headcounts – we're committed to ensuring everyone, regardless of who they are or what role they undertake in the Group, feel equally involved in and supported in all areas of the workplace. We provide experiences that help our people feel they belong, including Company Induction Days, a wealth of updates on Yapster (our internal digital communication tool) and sharing the well-deserved promotions of our fellow colleagues.

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 33.3% (two) females and 66.7% (four) male Board members while the total Group headcount is split as below:

	Female	Male	Total
Board	2	4	6
Board + Direct Reports	8	9	17
Managers	80	81	161
Staff	764	477	1,241
Total	846	564	1,410

GENDER PAY GAP

We are confident that as we continue to progress towards a gender balanced workforce, our gender pay gap will continue to reduce.

There are a number of steps we are taking to improve our gender balance that we expect to positively impact our gender pay gap, including:

OUR PEOPLE

- Reviewing our partnerships to attract a diverse and exciting workforce
- Using our networks to share our people's stories and ideas, celebrate differences and showcase our amazing talent
- Through the use of technology and gamification, enabling remote learning and virtual networking
- Introducing a job evaluation scheme and grading structure

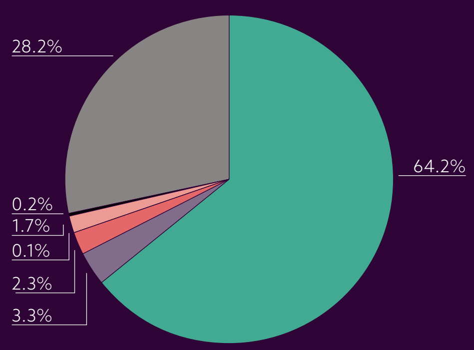
OUR LEADERS

- Ensuring our people leaders feel enabled to support and develop a diverse and flexible workforce through the creation of tools, support and guidance
- We truly believe that getting the best from our people means equipping our leaders with the right skills and support to enable this

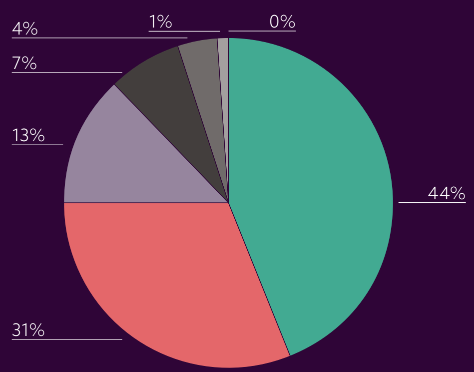
We recognise that there is still a lot more to be done, and we will continue to shape a more diverse and inclusive culture at TEG. Full details of the latest Gender Pay Gap report can be found on our website.

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

Ethnicity – % of employees



Age – % of employees



RETAINED INVESTORS IN PEOPLE GOLD AWARD

We are extremely proud to have been recognised once again by Investors in People as being a people-centric organisation. Our culture, values and strategic objectives have been endorsed by our employees and the assessment was a great opportunity for us to hear from our people. We've learnt so much from what they told us, as well as being delighted to hear that retaining, paying, and continuing to communicate to people throughout the period of furlough in 2020 and 2021 has helped to keep people genuinely in the Tenpin fold and made them feel "part of the family".

Participation, collaboration, and teamwork are at the heart of the way that we work. Surveys and Yapster give our people an opportunity to have a say. For example, people had a chance to have an input about what they wanted to see in our Centres after re-opening in terms of Covid measures and their response accounts for many of the measures in place today. People can also challenge posts on Yapster or local ways of working and share ideas and best practice.

We also ensure that our people's voices are heard at a local level. In Chichester, a request to wear shorts during the hot weather led to the centre trialling new uniforms that were better suited to the warm weather. In another centre, in response to the team's feedback we trialled different brands of hot chocolate which resulted in an improved offer throughout the estate. Our people are consulted each month for their choice of Employee of the Month and the final decision about category winners is always made locally.

CUSTOMERS

Bowling is a fun, inclusive activity that appeals to all ages and encourages people to be active and enjoy social time together. 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.

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 across many communication channels as well as when they visit us in person. Social media is a particularly important point of connection with our customers. The Group currently has significant social media presence with over 133,000 Facebook followers and 10,000 Instagram followers. The recent launch of the Tenpin TikTok page during 2021 has proved incredibly popular with over 10m video views in the first month and already over 64,000 followers.

COMMUNITIES

The Group's nominated charity continued to be Rays of Sunshine during 2021, with employees also encouraged to support charities they care about both nationally and locally in the form of events and fundraising at site level.

During the year our teams participated in sponsored bakes, coffee mornings and even donated essential items to a homeless shelter for new arrivals.

In 2022 we will be creating a Charity Committee with a selection of employees to increase the focus on supporting our communities. We will be concentrating on:

- Central Charity – building awareness of Rays of Sunshine through centrally driven fundraising initiatives
- Local Activities – building relationships in the community through Tenpin Centre led local events
- Volunteering Days – encourage our people to participate in group and individual activities

LEVELLING UP OUR TRAINING

IN 2021 WE ADAPTED TO OUR GEN Z EMPLOYEES BY DEVELOPING GAMIFIED TRAINING WITH GREAT SUCCESS.

Workplace learning trends suggest that organisations who build a strong internal learning culture where employees have opportunities for continuous learning and skills application, helps them stay competitive and adaptable to business demands, as well as their employees engaged and motivated.

With this in mind, and as part of the Group's ongoing commitment to provide the best learning experience for our people, we partnered with a digital gaming company during 2021, with the aim of introducing a gamification style digital learning platform into our business.

There are numerous benefits of using this learning methodology:

- Support our Generation Y & Z employees in learning using technology (80% of our workforce are Gen Z)
- Increasing employee retention rates and reducing turnover
- Repetitive training produces a highly trained team that results in improved business performance such as customer service, reduced complaints and reduced wastage
- Improved reporting and tracking
- Environmental savings from reducing the amount of paper
- 24 hour access to learning
- It's fun and produces a culture of friendly rivalry

With these goals in mind, we worked closely with the supplier to bring our induction training to life. Using cutting-edge technology which aligned with our forward-thinking people development agenda, we placed emphasis on the training being customer-centric, placing our customers at the very heart of the learning platform.

Our main objective was to achieve an engaged and knowledgeable workforce who bring the "Game On!" mentality to their work.

Following a successful teaser campaign that built excitement, the platform was shared with management teams at a Roadshow in November 2021, showing them how easy the platform is to use and how engaging it is.

The training was then cascaded to all centres, and team member rivalry was high on internal communications platform, Yapster. We also launched a couple of competitions that rewarded the top three players in the company, along with the top performing centre, and we haven't looked back since.

Here's an overview of the users who played in the first four weeks of the launch:

- 1,275 users played over 90,000 times
- This equals 214,757.3 minutes in total!
- Each user played 72.2 times on average
- Which equals 168.4 minutes of playtime
- Each user who got certified repeated each scenario 7.6 times on average, and spend 4.3 minutes per playthrough

The initial user survey results showed:

- 98% of our people felt that after playing the training, they will be able to apply what they've learnt about Tenpin policies and procedures to their role
- 95% felt that after the training they felt more confident in their abilities to provide excellent customer service
- 95% stated they enjoyed the overall experience of Pinstar
- 94% found the format of training more effective than previously

Now that we have successfully launched the first phase of Induction, we are currently developing Phase 2, which will provide a fun learning platform for our people on the various aspects of our business, including Sector 7 Laser, Party Host training and amusements. Further along the line, we will develop content around our softer skills.

RAISING THE GAME

15,000

HOURS OF TRAINING DELIVERED IN 2021

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, Senior Independent Non-Executive Director, as a key point of engagement with the workforce. See stakeholder engagement on page 27.

RESPECT AND DIGNITY

The Group respects and supports the dignity, wellbeing and human rights of our employees, customers, supply chain and communities in which we operate, and are committed to ensuring that everyone working throughout our operations and within our supply chain is treated with dignity and respect.

We have a zero tolerance approach to modern slavery of any kind and are committed to acting ethically and with integrity in all our business dealings and relationships.

Full details of both our Human Rights policy and latest Modern Slavery statement can be found at www.tegplc.co.uk

INFORMATION SECURITY

The Group and the Board take information security matters very seriously. The Board was briefed on information security three times during 2021. There have been no information security breaches during 2021 or the previous three years. The Group has a security awareness training platform in place, with various training topics released to employees bi-monthly for them to complete. The training topics range from social engineering to common threats. The Group was externally audited by IT Security company Bulletproof in January 2021 with no significant issues raised. The Group has an information security risk insurance policy in place to mitigate the risk should a breach arise.

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 Non-Financial Reporting requirements contained in sections 414C (11) of the Companies Act 2006. The below table, and information it refers to, is intended to help stakeholders understand our position on key non-financial matters.

Requirement	Policies	Additional information
Environment	**Environment statement and Health and Safety policy**	**Environmental and greenhouse gas emission disclosures on pages 21 to 22 and health & safety on page 47**
Employees	**Diversity, gender pay gap, Health & Wellbeing Strategy**	**See pages 23 to 24 of Environmental, Social and Governance**
Human rights	**Slavery and Human Trafficking statement, Whistleblowing policy, Data Protection policy**	**Slavery and Human Trafficking statement on page 26, whistleblowing on page 47, Data Protection policy on page 47**
Principal risks	**Risk Register**	**Risk Management and Internal Control statement on page 47, Principal risks on pages 30 to 31**
Business model		**Our business model and strategy are described on pages 11 and 12 to 16**
Non-financial key performance indicators		**Our non-financial KPIs are explained on page 17**
Anti-corruption and anti-bribery	**Bribery Act policy and audit services**	**Page 47 for Internal and External Audit services and Bribery and Anti-Corruption policy**

SECTION 172

PRINCIPAL BOARD DECISIONS

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 (suppliers) 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.

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

Decision	Stakeholder Considerations	Impact on Long term sustainability
Extending the Group's financing facilities – At the beginning of 2021 the business was closed due to Covid restrictions. The board were focused on securing the long-term security of the business by ensuring that there was sufficient liquidity available.	**Investors -** The board considered that increased available debt financing was most appropriate as it was not certain whether the funds would be required and raising additional equity would have proved more costly and potentially unnecessary. **Our Partners –** The board has a long term relationship with its banking partners and considered a proactive approach to re-financing, while it was contingent rather than urgent, was an appropriate way of securing financing. **Our Suppliers –** By securing long term financing, the Board felt able to reassure suppliers and continue to ensure they were not left with large outstanding debts.	The Group gained security during a period of uncertainty by utilising the available CLBILS loan scheme in partnership with RBS. Ultimately the headroom was not necessary, and the Group has returned to a robust cash position. The Board now expect to be able to repay the CLBILS early and revert to the original £25m RCF facility which has now been extended to January 2024
Recommencing strategic investment – After reopening in May, the board were pleased to see very strong demand return. Over the course of strong summer trading the Board made the decision to recommence investment in the strategic growth programme.	**Investors** – The board considered the balance of delivering shareholder returns against the risk of a further series of Lockdowns creating a liquidity problem. The board concluded that the benefits outweighed the risks. **Our Customers** – the board wanted to continue to develop exciting and diverse entertainment centres for our customers to enjoy and concluded that well-invested centres were the best way to continue to enjoy growth in footfall. **Our Environment** – investment in our centres includes key energy saving initiatives such as new pinsetters and low energy lighting. **Our Suppliers** – the group has a track record of growth when it invests in the business which is to the benefit of our key suppliers and partners.	An early decision to recommence investment means that four centres could be refurbished in 2021 and a strong pipeline of new centres has been developed. Continued growth in the business has helped to increase profitability and cash, thereby freeing up further funds for investment and growth in the future as well as the potential to return money to shareholders by returning to a dividend payment.
Introducing success-based reward payments at a site level – The group introduced a profit share scheme for centre managers, paid quarterly, which allowed teams to directly benefit from improved performance of the centres.	**Our People** – In an environment of increasing cost of living and employment uncertainty, the Board felt that improving rewards in a targeted way ensured that key management were retained and rewarded for growth. **Our Investors** – the board felt that the benefits of a shared reward mechanism would help build long-term sustainable relationships and ultimately ensure better customer service and sales performance. **Our Customers** - Rewards were based on performance and service, ensuring that there is a direct link between customer enjoyment and the benefits accrued to our people.	Service levels and standards in our centres have been improved, creating a better atmosphere and experience for our customers. Management retention and engagement has improved, helping to drive succession in the business. Employee rewards are improved and targeted on rewarding exceptional service and performance.

The below sets out who we consider to be our key stakeholders, what their interests are, some key engagement areas in 2021, and examples of how our stakeholders' interests influence the way we do business.

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.

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.

How we engage

We communicate with our shareholders by:

- Annual General Meeting; held virtually in 2021 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

86%

OF THE SHARE REGISTER MET WITH MANAGEMENT DURING 2021

Link to strategy: 2 3 4

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.

Engagement is important

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.

How we engage

We engaged with our employees through:

- Company-wide electronic communication platform Yapster
- Access to discounts through Tenpin Treats
- 'Talent Talk' appraisals and succession planning
- Confidential and anonymous tools to escalate concerns and protect employees and customers
- Julie Sneddon as designated non-executive oversight for workforce engagement
- Payment support and top-ups where CJRS didn't offer protection

50%

OF MANAGEMENT ARE FEMALE

Link to strategy: 1 2 3

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.

Engagement is important

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

How we engage

We connected with our customers through:

- Social media and CRM
- Regular feedback to ensure standards are being met
- Meet and Greet at the entrance to support customer journey

+89%

INCREASE IN CONTACTABLE CUSTOMER DATABASE

Link to strategy: 2 3

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.

Engagement is important

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.

How we engage

We liaise with suppliers, landlords and other parties:

- Maintaining loyalty to suppliers supportive through Lockdown
- Long-term partnerships to provide surety of supply
- Setting clear Ethical trading stance and monitoring supplier engagement

99%

OF SUPPLIERS SIGNED UP TO ETHICAL TRADING POLICY

Link to strategy: 1 2 3 4

OUR ENVIRONMENT

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

Engagement is important

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.

How we engage

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

- Responsible deployment of Government support
- 100% renewable electricity supply
- Investment in energy-saving technologies
- Ongoing charity partnership with Rays of Sunshine
- Enhanced waste separation at site to reduce landfill

89%

OF CENTRES NOW CONVERTED TO ENERGY-EFFICIENT BOWLING EQUIPMENT

Link to strategy: 1 3 4

KEY:

1 A first-class customer experience
2 Digitally enabled
3 In high-quality centres
4 With increasing UK coverage

OUR APPROACH TO RISK MANAGEMENT

The risk appetite of the Group is considered in light of the principal risks and their impact on the ability of the Group to meet its strategic priorities. The Board recognises the importance of a strong culture from the top, which cascades down the Group to the teams, ensuring shared attitudes, values and standards that shape behaviours related to risk awareness, risk taking and risk management.

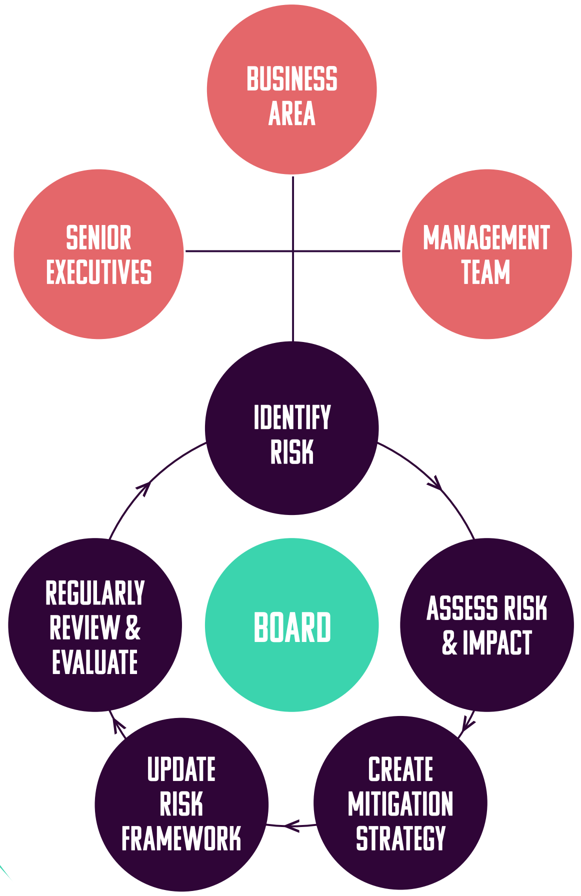
All our people and centres are responsible for the management of risk, with the ultimate accountability residing with the Board. Our strategic priorities are underpinned by our great team and are self-funded by the cash flows generated by the business which helps to manage the risk profile of the business. The Board is committed to managing and mitigating climate-related risks and continues to incorporate consideration of these into how the Group manages its relationships with its customers, suppliers, employees and investors.

The following principles guide the Group's overarching appetite for risk and determines how the business and risks are managed:

- Operating model – The business seeks to generate returns in line with an open risk appetite but with strong risk management capability to curb any unnecessary risk in pursing the strategic priorities
- Financial returns and position – The Group aims to deliver sustainable earnings while growing the returns to shareholders through the measured pursuit of its strategic priorities. The Group has a cautious approach to debt, and continues to use cash generated to fund its strategy and maintains a moderately leveraged financial position
- Business practice – The Group has zero tolerance for any of its people knowingly engaging in any business, activity or association where foreseeable reputational risk or damage has not been considered and/or mitigated
- Regulations – The business has no appetite for deliberately or knowingly causing detriment to its stakeholders, or incurring a breach of the letter or spirit of the law and regulatory requirements that apply to the business

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 to the Board.

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

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, 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 AUDITORS

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

CONTROLS AND PROCESS IN PREPARING THE ANNUAL REPORT AND FINANCIAL STATEMENTS

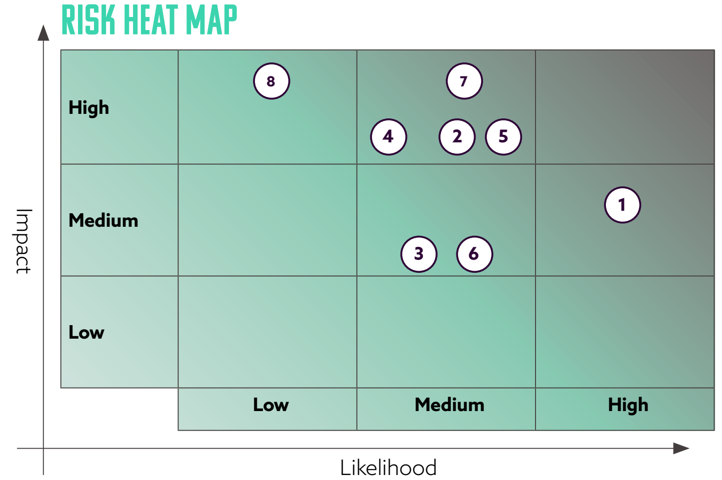
The Group has established internal control and risk management systems in relation to the process for preparing the Group's consolidated financial statements of which the key features are:

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



1 Economic climate ∧	5 Business interruption < >
2 Operational < >	6 Major supplier failure < >
3 Regulatory changes < >	7 Operational – allergens < >
4 Covid-19 ∨	8 Covenant breach ∨

PRINCIPAL RISKS

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 Covid-19 crisis continued to impact all aspects of the Group's performance, strategy and governance at the start of 2021 and continues to remain an uncertainty, so has been looked at and addressed through all areas, including our strategy and risk management processes.

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

Link to strategy: 1 2 3

Nature of risk

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

> Impact on sales and ability to deliver our growth plans thus affecting all strategic priorities. Impact on the cost base which affects profitability.

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 longer-term impact that Covid-19 or the war in Ukraine may have 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 and reduce the impact, as long as the 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 CLBILs, Grants 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: Medium **Potential impact:** Medium **Change:** No change

Link to strategy: 1 2 3

Nature of risk

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

> Impact on sales, costs and reputation

Strategic context

There has been the introduction and development of regulations around 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.

Mitigation

Health & Safety meetings are held by senior management monthly to understand incidents and to ensure compliance with or to update policies. GDPR, bribery, whistleblowing and all other regulatory policies are annually updated with training carried out Group-wide annually to refresh knowledge. 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: Medium **Potential impact:** High **Change:** Decreased risk

Link to strategy: 1 2 3

Nature of risk

The impact of the Covid-19 virus on the last two financial years 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. Though the businesses are all open for trade, there is still some uncertainty around the future impact but the likelihood has reduced.

> Impact on sales, costs and reputation

Strategic context

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 Lockdown or the reputational impact if any of the centres were specifically associated with the spread of a pandemic.

Mitigation

Over the last two years 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 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

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

> Impact on sales, costs and reputation

Strategic context

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

Mitigation

Cyber-security is of great importance to the Group given the level of customer data it holds. The Group adopts a multi-faceted approach to protection 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 or significant reduction in access to key products supplied to the Group.

> Impact on sales, costs and customer experience

> Increased risk to utility suppliers as a number of companies closed during 2021 due to cost pressures

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, or limited access to the products they supply, 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 reviewed the covenants as part of the negotiation of the new CLBILs term loan facility, with rewritten covenants provided for 2021 which have significant headroom. The Group has a Minimum Liquidity and Minimum EBITDA covenant test which have all been met during 2021. The traditional Leverage and Fixed Cost covenant will return in 2022 but with new reference levels.

STRATEGIC PLANNING PROCESS

As explained on page 11 in the business model and on pages 12 to 16, the strategy revolves around the four key pillars, being:

- "a first-class customer experience"
- "digitally enabled"
- "in high-quality centres" and
- "with increasing UK coverage"

The successful delivery of these pillars will drive the business forward and ensure it is a viable entity. 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 September to discuss and agree the plan for the next three years. The strategy day included:

- an investor and competitor landscape overview from the joint brokers, Liberum LLP;
- a review of the expansion of the key pillars into four critical areas and the actions for growth in each of the pillars;
- an overview of the UK leisure/retail property market by Coffer Corporate Leisure;
- a presentation by an external consultant, of the Group's customer data and how marketing intelligence can focus this; 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 FY22 and the development of the FY22 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 26 December 2021, the Group has considered a base case scenario and a plausible downside scenario.

BASE CASE

The base case scenario was prepared with the following key assumptions reflected:

- All sites are open and trading throughout the period
- There are no effects of Covid-19 reflected in the performance
- Like-for-Like sales are versus FY19 and reflect growth
- Labour inflation and the increases from the National Living Wage are included
- Cost inflation is reflected in the operating and administrative costs
- Site acquisitions and new builds are reflected in the trade and in the cash flows
- Increased levels of capital spend are reflected in the cash flows to maintain and refurbish the sites after the periods of closures during the pandemic years
- The £14m CLBILS term loan will be repaid in 2022
- The Group returns to being tax paying

The scenario results in trade levels that are improved on FY19. This flows into the cash flow performance but with the increased spend on capital, the free cash flow is slightly lower than FY19 and results in the net debt balance increasing slightly on the (£2.5m) net debt reported at the end of FY21. The Group will have significant liquidity levels with most of the £25m RCF facility available and will pass both of its below banking covenants with significant headroom.

The leverage and fixed cost covenant return for testing in FY2022 and are as follows:

Leverage covenant	Fixed charge covenant
March 2022 – reference level – 1.10x	March 2022 – reference level – 7.50x
June 2022 – reference level – 1.25x	June 2022 – reference level – 5.00x
Sept 2022 – reference level – 1.50x	Sept 2022 – reference level – 4.00x
Dec 2022 – reference level – 1.50x	Dec 2022 – reference level – 2.25x

DOWNSIDE CASE

The downside case takes the base case and flexes the assumptions for plausible impacts. These are summarised as follows:

- Total sales for FY22 are kept flat with the FY19 actual sales of £84.1m. This scenario assumes that there is like for like decline of -2.5%, no sales from new sites opened in FY22 nor any benefit from the capital spend on refurbishment plans
- No mitigating actions are taken and the variable costs are not reduced for the reduction in trade and they are kept at the base case amounts
- All variable and fixed costs from the base case are increased by a further 7% across the board

All centres will remain open as it is not believed that it is plausible to expect any Lockdowns in the down side case going forward having been through a winter period without any Lockdowns. This scenario results in a loss before tax being generated, a significant decrease in the free cash flow leading to an increase in net debt. Mitigating actions can be taken to reduce the cash outflows as reduction in capital spend, but the Group still has significant liquidity headroom due to the size of its facility and does not breach its covenants, with £0.3m of headroom. Any further sales decline would breach the leverage covenant with out mitigating actions. Mitigating actions could be taken by reducing spend such as the levels of capital investment as well as flexing the variable costs for the decline in trade levels.

Taking the above and the principal risks faced by the Group into consideration, the Directors are satisfied that the Group has 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 continues to adopt the going concern basis in preparing these Financial Statements.

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 2024. The Directors believe this period to be appropriate because:

- the Group's strategic planning encompasses this period;
- senior management are remunerated via its share performance scheme over this period; and
- 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.

In making this viability statement, the Directors have reviewed the strength and resilience of the Group and have specifically considered:

- The Group's current financial performance from sales growth and cost management to its flow through to Group adjusted profit before tax, cash flow, liquidity and bank net debt.
- The availability of its current banking facilities and the covenants in place.
- The business model, in particular, the strategy towards expansion.
- A robust assessment of the impact, likelihood and management of principal 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 next three-year period.

THE GROUP'S BASE CASE

The base case model reflects a robust consideration of the principal risks and uncertainties that could impact the future performance of the Group and the achievement of its strategic objectives, as discussed on pages 30 to 31 of this Annual Report. 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 base case forecast starts with the FY22 period that is the same as that built for the going concern analysis as described on page 32. The process undertaken considers the Group's adjusted EBITDA, capital spend, cash flows, liquidity, bank covenants and other key financial metrics over the projected period. The forecast expands into FY23 and FY24, with the following assumptions:

- mid-range single-digit like-for-like sales growth, plus growth for the acquisition of sites;
- no significant change in gross margin percentage, employee numbers, maintenance and other operating costs, which are discretionary in nature;
- 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; and
- the dividend policy is expected to be re-instated and so cash payments from FY23 are reflected.

The Group is profitable, improves its liquidity, reduces its bank net debt and passes all its covenants over the three-year period in this 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 summarised as follows:

- Like-for-like sales decline – This scenario is based on the sales projections not being as expected in the base case, instead a worse case scenario of the going concern base case with -3% like-for-like per annum for FY23 and FY24. To ensure the Group has sufficient liquidity and passes its leverage covenant, mitigating actions include halting the expansionary, refurbishment and investment programs, as well as dividend payments.
- Inflationary cost pressures – This scenario takes the base case and increases the inflationary pressures on all costs to 7% each year. This significantly reduces the Group's profit but it does not require any mitigating actions as the banking covenants are passed and there is sufficient liquidity.
- Combination of sales decline and inflationary cost pressure – Due to the current environment, it is plausible that economic deterioration could reduce consumer spend, impacting the Group's sales and the current surge in inflation could continue above expectation and increase the Group's cost base. This scenario reflects no like-for-like sales growth, as well as the 7% inflationary cost growth each year. To ensure the Group has sufficient liquidity and passes its fixed cost and leverage covenants, mitigating actions include halting the expansionary, refurbishment and investment programs as well as dividend payments.

While the assumptions we have applied in these scenarios are plausible, they do not represent the Board's view of the likely outturn. However, the results of this scenario, along with the mitigating actions available, help to inform the Directors' assessment of the viability of the Group. As the Group continues to move on from the impacts of Covid-19, any potential impacts or Lockdowns have not been considered as they are not deemed plausible.

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; and 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 2022

FINANCIAL REVIEW

2021 marked the full recovery of the business, returning to very strong profitability in the second half and restoring bank net debt to below 2019 levels. Even though the business was only open for 62% of the year, sales of £67.5m delivered a full year profit before tax of £4.4m.

At the start of the year the target was to recover the financial position back to pre-pandemic levels. Originally this was expected to take 18-24 months. However, the consistently high sales growth and the associated operating efficiencies has meant that this target has been achieved well ahead of schedule by the end of 2021.

To help understanding of the business trading environment, comparisons in this financial review are made between the 2021 figures and 2019 unless otherwise stated. The level of disruption experienced in 2020 makes comparisons difficult to draw any meaningful conclusions.

£3.1M
GROUP ADJUSTED PROFIT BEFORE TAX

5.9P
EARNINGS PER SHARE

£16.1M
OF FREE CASH FLOW

"2021 MARKED A RECOVERY TO FULL-YEAR PROFITABILITY"

ANTHONY SMITH
CHIEF FINANCIAL OFFICER

£000	52 weeks to 26 December 2021	52 weeks to 27 December 2020	52 weeks to 29 December 2019	Movement vs FY19
Revenue	**67,521**	36,269	84,122	(16,601)
Cost of goods sold[1]	**(9,446)**	(4,854)	(10,387)	941
Gross margin[1]	**58,075**	31,415	73,735	(15,660)
GP%	**86.0%**	86.6%	87.7%	(1.7%)
Total operating costs	**(22,141)**	(18,051)	(28,923)	6,782
Centrally allocated overheads	**(2,214)**	(4,537)	(3,155)	941
Support office	**(6,661)**	(5,480)	(6,157)	(504)
Group adjusted EBITDA	**27,059**	3,347	35,500	(8,441)
Less property rent costs	**(12,436)**	(11,171)	(11,932)	(504)
Group adjusted EBITDA after rental costs[2]	**14,623**	(7,824)	23,568	(8,945)
Add back property rental costs	**12,436**	11,171	n/a	n/a
Depreciation and interest on Right of Use Property Assets	**(14,495)**	(14,040)	n/a	n/a
Depreciation and amortisation	**(8,413)**	(7,986)	(7,379)	(1,034)
Net interest	**(504)**	(423)	(788)	284
(Loss) / profit on disposal of assets	**(442)**	99	(932)	490
Amortisation of acquisition intangibles	**(130)**	(142)	(293)	163
Group adjusted profit/(loss) before tax[2]	**3,075**	(19,145)	14,176	(11,101)
Impairment reversal/(charge)	**1,124**	(2,521)	-	1,124
Exceptional items	**238**	0	(2,381)	2,619
Profit/(loss) before tax	**4,437**	(21,666)	11,795	(7,358)
Taxation	**(432)**	3,919	(2,758)	2,326
Of which: taxation attributable to Group adjusted (loss)/profit	**(387)**	(3,463)	(2,836)	2,449
Profit/(loss) after tax	**4,005**	(17,747)	9,037	(5,032)
Earnings/(loss) per share				
Basic earnings/(loss) per share	**5.9p**	(26.3p)	13.9p	(8.0p)
Adjusted basic earnings/(loss) per share[2]	**5.9p**	(23.2p)	19.3p	(13.4p)
Full-year dividend	**–**	–	3.7p	(3.7p)

1 Cost of goods sold and gross margin are presented on the basis as analysed by management. The cost of sales as reflected in the statement of comprehensive income consists of direct bar, food, vending, amusements, gaming machine related costs, PDQ machine costs and staff costs. Cost of goods sold excludes staff cost but security and machine licence costs incurred by the centres are included. Deducting cost of goods sold from revenue gives gross margin which varies to the gross profit as reported in the Consolidated Statement of Income. This is how cost of goods sold and gross margin are reported by the business monthly and at centre level as labour costs are judged as material and thus reported separately with operating costs. Please see note 2, Alternative Performance Measures which reconciles these two measures.

2 These are non-IFRS measures used by the Group in understanding its underlying earnings. Group adjusted EBITDA after rental costs consists of earnings before interest, taxation, depreciation, amortisation costs, exceptional items, impairment reversal/(charge) and profit or loss on disposal of assets. Group adjusted profit/(loss) before tax is defined as profit before exceptional items, impairment reversal/(charge) and tax. 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 which has been determined as FY19.

SALES PERFORMANCE

Once the business reopened on 17 May, sales growth was immediate, and it strengthened and peaked during the summer holidays before settling at around 30% for the balance of the year. Only the final two weeks of the year leading up to Christmas showed slower growth, and this was principally a result of the uncertainty surrounding the Omicron variant. Since Christmas and throughout the Q1 2022 trading period, the sales growth has accelerated.

	2021 sales			2022 sales
YOY % change vs 2019	Reopening 17 May to 25 Jul	Summer holidays 26 Jul to 5 Sept	Post summer 6 Sept to 26 Dec	Q1 peak trading 27 Dec to 20 Mar
Total Sales	+21.0%	+60.2%	+26.6%	+49.3%
Like-for-like	+16.9%	+57.1%	+23.5%	+41.7%

GROSS MARGIN

Gross margin for the year was 86.0%, a modest 1.7%pt decline compared to 2019. By its nature bowling is reliant on a fixed asset base with a low cost of sale, so the overall margin is very high. Labour costs are not included in this measure of gross profit, with the principal cost of goods sold being the cost of the food and drink, as well as the supplier margin and consumable costs for the machines.

Sales grew across all categories, but there was slightly stronger growth in food and beverage compared to 2019. This was a function of an improved menu and enhanced ordering systems that removed the wait and added convenience to at lane ordering. The result of this small mix shift to food and beverage has been a slight erosion of the gross margin, but this is to be welcomed as it represents incremental ancillary sales.

OPERATING COSTS

Total operating costs for the year were £22.1m. This is £6.8m lower than in 2019 as a function of cost savings made during the first 20 weeks and a reduction in the business rates for our centres throughout the year.

In the second half of the year, the operating costs were £16.4m, (£2.0m) more than in 2019. This 13.9% increase was driven by significantly increased sales volumes (+33.3%) from new centres and higher footfall in existing centres. There were inflationary pressures in labour, consumables and services, but these were largely offset by the cost efficiencies arising from the increased footfall. The strong operational gearing benefit from the increased sales volume is shown in the second half where operating costs as a % of sales fell by 4.8%pts to 28.8% (H2 19: 33.6%). Half of this fall was a function of the reduced level of business rates which will revert to normal levels in 2022, but the remaining 2%pt benefit is a function of that increased model efficiency from better sales growth.

The Group expects to continue to experience cost inflation during 2022, particularly in labour and consumables. These inflationary pressures will be mitigated through pricing and continued optimisation of our footfall to maximise the yield and capacity of our centres.

CENTRAL COSTS

Central costs comprise centrally allocated overheads and the cost of the support office, including the PLC. Total central costs reduced by £0.4m in 2021 compared to 2019.

During the first half of the year, the business was focused on minimising costs and preserving cash wherever possible. Many of the central staff were on furlough, with the CJRS scheme contributing to help mitigate their costs. Overall, the CJRS scheme paid around 71% of the total cost of retaining our people while they were unproductive as a result of Lockdowns. The business also significantly reduced its marketing spend and closed down a number of activities in order to preserve cash flow. £0.7m of restart grant income was received which was fully utilised in preparing the centres for reopening, including enhanced cleaning, safety measures and staff retraining.

In the second half of 2021, total central and support costs were £5.9m, which is £1.6m higher than in 2019. This is driven by three principal factors, all related to the very strong +33.3% total sales growth in the half. Marketing activity was upweighted by around £0.5m in the half in order to digitally engage with our customers to drive footfall and repeat visits. We also increased our activity in building the very strong pipeline of new sites that we have in place for 2022 and 2023. This incurred increased professional fees, legal costs and an upweighted internal property department totalling an additional £0.2m. Finally, the rapid turnaround of the business and a return to profit triggered incentive payments for management teams which contributed an increase of £0.9m in the second half.

Staff retention was key at all levels in 2021 in an increasingly competitive and inflationary environment. The Group implemented an improved performance related bonus scheme that rewarded those individuals who helped to deliver increases in profitability. This linked total remuneration to individual performance at every level of the business. By implementing the increases in this way, the Group has been able to focus on rewarding and retaining the key people in the business who are driving growth.

Total central costs for the full year have been reduced compared to 2020 by £1.1m (11.4%). Both years benefited from reduced staffing costs as a result of furloughed employees, but one-off crisis management costs from 2020, such as the investment in Covid protection measures and implementation of new systems and processes have not been repeated in 2021. As the Group looks forward to a fully trading year of investment and growth in 2022, it is expected that central costs will remain at the run rate seen in the second half of 2021.

GROUP ADJUSTED EBITDA

The Group looks at EBITDA on a pre and post rental cost basis. Group adjusted EBITDA after property rental costs is a measure used internally as it takes into account the cash impact of the ongoing annual property rental costs to ensure that centres are producing the appropriate cash flow to make an adequate level of return. This measure is broadly equivalent to the old IAS 17 basis of recording rental costs.

In 2021, the Group returned to a significant level of EBITDA, delivering £14.6m of Group adjusted EBITDA after property rent costs. This is below the £23.6m delivered in 2019, but of course was significantly impacted by the first five months of the year operating at a loss due to closures.

Comparing performance in the second half of the year, EBITDA after property rental was £20.1m compared to £12.4m in 2019, a very significant 62.4% increase. This extreme growth is principally a function of the increased sales volume. This allows the Group to defray its fixed cost base over a higher sales level. Typically, the margin for Group adjusted EBITDA after property rent costs, (EBITDA divided by sales) has been around 28%, but in H2 21 this increased significantly to 35.3%. This was a function of the ongoing temporary cost support measures such as reduced business rates as well as the benefit of the increased footfall.

There is an expectation of an increase in costs as a result of inflation and the reintroduction of business rates in April 2022. Price rises and cost efficiencies have been implemented to mitigate these increases, and the Group expects to maintain its margin at around 28% for the medium to long term.

DEPRECIATION, AMORTISATION AND CAPITAL EXPENDITURE

There is no suitable comparative for depreciation and amortisation in 2019 due to the FY20 adoption of IFRS16, so this section will focus on 2020 as a comparative measure.

Total depreciation on Right of Use (ROU) assets was £14.5m compared to £14.0m in 2020. This increase reflects the full year impact of our additional centre in Manchester Printworks, as well as a modest increase from several rent regears that took place in 2021 in order to defer some of the cash conservation measures taken during Lockdown.

Overall, the total cost of depreciation and interest on our ROU assets is £2m higher than the cash rental costs incurred. This is a function of long leases that are early in their tenure, creating a resultant £2m drag on PBT but having no cash impact.

Other depreciation in the year was £8.4m, a 5.3% increase on 2020 as a function of the Group's return to its strategic capital investment programme. The Group expects depreciation to continue to rise over the medium term as it invests in significant refurbishments and new centres as part of its high returning growth strategy.

During the year maintenance capital was low at £0.9m, only 1.3% of sales. This is similar to the £0.7m spent in 2020. Typically, the Group plans to spend around 3% of sales on maintenance capital to ensure that the site infrastructure remains well maintained. However, due to caution during Lockdowns, management have preserved this cash. The Group expects in the short term to catch up some of this maintenance spend in 2022 with increased investment before returning to the long-term target of 3% of sales.

A further £6.2m was invested in 2021 in capital programmes to drive growth. This was principally driven by £2.6m investment in four significant centre refurbishments and a continued roll-out of Pins & Strings. A further £0.6m was invested in our digital strategy, improving the website, scoring environment and customer experience. In terms of cash flow, the Group invested a further £2.8m in deposits and forward payments for future 2022 projects in order to secure equipment and materials in order to support its investment programme. Although a working capital movement, this has been included in the cash flow summary to ensure transparency around the investment programme.

The strategic investment programme will accelerate in 2022 with seven refurbishments and four new centres planned, as well as a continued investment in the digital infrastructure.

FINANCE COSTS AND BANKING ARRANGEMENTS

£000	52 weeks to 26 December 2021	52 weeks to 27 December 2020
Interest on bank debt	(391)	**(330)**
Amortisation of bank financing costs	(124)	**(49)**
Lease interest charges	(5,481)	**(5,393)**
Other finance income/(costs)	11	**(43)**
Net interest	(5,986)	**(5,815)**

Net interest showed a modest increase of £171k (2.9%) in the year. The increased debt from CLBILS contributed to a slight increase on bank debt and the regearing of a number of leases to secure the deferral of cash from Lockdown has created an increase in the lease interest charges.

The Group currently has two financing facilities in place: a £25m RCF and a £14m term loan under the Government's CLBILS scheme. Both terminate in January 2024. The Group has now returned its balance sheet to normal levels, with bank net debt at the end of 2021 at only (£2.5m). The original £25m commercial RCF facility is considered more than adequate for the Group's needs and, therefore the Group intends to make an early repayment on the CLBILS loan later in 2022.

GROUP ADJUSTED PROFIT BEFORE TAX

Despite the first 20 weeks of the year being closed, the Group has delivered a full year adjusted profit before tax of £3.1m. In the second half of the year, the PBT was £13.9m which is only (2.1%) lower than the Group delivered in a full year of 2019 (FY19: £14.2m). This very strong growth is a function of the high level of sales and is further supported by some one-off cost savings which will moderate in 2022.

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 2021, the loss of (£0.4m) was related to this. The programme is now complete.

IMPAIRMENT AND EXCEPTIONAL ITEMS

In 2020, there was a (£2.5m) impairment charge on the ROU assets because the future cash flow did not support the asset value. This impairment review is at the harshest possible measure because the cash inflows are discounted at the Group's WACC whereas the assets are discounted using an Incremental Borrowing Rate (IBR). The issue was exacerbated for year end 2020 because the assessment was made during a Lockdown and therefore the forecasted future cash flows were suppressed. A review of the impairment modelling has resulted in a £1.1m write back of that impairment charge as the Group is now able to include a stronger cash forecast for its centres.

There has also been an exceptional write back of part of a provision made in FY19. This relates to a potential HMRC payment which following a case review the Group now thinks is unlikely to be necessary.

TAXATION

A return to profit has generated a tax charge for the year of (£0.4m). The effective tax rate is 10%, which is significantly lower than the actual tax rate of 19%. The principal differences arise because the impairment release is not subject to taxation and there has been a reduction in the tax charge resulting from a revaluation of the net deferred tax asset which has resulted from the movement in the tax rate to 25% from 19%.

PROFIT AFTER TAX

The Group generated a profit after tax of £4.0m. Basic earnings per share were 5.9p.

NUMBER OF SHARES

The number of shares in issue is 68,367,784. Increases in issued share capital in the year arose from the issue of 20,814 shares in May in respect of the partial vesting of the 2018 LTIP scheme.

DIVIDENDS

The Board is not recommending a dividend for 2021, but it believes it has now fully restored financial stability to the Group. In 2020, the Group set the cash priorities to have sufficient headroom; reduce the debt; and return to strategic investment. Each of these criteria have now been successfully delivered. As a result, the Group intends to return to paying a dividend for FY22. The quantum of the dividend payment will be reviewed as the year progresses to ensure that the restored cash position remains in place. In order to be able to pay a dividend, the Group must fully discharge its obligations under the CLBILS scheme. This is now considered appropriate and it is expected to be repaid early during FY22.

BALANCE SHEET

£000	26 December 2021	27 December 2020	Movement
Assets			
Goodwill and other intangible assets	**29,939**	30,136	(197)
Property, plant and equipment	**39,530**	41,453	(1,923)
Deferred tax asset	**4,374**	4,118	256
Right-of-use assets	**167,324**	157,145	10,179
Inventories	**1,226**	508	718
Trade and other receivables	**5,426**	1,672	3,754
Cash and cash equivalents	**11,511**	7,394	4,117
	259,330	242,426	16,904
Liabilities			
Lease liabilities	**(195,662)**	(185,146)	(10,516)
Bank borrowings	**(13,832)**	(19,908)	6,077
Trade and other payables and provisions	**(13,503)**	(5,981)	(7,522)
Other liabilities	**(2,270)**	(1,582)	(688)
	(225,267)	(212,617)	(12,649)
Net assets	**34,063**	29,809	4,254

NET DEBT ANALYSIS

£000	26 December 2021	27 December 2020	Movement
Closing cash and cash equivalents	**11,511**	7,394	4,117
Bank loans	**(14,000)**	(20,000)	6,000
Bank net debt	**(2,489)**	(12,606)	10,117
Leases – machines and other	**(5,613)**	(6,945)	1,332
Leases – property	**(190,049)**	(178,201)	(11,848)
Total net debt	**(198,151)**	(197,752)	(399)

CASH FLOW

£000	52 weeks to 26 December 2021	52 weeks to 27 December 2020	Movement
Cash flows from operating activities			
Group adjusted EBITDA	**27,059**	(7,860)	34,919
Maintenance capital[4]	**(910)**	(741)	(169)
Movement in working capital[1]	**3,521**	5,489	(1,968)
Lease and taxation payments[2]	**(13,579)**	(1,636)	(11,943)
Free cash flow [3]	**16,091**	(4,748)	20,839
Dividends paid	**–**	(2,405)	2,405
Cash flow available for investment and financing activities	**16,091**	(7,152)	23,243
Proceeds from issue of shares	**–**	4,878	(4,878)
Strategic investments[4]:			
Existing estate	**(6,166)**	(3,190)	(2,976)
Estate expansion	**(56)**	(3,105)	3,049
Exceptionals and share-based payments	**248**	25	223
Draw down/(repayment) of debt	**(6,000)**	13,750	(19,750)
Cash flow after investment and financing activities	**4,117**	5,206	(1,089)
Opening cash and cash equivalents	**7,394**	2,188	5,206
Cash and cash equivalents – end of period	**11,511**	7,394	4,117

1 The movement in working capital is the balance of £3,561k from the "Changes in working capital" section of note 18 in the notes to the financial statements less the £40k of amortisation of the consolidated fair value rent free periods recognised upon acquisition.

2 This is calculated from the statement of cash flows being the corporation tax paid, finance costs paid and finance lease principal payments.

3 Free cash flow - This is cash generated from operations less measures judged as maintenance capital, finance lease payments, taxation payments or receipts, advance payments to suppliers of capital projects and non-cash share based payments. Please see note 2, Alternative Performance Measures which reconciles these two measures

4 These 2 lines relate to the spend on capital projects and are reconciled to cash outflows from investing activities in note 2, Alternative Performance Measures.

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 26 December 2021. The basis for preparation is outlined in the accounting policies to the financial statements on page 72.

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 77.

NOTE ON ALTERNATIVE PERFORMANCE MEASURES

The Group uses a number of alternative performance measures ("APM"s) in the disclosure of its results. It should be noted that due to the disrupted nature of 2020 and 2021, the Group has used and will continue to use 2019 as a baseline comparator for some performance measures in order to be able to compare the business against a pre-covid trading period.

NOTE ON ALTERNATIVE PERFORMANCE MEASURES

Group adjusted EBITDA	This measurement is earnings before interest, taxation, depreciation, amortisation, exceptional items, impairment reversal/(charge) and profit or loss on disposal of assets. This has been done to show the underlying trading performance of the Group which these other costs or income can distort. The reconciliation to operating profit is included in Note 2 to the financial statements.
Group adjusted EBITDA after rental costs	This is earnings before interest, taxation, depreciation, amortisation, exceptional items, impairment reversal/(charge) and profit or loss on disposal of assets, less a deduction for the cash cost of rent. This measure is to reflect the underlying earnings after the transition to IFRS 16 Leases. The reconciliation to operating profit is included in Note 2.
EBITDA operating margin	This is the Group adjusted EBITDA after rental costs divided by sales, expressed as a percentage.
Cost of goods sold and gross margin	The cost of sales as reflected in the statement of comprehensive income consists of direct bar, food, vending, amusements, gaming machine related costs, PDQ machine costs and staff costs. Cost of goods sold excludes staff costs but security and machine licence costs incurred by the centres are included. Deducting cost of goods sold from revenue gives the gross margin. This is how cost of goods sold and gross margin are reported by the business monthly and at centre level as labour costs are judged as material and thus reported separately with operating costs. The reconciliation is included in Note 2
Operating profit/(loss) before exceptional items	This is operating profit/(loss) before exceptional items and impairment reversal/(charge).
Group adjusted profit/(loss) before tax	This consists of the profit before tax adjusted for items judged as exceptional and relating to impairment reversal/(charge).
Adjusted underlying profit after tax and adjusted earnings per share	This consists of the profit after tax adjusted for exceptional items and impairment reversal/(charge) and is used to determine the adjusted earnings per share. The reconciliation of this number to profit after tax is included under Note 8 to the financial statements.
Exceptional items	These items are those significant cost or income items which management judges to be one-off in nature and are not excepted to continue to be incurred as part of the regular trading performance of the business. 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 measure is calculated as operating profit as a percentage of total capital employed which consists of non-current assets and current assets less current liabilities per the statement of financial position. This measure is reflected under KPIs.
Bank net debt	This is bank borrowings less cash and cash equivalents as per the statement of financial position.
Free cash flow	This is cash generated from operations less maintenance capital, advances to suppliers for capital projects, finance lease payments, taxation payments or receipts and non-cash share based payments. This is reconciled in note 2.

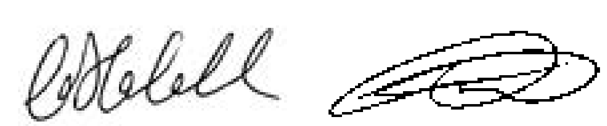
These APMs are used as they provide the user with additional information that helps them to interpret the results using measures that the Board consider relevant and helpful. These measures are additional and are not intended to replace or detract from the full financial statements included herein.

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 2022

ANTONY SMITH
CHIEF FINANCIAL OFFICER
29 March 2022



CHAIRMAN'S INTRODUCTION TO GOVERNANCE

DEAR SHAREHOLDERS

2021 has been a year of two very distinct halves for the Board's activities. Initially during the Lockdown at the beginning of the year the Board was focused on ensuring liquidity security and preparing to reopen the business safely for our customers and employees.

In the second half, with a very encouraging sales performance, the Board was rigorous in its decision making about when was the right time to return to its highly successful programme of strategic investment.

2021 demonstrated a smooth transition for the Board as the previous Chairman, Nick Basing, resigned in May after more than ten years with the business. I have been with the Group since 2018 and was honoured to be appointed Chairman in May which helped ensure continuity at a non-executive level.

I was pleased to welcome Laura May to the Board in May as an independent non-executive director and as my successor as Chair of the Audit Committee. Laura's extensive financial experience in the leisure sector has already proved invaluable to the Group. I wish to congratulate Julie Sneddon, who has served on the Board since the IPO in 2017, and has now been appointed as my successor as Chair of the Remuneration Committee and as Senior Independent Director.

It has been important that as we evolve the roles of our independent non-executive directors we have had stability in the Executive team. Graham has been with the Group for over thirty years and has had a very successful first full year as CEO and Antony has now been with the Group for three years. This stability has been invaluable as we have reopened the business and focused on delivering our strong return to growth and profitability.

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 smooth transition to a fully independent Chair
- Appointment of a second female director ensuring that the Board is now 33% female
- Engagement of external consultants to develop the Group's sustainability strategy to meet net zero
- Undertaking a Board effectiveness review to ensure that the Board is operating well, with an appropriate balance of contributions

OTHER ACTIVITIES IN 2021

The board returned to face-to-face meetings in the second half of 2021, but has now developed a well-established process of meeting remotely using digital communications. As a result, the Board was able to meet more frequently to ensure there was good scrutiny of progress in a fast changing environment. Principal focus areas for 2021 have been:

Strategic Planning– As the Group emerged from the pandemic, it was critical to conduct a full scale review of the corporate strategy to ensure it was fit for purpose. The Executive Team reviewed the strategy in detail and recommended to the Board a comprehensive three-year plan for growth.

This review concluded that the underlying plans and strategy were still appropriate in a post Covid environment, but there were some areas that could be developed further. In particular the Board has approved an enhanced digital strategy as well as an investment programme that takes account of the need to ensure there is a robust level of liquidity security balanced against a high returning investment programme.

Meeting our investors – The Company maintains a comprehensive investor relations programme, designed to ensure that our Executive Directors meet with investors and analysts regularly. The executive team continue to ensure that they are accessible, and consistently review the information available to investors to help them make well-informed investment decisions.

Independence of Directors – The Board reviewed the independence of all Non-Executive Directors (excluding Christopher Mills) and determined that they all continue to be independent. The appointment of an independent Chairman in May 2021 was an important step forward in the Group's governance. Christopher Mills is 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.

Liquidity security – The Board have continually reviewed and discussed the appropriate level of liquidity security. The Board decided in January to increase their financing facilities under the Coronavirus Large Business Interruption Loan Scheme (CLBILS). The board did so on the basis that this facility was a helpful safety net should the pandemic closures persist. Although the strong reopening in May and the strong return to cash generation has meant that this CLBILS safety net was not required, the board are confident that it was the right decision made at the time in light of the prevailing risks. The Board did consider other liquidity measures but deemed this approach to be the one that was in the best interest of the shareholders.

BOARD ACTIVITY IN 2022

In 2022, the Board has already met three times with the focus on understanding the underlying business performance and releasing investment capital without compromising liquidity security.

The volatility in the external markets, particularly in respect of commodity pricing, wage cost inflation, consumer cost of living pressures and challenges in the utilities market, have all been considered. The Board has plans in place which we believe will mitigate the anticipated impact of these issues.

Furthermore, in early 2022 the Board has undertaken carbon literacy training as a key step in building its TCFD strategy. This will be a key focus area for the remainder of 2022 as the Board continues to develop the long term targets and goals for Ten Entertainment Group in this critical area.

ADAM BELLAMY

CHAIRMAN
29 MARCH 2022

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

The Company has complied with all the main principles and provisions of the UK Corporate Governance Code 2018 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 11

At least half of the Board, excluding the Chair, should be Non-Executive Directors whom the Board considers to be independent. As reflected on page 40, the Board consists of the Chair, two Executive Directors, two independent Non-Executive Directors and one Non-Executive Director. Including the Chair, the Board is 50% independent, but excluding the Chair the independence falls to 40% which does not comply with the Code. The Non-Executive Director who is not considered independent 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.

BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

N R

ADAM BELLAMY
INDEPENDENT NON-EXECUTIVE CHAIRMAN

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. Adam was appointed as Non-Executive Chairman with effect from 5 May 2021.

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.

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.

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 SMITH
CHIEF FINANCIAL OFFICER

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

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.

A N R

JULIE SNEDDON
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board
Julie was appointed as Non-Executive Director on 22 March 2017 and Senior Independent Non-Executive Director on 5 May 2021.

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.

N

CHRISTOPHER MILLS
NON-EXECUTIVE DIRECTOR

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

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.

A N R

LAURA MAY
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board
Laura was appointed as Non-Executive Director on 6 May 2021.

Laura is a fellow of the Institute of Chartered Accountants in England and Wales and qualified with Deloitte before gaining considerable financial leadership experience across a range of industries. She is currently Director of Tax and Treasury at Pure Gym, the UK's largest gym operator, where she has worked for the past nine years and has played a key role in their substantial growth. Her financial expertise and experience in the consumer leisure sector will be invaluable in helping TEG achieve the next phase of its growth strategy.

Committee membership key:
A Audit Committee N Nomination Committee R Remuneration Committee ● Chair

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 21 years of leisure experience and 17 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.

ROY WHITMORE
IT DIRECTOR

Roy has over 25 years of IT experience across multiple sectors, working in IT roles at Argos, Barclaycard and Mercedes Benz. Roy has 14 years of experience with the Group, joining in 2007 and holding multiple technical positions before progressing to IT Manager, and then to Head of IT in 2018 before being appointed to the executive committee and the role of IT Director in July 2021.

Roy's excellent understanding of the business, consumer needs and strong IT background make him best placed to drive technological advancements and implement the IT strategy.

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.

BOARD MEETINGS AND PROCESS

The Board formally met on nine occasions during the financial year.

Key matters discussed included financial security and liquidity longevity; preparing the business to safely reopen; our employees' financial and mental wellbeing; trading performance as the business reopened; and strategic planning for the future into 2022 and beyond.

Meetings were conducted by a mixture of video conference call and face-to-face. All Board members attended all meetings and Committees that they were scheduled to attend.

The Board has met on a further three occasions to date in FY22, with key matters discussed including the approval of the 2021 Annual Report and Financial Statements; A review of the first quarter of trading; Carbon literacy training and developing the sustainability goals; reviewing and approving new centres for the property pipeline.

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.

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

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

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

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

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

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

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

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 demonstrated by the 100% attendance record of the Board.

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 4 May 2022.

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 page 40. 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 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 IT and property 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 the Non-Executive Director is:

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

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

EXECUTIVE DIRECTORS

Graham Blackwell
Chief Executive Officer

Antony Smith
Chief Financial Officer

INDEPENDENT DIRECTORS

Adam Bellamy
Non-Executive Chairman

Julie Sneddon
Senior Independent Director

Laura May
Non-Executive Director

NON-EXECUTIVE DIRECTORS

Christopher Mills

NOMINATION COMMITTEE

Chair

Members

Chair
Adam Bellamy

Members
Julie Sneddon; Laura May; Christopher Mills; Nick Basing (to 5 May)

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 three times during the year and will normally meet at least twice annually.

2021 SUMMARY

The principal focus of the Committee during the year was to find a replacement for the Chairman of the Board and another Non-Executive Director to join and Chair the Audit Committee. The Committee agreed on Adam Bellamy taking over as Chairman of the Board and approved the appointment of Laura May as a Non-Executive Director and as the new Chair of the Audit Committee.

AUDIT COMMITTEE

Chair

Members

Invitees

Chair
Laura May
Adam Bellamy (to 5 May)

Members
Julie Sneddon;
Adam Bellamy (from 6 May)

Invitees
Christopher Mills
Nick Basing (to 5 May)

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 three times during the year and will normally meet not fewer than three times a year at the appropriate reporting and audit cycle.

2021 SUMMARY

In the first half of the year, the Committees main focus was on the material uncertainty created by the Covid-19 impact, in particular the reporting of the Group as a going concern in the FY20 Annual Report published in March 2021 and in the Interim Statement published in September 2021. The FY20 Annual Report also included the accounting for the transition to IFRS 16 along with the impairment of the Right of Use assets and Property, Plant and Equipment which required significant review. With the re-opening of the centres, the internal audit programs were re-instated in the second half of the year and as part of its commitment to risk, adopted a formal "Risk Appetite Statement".

REMUNERATION COMMITTEE

Chair

Members

Invitees

Chair
Julie Sneddon

Members
Adam Bellamy;
Laura May

Invitees
Christopher Mills;
Nick Basing (to 5 May)

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.

2021 SUMMARY

The Committee focused on setting the Annual Bonus plan for 2021 once the business re-opened for trade, including the setting of challenging financial and strategic targets for the Executive Directors, that included Stretch and Super Stretch targets to return the Group to profitability. As reflected in detail under the Remuneration Report, the Committee has reviewed the achievement of the Annual Bonus targets in detail when deciding whether the formulaic outcome of the bonus is appropriate in light of broader factors, including those relating to the Covid-19 pandemic.

Long -term incentive grants for FY21 were awarded, though this was delayed until November, in light of the difficulty in forecasting and setting targets earlier in the year, due to the impact of the pandemic.

FY21 MEETING ATTENDANCE

Director	Independence	Main Board	Audit Committee	Nomination Committee	Remuneration Committee
Graham Blackwell	Exec	9/9			
Antony Smith	Exec	9/9			
Adam Bellamy (Chair) [1]	I	9/9	3/3	3/3	4/4
Julie Sneddon (SID) [1]	I	9/9	3/3	3/3	4/4
Laura May [2]	I	5/5	2/2	2/2	1/1
Christopher Mills	NI	9/9		3/3	
Nick Basing	NI	4/4	1/1	1/1	3/3

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

[1] On 5 May 2021, Nick Basing resigned as Chairman, and existing Board member Adam Bellamy replaced him, having previously been Senior Independent Director. With effect from the same date, existing Board member Julie Sneddon took on responsibility of Senior Independent Director.
[2] Laura May was appointed to the Board as an Independent Non-Executive Director with effect from 6 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.

Chair
Adam Bellamy

COMMITTEE MEMBERS
Julie Sneddon
Christopher Mills
Laura May
Nick Basing (Retired 5 May)

Number of meetings held in the year

3

FY21 MEETING ATTENDANCE

MEETING ATTENDANCE

Member	Meetings	Attendance
Adam Bellamy	3	•••
Julie Sneddon	3	•••
Christopher Mills	3	•••
Laura May	2	••
Nick Basing (retired)	1	•

ANNUAL STATEMENT BY THE NOMINATION COMMITTEE CHAIR

I am pleased to present my first report of the Committee, having taken over as Chair from Julie Sneddon. There have been a number of movements in roles of Chair to the Committees which the report will cover, as well as the appointment of a new Chairman after the departure of Nick Basing and the appointment of Laura May as a new Non-Executive Director. Other activities in the year consisted of reviews of Board succession, effectiveness, diversity, culture and values.

COMMITTEE ACTIVITY

During the year, Nick Basing resigned as Chairman of the Board on 5 May 2021. We as a Board thank him for his dedication to the Group and for his outstanding contribution to stewardship and leadership over the past 12 years. The Committee reviewed several options and carried out a wide-ranging selection process, and I was chosen as the best candidate having been a member of the Board since 2018, having extensive knowledge of the business and experience in high growth, consumer-facing companies.

The Committee also approved the appointment of Laura May as a Non-Executive Director to the Group on 6 May 2021. Laura is a fellow of the Institute of Chartered Accountants in England and Wales and qualified with Deloitte before gaining considerable financial leadership experience across a range of industries. She is currently Director of Tax and Treasury at Pure Gym, the UK's largest gym operator, where she has worked for the past 10 years and has played a key role in their substantial growth. Her financial expertise and experience in the consumer leisure sector will be invaluable to the Group.

With these changes, the Committee took the opportunity to shift Chair roles and so I took on the role of Chair of the Nomination Committee, Julie Sneddon took on the roles of Senior Independent Director and Chair of the Remuneration Committee, and Laura May took on the role as Chair of the Audit Committee.

Nomination Committee activities at the meetings held during the year ending 26 December 2021	May	June	October
Appointments			
Interviews and appointment of Chairman	•		
Interviews and appointment of Non-Executive Director	•		
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		•	•

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 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 the Chairman role.

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.

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
Adam Bellamy	1 November 2018	4 years	Annually at AGM	Chairman and Nomination Chair
Graham Blackwell	15 March 2017	5 years	Annually at AGM	CEO
Antony Smith	1 April 2019	3 years	Annually at AGM	CFO and Secretary
Julie Sneddon	22 March 2017	5 years	Annually at AGM	Remuneration Chair and Senior Independent Director
Laura May	6 May 2021	1 year	Annually at AGM	Audit Chair
Christopher Mills	15 March 2017	5 years	Annually at AGM	Non-Executive Director

In accordance with the UK Corporate Governance Code, all continuing Directors will seek re-election at the 2022 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 2022

ADAM BELLAMY
CHAIR OF THE NOMINATION COMMITTEE
29 March 2022

Chair
Laura May (joined 6 May 2021)

COMMITTEE MEMBERS
Julie Sneddon
Adam Bellamy

Invitation
Nick Basing (resigned 5 May 2021)
Christopher Mills

Number of meetings held in the year

3

MEETING ATTENDANCE

Member	Meetings	Attendance
Julie Sneddon	3	•••
Adam Bellamy	3	•••
Laura May	2	••
Nick Basing	1	•
Christopher Mills	3	•••

ANNUAL STATEMENT BY THE AUDIT COMMITTEE CHAIR

I am pleased to present my first report covering the role of the Audit Committee and the activities that have been carried out by the committee during another turbulent year. The year continued with the challenges and uncertainty of 2020 brought about by the Covid-19 pandemic, followed by further complications from industry-wide international supply disruption, including Brexit. Through all this, the Group has had a positive second half of the year and maintained a robust financial position, generating strong liquidity while remaining focused on good internal controls and risk management.

The Committee met three times during this financial year and has met once since the year end. During these meetings the Committee has ensured it has carried out the annual activities required to cover its key responsibilities around compliance with the Code and other legal and regulatory requirements, financial reporting, including accounting standards, risk management, internal controls and the external audit process.

As part of its commitment around risk, the Committee adopted a formal 'Risk Appetite Statement', linked to its corporate purpose and strategic ambitions which is embedded into the risk management process. The principal risks and uncertainties of the Group were reviewed in line with its appetite and considered acceptable.

BDO were engaged to carry out an internal audit review around compliance with regulations that impact on the Group, as well as a review of fraud risk and management, to assist the Group in improving its internal processes and controls. The operational internal audit program was re-instated after the centres were allowed to open for trade, to help identify and manage risk after having been closed for such a significant period of time.

The Committee, on behalf of the Board, has completed a review of 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 has taken the position that there is unlikely to be any further Lockdowns that will impact on the business and thus negatively affect its liquidity or its ability to meet its financial covenants.

Regulators and shareholders continue to focus on the content and quality of narrative disclosures in the annual report on environmental, social and governance matters, particularly climate change. The Board has reviewed management plans to further improve and enhance reporting, including preparations to fully report under TCFD from next year, and this will be an area of focus for the committee.

The past financial year has had many highs and lows, but there is hope that this next financial year will provide a more stable environment for the Group to flourish while providing a platform for the Committee and Board to focus on improving its overall governance objectives.

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 26 December 2021	March	September	November
Financial statements and new accounting standards			
Review of the 2021 interim announcement and the Financial Statements and Annual Report for 2020	•	•	
Review of significant accounting policies and estimates in the year in particular, the impact of IFRS 16	•	•	
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, risk appetite, 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 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 financial expertise and experience in the consumer leisure sector. 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 page 40.

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 26 December 2021 and the 2021 interim financial statements focused on the following areas of significance:

- Reviewing the appropriate use of alternative performance measures "APMs", including adjusted financial results to exclude one-off income/expenses, to communicate the Company's performance to its shareholders. After a review by the Financial Reporting Council, the Committee also considered more detailed reconciliation of APMs including changes to reflect Group Adjusted EBITDA and Group Adjusted EBITDA after rentals costs. 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. This included the factors considered in determining the cash flows and the rate used to discount those cash flows which resulted in an impairment reversal in the period. Further detail of the impairment assessments can be found in Notes 9 and 12 to the financial statements
- Reviewing the going concern and long term viability statement assessments including agreeing the base case and downside scenarios used and that Covid Lockdowns are now no longer considered to be plausible and thus excluded from these scenarios
- The Committee also considered a paper prepared by the external auditors, 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 March and September 2021, 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 26 December 2021, 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 and in support of viability. The Company's Going Concern and Viability Statements are set out on pages 32 to 33, and these show the approach taken and the conclusions made.

REVIEW OF NARRATIVE REPORTING

Last year, the narrative sections of the Annual Report were updated to comply with a number of new reporting requirements, including the first report against the 2018 Corporate Governance Code, an enhanced statement of how the Board has complied with s172 Companies Act, and the inclusion of the CEO pay ratio. This year, the Committee reviewed the enhancements made to the financial review disclosures and other parts of the annual report to address the findings of the Financial Reporting Council (FRC) in a letter around alternative performance measures. The Committee also received a second letter from the FRC commending the reporting and disclosure around the Viability Statement in the Annual Report for the year end 27 December 2020.

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 2021 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 Appetite statement and risk register;
- reviewing emerging risks which in this year included the impact of delays in deliveries on a nationwide basis;
- 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. 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 support our internal audit function at the end of FY17, when they commenced their first review. Their audit reviews are supplementary to the operational loss prevention and process audits, which are completed by three 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 blend the use of BDO for the more complex internal reviews while using the internal team for reviews which their skills encompass.

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 and internal resources on an ongoing basis and has concluded that the internal audit function has been effective during the year. During FY21, which was significantly disrupted with the business being shut for the first five months of the year, only one outsourced internal audit review was carried out. The review specifically chosen by the Committee covered the Group's approach to fraud risk, laws and regulations. The Committee was presented with the findings and recommendations were identified. Some of these improvements have been implemented already with the remainder being implemented in Q2 2022. 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.

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. The Whistleblowing facility is provided on Yapster, where employees can raise concerns confidentially using our dedicated communications app, offering people more access to reporting incidents of concern. Incidents are reviewed by the Chief Financial Officer and reported on to the Board. No incidents were reported during FY21.

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 31 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 2022, 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. The PwC partner, Craig Skelton, attends all Committee meetings and thus attended the meetings in March, September and November 2021. 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 auditors, and to agree the audit fee. In November 2021, the external auditors presented their strategy for the 2021 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 2021 audit and the proposed plan and fee, the Committee agreed that PwC be reappointed as auditor for the 2021 audit for the fee proposed. A resolution by the Directors to agree their remuneration and to reappoint PwC as auditor for the 2022 audit will be put to shareholders at the AGM.

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 auditors 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 auditors 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 £37,000 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 £193,000.

Our auditors 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 continues to improve the risk, control and governance 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 with Laura May joining and taking over as Chair from Adam Bellamy who remains as a member. 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.

LAURA MAY
CHAIR OF THE AUDIT COMMITTEE
29 March 2022

Chair
Julie Sneddon (from 6 May 2021)

COMMITTEE MEMBERS

Laura May (joined 6 May 2021)
Adam Bellamy

Invitation

Nick Basing (resigned 5 May 2021)
Christopher Mills

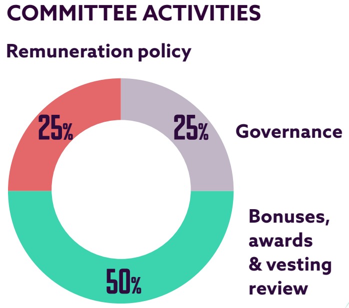
Number of meetings held in the year

4

MEETING ATTENDANCE

Member	Meetings	Attendance
Adam Bellamy	4 out of 4	●●●●
Julie Sneddon	4 out of 4	●●●●
Laura May	1 out of 1	●
Nick Basing	3 out of 3	●●●
Christopher Mills	4 out of 4	●●●●

COMMITTEE ACTIVITIES



The Remuneration Committee met on four occasions in FY21 and has met twice since the year end. The activities completed by the Committee in 2021 were as follows:

	February	March	June	October
Bonuses, awards and vesting review				
Review of FY20 performance and bonus outturn	●		●	
Approval of Directors' bonus KPIs/targets for FY21 and FY21 fixed pay		●		
Proposed 2021 LTIP performance targets				●
Share plan awards and vestings			●	
Remuneration policy and operation review				
Review of Policy and operation of Policy		●		
Governance and reporting				
Review of Directors' Remuneration Report (including to ensure compliance with the Remuneration Reporting Regulations)		●		
Review of the Committee's Terms of Reference				●

ANNUAL STATEMENT BY THE REMUNERATION COMMITTEE CHAIR

I am pleased to present my first Remuneration Report having taken on the role of Chair of the Remuneration Committee from Adam Bellamy on his appointment as Chairman of the Group.

At our 2021 AGM, there was a binding shareholder vote on our Directors' Remuneration Policy and an advisory vote on our Annual Report on Remuneration. There were no changes to quantum in our new Policy, but we incorporated certain structural elements to align with investor expectation and the UK Corporate Governance Code, and the Board considered it was appropriate to seek shareholder approval to a new Policy that included those changes. The shareholder vote to approve the Policy was 82.77% and for the Chair's Annual Statement and Annual Report on Remuneration, 94.97%.

Remuneration outcomes for FY21

The financial year under review has been significantly impacted by Covid-19 with our sites closed for the first 20 weeks, and as a result the Committee determined that the target-setting for the 70% financial element of the bonus should be delayed until the business reopened, although it was able to set important strategic goals for the remaining 30% of the bonus. When we set financial targets for both the full year and H2, the Committee determined, given the delay in opening the business and target setting, the bonus should only start to pay for target performance. To really challenge the business to perform in the second half of the year, return to profitability and enable payment of full bonus, the Board set challenging Stretch and Super Stretch targets. For maximum payment of the financial element of the bonus, the business needed to achieve Super Stretch EBITDA targets and deliver profit before tax for the full year despite almost five months of closure.

Until business reopening in May, our management team focused on ensuring the financial viability of the business, the Covid safety of the sites for guests at reopening, and the health and wellbeing of our staff. Their extreme efforts under the very difficult circumstances ensured we were in the strongest position to start trading again once allowed to do so.

The Board is delighted with the Group's performance since we reopened in mid-May 2021. The management team supported by wider Group employees drove exceptional business performance despite disruption in our supply chain and workforce turnover, while managing the challenges of Omicron in the run up to Christmas and ensuring it was not necessary to close any sites due to shortages of products or employees. Not only did the management team deliver an impressive set of results on the back of fantastic trading performance in the second half of the year but they made excellent progress on our strategic deliverables and important site level investments, laying the groundwork to build on the performance achieved in 2021.

As a result of the outstanding performance delivered by management over the year, the performance targets for the annual bonus have been met at close to maximum with the formulaic outcome of the annual bonus resulting in a bonus of 90% of maximum for both our CEO (£279,000) and CFO (£234,000).

The Committee has considered carefully whether the formulaic outcome of the bonus is appropriate in light of broader factors including those relating to the COVID pandemic. These are discussed in turn below:

- We have considered the appropriateness of bonus payments in a year where the Company and workforce has benefited from Government assistance under the Coronavirus Job Retention Scheme (CJRS) amounting to £4.0m, a £14.0m draw-down under the CLBILS loan scheme and the business rates holiday. Because we have been able to make use of the CJRS, we have not made any redundancies and all our staff have now returned to work and are a critical part of our growth story. The Committee is pleased to note that all eligible employees will receive an annual bonus for FY21 based on similar metrics as the executive directors, acknowledging their exceptional contribution during the year. We believe that paying a bonus to all of our staff, including the executive directors, is appropriate for the performance delivered over the year, and ensures that all staff are motivated and incentivised to deliver future growth.
- We have also considered the appropriateness of bonus payments in a year where there has been no dividend paid. We raised additional capital from our shareholders in 2020 at a price of 1.55 per share compared to the current share price of c.£2.40. In relation to the dividend, we believe that this value has been retained in the current share price of c.£2.40 and the Committee has taken into account the plan to re-commence the dividend policy with an interim dividend payment expected to be announced in the second half of 2022 as we return to a more usual trading environment.
- We set stretching Group adjusted EBITDA, PBT and strategic targets for the business, and the financial performance over the second half of the year was excellent. We believe that the annual bonus was an important factor in the delivery of such strong performance. It is vital that employees, including our executive directors, are confident in the integrity of the annual bonus plan and that if challenging performance conditions are set, and then achieved, the resultant bonus should be payable other than in genuinely exceptional circumstances.
- The Committee has noted that during 2021 we moved from three Executives to two Executives, who both voluntarily waived 20% of their base pay in 2020 for two months and that no bonus was paid for 2020. It is worth noting that there has been very low or zero bonuses since listing in 2017 and no salary increases for FY22. Although it is noted that incentive outturn has historically been aligned to performance, the incentivisation and retention of the executive directors is regarded as critical to the ongoing performance of the business. Salary increases will be made to the rest of the workforce for FY22 in addition to the National Minimum Wage.

In conclusion, the Committee believes that this management team is the right one to deliver the future growth of the business and that the Executive Directors must be commended on the exceptional performance achieved in 2021 in what was a very difficult year. The Committee has considered whether it is appropriate to scale back the formulaic outcome of the bonus for FY21 and given all of the factors noted above is comfortable that payment of the formulaic bonus is, in all the circumstances appropriate.

The bonus will be paid 75% in cash and 25% in shares. This share element (which is significantly more than the Policy provides for, being 25% of the bonus in excess of target), with the shares they already hold, ensures the executive directors continue to be aligned to long-term performance and shareholders' interests.

The 2019 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 May 2022. Based on our current analysis, it is anticipated that some of this award may vest and actual vesting will be disclosed in the 2022 Remuneration Report.

2021 LONG-TERM INCENTIVE AWARDS

Long-term incentive grants for FY21 were delayed due to the difficulty in forecasting and setting targets in light of the pandemic and granted later in the year (November) than would be usual:

- Award levels were unchanged from FY20 at 150% of salary
- The award is based 50% on EPS and 50% on relative TSR
- The TSR peer group and targets are set out on page 56
- Threshold vesting for the EPS element occurs for achieving EPS of 17.50 pence and maximum vesting occurs at 20.50 pence
- The Committee carefully reviewed the business outlook and believes the EPS targets set for the 2021 award are at least as stretching as the target ranges set in prior years.. 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.

OPERATION OF POLICY FOR FY22

The Committee is committed to rewarding management fairly and appropriately for the exceptional performance and achievements in FY21 but is taking a prudent approach to fixed pay for FY22 noting the salary increases made to the Executive Directors in the second half of FY20. There will therefore be no increases to salaries for FY22.

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 Committee has spent time reviewing the operation of Policy for FY22 and considering the appropriate performance metrics for both the annual bonus and LTIP to ensure they are aligned to the business strategy. The annual bonus will continue to be based 70% on financial metrics and 30% on strategic objectives.

The Committee has determined that the FY22 bonus will be based on a combination of Group adjusted Profit Before Tax (PBT) instead of EBITDA, and that an additional financial metric of Free Cash flow will be included. The move from EBITDA to PBT is driven by the introduction of IFRS 16 and the importance of measuring profit after depreciation and interest both of which are critical in terms of management's decisions in respect of the acquisition of sites, entering new leases and renegotiating current leases. PBT is a key measure of profitability for us going forward and the inclusion in our annual bonus aligns to our financial reporting. Free Cash Flow is included to recognise the importance of delivering cash to meet dividends and strategic investments as well as to pay down debt. The Committee has set threshold, target and maximum targets for all elements of the bonus.

The 30% of the bonus determined by strategic milestones will be split equally between the areas of:

(1) site acquisitions and new builds;

(2) refurbishment plans;

(3) development of digital to support increased sales; and

(4) development of our ESG strategy including obtaining Board approval, base year measurement and initial steps in implementation.

Further details of the strategic objectives and the financial targets, as well as performance against them will be set out in the FY22 Remuneration Report.

The LTIP awards will continue to be determined as to 50% on relative TSR and 50% on EPS. The targets are set out in the Annual Report on Remuneration.

NON-EXECUTIVE DIRECTORS' REMUNERATION

The Non-Executive Director fees are set by the Chairman of the Board, CEO and CFO, and the Chairman fee by the Remuneration Committee. There have been no changes to these fees for 2022.

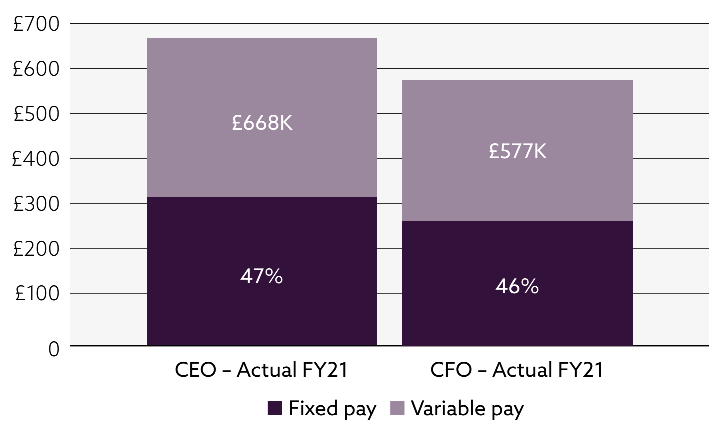
CONCLUSION

The Committee is satisfied that the remuneration outcomes for FY21 provide a fair and appropriate level of reward for the Executive Directors under extremely exceptional circumstances, taking into account wider stakeholder considerations but also the resilience and performance of the Executive Directors in achieving a very successful return to trading, strong financial results, overall protection of the business for shareholders while laying the foundations for future growth. The Committee is further comfortable that the policy operated as intended and that no change is required to the policy.

I very much hope that you will support the shareholder resolution on my Annual Statement and the Annual Report on Remuneration at our forthcoming Annual General Meeting on 4th May 2022. In the meantime, should you have any questions, I am contactable via the Company Secretary.

JULIE SNEDDON
CHAIR OF THE REMUNERATION COMMITTEE
29 March 2022

ACTUAL REMUNERATION 2021



2021 ANNUAL BONUS OUTCOME

Metric	Weighting	Outcome (of element)	Payout
EBITDA	70%	70%	70%
Strategic objectives	30%	20%	20%

2019 LTIP OUTCOME

Metric	Weighting	Outcome (of element)	Payout
EPS	50%	0%	0%
Relative TSR	50%		42.5% estimated vesting*

*Performance period runs from date of grant for TSR and ends 17 May 2022. This is the estimated payout based on the performance at 31 January 2022.

REMUNERATION FOR FY22

Policy element	G Blackwell (CEO)	A Smith (CFO)
Base salary for FY22 (0% increase)	£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 – split equally between achievement of Group Adjusted Profit before Tax and Free Cash Flow 30% strategic objectives – split equally between four set targets 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	20% of maximum	20% of maximum
Amount paid for target performance	50% of maximum	50% of maximum
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	50% relative TSR and 50% EPS targets. The Committee retains discretion to adjust the LTIP vesting if it considers the formulaic outcome not appropriate.	
Payment for threshold performance	25% of maximum	25% of maximum
Performance & post-vesting holding periods	3 years and 2 years respectively	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 FY21 year-end	32%	37%

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').

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. 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 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.	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 56, 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 2021, engagement with our employees has continued as a focus on their health and wellbeing as we weathered the impact of the pandemic in the first five months of closure and then brought back the team together for the reopening of all the centres in May 2021. The Committee does not currently engage with employees to explain the alignment of Executive remuneration to the wider workforce but will consider this during 2022 now the Group is returning to business as usual and normal trading levels. 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.

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 5 May 2021:

	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	58,527,776	94.97%	51,884,293	82.77%
Against	3,097,258	5.03%	10,800,270	17.23%
Total votes cast	**61,625,034**		62,684,563	
Withheld	1,060,667		1,138	

ENGAGEMENT WITH SHAREHOLDERS

During early 2021 as explained in last year's Remuneration Report, the Committee engaged with shareholders regarding its review of Policy.

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 2021, that as explained in the Remuneration Committee Chairman's Annual Statement, there has been an appropriate link between reward and performance and that the Policy has operated as intended.

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 FY21 and FY20.

	Salary/Fees		Benefits		Pension		Total fixed pay		Bonus		LTIP[4]		Total variable pay		Total	
Company	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000
Graham Blackwell	**310**	219	**–**	6	**9**	3	**319**	228	**279**	–	**69**	51	**348**	51	**667**	268
Antony Smith	**260**	213	**1**	–	**10**	9	**271**	222	**234**	–	**74**	–	**308**	–	**579**	222
Adam Bellamy	**93**	51	**–**	–	**–**	–	**93**	51	**–**	–	**–**	–	**–**	–	**93**	51
Julie Sneddon	**50**	48	**–**	–	**–**	–	**50**	48	**–**	–	**–**	–	**–**	–	**50**	48
Laura May	**33**	-	**–**	–	**–**	–	**33**	-	**–**	–	**–**	–	**–**	–	**33**	-
Christopher Mills	**50**	48	**–**	–	**–**	–	**50**	48	**–**	–	**–**	–	**–**	–	**50**	48
Nick Basing[1]	**133**	213	**3**	6	**–**	–	**136**	219	**–**	–	**–**	–	**–**	–	**136**	219
Duncan Garrood[2]	**–**	196	**–**	19	**–**	–	**–**	215	**–**	–	**–**	–	**–**	–	**–**	215
David Wild[3]	**–**	23	**–**	–	**–**	–	**–**	23	**–**	–	**–**	–	**–**	–	**–**	23
Total	**929**	1,011	**4**	31	**19**	12	**952**	1,054	**513**	–	**143**	51	**656**	51	**1,608**	1,105

1 Nick Basing stepped down from the Board as Chairman, on 5 May 2021. 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 The awards that vested in 2021 were at a price of £2.44 and value of £51k which is reflected in the table. This was higher than the estimated value of £40k disclosed in prior year's report. For 2021, the share price on the date of grant of the 2019 LTIP award that will vest in 2022 was £2.25 compared to a share price assumed for the vesting value of £2.62 being the three month average share price to 26 December 2021, reflecting share price appreciation. This is an estimate of the vesting value, with actual performance being determined in May 2022. 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 FY21

The FY21 bonus structure provides 50% of maximum bonus for the delivery of target performance, 75% of maximum for stretch performance and maximum bonus opportunity of 100% of salary for each Director for the achievement of a super stretch target. No threshold target was set. Payment for the maximum super stretch EBITDA target was also only payable if Profit Before Tax was positive. Performance against the targets is set out below:

	Range	Weighting	Target	Actual	% maximum opportunity payable
CEO and CFO EBITDA target	Target	35%	£6.5m		
	Stretch	47.5%	£8.5m		
	Super stretch	70%	£11.1m (plus positive PBT)	£14.6m (with £3.3m PBT)	70%

CEO AND CFO STRATEGIC OBJECTIVES

Objectives: 10% weighting each	Performance achieved Certain specific detail is not provided on sites because it is commercially sensitive for the business	Scoring
Implement capital investment programmes • Pins & Strings • BesX scoring, • Refurbishments and completion of new centre acquisitions or new builds	• Pins & Strings: Management were targeted to complete 3 to 4 roll-outs at sites. One roll-out was completed and progress was made against four others but not completed. This target was not achieved. • Three refurbishments were targeted and four were completed. This target was achieved at super stretch level. • BesX: The target range was to achieve implementation at four to ten sites. Eight sites were completed in 2021, with a further two partially done, to be completed in 2022. This target achieved between stretch and super stretch. • Two to three new sites were targeted to be completed for the year. No sites had been acquired or leases entered into for new properties at the end of FY21, although good progress was made with one site that is expected to complete in early 2022. This target was not achieved.	0% Although good progress was made during 2021, the Committee, with management, determined there was not sufficient progress to pay a bonus in respect of this element.
Generate full year free cash flow targets as set from target to super stretch	The targets were based on free cash flow to ensure there was no conflict with outlays required on strategic investment projects. Free cash flow achieved of £16.1m was beyond the super stretch target of £9.7m and led to a net debt of (£2.5m) at the FY21 year end which is below the (£4.1m) net debt at the end of FY19 and prior to the start of the pandemic. The full super stretch target of 10% was achieved.	10%
Safe business re-opening and sales growth	The Board set the executive team clear targets for safely reopening the business and welcoming back customers and colleagues with no major health and safety concerns. As part of the objective, sales growth targets were set for the first half of 2021, since re-opening of the sites on 17 May 2021, with the super stretch target set at 20% LFL growth. The Group achieved LFL sales of 22.5% for the first half as reported in September 2021 and thus the super stretch target of 10% has been achieved. At the end of 2021, the Group reported LFL sales growth of 29%, clearly reflecting the continued strong sales performance in the second half of the year.	10%

The Remuneration policy provides that bonus over target will be paid in shares subject to a two-year holding period. The Executive Directors agreed that 25% of the actual bonus paid should be paid in shares subject to the holding period.

LTIPS GRANTED IN 2021

As explained in the Annual Statement of the Committee Chair, because our sites remained closed until May 2021 as a result of the ongoing pandemic and Government restrictions we were unable to set targets for our 2021 LTIP awards at the usual time. The Board therefore delayed the grant of awards and target setting until it had the benefit of four months trading and a clearer view of longer-term earnings. Awards of 150% of salary were therefore granted to the Executive Directors on 15 October 2021:

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	172,862	274p	£473,642	25%	3 years to FY23 for EPS
Antony Smith	Chief Financial Officer	144,981	274p	£397,248	25%	3 years from date of grant for TSR
Total awards granted		**317,843**				

The vesting of awards is determined as to 50% by earnings per share targets and 50% by total shareholder return.

(1) EPS CONDITION

The earnings per share ('EPS') condition will be calculated on the results for the year to 31 December 2023 ('FY23') 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 FY23:

FY22 EPS	Percentage of award that vests
Less than 17.50p	0%
17.50p	12.5%
17.50p–20.50p	12.5%–50%
More than 20.50p	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.

The EPS target range is slightly higher than the range set for the awards last year and is lower than the range set for the LTIP awards in prior years. Taking into account the difficult trading conditions over the last two years and the uncertainty brought by the pandemic, the Committee is comfortable that the target range is no less stretching than 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. Furthermore, 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)

LTIP 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 27 December 2020	Awarded	Exercised	Lapsed in year*	Awards as at 26 December 2021	Grant price	Face value of 2021 awards
Antony Smith	17/05/2019	17/05/2022	133,333	–	–	–	**133,333**	£2.25	
	30/11/2020	30/11/2023	195,489	–	–	–	**195,489**	£1.99	
	15/10/2021	14/10/2024	–	144,981	–	–	**144,981**	£2.74	£397,248
Graham Blackwell	11/06/2018	11/06/2021	95,149	–	(20,814)	(74,335)	**–**	–	
	17/05/2019	17/05/2022	123,333	–	–	–	**123,333**	£2.25	
	30/11/2020	30/11/2023	233,083	–	–	–	**233,083**	£1.99	
	15/10/2021	14/10/2024	–	172,862	–	–	**172,862**	£2.74	£473,642

* These awards lapsed following review of the relevant performance conditions by the Committee in 2021.

FINAL VESTING OUTCOME FOR LTIPS GRANTED IN 2018

The 2018 LTIPs vested on 11 June 2021. As reflected in the FY20 Annual Report, the EPS targets were not achieved but the TSR target was expected to be achieved, and the expected value was estimated and reported at £40k. On 11 June 2021, Graham Blackwell's options vested. For the TSR portion of his award, 95,149 shares, 21.9% of the total award vested. The number of shares vesting was 20,814 ordinary shares, which at the market price on the day of vesting of £2.44, gave a market value of £51k as reflected in the single total figure of remuneration.

	Date of award	Vesting date	Performance measure	Awards as at 27 December 2020	Performance targets	Actual performance	Number of awards vesting	Actual share price on vesting	Value of award
Graham Blackwell	11/06/2018	11/06/2021	EPS	**47,574**	24.5p to 26.7p	(23.2)p	No vesting	–	–
			TSR	**47,575**	Median to upper quartile*	21.9%	20,814	£2.44	£50,687

*The peer group is the same peer group that applies for the 2019 awards and is set out below.

LTIPS GRANTED IN 2019 WITH PERFORMANCE PERIOD ENDING IN FY21

On 17 May 2019, LTIP awards were granted to Graham Blackwell, Antony Smith and Duncan Garrood. The awards were all granted at a face value of 150% of salary based on a share price of £2.25. 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 FY21 and TSR which applies to the other 50% measured to the third anniversary of the date of grant. The LTIP awards to Duncan Garrood have lapsed on his leaving the business in FY20.

(1) EPS CONDITION

The proportion of the awards vesting for the EPS proportion are based on the following adjusted EPS targets in FY21:

2019 scheme EPS target in FY21	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%

The minimum target for adjusted EPS was set at 25.7 pence. The actual performance was an adjusted EPS of 5.93p (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 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 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 2022, 42.5% of the award will vest. Actual vesting will be determined at the end of the performance period and will be set out in the 2022 Remuneration Report.

The below table summarises the 2019 scheme awards, performance measures, targets and performance and the expected value of the awards as explained before.

	Date of award	Vesting date	Performance measure	Awards as at 26 December 2021	Performance targets	Actual performance	Number of awards vesting	Three-month average share price	Value of award
Graham Blackwell	17/05/2019	17/05/2022	EPS	**61,666**	As per above	2.7p	No vesting	–	–
			TSR	**61,667**	As per above	42.5%	26,208	£2.62	£68,666
Antony Smith	17/05/2019	17/05/2022	EPS	**66,666**	As per above	2.7p	No vesting	–	–
			TSR	**66,667**	As per above	42.5%	28,333	£2.62	£74,234

PERFORMANCE CONDITIONS FOR FY20 LTIP AWARD

The performance conditions for the PSP awards granted on 30 November 2020 are set out below.

EPS CONDITION

The award is based on 50% of adjusted earnings per share ('EPS') targets as set out below and measured in FY22:

2020 scheme	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%

TSR CONDITION

The other 50% of the award is based on relative TSR which will be calculated against the same comparator group set out for the 2021 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 Median plus 10% per annum	Between 12.5% and 50% on a straight-line basis
Median plus 10% per annum and above	50%

The TSR peer group is the same group that applies to the FY22 awards as set out above.

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.

OPERATION OF REMUNERATION POLICY IN 2022

EXECUTIVE DIRECTORS' SALARIES

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

There are no salary increases for 2022.

NON-EXECUTIVE DIRECTORS' FEES

There is no increase in fees for Executive Chairman and Non-Executive Directors for 2022.

Non-Executive Chairman: £110,000
Non-Executive Directors: £50,000

Committee Chair fee where Non-Executive Director Chairs more than one Committee £5,000.
The Chairman's fee for Adam Bellamy is lower than the fee that was being paid to the previous Chairman, Nick Basing of £135,000.

BENEFITS AND PENSION

Benefits remain in line with those provided in FY21.

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 Remuneration Committee considers that the detailed performance targets for the FY22 annual bonus plan are commercially sensitive and that disclosing the specific targets in advance would not be in shareholder interests. The set targets, the actual performance achieved, and the awards made will be disclosed in the FY22 Remuneration Report so that shareholders can fully assess the basis for any payouts under the annual bonus plan. A high level review of the metrics is summarised below:

- Financial metrics - Two financial metrics have been set this year with equal weighting being Group Adjusted Profit before Tax and Free Cash Flow. Group Adjusted Profit before Tax has been selected to replace Group Adjusted EBITDA due to the transition to IFRS 16: Finance Lease. The standard has led to depreciation and finance costs becoming more significant and thus property related decisions can significantly impact on the profitability of the Group. Free Cash Flow has been added to bring a second metric into bonus achievement and to also focus the management team on cash generation
- Strategic objectives – Four strategic objectives have been set which equally contribute to the bonus achievement. They are: (1) Site acquisitions and new builds (2) Refurbishment plans (3) Development of digitial platform (4) Development of our ESG strategy including obtaining Board approval, base year measurement and initial steps in implementation.

PERFORMANCE SHARE AWARDS

It is the Committee's intention to grant the Executive Directors performance share awards at the same level as FY21, 150% of salary, although award levels will be confirmed at the time of grant taking into account the prevailing share price. Awards will continue to be based as to 50% on EPS and 50% TSR.

Set out in the table below are the TSR and EPS targets for the awards.

2022 scheme	Percentage of award that vests
Less than 20.50p	0%
20.50p	12.5%
20.50p–23.50p	12.5%–50%
More than 23.50p	50%

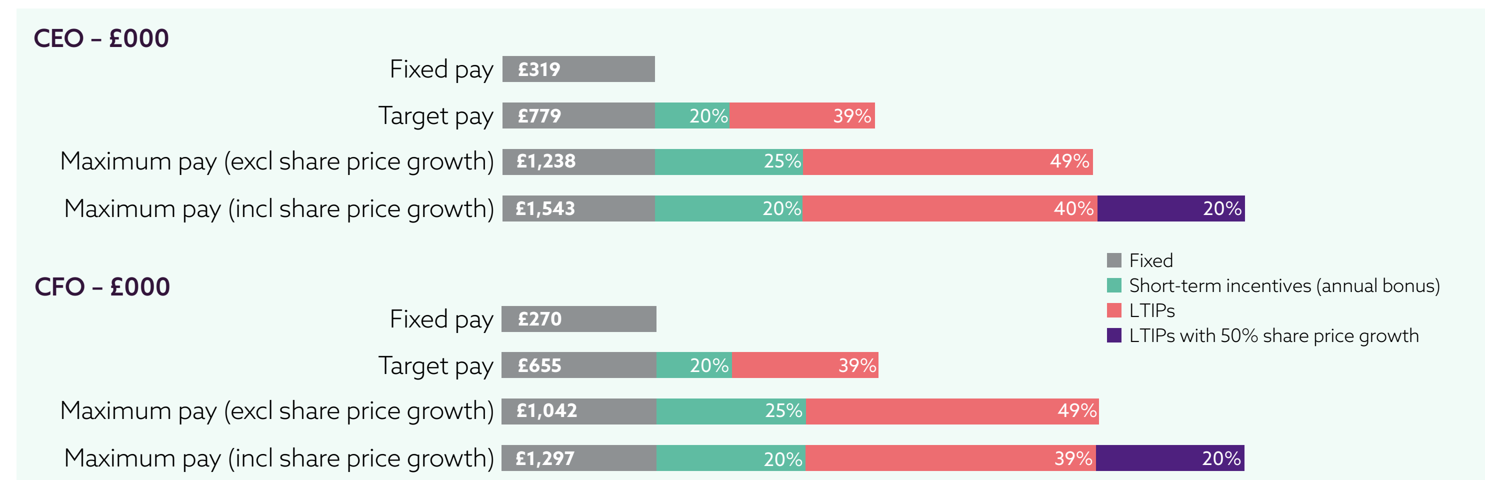
TSR CONDITION

The other 50% of the award is based on relative TSR which will be calculated against the same comparator group set out for the 2021 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 Median plus 10% per annum	Between 12.5% and 50% on a straight-line basis
Median plus 10% per annum and above	50%

PAYMENT UNDER DIFFERENT PERFORMANCE SCENARIOS

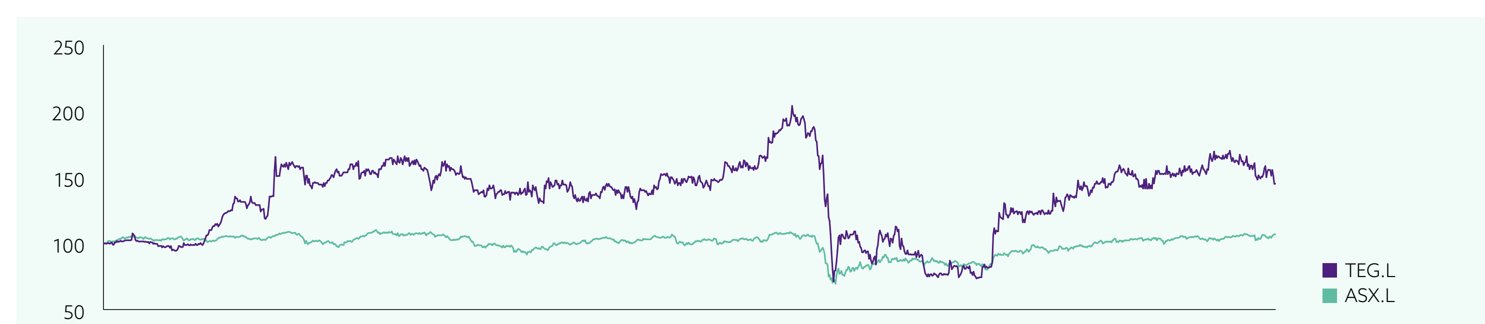
Under the Directors' Remuneration Reporting Regulations, we are required to show a bar-chart indicating the level of remuneration which would be received by the Executive Directors in 2022 under different payment scenarios. The charts provide an illustration of the proportion of total remuneration made up of each component of remuneration and the value of each component. The assumptions noted for target performance in the graphs following are provided for illustration purposes only. Three scenarios have been illustrated for each Executive Director:



- **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 (75% of salary)
- **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 26 December 2021. 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.

Year	Chief Executive Officer single figure of total remuneration £000	Annual bonus payout against maximum opportunity %	Long-term incentive vesting rates against maximum opportunity %
2021	668	90%	42.5%
2020*	371	0	21.9%
2019	349	9%	N/A
2018	330	0	N/A
2017	206	0	N/A

*The 2020 CEO role was split between Duncan Garrood and Graham Blackwell, and so will not tie to the single total figure of remuneration.
The amount has also changed from £360k to £371k as the actual value of the LTIPs that vested was £11k higher, though the % that vested reduced from 25% to 21.9%.

2021 LTIP vesting is based on assumptions on likely vesting of TSR element. Actual vesting percentage will be set out in the 2022 Remuneration Report.

CHIEF EXECUTIVE OFFICER TO EMPLOYEE RATIOS

Year	25th percentile	50th percentile	75th percentile
2021	52	38	36
2020	58	31	20

Total UK employee pay and benefits figures used to calculate the 2021 CEO pay ratio is set out in the table below:

£000	CEO	25th percentile	50th percentile	75th percentile
Salary	310	13	17	19
Total pay	668	13	17	19

The table above sets out the CEO pay ratio for 2021 and 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 2021. 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 26 December 2021. 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. There is an increase in the ratio at the 50th and 75th percentiles from 2020 to 2021 because the CEO has received an annual bonus as have other eligible employees, and an estimated LTIP vesting that is higher than in 2020 with the CEO's variable pay potential being higher than other eligible employees reflecting his role in the business and balance between fixed and variable pay. 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	26 December 2021 £000	27 December 2020 £000
Total staff costs*	(18.8%)	21,715	18,286
Dividends paid	(100)	-	2,405

* CJRS amounts claimed during the period are excluded from these figures.

PERCENTAGE CHANGE IN DIRECTORS' REMUNERATION

	Average percentage change 2020-2021			Average percentage change 2019-2020		
	Salary	Benefits	Annual Bonus	Salary	Benefits	Annual Bonus
Adam Bellamy[3]	82.4%	0.0%	0%	1.7%	0.0%	0.0%
Graham Blackwell	41.6%	0%	100.0%	20.9%	100.0%	(100.0%)
Antony Smith	22.1%	0%	100.0%	34.9%	111.7%	(100.0%)
Julie Sneddon	4.2%	0.0%	0%	(3.3%)	0.0%	0.0%
Laura May	100%	0.0%	0%	0%	0.0%	0.0%
Christopher Mills	4.2%	0.0%	0%	(3.3%)	0.0%	0.0%
Nick Basing[1]	(37.6%)	(52.5%)	0%	57.8%	6.0%	0.0%
David Wild[5]	(100.0%)	0.0%	0%	(53.3%)	0.0%	0.0%
Duncan Garrood[5]	(100.0%)	(100.0%)	0%	(34.8%)	721.3%	(100.0%)
Average employees[2]	22.9%	17.2%	100.0%	(5.5%)	(15.0%)	(100.0%)

1 Nick Basing stepped down from the Board on 5 May 2021.
2 CJRS amounts claimed during the period are excluded from the salary figure.
3 Adam Bellamy was appointed as Chairman on 6 May 2021 and his increased fee reflects this appointment.
4 Graham Blackwell and Antony Smith received salary increases during 2020 with the background explained in the 2020 Remuneration Report.
5 David Wild and Duncan Garrood were not Directors in 2021. For movement in remuneration for these individuals for prior years please refer to relevant Remuneration Report.

PAYMENTS TO PAST DIRECTORS/PAYMENTS FOR LOSS OF OFFICE (AUDITED)

Nick Basing gave notice of his intention to stand down as Chairman on 25 March 2021 and retired from the Board on 5 May 2021. He was paid his fee as Chairman to the end of his Notice Period during which he provided ongoing support to the Board (with reimbursements of business related expenses). There have been no payments to past Directors or for loss of office.

STATEMENT OF DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS AS AT 26 DECEMBER 2021 (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 26 December 2021 are set out in the table below:

Director	Shares held at 26 December 2021	Unvested LTIP interests with performance conditions
Graham Blackwell	42,194	529,278
Antony Smith	39,938	473,803
Christopher Mills[1]	10,796,727	–
Julie Sneddon	80,000	–
Adam Bellamy	40,000	–
Laura May	–	–
Nick Basing[2]	950,000	–

1 The number of ordinary shares shown as held by Christopher Mills includes ordinary shares held by certain funds of which Harwood Capital LLP is the discretionary fund manager.
2 Nick Basing held 950,000 shares in the Group at the date he stood 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 but will increase in FY22 as 25% of the FY21 annual bonus is paid out in shares that have to held for a minimum of two years.

Director	Number of shares held at 26 December 2021	Shares held as a % of salary
Graham Blackwell	**42,194**	32
Antony Smith	**39,938**	37

ADVISERS TO THE REMUNERATION COMMITTEE

Korn Ferry have continued to provide independent advice to the Remuneration Committee, providing advice to the Committee as required. 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 £9,234.

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

JULIE SNEDDON
CHAIR OF THE REMUNERATION COMMITTEE
29 March 2022

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited financial statements for the Group for the 52 weeks ended 26 December 2021. 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 26 December 2021 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 2 to 38;
- future business developments on pages 7 to 8 and 18 to 19;
- the Chairman's statement on pages 7 to 8;
- the Chief Executive Officer's statement on pages 18 to 19;
- a description of the business structure, model and strategy on pages 11 to 16;
- the key performance indicators on page 17;
- the discussion of risk management, uncertainties and the longer-term viability statement on pages 28 to 33;
- the Financial Review on pages 34 to 38;
- the Corporate Social Responsibility Report on pages 21 to 26, including details of greenhouse gas emissions;
- details of long-term incentive schemes included in the Remuneration Report on pages 48 to 60; and
- the Statement of Directors' Responsibilities on page 63

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

Details of the Group's policy on addressing financial risks and details about financial instruments are shown in note 22 to the Group financial statements on pages 85 to 87. 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 45 to 60 inclusive are hereby incorporated by reference into this Directors' Report. The Directors' remuneration is tabled by Director by category on page 55. 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 26 to 27.

DIRECTORS

The Directors of the company who were in office during the year and up to the date of signing the financial statements are:

Graham Blackwell	
Antony Smith	
Adam Bellamy	
Laura May	Joined 6 May 2021
Christopher Mills	
Julie Sneddon	
Nick Basing	Resigned 5 May 2021

The roles and biographies of the Directors as at the date of this report are set out on page 40. 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 26 December 2022 are set out in the Directors' Remuneration Report on page 60.

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 indemnity 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 68 and discussed in greater detail in the Financial Review on pages 34 to 38. The Directors do not recommend the payment of a final ordinary dividend (2020: Do not recommend).

AMENDMENT TO THE COMPANY'S ARTICLES OF ASSOCIATION

The Company may alter its Articles of Association by special resolution passed at a general meeting of shareholders.

SHARE CAPITAL

As at 26 December 2021, the Company's authorised share capital was £683,678 (2019: £683,470) divided into a single class of 68,367,784 (2020: 68,346,970) ordinary shares of 1p each. Details of the Company's share capital, including changes during the year being the allotment of shares after the exercise of share options in June 2021, 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 6,836,778 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 23, and for the policy on remuneration and loss of office payments, please see pages 51 to 53.

SUBSTANTIAL SHAREHOLDINGS

As at 26 December 2021, 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 26 December 2021
North Atlantic Smaller Companies Investment Trust plc*	10,000,000	**14.63%**
BlackRock, Inc.	7,192,510	**10.52%**
Gresham House Asset Management	6,873,129	**10.05%**
Slater Investments	6,845,504	**10.01%**
Fidelity Management & Research	6,834,697	**10.00%**
Otus Capital Management	6,343,103	**9.28%**
Chelverton Asset Management	2,852,253	**4.17%**
Allianz Global Investors	2,137,416	**3.13%**

* These are funds managed by Harwood Capital LLP..

There have been no further notifications of any changes to these interests between 26 December 2021 and 29 March 2022, except for Gresham House Asset Management that now holds 6,933,063 ordinary shares which is 10.14% of the total voting rights.

AGM

The notice convening the AGM to be held on 4 May 2022 at 6 Stratton Street, London, W1J 8LD, is contained in a separate shareholder circular. Full details of all resolutions to be proposed are provided in that document. The Directors consider that all of the resolutions set out in the Notice of AGM are in the best interests of the Company and its shareholders as a whole. The Directors will be voting in favour of them and unanimously recommend that shareholders vote in favour of each of them. 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.

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 page 17.

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 Long Term Viability Statement on pages 32 to 33.

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 2022

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 the Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The Group has also prepared financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. 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 for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable 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 for the Group financial statements and international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

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 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 profit of the Group;
- the company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities and financial position 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 2022

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 26 December 2021 and of the Group's and Company's profit and the Group'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 2021 (the "Annual Report"), which comprise: Consolidated and Company Statements of Financial Position as at 26 December 2021; 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 in the financial statements, 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 note 5 of the consolidated financial statements, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

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, Quattroleisure 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% of revenue and 88% of profit before tax.

Key audit matters

- Goodwill and site asset impairment (Group)

Materiality

- Overall Group materiality: £652,000 (2020: £709,000) based on 5% of the three- year average absolute adjusted profit before tax.
- Overall Company materiality: £438,000 (2020: £438,000) based on 1% of total assets.
- Performance materiality: £489,000 (2020: £531,750) (Group) and £328,500 (2020: £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.

Key audit matters

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

This is not a complete list of all risks identified by our audit.

The impact of Covid-19 and accounting for leases, which were key audit matters last year, are no longer included because of improved performance and the end of Covid-19 restrictions in the UK which has resulted in us removing the Covid-19 key audit matter. We have not identified the recognition of lease balances under IFRS 16 Leases as a key audit matter in the current period. The adoption of IFRS 16 in the prior period was significant for the Group as leased sites form a significant proportion of the estate and the application and judgements made in transitioning to IFRS 16 were significant. This is the second period in which IFRS 16 is applied and the level of complexity and judgement required has reduced, accordingly we have not identified this as a key audit matter. Otherwise, the key audit matter below is consistent with last year.

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 26 December 2021 the Group had goodwill of £29.3m and site assets comprising right of use assets of £167.3m and property, plant and equipment of £39.5m. The Group operates in the leisure market and is exposed to fluctuations in consumer discretionary spending as well as the wider economy. As required by accounting standards, as at 26 December 2021, management performed an impairment assessment for goodwill and at the same time identified indicators of an impairment reversal for site assets and as a result undertook a full assessment to determine the recoverable amount for 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 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.	We obtained management's models for determining the recoverable amount as at 26 December 2021 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 analyst reports assessing UK economic and industry growth as this is a key driver of revenue and EBITDA growth. We have also evaluated the cost assumptions for reasonableness by comparing with current market data. Where management's assumptions varied from these forecasts, we evaluated the rationale, primarily due to the specific nature of the bowling industry. We assessed the historical accuracy of the forecasts used in the Group's impairment model by considering actual performance against prior year forecasts and budgets, to evaluate management's forecasting capabilities. 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 have also re-performed the sensitivity analysis disclosed within the financial statements and agree with the figures presented. 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. We reviewed the disclosures given in notes 9, 12 and 13 for completeness and consistency.

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.

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, Quattroleisure 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 88% 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	£652,000 (2020: £709,000).	£438,000 (2020: £438,000).
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.	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 £34,000 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% (2020: 75%) of overall materiality, amounting to £489,000 (2020: £531,750) for the Group financial statements and £328,500 (2020: £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 £32,600 (Group audit) (2020: £35,450) and £21,900 (Company audit) (2020: £21,900) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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 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;
- Comparing monthly forecasts to recent actual results for the period since reopening in 2021 to date in 2022;
- Challenging management's base and severe but plausible downside case assumptions for trading in the remainder of 2022 and 2023 by comparing these assumptions to UK economic outlook data and a range of industry analysis. We applied a sceptical mindset and where differences existed, we challenged management and understood the reasons for these differences. We considered overall whether management's forecasts were reasonable given the performance of the business in 2021 and in 2022 to date and the expectations of the UK economy and leisure industry in the short term;
- Evaluating management's cost inflation assumptions for reasonableness by comparing with current market data and evaluating margin assumptions for reasonableness and completeness by comparing with actual margins from recent years and understanding and testing, where possible, any adjustments made; and
- Assessing sufficiency and consistency of disclosures.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, 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.

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

Reporting on other information

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

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

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 26 December 2021 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, included within the Corporate Governance Report is materially consistent with the financial statements and our knowledge obtained during the audit, and 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.

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

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 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 the manipulation of 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;
- Identifying and testing the validity of journal entries, in particular any journal entries posted with unusual account combinations;
- 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 (see related key audit matters above), and the accounting for leases; 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.

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/auditors responsibilities. 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 Directors 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 5 years, covering the years ended 31 December 2017 to 26 December 2021.

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

29 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 52-WEEK PERIOD ENDED 26 DECEMBER 2021

	Note	**52 weeks to 26 December 2021 £000**	52 weeks to 27 December 2020 £000
Revenue	1	**67,521**	36,269
Cost of sales		**(22,511)**	(14,095)
Gross profit		**45,010**	22,174
Administrative expenses		**(35,711)**	(35,504)
Impairment reversal/(charge)		**1,124**	(2,521)
Operating profit/(loss)		**10,423**	(15,851)
Finance costs	4	**(5,986)**	(5,815)
Profit/(loss) before taxation		**4,437**	(21,666)
Taxation	7	**(432)**	3,919
Profit/(loss) and total comprehensive income(loss) for the period		**4,005**	(17,747)
Earnings per share			
Basic earnings/(loss) per share	8	**5.86p**	(26.30)p
Diluted earnings/(loss) per share	8	**5.84p**	(26.30)p

The accompanying statements of accounting policies and notes on pages 72 to 88 are an integral part of these financial statements.

	Note	Group		Company	
		26 December 2021 £000	27 December 2020 £000	**26 December 2021 £000**	27 December 2020 £000
Assets					
Non-current assets					
Goodwill	9	**29,350**	29,350	**—**	—
Intangible assets	9	**279**	476	**—**	—
Investments in joint venture	10	**310**	310	**310**	310
Investments	11	**—**	—	**38,915**	38,915
Property, plant and equipment	12	**39,530**	41,453	**—**	—
Right-of-use assets	13	**167,324**	157,145	**—**	—
Deferred tax asset	21	**4,374**	4,118	**—**	—
		241,167	232,852	**39,225**	39,225
Current assets					
Inventories	14	**1,226**	508	**—**	—
Trade and other receivables	15	**5,426**	1,672	**209**	62
Corporation tax receivable		**10**	2,302	**—**	—
Cash and cash equivalents	16	**11,511**	7,394	**4,424**	4,577
		18,173	11,876	**4,633**	4,639
Liabilities					
Current liabilities					
Bank borrowings and leases	19	**(16,661)**	(34,031)	**—**	6
Trade and other payables	20	**(13,513)**	(8,282)	**(3,089)**	(1,312)
		(30,174)	(42,313)	**(3,089)**	(1,306)
Net current liabilities		**(12,001)**	(30,437)	**1,544**	3,333
Non-current liabilities					
Bank borrowings and leases	19	**(192,833)**	(171,024)	**—**	—
Deferred tax liability	21	**(2,270)**	(1,582)	**—**	—
		(195,103)	(172,606)	**—**	—
Net assets		**34,063**	29,809	**40,769**	42,558
Equity					
Share capital	17	**684**	683	**684**	683
Share premium		**4,844**	4,844	**4,844**	4,844
Merger reserve		**6,171**	6,171	**—**	—
Share-based payment reserve		**498**	250	**498**	250
Retained earnings		**21,866**	17,861	**34,743**	36,781
Total equity		**34,063**	29,809	**40,769**	42,558

The accompanying statement of accounting policies and notes on pages 72 to 88 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 loss of £2.0m for the period. The financial statements on pages 68 to 88 were authorised for issue by the Board of Directors on 29 March 2022 and were signed on its behalf by:

GRAHAM BLACKWELL
CHIEF EXECUTIVE OFFICER

ANTONY SMITH
CHIEF FINANCIAL OFFICER

COMPANY NUMBER: 10672501

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS
FOR THE 52-WEEK PERIOD ENDED 26 DECEMBER 2021

Group	Note	**52 weeks to 26 December 2021 £000**	52 weeks to 27 December 2020 £000
Cash flows generated from/(used in) operating activities			
Cash generated from operations	18	**30,827**	4,480
Corporation tax received/(paid)		**2,292**	(715)
Finance costs paid		**(5,868)**	(5,766)
Net cash generated from/(used in) operating activities		**27,251**	(2,001)
Cash flows used in investing activities			
Purchase of property, plant and equipment*		**(7,108)**	(6,044)
Purchase of software		**(24)**	(119)
Net cash used in investing activities		**(7,132)**	(6,163)
Cash flows (used in)/ generated from financing activities			
Gross proceeds from issue of new shares		**—**	5,038
Transaction costs from share issue		**—**	(160)
Lease principal payments		**(10,002)**	(2,853)
Dividends paid		**—**	(2,405)
Drawdown of bank borrowings		**22,000**	18,350
Repayment of borrowings		**(28,000)**	(4,600)
Net cash (used in)/generated from financing activities		**(16,002)**	13,370
Net increase in cash and cash equivalents		**4,117**	5,206
Cash and cash equivalents – beginning of period		**7,394**	2,188
Cash and cash equivalents – end of period	16	**11,511**	7,394

* This includes £2,803k in advances to suppliers for capital projects that are reflected under receivables

Company	Note	**52 weeks to 26 December 2021 £000**	52 weeks to 27 December 2020 £000
Cash flows used in operating activities			
Cash used in operations	18	**(153)**	(5,358)
Net cash used in operating activities		**(153)**	(5,358)
Cash flows used in investing activities			
Net cash used in investing activities		**—**	—
Cash flows generated from financing activities			
Net cash received from issue of new shares		**—**	4,878
Dividends received		**—**	7,459
Dividends paid		**—**	(2,405)
Net cash generated from financing activities		**—**	9,932
Net (decrease)/increase in cash and cash equivalents		**(153)**	4,574
Cash and cash equivalents – beginning of period		**4,577**	3
Cash and cash equivalents – end of period	16	**4,424**	4,577

The accompanying statement of accounting policies and notes on pages 72 to 88 are an integral part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE 52-WEEK PERIOD ENDED 26 DECEMBER 2021

Group	Share capital £000	Share premium £000	Share-based payment reserve £000	Merger reserve £000	Retained earnings £000	Total equity £000
Balance at 29 December 2019 (as originally presented)	650	—	275	6,171	49,815	56,911
Adjustment on initial application of IFRS 16	—	—	—	—	(14,970)	(14,970)
Taxation on IFRS 16 adjustment	—	—	—	—	3,168	3,168
Balance at 30 December 2019 (adjusted)	650	—	275	6,171	38,013	45,109
Dividends paid	—	—	—	—	(2,405)	(2,405)
Issue of shares	33	4,844	—	—	—	4,877
Share-based payment credit (Note 25)	—	—	(25)	—	—	(25)
Loss for the period and total comprehensive loss	—	—	—	—	(17,747)	(17,747)
Balance at 28 December 2020	683	4,844	250	6,171	17,861	29,809
Share-based payment charge (Note 25)	—	—	248	—	—	248
Issue of shares net of transaction costs	1	—	—	—	—	1
Profit for the period and total comprehensive income	—	—	—	—	4,005	4,005
Balance at 26 December 2021	684	4,844	498	6,171	21,866	34,063

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 2019	650	—	275	—	33,853	34,778
Profit for the period	—	—	—	—	5,333	5,333
Issue of shares net of transaction costs	33	4,844	—	—	—	4,877
Share-based payment credit (Note 25)	—	—	(25)	—	—	(25)
Dividend paid	—	—	—	—	(2,405)	(2,405)
Balance at 27 December 2020	683	4,844	250	—	36,781	42,558
Share-based payment charge (Note 25)	—	—	248	—	—	248
Issue of shares net of transaction costs	1	—	—	—	—	1
Loss for the period	—	—	—	—	(2,038)	(2,038)
Balance at 26 December 2021	684	4,844	498	—	34,743	40,769

The accompanying statement of accounting policies and notes on pages 72 to 88 are an integral part of these financial statements.

AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRS

The financial statements for Ten Entertainment Group plc (the 'Company') for the year ended 26 December 2021 were authorised for issue by the Board of Directors on 29 March 2022, 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. The consolidated 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 26 December 2021 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 26 December 2021 and have been applied consistently, to all periods presented in these consolidated financial statements. 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

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 2023
IAS 1 Presentation of financial statements and IFRS Practice Statement 2 making materiality judgements-disclosure of accounting policies	The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'.	1 January 2023
IAS 8 Definition of accounting estimates	The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are, "monetary amounts in financial statements that are subject to measurement uncertainty".	1 January 2023
IAS 12 Deferred tax related to assets and liabilities arising from a single transaction	The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability.	1 January 2023
Annual improvements to IFRS Standards 2018–2020	The annual improvements include amendments to four Standards: IFRS 1 First-time adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture.	1 January 2022
IFRS 3 Reference to the conceptual framework	In May 2020, the IASB issued amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework.	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.	1 January 2022

None of the above amendments are expected to have a material impact on the Group.

BASIS OF CONSOLIDATION

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

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

GOING CONCERN

In assessing the going concern position of the Group and Company for the Annual Report and the financial statements for the year ended 26 December 2021, the Group has considered a base case scenario and a plausible downside scenario.

Base Case

The base case scenario was prepared with the following key assumptions reflected:

- All sites are open and trading throughout the period
- There are no affects of Covid-19 reflected in the performance
- Like for Like sales are versus FY19 and reflect growth
- Labour inflation and the increases from the National Living Wage are included
- Cost inflation is reflected in the operating and administrative costs
- Site acquisitions and new builds are reflected in the trade and in the cash flows
- Increased levels of capital spend are reflected in the cash flows to maintain and refurbish the sites after the periods of closures during the pandemic years
- The £14m CLBILS term loan will be repaid in 2022
- The Group returns to being tax paying

GOING CONCERN CONTINUED

The scenario results in trade levels that are improved on FY19. This flows into the cash flow performance but with the increased spend on capital, the free cash flow is slightly lower than FY19 and results in the net debt balance increasing slightly up on the (£2.5m) net debt reported at the end of FY21. The Group will have significant liquidity levels with most of the £25m RCF facility available and will pass both of its below banking covenants with significant headroom. The leverage and fixed cost covenant return for testing in FY2022 and are as follows:

Leverage covenant	Fixed charge covenant
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

Downside case

The downside case takes the base case and flexes the assumptions for plausible impacts. These are summarised as follows:

- Total sales for FY22 are kept flat with the FY19 actual sales of £84.1m. This scenario assumes that is there is like-for-like decline of -2.5%, no sales from new sites opened in FY22 nor any benefit from the capital spend on refurbishment plans.
- No mitigating actions are taken and the variable costs are not reduced for the reduction in trade and they are kept at the base case amounts.
- All variable and fixed costs from the base case are increased by a further 7% across the board.

All sites will remain open as it is not believed that it is plausible to expect any Lockdowns going forward having been through a winter period without any Lockdowns. This scenario results in a Loss Before Tax being generated and a significant decrease in the free cash flow leading to an increase in net debt. Mitigating actions can be taken to reduce the cash outflows as reduction in capital spend but, the Group still has significant liquidity headroom due to the size of its facility and does not breach its covenants, with £0.3m of headroom. Mitigating actions could be taken by reducing spend, such as the levels of capital investment as well as flexing the variable costs for the decline in trade levels.

Taking the above and the principal risks faced by the Group into consideration, the Directors are satisfied that the Group has 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 continues to adopt the going concern basis in preparing these Financial Statements.

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.

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 changes in these measures from prior year are to assist in understanding the impact of IFRS 16 with rental costs being replaced by depreciation and finance costs which are higher as finance costs are front loaded and compresses profit. 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 measurement is earnings before interest, taxation, depreciation, amortisation, exceptional items, impairment reversal/(charge) and profit or loss on disposal of assets. This has been done to show the underlying trading performance of the Group which these other costs or income can distort. The reconciliation to operating profit is included in Note 2.

Group adjusted EBITDA after rental costs – This measurement is earnings before interest, taxation, depreciation, amortisation, exceptional items, impairment reversal/(charge) and profit or loss on disposal of assets, less a deduction for the cash cost of rent.. The reconciliation to operating profit is included in Note 2.

EBITDA operating margin – This is the Group adjusted EBITDA after rental costs divided by sales, expressed as a percentage.

Cost of goods sold and gross margin – The cost of sales as reflected in the statement of comprehensive income consists of direct bar, food, vending, amusements, gaming machine related costs, PDQ machine costs and staff costs. Cost of goods sold excludes staff costs but security and machine licence costs incurred by the centres are included. Deducting cost of goods sold from revenue gives the gross margin. This is how cost of goods sold and gross margin are reported by the business monthly and at centre level as labour costs are judged as material and thus reported separately with operating costs. The reconciliation is included in Note 2.

Operating profit/(loss) before exceptional items – This is operating profit/(loss) before exceptional items and impairment reversal/(charge).

Group adjusted profit/(loss) before tax – This consists of the profit before tax adjusted for items judged as exceptional and relating to impairment reversal/(charge).

Adjusted underlying profit after tax and adjusted earnings per share – This consists of the profit after tax adjusted for exceptional items and impairment reversal/(charge) and is used to determine the adjusted earnings per share. The reconciliation of this number to profit after tax is included under Note 8.

Exceptional items – These items are those significant cost or income items which management judges to be one-off in nature and are not excepted to continue to be incurred as part of the regular trading performance of the business . 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 measure is calculated as operating profit as a percentage of total capital employed which consists of non-current assets and current assets less current liabilities per the statements of financial position.

Bank net debt – This measure is made up of bank borrowings less cash and cash equivalents as per the statement of financial position.

Free cash flow – This is cash generated from operations less maintenance capital as reflected in the financial review, advances to suppliers for capital projects, finance lease payments, taxation payments or receipts and non-cash share based payments. This is reconciled in note 2.

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 intangible assets, property, plant and equipment and right of use asset 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. The sensitivity to this estimation is shown in note 21 which reflects the amounts that could be recognised as deferred tax assets.

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. Judgement 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 3.9%, 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 range of between 2.54% and 3.98% has been used depending on the length the lease extension. 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 for the modifications in the year. A 1% increase in all of these rates would decrease the value of the right-of-use asset on modification by £6.4m, while a 1% decrease in the rates would increase the value by £7.4m.

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 from the date at which the leased asset becomes available for use by the Group, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. 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.

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 calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The lease liability and the right of use asset are subsequently remeasured whenever:

The lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'impairment' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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 cost of sales and 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
Amusement machines	4 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 non-financial 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.

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, call deposits with an original maturity of three months or less and cash in transit, including transactions paid by credit card which are in transit and have yet to be remitted to the Group's bank account by the merchant providers. 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 (including its subsidiaries Tenpin Five Limited and Quattroleisure 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 26 December 2021 and 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 26 December 2021			
Segment revenue – external	**67,521**	–	**67,521**
Bowling	**29,776**	–	**29,776**
Food and drink	**19,094**	–	**19,094**
Machines and amusements	**16,280**	–	**16,280**
Other	**2,371**	–	**2,371**
Group adjusted EBITDA after rental costs (Note 2)	**16,654**	**(2,031)**	**14,623**
Segment assets as at 26 December 2021	**253,612**	**5,728**	**259,340**
Segment liabilities as at 26 December 2021	**(221,677)**	**(3,600)**	**(225,277)**
Reconciliation of adjusted EBITDA to reported operating profit/(loss)			
Group adjusted EBITDA after rental costs (Note 2)	**16,654**	**(2,031)**	**14,623**
Amortisation and depreciation of intangibles, property, plant and equipment and right-of-use assets	**(17,426)**	–	**(17,426)**
Loss on disposals of assets	**(442)**	–	**(442)**
Amortisation of fair value items	**(130)**	–	**(130)**
Impairment reversal	**1,124**	–	**1,124**
Exceptional income	**238**	–	**238**
Add back rental cost	**12,436**	–	**12,436**
Operating profit/(loss)	**12,454**	**(2,031)**	**10,423**
Finance costs (Note 4)	**(5,476)**	**(510)**	**(5,986)**
Profit/(loss) before taxation	**6,978**	**(2,541)**	**4,437**

	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
Group adjusted EBITDA after rental costs (Note 2)	(5,705)	(2,119)	(7,824)
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)	(5,705)	(2,119)	(7,824)
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
Add back rental cost	**11,171**		**11,171**
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)

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 measurement is earnings before interest, taxation, depreciation, amortisation, exceptional items, impairment reversal/(charge) and profit or loss on disposal of assets. This has been done to show the underlying trading performance of the Group which these other costs or income can distort.

Group adjusted EBITDA after rental costs – This measurement is earnings before interest, taxation, depreciation, amortisation, exceptional items, impairment reversal/(charge) and profit or loss on disposal of assets, less a deduction for the cash cost of rent.

Reconciliation of operating profit to Group adjusted EBITDA and Group adjusted EBITDA after rental costs	**52 weeks to 26 December 2021 £000**	52 weeks to 27 December 2020 £000
Group adjusted EBITDA (per page 34)	**27,059**	3,347
Rental cost	**(12,436)**	(11,171)
Group adjusted EBITDA after rental costs (per page 34)	**14,623**	(7,824)
Add back rental cost	**12,436**	11,171
Amortisation of fair valued items on acquisition	**(149)**	(183)
Amortisation of software	**(131)**	(142)
(Loss)/profit on disposals	**(442)**	99
Depreciation of property, plant and equipment and right-of-use assets	**(17,276)**	(16,450)
Operating profit/(loss) before exceptional items	**9,061**	(13,329)
Impairment reversal/(charge)	**1,124**	(2,522)
Exceptional items – other	**238**	–
Operating profit/(loss)	**10,423**	(15,851)

2 ALTERNATIVE PERFORMANCE MEASURES – NON-GAAP MEASURES CONTINUED

Cost of goods sold and gross margin – The cost of sales as reflected in the statement of comprehensive income consists of direct bar, food, vending, amusements, gaming machine related costs, PDQ machine costs and staff costs. Cost of goods sold excludes staff costs but security and machine licence costs incurred by the centres are included. Deducting cost of goods sold from revenue gives the gross margin. This is how cost of goods sold and gross margin are reported by the business monthly and at centre level as labour costs are judged as material and thus reported separately with operating costs.

Reconciliation of costs of sales	**52 weeks to 26 December 2021 £000**	52 weeks to 27 December 2020 £000
Cost of goods sold per the financial review (page 34)	**(9,446)**	(4,854)
Site labour costs	**(13,547)**	(9,519)
Machine licence and security costs in administrative expenses	**482**	278
Costs of sales per the statement of comprehensive income	**(22,511)**	(14,095)

Adjusted profit/(loss) before tax – This consists of the profit before tax adjusted for items judged as exceptional and relating to impairment reversal/(charge).

Adjusted underlying profit after tax and adjusted earnings per share – This consists of the profit after tax adjusted for exceptional items and impairment reversal/(charge) provisions and as used to determine the adjusted earnings per share. A judgement has been made to reflect these measures so they are more comparable by excluding one off items. The reconciliation of this number to profit after tax is included under Note 8.

Exceptional costs – These items are those significant cost or income items which management judges to be one-off in nature and are not excepted to continue to be incurred as part of the regular trading performance of the business . 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 which has been determined as FY19.

Return on Capital Employed ('ROCE') – This measure is calculated as operating profit as a percentage of total capital employed which consists of non-current assets and current assets less current liabilities per the statements of financial position.

Bank net debt – This measure is made up of bank borrowings less cash and cash equivalents as per the statement of financial position.

Free cash flow – This is cash generated from operations less maintenance capital as reflected in the finance review, advances to suppliers for capital projects, finance lease payments, taxation payments or receipts and non cash share based payments. This is reconciled below:

Reconciliation of free cash flow	**52 weeks to 26 December 2021 £000**	52 weeks to 27 December 2020 £000
Cash generated from/(used in) operations	**30,827**	4,480
Maintenance capital	**(910)**	(741)
Finance lease and taxation payments	**(13,578)**	(9,334)
Advance payments to supplier for capital projects	**-**	823
Non-cash share-based payments charge	**(248)**	25
Free cash flow per the financial review(per page 37)	**16,091**	(4,747)

Maintenance capital, existing estate and estate expansion outflow – This is cash used in investing activities plus cash advances to suppliers for capital projects. This is reconciled below:

Reconciliation of capital investment outflows to cash used in investing activities	**52 weeks to 26 December 2021 £000**	52 weeks to 27 December 2020 £000
Cash used in investing activities	**(7,132)**	(6,163)
Advance payments to supplier of capital projects	**-**	(876)
Cash outflows for capital projects	**(7,132)**	(7,039)
Analysed as follows:		
Maintenance capital	**(910)**	(741)
Existing estate	**(6,166)**	(3,193)
Estate expansion	**(56)**	(3,105)
Cash outflows for capital projects	**(7,132)**	(7,039)

3 STAFF COSTS AND NUMBERS

Staff costs – Group	52 weeks to 26 December 2021 £000	52 weeks to 27 December 2020 £000
Wages and salaries	16,515	11,829
Social security costs	1,267	1,088
Other pension costs	178	170
Share-based payments (Note 25)	248	(25)
	18,208	13,062

Staff costs included within costs of sales are £13.1m (2020: £9.0m). The balance of staff costs is recorded within administrative expenses. The staff costs are net of CJRS which amount to £3.5m. Details of Directors' remuneration are set out in the Directors' Remuneration Report on page 55. 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 26 December 2021 received remuneration of £666,865 (2020: £267,323). The 2018 LTIP scheme vested in 2021 and 20,814 awards were exercised at a market value of £50,687. 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 26 December 2021 Number	52 weeks to 27 December 2020 Number
Site staff	1,275	931
Administration	58	45
Unit management	157	150
	1,490	1,126

Staff costs – Company	52 weeks to 26 December 2021 £000	52 weeks to 27 December 2020 £000
Wages and salaries	967	1,144
Social security costs	88	123
Other pension costs	15	11
Share-based payments (Note 25)	248	(25)
	1,318	1,253
Staff numbers – Company	Number	Number
Administration (including Executive Directors)	6	6

4 FINANCE COSTS

	52 weeks to 26 December 2021 £000	52 weeks to 27 December 2020 £000
Interest on bank loans and overdrafts	391	330
Amortisation of debt issuance costs	124	49
Lease interest	5,481	5,393
Other	(10)	43
Finance costs	5,986	5,815

5 PROFIT/(LOSS) BEFORE TAXATION

The following items have been included in arriving at profit/(loss) before taxation:

	52 weeks to 26 December 2021 £000	52 weeks to 27 December 2020 £000
Staff costs (Note 3)	18,208	13,062
Consumables charged to cost of sales	1,460	754
Depreciation of property, plant and equipment (Note 12)	6,130	5,498
Depreciation of right-of-use assets (Note 13)	11,166	10,965
Amortisation of software (Note 9)	131	171
Amortisation of fair valued intangibles on acquisition (Note 9)	90	101
Loss/(profit) on disposal of assets	442	(125)
Impairment (reversal)/charge	(1,124)	2,522
Government grants received (excluding CJRS)	(1,354)	(148)
CJRS grants received	(3,507)	(5,205)
Operating lease rentals receivable/(payable) – property	61	(10)
Share-based payments (Note 25)	248	(25)
Repairs on property, plant and equipment	1,891	2,436
Exceptional items		
Provision for updated HMRC VAT guidance	238	–
Total exceptional items	238	–
Auditors' remuneration		
Fees payable to Company's auditors for the Company and Consolidated financial statements	58	40
Audit of Company's subsidiaries	135	95
Audit-related assurance services	37	35
	230	170

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 2022. The result for the financial year dealt with in the financial statements of Ten Entertainment Group plc was a loss of £2.0m (2020: a profit of £5.3m). 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 26 December 2021 £000	52 weeks to 27 December 2020 £000
Current tax		
Adjustment in respect of prior years	-	(2,494)
Deferred tax (Note 21)		
Origination and reversal of temporary differences	1,036	(1,384)
Effect of changes in tax rates	(248)	—
Adjustment in respect of prior years	(356)	(41)
Tax charge/(credit) in statement of comprehensive income	432	(3,919)

The tax on the Group's profit/(loss) before tax differs (2020: differs) from the theoretical amount that would arise using the standard rate of tax in the UK of 19% (2020: 19%). The differences are explained below:

	52 weeks to 26 December 2021 £000	52 weeks to 27 December 2020 £000
Profit/(Loss) before taxation	4,437	(21,666)
Tax using the UK corporation tax rate of 19% (2020: 19%)	843	(4,118)
Expenses not deductible	353	(372)
Change in tax rates on deferred tax balances	(248)	—
Adjustment in respect of prior years	107	(2,535)
Permanent differences	(30)	605
(Use) of tax losses/loss carry back	(593)	2,501
Tax charge/(credit)	432	(3,919)

On 24 May 2021, the Government confirmed that the corporation tax main rate would remain at 19 per cent and increase to 25 per cent from 1 April 2023. As such, the rate used to calculate the deferred tax balances as at 26 December 2021 has increased from 19 per cent to a blended rate up to 25 per cent depending on when the deferred tax balance will be released.

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 68,367,784 (2020: 68,346,970).

The Company has 274,005 potentially issuable shares (2020: 103,673), 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/(income) 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 26 December 2021	52 weeks to 27 December 2020
Profit/(loss) after tax (£000)	4,005	(17,747)
Basic weighted average number of shares in issue	68,358,261	67,471,461
Adjustment for share awards (number)	274,005	103,673
Diluted weighted average number of shares in issue	68,632,266	67,575,134
Basic earnings/(loss) per share (pence)	5.86p	(26.30)p
Diluted earnings/(loss) per share (pence)*	5.84p	(26.30)p

Below is the calculation of the adjusted earnings per share:

Adjusted earnings/(loss) per share	52 weeks to 26 December 2021 £000	52 weeks to 27 December 2020 £000
Profit/(loss) after tax	4,005	(17,747)
Impairment reversal/(charge)	(1,124)	2,521
Exceptional income	(238)	—
Tax impact on above adjustments	45	(456)
Adjusted underlying profit/(loss) after tax	2,688	(15,682)
Adjusted profit/(loss) after tax	4,051	(15,139)
Weighted average number of shares in issue	68,358,261	67,471,461
Adjusted basic earnings/(loss) per share	5.93p	(23.18)p
Adjusted diluted earnings/(loss) per share*	5.90p	(23.18)p

* The diluted EPS for 2020 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 30 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
Additions	—	—	24	24
At 26 December 2021	**2,938**	**29,350**	**1,325**	**33,613**
Accumulated amortisation and impairment losses				
At 30 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
Charge for the period – amortisation	90	—	131	221
At 26 December 2021	**2,767**	**—**	**1,217**	**3,984**
Net book value				
At 26 December 2021	**171**	**29,350**	**108**	**29,629**
At 27 December 2020	261	29,350	215	29,826
At 29 December 2019	362	29,350	291	30,003

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 £39.0m (2020: £25.0m).

10 INVESTMENTS IN JOINT VENTURE

Group and Company	£000
At 30 December 2019	310
Acquisitions and disposals	—
At 27 December 2020	310
Acquisitions and disposals	—
At 26 December 2021	**310**

Company	Country of incorporation	Ownership interest %	Principal activity
Houdini's Escape Room Experience Limited (Registered address: Aragon House, University Way, Cranfield Technology Park, MK43 0EQ)	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 Room Experience Limited 'Houdini's' 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. £0.6m has been borrowed as at 26 December 2021. 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 financial year end has been changed 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. Houdini's had 21 rooms open at the end of FY21 of which 5 are operated out of seven tenpin centres.

11 INVESTMENTS

Company	Subsidiaries' shares £000
At 30 December 2019	38,915
Acquisitions and disposals	—
At 27 December 2020	38,915
Acquisitions and disposals	—
At 26 December 2021	**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 S479A 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 30 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
Additions	—	35	4,270	4,305
Disposals	(263)	—	(1,282)	(1,545)
At 26 December 2021	**11,105**	**1,436**	**52,087**	**64,628**
Accumulated depreciation and impairment				
At 30 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
Charge for the period	1,016	101	5,013	6,130
Impairment reversal	—	—	(264)	(264)
Disposals – depreciation	(114)	—	(1,069)	(1,183)
At 26 December 2021	**4,708**	**1,260**	**19,130**	**25,098**
Net book value				
At 26 December 2021	**6,397**	**176**	**32,957**	**39,530**
At 27 December 2020	7,562	242	33,649	41,453
At 29 December 2019	8,740	6,167	32,341	47,248

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 (2020: 46) 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 three-year period. 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:

	26 December 2021	27 December 2020
Period on which management-approved forecasts are based	**3 years**	3 years
Long term growth rate applied beyond approved forecast period	**2%**	2%
Pre-tax discount rate	**12.01%**	10.78%

12 PROPERTY, PLANT AND EQUIPMENT CONTINUED

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 impairment review this year has resulted in an impairment reversal of £1.1m against the £2.5m of impairment charged in 2020. The reversal has been allocated as £0.9m to Right of Use assets and £0.2m for property, plant and equipment in the same proportions that the impairments arose. The reversal has arisen due to the improved performance of the sites since re-opening and thus the improvement of the short term forecasts in the review compared to prior year, when the impairment resulted.

The key assumptions to which the calculation is sensitive remain the future trading performance, the growth rate that is expected of each centre and the pre-tax discount rate. If the discount rate applied in the calculations is increased by 1%, the impairment release reduces by £0.5m and an impairment charge of £1.3m (2020: £3.5m) arises. If the long term growth rate applied is changed to 1%, then the impairment release reduces by £0.5m and an impairment charge of £0.7m (2020: £5.3m) arises. If the trading performance were to siginificantly reduce inline with the downside case in the going concern section, then the impairment reversal will reduce by £0.7m and an impairment charge of £4.2m arises.

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 (2020: 5x EBITDA).

The depreciation and impairment reversal/(charge) are recognised in administrative expenses in the statement of comprehensive income. Bank borrowings are secured on property, plant and equipment for the value of £39.0m (2020: £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
Lease additions	—	442	442
Disposals	—	(166)	(166)
Modification of leases	20,067	—	20,067
At 26 December 2021	**183,581**	**11,099**	**194,680**
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
Charge for the period	9,013	2,153	11,166
Impairment reversal	(860)	—	(860)
Disposals – depreciation	—	(142)	(142)
At 26 December 2021	**18,873**	**8,483**	**27,356**
Net book value			
At 26 December 2021	**164,708**	**2,616**	**167,324**
At 27 December 2020	152,794	4,351	157,145

14 INVENTORIES

	Group		Company	
	26 December 2021 £000	27 December 2020 £000	**26 December 2021 £000**	27 December 2020 £000
Goods held for resale	**1,226**	508	**—**	—

The cost of inventories recognised as an expense and included in cost of sales amounted to £5.8m (2020: £3.6m). There is a provision of £0.1m (2020: £1.0m) for obsolete shoes in FY21 and then spares, food and drink stocks in FY20, 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 £39.0m (2020: £25.0m) are secured on all assets of the Group including inventory.

15 TRADE AND OTHER RECEIVABLES

	Group		Company	
Current receivables	**26 December 2021 £000**	27 December 2020 £000	**26 December 2021 £000**	27 December 2020 £000
Trade receivables	**374**	58	**—**	—
Amounts owed by subsidiary undertakings (Note 23)	**—**	—	**205**	60
Accrued income	**114**	—	**—**	—
Advance payments to supplier	**2,803**	—	**—**	—
Other receivables	**844**	1,063	**—**	2
Prepayments	**1,291**	551	**4**	—
	5,426	1,672	**209**	62

There is a provision of £0.3m (2020: £0.1m) for trade receivables that are beyond their due date and a provision of £0.1m (2020: £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 £0.6m, (2020: £0.2m) which is charged interest at the effective interest rate agreed at the time of the loan. The loans mature at the end of 2022 and will be extended until the end of 2024.

16 CASH AND CASH EQUIVALENTS

	Group		Company	
	26 December 2021 £000	27 December 2020 £000	**26 December 2021 £000**	27 December 2020 £000
Cash and cash equivalents	**11,511**	7,394	**4,424**	4,577

17 SHARE CAPITAL

	2021		2020	
Group and Company	**Shares**	**£000**	Shares	£000
68,346,970 (2020: 65,000,000) ordinary shares of £0.01 each at the beginning of the year	**68,346,970**	**683**	65,000,000	650
Issue of share capital during the period	**20,814**	**1**	3,346,970	33
Ordinary shares of £0.01 each at the end of the year	**68,367,784**	**684**	68,346,970	683

As at 26 December 2021, the Company's authorised share capital was £683,678 (2020: £663,470) divided into a single class of 68,367,784 (2020: 68,346,970) 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

Cash flows from operating activities	Group 52 weeks to 26 December 2021 £000	Group 52 weeks to 27 December 2020 £000	Company 52 weeks to 26 December 2021 £000	Company 52 weeks to 27 December 2020 £000
Profit/(loss) for the period	**4,005**	(17,747)	**(2,038)**	(2,126)
Adjustments for:				
Tax	**432**	(3,919)	**—**	—
Finance costs	**5,986**	5,815	**6**	—
Non-cash one-off income	**(238)**	—	**—**	—
Non-cash share-based payments charge/(credit)	**248**	(25)	**248**	(25)
Loss/(profit) on disposal of assets	**442**	(125)	**—**	—
Amortisation of intangible assets	**221**	272	**—**	—
Depreciation of property, plant and equipment	**6,130**	5,498	**—**	—
Depreciation of right to use assets	**11,166**	10,965	**—**	—
Impairment (reversal)/charge	**(1,124)**	2,521	**—**	—
Changes in working capital:				
(Increase)/decrease in inventories	**(720)**	789	**—**	—
(Increase)/decrease in trade and other receivables*	**(955)**	3,257	**(146)**	2,350
Increase/(decrease) in trade and other payables	**5,234**	(2,821)	**1,777**	(5,557)
Cash generated from/(used in) operations	**30,827**	4,480	**(153)**	(5,358)

* Cashflows from advances to suppliers of capital projects are reflected under investing activities

19 BANK BORROWINGS AND LEASE LIABILITIES

Current liabilities	Group 26 December 2021 £000	Group 27 December 2020 £000	Company 26 December 2021 £000	Company 27 December 2020 £000
Bank loans	**4,666**	20,000	**—**	—
Leases – Machines/other	**3,223**	3,201	**—**	—
Leases – Properties	**8,941**	10,922	**—**	—
Capitalised financing costs	**(169)**	(92)	**—**	(6)
	16,661	34,031	**—**	(6)

In September 2019, the Group entered into a £25.0m facility with the Royal Bank of Scotland plc ('RBS') for three years. This facility consists of a committed £25.0m facility split into a £23.0m revolving credit facility and a £2.0m overdraft facility. In January 2021, the Group entered into a £14.0m CLBILS term loan facility with RBS for three years until January 2024. During the year, the Group aligned the expiry date of the £25.0 facility with the CLBILS facility. The interest rates for the facilities are tabled further on.

Non-current liabilities	Group 26 December 2021 £000	Group 27 December 2020 £000	Company 26 December 2021 £000	Company 27 December 2020 £000
Bank loans	**9,334**	—	**—**	—
Leases – Machines/other	**2,390**	3,744	**—**	—
Leases – Property	**181,108**	167,280	**—**	—
	192,832	171,024	**—**	—

Bank borrowings are repayable as follows:

Bank loans	Group 26 December 2021 £000	Group 27 December 2020 £000	Company 26 December 2021 £000	Company 27 December 2020 £000
Within one year	**4,666**	20,000	**—**	—
Between one and two years	**4,667**	—	**—**	—
Between two and five years	**4,667**	—	**—**	—
	14,000	20,000	**—**	—

The RCF and overdraft have not been drawn down at the end of FY21, with the £14.0m outstanding balance being the CLBILS term loan facility which is repayable over the next three years as reflected before.

Available borrowings are as follows for 2021:

Group	Currency	Interest rates	Maturity	Total available £000	Total drawn £000
Revolving credit facility	GBP	LIBOR + 1.40%	Jan-2024	23,000	—
CLBILS facility	GBP	LIBOR + 1.70%	Jan-2024	14,000	14,000
Bank overdraft	GBP	LIBOR + 1.40%	Jan-2024	2,000	—
Total borrowings				39,000	14,000

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

Net Group	Property leases 26 December 2021 £000	Property leases 27 December 2020 £000	Machines and other leases 26 December 2021 £000	Machines and other leases 27 December 2020 £000	Total 26 December 2021 £000	Total 27 December 2020 £000
Within one year	**8,941**	10,922	**3,223**	3,201	**12,164**	14,123
Between one and two years	**7,126**	6,168	**1,956**	2,667	**9,082**	8,835
Between two and five years	**23,552**	20,971	**434**	1,077	**23,986**	22,048
After five years	**150,430**	140,140	**—**	—	**150,430**	140,140
	190,049	178,201	**5,613**	6,945	**195,662**	185,146

Gross	Property leases 26 December 2021 £000	Property leases 27 December 2020 £000	Machines and other leases 27 December 2021 £000	Machines and other leases 29 December 2020 £000	Total 26 December 2021 £000	Total 27 December 2020 £000
Within one year	**15,169**	17,522	**3,241**	3,402	**18,410**	20,924
Between one and two years	**13,069**	12,348	**1,967**	2,768	**15,036**	15,116
Between two and five years	**39,842**	38,039	**440**	1,111	**40,282**	39,150
After five years	**197,236**	180,932	**—**	—	**197,236**	180,932
	265,316	248,841	**5,648**	7,281	**270,964**	256,122
Future finance charges on leases	**(75,267)**	(70,640)	**(35)**	(336)	**(75,302)**	(70,976)
Present value of lease liabilities	**190,049**	178,201	**5,613**	6,945	**195,662**	185,146

Leases are in place for all 46 centres (2020: 46) at a value of £190.0m (2020: 178.2m), amusement machines from Bandai Namco Europe Limited with a value of £5.3m (2020: £6.4m), Wi-Fi equipment with a value of £nil (2020: £0.1m) and coffee machines acquired in 2019, with a value of £0.3m (2020: £0.4m).

19 BANK BORROWINGS AND LEASE LIABILITIES 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 (£2.5m) (2020: (£12.6m)). 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 30 December 2019	2,188	(6,250)	(4,062)	(171,955)	(176,017)
Changes from financing 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)
Changes from financing cash flows	4,117	6,000	10,117	10,006	20,123
Lease modifications in the year	—		—	(20,067)	(20,067)
Lease acquisitions	—	—	—	(455)	(455)
Balance at 26 December 2021	**11,511**	**(14,000)**	**(2,489)**	**(195,662)**	**(198,151)**

20 TRADE AND OTHER PAYABLES AND OTHER NON-CURRENT LIABILITIES

	Group		Company	
Trade and other payables	**26 December 2021 £000**	27 December 2020 £000	**26 December 2021 £000**	27 December 2020 £000
Trade payables	**2,381**	1,856	**—**	—
Amounts owed to subsidiary undertakings (Note 23)	**—**	—	**2,794**	987
Social security and other taxes	**3,327**	2,222	**—**	—
Other payables	**3,287**	1,193	**—**	—
Accruals	**4,518**	3,011	**295**	325
	13,513	8,282	**3,089**	1,312

21 DEFERRED TAX

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	26 December 2021 £000	27 December 2020 £000	**26 December 2021 £000**	27 December 2020 £000	**26 December 2021 £000**	27 December 2020 £000
Property, plant and equipment	**—**	—	**(2,184)**	(1,426)	**(2,184)**	(1,426)
Tax losses	**764**	1,132	**—**	—	**764**	1,132
Fair value on business combination	**—**	—	**(86)**	(156)	**(86)**	(156)
Other	**3,610**	2,986	**—**	—	**3,610**	2,986
Total	**4,374**	4,118	**(2,270)**	(1,582)	**2,104**	2,536

A deferred tax asset of £0.8m 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 continue to be profitable and so a deferred tax asset has been provided for on the group companies losses generated in the year. The deferred tax asset of £3.6m recognised on the impairment loss that was accounted for on adoption of IFRS 16 as the impairment is being 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% was substantively enacted during the year, the deferred tax balances have been calculated taking into account this change and how they are expected to unwind.

Movement in deferred tax during the 52-week period ended 26 December 2021:

	28 December 2020 £000	Tax losses recognised in income statement £000	Recognised in income statement £000	Taxation claim received £000	**26 December 2021 £000**
Property, plant and equipment	(1,426)	—	(758)	—	**(2,184)**
Tax losses	1,132	—	(368)	—	**764**
Fair value on business combination	(156)	—	70	—	**(86)**
Other	2,986	—	624	—	**3,610**
Total deferred tax	2,536	—	(432)	—	**2,104**
Current income tax	2,302	(608)	608	(2,292)	**10**
Total taxation	4,838	(608)	176	(2,292)	**2,114**

Movement in deferred tax during the 52-week period ended 27 December 2020:

	30 December 2019 £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	1,425	—	2,536
Current income tax	(907)	2,494	715	2,302
Total taxation	204	3,919	715	4,838

The Group has carry-forward tax losses of an estimated £21.4m (2020: £21.4m) on which no deferred tax has been recognised. Of these, £12.2m (2020: £12.2m) are held by Essenden Limited, £8.7m (2020: £8.7m) held by Georgica Limited and £0.4m (2020: £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 £5.3m (2020: £4.1m). There are £3.8m (2020: £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 £1.0m (2020: £0.7m).

22 FINANCIAL INSTRUMENTS

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

Level 1: inputs are quoted prices in active markets.

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

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

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

The Group's principal financial instruments comprise bank loans, cash and short-term deposits and are held in Sterling. The purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial instruments, such as trade receivables, trade payables and 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.

22 FINANCIAL INSTRUMENTS CONTINUED

Financial instruments by category

Group	Financial assets 26 December 2021 £000	27 December 2020 £000
Financial assets – measured at amortised cost		
Trade and other receivables	**1,332**	1,120
Cash and cash equivalents	**11,511**	7,394
	12,843	8,514

Group	Financial liabilities at amortised cost 26 December 2021 £000	27 December 2020 £000
Financial liabilities – measured at amortised cost		
Borrowings excluding leases	**13,831**	19,908
Leases	**195,662**	185,146
Trade and other payables	**10,187**	6,060
	219,680	211,114

Maturity analysis of financial liabilities

	26 December 2021				27 December 2020			
Group	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	**4,497**	**12,164**	**10,187**	**26,848**	19,908	14,123	6,060	40,091
Between one and two years	**4,667**	**9,082**	**—**	**13,749**	—	8,835	—	8,835
Between two and five years	**4,667**	**23,986**	**—**	**28,653**	—	22,048	—	22,048
After five years	**—**	**150,430**	**—**	**150,430**	—	140,140	—	140,140
	13,831	**195,662**	**10,187**	**219,680**	19,908	185,146	6,060	211,114

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 material 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	26 December 2021 £000	27 December 2020 £000
Floating rate financial liabilities	**14,000**	20,000
Leases	**195,662**	185,146
	209,662	205,146

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 (SONIA from 2022) plus a margin of 1.40% for the RCF facility and 1.20% (1.70% from 2022) for the CLBILS facility. The Group has no fair value interest rate risk. In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, sustained changes in interest rates would have an impact on the Group's earnings. A 1% increase in the current interest rate charged on the bank loans would decrease earnings by £0.1m (2020: £0.2m).

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 £0.3m 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 23, 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 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 RCF and overdraft facility which was not drawn at the year end and a £14.0m CLBILS term loan facility of which £14.0m was drawn.

The risk is measured by comparing the bank debt in use to the total facility available which shows that £25.0m of the facility is still available for use. The Group also had £11.5m in cash reserves at the year end, available for use and which adds to the is headroom buffer. 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. The facilities are available to the Group until January 2024, after being extended with the Royal Bank of Scotland plc during 2021.

Credit quality of financial assets

Group	26 December 2021 £000	27 December 2020 £000
Cash at bank and short-term bank deposits		
'A' rated	**10,375**	6,703
Other cash-related balances	**1,136**	691
Total cash and cash equivalents	**11,511**	7,394

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. No interim dividend was paid in 2021, nor will a final dividend be recommended. 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.

22 FINANCIAL INSTRUMENTS CONTINUED

	26 December 2021 £000	27 December 2020 £000
Total equity	**34,063**	29,809
Cash and cash equivalents (Note 16)	**(11,511)**	(7,394)
Capital	**22,552**	22,415
Total financing	**22,552**	22,415
Leases (Note 19)	**195,662**	185,146
Bank borrowings (Note 19)	**14,000**	20,000
Overall financing	**232,214**	227,561
Capital to overall financing ratio	**9.7%**	9.9%

23 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 48 with a table of their remuneration for the period on page 55.

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				
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
Houdini's Escape Room Experience Limited	233	—	421	899
Source BioScience	—	1	—	—
26 December 2021	**233**	**1**	**421**	**899**

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 26 December 2021, the Group has made a provision of £0.3m (2020: £0.1m) for doubtful debts relating to amounts owed by related parties. The related party balance with Houdini's Escape Room Experience Limited consists of £0.3m that was due by them to Tenpin Limited for the operating fee license charges and then £0.6m has been loaned to Houdini's by Tenpin Limited 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 loans received to provide funding for the Company to pay its operating costs as a plc:

	26 December 2021 £000	27 December 2020 £000
Essenden Limited	**(25)**	—
Tenpin Limited	**2,794**	(987)
TEG Holdings Limited	**(180)**	60
	2,589	(927)

24 COMMITTMENTS

The Group has committed to pay an additional £1.0m to a supplier of its investment capital in 2022, being the remaining balance on spend it has already incurred and accounted for in these financial statements .

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 15 October 2021 ('the 2021 scheme'), the vesting of these awards is conditional upon the achievement of two performance conditions which will be measured following the announcement of results for the year to 31 December 2023 ('FY23').

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 FY23 relative to a comparator group of companies and will apply to the remaining 50% of share awards granted.

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

- an expected term for awards granted under the PSP as being three years from the date of grant on the basis that these are nil-cost awards, and therefore we assume that participants will exercise their options as soon as possible to benefit from full shareholder rights (e.g. voting and sale rights);
- the risk-free rate has been based on the implied yield of zero-coupon UK Government bonds ('UK Strips'), with a remaining term equal to the expected term;
- expected dividend yield is 2.12%; 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 2 year holding period	TSR condition with 2 year holding period
Model used for valuation	Monte Carlo and Finnerty	Black Scholes and Finnerty
Share price at valuation date (£)	2.705	2.705
Exercise price (£)	£0.1	£0.1
Risk-free rate	0.53%	n/a
Expected dividend yield	2.12%	2.12%
Life of option	3 years	3 years
Expected volatility	47.47%	n/a
Fair value of one share (£)	1.73	2.15

During the period ended 26 December 2021, 317,843 (2020: 428,572) share awards were granted under the PSP, nil (2020: 311,940) share awards were forfeited, 74,335 (2020: 96,970) lapsed and 20,814 (2020: 96,970) 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 charge of £248,304) (2020: credit of (£24,831)). The schemes are equity-settled share-based payments and the remaining contractual life of the 2020 scheme share options at the period end is one year and 10 months, while the 2019 scheme share options' remaining contractual life is six months, and the 2018 and 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 31 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
Granted in the year:		
Antony Smith	Chief Financial Officer	144,981
Graham Blackwell	Chief Executive Officer	172,862
Exercised in the year:		
Graham Blackwell	Chief Executive Officer	(20,814)
Lapsed in the year:		
Graham Blackwell	Chief Executive Officer	(74,334)
Total as at 26 December 2021		**1,003,081**
Split as:		
2019 scheme		256,666
2020 scheme		428,572
2021 scheme		**317,843**

As reflected in the Director's Remuneration Report, of the 256,666 awards from the 2019 scheme that are exercisable in 2021, it is expected that only 42.5% of the award will vest which amounts to 54,542 awards and at an average share price for the last three months of the 26 December 2021 financial year, giving a fair value of £142,689. 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 26 December 2021 for the 2019 scheme, 1 January 2023 for the 2020 scheme and 31 December 2023 for the 2021 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)

2021 scheme	2020 scheme	2019 scheme	Vesting
17.50p	17.00p	25.65p	12.5%
17.50p – 20.50p	17.00p – 23.00p	25.65p – 27.30p	12.5% – 50%
More than 20.50p	More than 23.00p	More than 27.30p	50%

26 DIVIDENDS PAID AND PROPOSED

The following dividends were declared and proposed:

	26 December 2021 £000	27 December 2020 £000
The following dividends were paid by the Group:		
Final dividend year ended 27 December 2020 – nil, 29 December 2019 – nil	–	–
Interim dividend paid by Directors for year ended 27 December 2020 – nil, 29 December 2019 – 3.7p per ordinary share(paid 3 January 2020)	–	2,405
The following dividends were declared and proposed by the Group:		
Interim dividend declared by Directors for year ended 26 December 2021 – nil, 27 December 2020 – nil	–	–
The below relates to final dividends proposed:		
Final dividend year ended 26 December 2021 – nil per ordinary share, 27 December 2020 – nil per ordinary share	–	–

The Company received a dividend of £nil (2020: ££7,458,679) from its subsidiary TEG Holdings Limited. No dividends have been proposed before the date of approval of these financial statements.

27 POST-BALANCE SHEET EVENTS

At the time of signing the Annual Report and Accounts the acquisition of new centres and the entering of new property leases had not yet completed.

Unaudited five-year record

	52 weeks to 26 December 2021 £000	52 weeks to 27 December 2020 £000	52 weeks to 29 December 2019 £000	52 weeks to 29 December 2018 £000	52 weeks to 30 December 2017 £000
Sales	**67,521**	36,269	84,122	76,350	71,040
Cost of sales	**(22,511)**	(14,095)	(24,930)	(22,423)	(21,478)
Gross profit	**45,010**	22,174	59,192	53,927	49,562
Administrative and other costs	**(34,587)**	(38,025)	(46,609)	(42,565)	(39,640)
(Loss)/profit before finance charges	**10,423**	(15,851)	12,583	11,362	9,922
Finance charges	**(5,986)**	(5,815)	(788)	(693)	(2,630)
(Loss)/profit before taxation	**4,437**	(21,666)	11,795	10,669	7,292
Taxation	**(432)**	3,919	(2,758)	(2,527)	(2,111)
(Loss)/profit after taxation	**4,005**	(17,747)	9,037	8,142	5,181

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