ENTERTAINMENT GROUP PLC

Half-Year Results
21 September 2022

Results for the 26 weeks to 26 June 2022

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Ten Entertainment Group plc
Half-Year Results 26 weeks ended 26 June 2022

Value for money entertainment driving sustainable growth in sales and profit

Ten Entertainment Group plc ("Ten Entertainment" or "The Group"), a leading UK based operator of 48 bowling and family entertainment centres, today announces its half-year results for the 26 weeks to 26 June 2022. H1 19 has been used in some selected comparisons because it is the last H1 that traded for a full 26-week period.

	26 weeks to 26 June 2022 (H1 22)	26 weeks to 27 June 2021 (H1 21)	26 weeks to 30 June 2019 (H1 19)
Total sales	**£63.2m**	£10.6m	£41.4m
Trading weeks	**26**	6	26
Like-for-like sales growth vs 2019[1]	**46.0%**	22.5%	n/a
Group adjusted EBITDA[2]	**£28.8m**	£0.6m	£17.1m
Group adjusted EBITDA less property rental costs[3]	**£22.5m**	(£5.5m)	£11.2m
Group adjusted profit / (loss) before tax[1]	**£15.7m**	(£10.8m)	£7.1m
Group Adjusted PBT margin	**24.8%**	(101.9%)	17.1%
Profit/ (loss) after tax	**£18.3m**	(£8.8m)	£4.7m
Cash inflow after investments	**£3.2m**	£1.7m	£1.0m
Bank net cash /(debt)	**£0.7m**	(£10.9m)	(£3.2m)

Value for money and customer service resets the baseline to a new and sustainable high level

- +52.6% total sales growth compared to 2019
- +36.0% like-for-like footfall growth compared to 2019
- Bowling prices frozen at 2019 levels to maintain value for money and drive footfall
- +0.5% like-for-like sales growth compared to 2021 in the 11 weeks since 27 June

Excellent progress in strategic investment programme

- £3.1m invested in four refurbishments expected to drive over 30% ROI; three further refurbishments planned in H2
- New centre in Harlow acquired and refurbished; new-build centre in Walsall opens next week
- Three more new centres to come over the next six months with strong pipeline in place
- £1.9m invested in renewing the bowling product creating significant improvements to customer experience

Business model continues to generate sustainable growth even in challenging economic landscape

- PBT operating margins extended to a record 24.8% benefiting from the operational gearing of footfall growth
- CLBILS fully repaid and Group returned to a net cash position with an interim dividend of 3p per share to be paid
- Over 90% of energy needs are fixed to September 2024 at 2020 prices
- Launch of carbon neutral menu and investment in zero carbon energy schemes

Consistent sales growth resets the baseline

	6 weeks to 27 June 2021	26 weeks to 26 Dec 2021	**26 weeks to 26 June 2022**	11 weeks to 11 Sept 2022
Like-for-like growth vs 2019[4]	22.5%	30.3%	46.0%	42.1%
Like-for-like growth vs 2021[5]	n/a	n/a	19.0%	0.5%

Sales growth in the first half of FY22 has been extremely strong compared to H1 19, the last full H1 of undisrupted trading, accelerating the trend already shown in H2 21. Like-for-like sales compared to 2019 were +46.0%. This was principally driven by footfall growth of 36.0% and boosted further by increased revenue per head (RPH) of 7.4%. All the RPH increase resulted from additional customer spend on food, drink, and other games, with bowling revenue per head remaining flat to 2019, demonstrating the successful strategy of holding prices at 2019 levels and maximising the customer value proposition.

The first half benefited from record breaking February and May half-term trading as well as an exceptional Easter. However, the underlying trend of sales growth compared to 2019 has been broadly consistent throughout the half. It is clear that our great value competitive socialising model resonates with our customers in a post-pandemic leisure landscape. We believe that a new sustainable baseline has been set. This baseline is around 30% higher than that seen in 2019, with our ongoing programme of capital investment, digital marketing and customer service delivery generating incremental growth over and above that new base.

This positive sales trend has continued since the end of the first half despite the very dry and hot summer which traditionally does not favour bowling and other indoor activities. We are delighted to report modest growth in the 11 weeks since 27 June compared to 2021 because we know that last year benefited significantly from exceptional sales as a function of UK Staycations and the initial pent-up demand from the release of Covid restrictions. Total sales for the 11 weeks since 27 June are +46.7% compared to 2019 and +1.1% higher than 2021. On a like-for-like basis sales are +42.1% vs 2019 and +0.5% compared to last year. This is clear evidence that the new baseline established post Covid has now been embedded in the underlying business.

Outlook

- The sales baseline puts the Group on trajectory for a strong full year performance in line with expectations
- The Group is mindful of the impacts of the macro-economic climate, but confident that the model is resilient
    - Low entry price point
    - Market leading value for money offering well-placed to maintain footfall
    - Multi activity centres and off-peak promotions allow customers to carefully manage their spend
- Inflationary pressures are manageable without compromising value or quality of experience
    - Operating efficiencies from volume growth sufficient to offset cost rises
    - Over 90% of energy needs are fixed to September 2024 at 2020 prices
    - Management and staff salaries supplemented with self-funding performance related bonuses
    - Expect 2023 inflation to be managed through footfall growth with limited need for price increases
- Net cash position at the end of H1 with CLBILS now repaid in full in July 2022
- Interim dividend of 3p to be paid in October balancing shareholder returns with strategic investments
- Cash generation remains strong, with continued investment in high-returning strategic initiatives
- 3 further centres in development, with strong pipeline of future sites

Graham Blackwell, Chief Executive Officer, commented:
"Our teams have once again raised the bar in the first half of this year and have worked even harder to deliver this impressive result. We have accelerated our growth and redefined the baseline, putting the business in the best possible shape to support our people and our customers through the challenges of the next 12 months.

Our sales growth is, and remains, very strong against 2019 and we have consolidated and built upon the gains we made last year. We now have net cash and have resumed our dividend payments while maintaining our focus on investing in the customer experience to continue our growth. We have bucked the trend of many other businesses in hospitality and leisure and our value for money customer proposition is well positioned to continue to deliver strong returns for our shareholders."

Enquiries:

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There will be a presentation today at 9.30 am to analysts via a Webcast. The supporting slides and audio will also be available on the Group's website, www.tegplc.co.uk, later in the day.

Forward-looking statements

This announcement contains forward-looking statements regarding the Group. These forward-looking statements are based on current information and expectations and are subject to risks and uncertainties, including market conditions and other factors outside of the Group's control. Readers are cautioned not to place undue reliance on the forward-looking statements contained herein, which speak only as of the date hereof. The Group undertakes no obligations to publicly update any forward-looking statement contained in this release, whether as a result of new information, future developments or otherwise, except as may be required by law and regulation.

1 These are non-IFRS measures used by the Group in understanding its underlying earnings. Group adjusted profit before tax is defined as profit before tax adjusted for exceptional items and impairment reversals. Like-for-like sales compare sales while the business is trading and adjusted for new centres.

2 Group adjusted EBITDA consists of earnings before interest, taxation, depreciation, amortisation costs, exceptional items, impairment reversal, loss on joint venture and profit or loss on disposal of assets

3 EBITDA less property rental costs for FY22 and FY21 is the Group adjusted EBITDA less the cash rent paid for rental of the long-term leasehold properties which are held on the balance sheet as Right of Use Property assets. For 2019 this measure is the IAS17 EBITDA as reported in FY19 when the Group was not reporting on an IFRS16 basis.

4 Like-for-like sales growth and spend per head growth compared to 2019 figures using only centres that were open and trading in both periods.

5 Like-for-like sales growth and spend per head growth compared to 2021 figures using only centres that were open and trading in both periods.

Chief Executive's Statement and Operating Review

The first half of 2022 has seen accelerated growth vs 2019 over and above the high benchmark set in H2 21. Like-for-like sales growth of 46.0% is a record for a 6-month period. Group Adjusted PBT of £15.7m for H1 is not only +12.9% higher than the second half of last year but is also higher than any other full year PBT delivered in the Group's history. The record sales have helped the business benefit from operational efficiencies in the cost base which have been more than sufficient to offset the impact of cost inflation and have allowed the business to grow without raising prices.

We remain mindful of the wider economic environment but are confident that by continuing to invest in the customer experience; maintaining our value-for-money approach in the experiential leisure and hospitality space; and rewarding our people for delivering great customer service; we are well set to continue to achieve strong results and generate high investment returns for our shareholders.

It's all about that base

It has now been 70 weeks since 17th May 2021 when businesses reopened from the last Covid Lockdown. We have remained cautious that some of the exceptional growth experienced since that date may have been of a temporary nature and would start to temper. However, the table below shows that not only has sales growth against a 2019 baseline remained robust, but we have also been able to grow against our 2021 comparative too.

	Q2 21	**Q3 21**	**Q4 21**	**Q1 22**	**Q2 22**	**11 weeks to 11 Sep 22**
Sales growth vs FY19	27.4%	43.9%	23.8%	52.8%	52.3%	46.7%
Sales growth vs FY21					**19.5%**	1.1%

Over the past 12 months we have invested in and refurbished 8 centres, significantly upweighted our digital footprint, augmented our bowling product and enhanced the customer experience. We have maintained the price of our games and activities at 2019 levels which means that relative to other hospitality and leisure activities we are now better value for money than ever before. These improvements have helped cement our sales at a renewed base level that is over 30% higher than pre Covid.

We continue to invest in making the customer experience better than ever. In the short to medium term, we anticipate that this will result in single-digit like-for-like growth above our new baseline in addition to the benefits from the pipeline of new centres that we are building.

First Class Customer Experience

At the heart of our customer offer is great entertainment at excellent value for money. The average realised price of a game of bowling in the first half of 2022 was £5.19 including VAT which is 2.1% lower than in the first half of 2019. Our strategy to hold our bowling prices has been rewarded with customers spending more with us on each visit. Our average revenue per head in H1 22 has increased by 7.4% to £15.98. This inflation-busting approach means that against the trend of most other hospitality and leisure operators, we have been able to bring down our relative prices and significantly increase the value of the experience for our customers at every visit. We are continually monitoring our value proposition to ensure that we cover our costs, drive underlying growth, and maximise our yield.

We have invested over £2m in H1 in ensuring that our bowling experience remains sector-leading. By the end of 2022, all our centres will be on the state-of-the-art multimedia scoring platforms. Our Pins & Strings pinsetter roll out is complete and we are now focusing on improving the quality and reliability of our other bowling equipment such as ball returns and lane surfaces. This ensures that our customers have a great bowling experience. We will continue to ensure that bowling at Tenpin remains the best in the UK.

Digitally Enabled

Our contactable customer database continues to grow, and we have been able to target our customers with the best deals and promotions to suit their lifestyle and budget.

Online bookings remain at 62%, which is significantly higher than the pre-covid levels of 38% in H1 19. We believe this reflects a permanent shift in customer behaviour since Covid and has been enabled by ongoing investment in our website to optimise conversion. Bowling bookings are rarely made more than a few days in advance, and often on the day, therefore mobile optimisation, and introduction of widely used payment methods such as ApplePay and GooglePay has helped customers book their lanes with ease. We have widened the range of activities that can be booked online driving like-for-like sales of laser tag by over 66% compared to 2019 as well as raising awareness and participation of our new karaoke and escape rooms.

Digitalisation will continue, and our ongoing investment programme will consistently raise the bar to give our customers a seamless digital experience.

High Quality Centres

£3.1m has been invested in the first half of the year on 4 major refurbishments. Each of these refurbishments has had a transformational impact on the centres, providing the next generation of customer experience. We are delighted to already be benefiting from significant sales uplifts.

Our focus on these major refurbishments is to refresh and modernise the centre to ensure it continues to be well-invested and add new activities and revenue streams to enhance the sales density. Since 2019 we have reconfigured our layouts and added additional customer trading space equivalent to a new entertainment centre. This has allowed the introduction of 16 extra bowling lanes, 21 karaoke rooms; 19 new escape rooms; and two additional laser tag arenas all within the existing estate. The new activities have contributed over £2m of additional annual sales without any ongoing increase in rent or property costs. Overall, we have grown our sales density from £64 per square foot in 2019 to an annualised run rate of over £90 per square foot, an increase of 41%.

Coventry and Northampton are large destination entertainment centres in out-of-town mixed leisure and retail parks serving a significant local population. Our refurbishments of these centres have focused on expanding the variety of activities on offer and increasing the sales density. We have added karaoke and escape rooms by repurposing some redundant space and we have significantly improved the laser tag arena. These enhancements have been combined with a modernised bar, high quality atmospheric LED lighting and improvements to the bowling experience. The combination of these changes has delivered strong sales uplifts already.

Our Bexleyheath and Croydon entertainment centres are busy London locations that benefit from high footfall from the local area. Both needed investment to modernise and refresh the bar, dining and machines areas and to update the bowling experience to ensure our customers continue to enjoy the best in bowling and entertainment with better equipment and enhanced LED lighting and sound systems. Although there is less scope in these centres to add additional ancillary activities, we have been pleased to see significant sales growth since the refurbishments have been completed.

Our refurbishment strategy will continue to optimise sales density and modernise the estate to ensure that we maintain our strong sales performance. In addition to the major refurbishments, we have concentrated on ensuring that the infrastructure across the estate is modern and well maintained. In the first half of this year, we have invested £1.9m in the bowling equipment to ensure that our bowling experience remains the best available in the UK today.

Global supply chains have been challenged in recent times and in order to maintain our momentum of continuous improvement across the estate, we have invested a further £2.1m in the first half to forward purchase assets and equipment which will be utilised in our refurbishments and maintenance in the second half of the year.

Increasing UK Coverage

We were delighted to have opened a new bowling centre in Harlow in May. This was a well-established bowl in the town centre that needed reinvestment. Since the acquisition we have enhanced the bowling, introduced new lighting, bar and seating areas and have transformed the customer experience. We have already seen the benefits of increased footfall and sales as a result. Our Harlow entertainment centre is located in the town centre and offers 14 lanes of bowling, karaoke and our usual mix of machines, pool and great value food and drink. It has now been redeveloped into a great place to go out and have fun in the town.

We are about to open a brand-new centre in Walsall at the Crown Wharf retail and leisure park. This 20-lane centre features state-of-the-art lighting and bowling equipment as well as karaoke, laser tag, escape rooms and much more. The centre occupies two units previously occupied by Mothercare and Peacocks and demonstrates how our growing experiential leisure offering adds value to a landlord’s development by replacing unsuccessful large-box retailers.

We have three further agreements for new centres in Crewe, Dundee and Milton Keynes which are all in the process of planning or licensing applications. As soon as the appropriate licensing has been granted, we will begin construction. We expect to open these in H1 2023.

Our total cash investment in new centres in H1 22 was £8.7m. This included forward purchase of essential equipment for new developments, a deposit for the acquisition of the freehold of one of our existing centres, the acquisition and refurbishment cost of Harlow and a proportion of the work in Progress for the development in Walsall.

We continue to explore further opportunities for development across the UK and have a strong pipeline of exciting new centres that we expect to be able to open in 2023 and beyond.

Engaged People

We employ almost 1,500 people who work hard to ensure that our customers have a great experience each time that they visit. Our strong team of experienced managers have been instrumental in delivering this remarkable period of sales growth. We continue to recognise our management teams through a quarterly bonus structure that rewards sales and profit performance and customer service. These bonuses are essential for management continuity and ensure that our teams are focused on looking after our people and our customers.

We also rely on a large team of hourly paid colleagues. We use the latest digital tools to ensure that our teams are recruited, onboarded and trained in the best way possible so that they can give high quality customer service from the moment that they join the business. The current labour market has been challenging, but we have maintained our staffing levels throughout 2022. We are a fun place to work and we give our teams access to great benefits as well as opportunities for development and promotion.

We are bringing forward by 6 months the planned Living Wage increase for our hourly paid colleagues. This means that we are increasing pay rates in October to ensure that our teams are better equipped to manage the cost of living pressures over the winter period. We are funding this increase in costs through the efficiency gains made through staff retention, which reduces training and onboarding costs, and through the incremental footfall and volume that the business enjoys. Overall, our labour as a % of sales remains at 18% which is flat to 2019.

Sustainable delivery

During the first half of the year, we have continued to develop our sustainability strategy, building our plan to reach Net Zero. Our three principal priorities to reduce our footprint are energy management; food and drink sourcing; and waste reduction.

We continue to source our electricity from 100% renewable supplies. Gas represents only 4% of our energy and we are actively updating our infrastructure to remove gas consumption from our business altogether. We are replacing gas boilers with more carbon efficient electrical heating systems and using electrical rather than gas appliances in our kitchens. We have started the planning process to install micro generation solar facilities on the roofs of some of our buildings to as part of our commitment to truly renewable and zero carbon energy.

We are actively engaged with our suppliers to reduce the carbon footprint of the food and drink we serve to our customers. However, we recognise that as a relatively small buyer in the UK hospitality market, we are not always in direct control of the entire carbon chain and it may take some time for change to happen. As a short-term measure while we address the route to Net Zero, we have moved our entire food and drink menu onto a Carbon Neutral basis in line with guidance developed by the United Nations Framework Convention on Climate Change (UNFCCC).

We have been working with our suppliers to reduce the waste in our business and to increase our levels of recycling. All of our food packaging is now 100% recyclable and we are improving waste segregation with an aim to significantly increase the level of recycling. Our used cooking oil is now recycled for use in bio-fuels and we are working with our suppliers to manage our food waste for use in power generation.

Outlook

We are encouraged that we have established a new baseline for our business. This higher level of sales creates operational gearing benefits that mean that the business is more profitable from an operating margin basis even though there has been some significant cost inflation.

We are mindful of the impact that increases in the cost of living may have on our customers and welcome the assistance the Government is giving consumers and business. However, bowling and entertainment at our centres is an affordable treat and offers excellent value for money. We will continue to focus on offering great value for money, and our pricing strategy will focus on maintaining that value and maximising our yield. Our ongoing investment programme continues to make the customer experience better, with a wider range of activities to enjoy and with packages and deals to suit every budget. As a result, we are targeting some like-for-like growth from this new baseline and are confident that the excellent business model economics will continue to generate strong cashflows.

We believe our business is well set and positioned to match current expectations for this year. We will continue to monitor and scrutinise the fluctuations of the broader economic environment. Our focus on great customer service, value-for-money, and our efficient business model means that modest sales growth in 2023, combined with our pipeline of new centres will continue to deliver profitable growth.

Graham Blackwell
Chief Executive Officer
21 September 2022

Financial Review

£000	**26 weeks to 26 June 2022**	26 weeks to 27 June 2021	Change 2022 vs 2021	*26 weeks to 29 June 2019*
Revenue	**63,238**	10,610	52,628	*41,444*
Cost of goods sold	**(8,865)**	(1,234)	(7,631)	*(4,999)*
Gross Margin	**54,373**	9,376	44,997	*36,445*
GP%	**86.0%**	88.4%	(2.4%)	*87.9%*
Total operating costs	**(18,982)**	(5,544)	(13,438)	*(14,332)*
Central and support overheads	**(6,616)**	(3,201)	(3,415)	*(4,984)*
Group adjusted EBITDA	**28,775**	631	28,144	*17,129*
Less property rent costs	**(6,269)**	(6,117)	(152)	*(5,909)*
Group adjusted EBITDA after rental costs[2]	**22,506**	(5,486)	27,992	*11,220*
Add back property rental costs	**6,269**	6,117	152	*n/a*
Depreciation and interest on Right of Use Property Assets	**(8,109)**	(7,945)	(164)	*n/a*
Depreciation and amortisation	**(4,368)**	(3,165)	(1,203)	*(3,520)*
Loss on Joint Venture	**(310)**	-	(310)	-
Net interest	**(274)**	(222)	(52)	*(401)*
Profit/(loss) on disposal of assets	**15**	-	15	*(57)*
Amortisation of acquisition intangibles	**(62)**	(68)	6	*(151)*
Group adjusted profit/(loss) before tax[2]	**15,667**	(10,769)	26,436	*7,091*
Reversal of impairment	**747**	-	747	*12*
Exceptional items	**4,601**	-	4,601	*(1,169)*
Profit/(loss) before tax	**21,015**	(10,769)	31,784	*5,934*
Taxation	**(2,721)**	1,970	(4,691)	*(1,261)*
Of which: taxation attributable to Group adjusted (loss)/profit	**(1,847)**	1,970	(3,817)	*(1,443)*
Profit/(loss) after tax	**18,294**	(8,799)	27,093	*4,673*
Earnings/(loss) per share				
Basic earnings/(loss) per share	**26.8p**	(12.9)p	39.7p	*7.19p*
Adjusted basic earnings/(loss) per share	**20.2p**	(12.9)p	33.1p	*9.01p*

Sales and Gross Margin

Total sales were £63.2m which was +£52.6m ahead of HY 21 due to the business being closed for 20 of the 26 weeks in HY 21. Compared to the last full trading period of H1 19 sales were £21.8m higher, which is a growth of +52.6%. This significant sales growth represents a reset in the business trading post Covid. Increased customer demand for family based experiential leisure, combined with a more effective digital strategy and a significantly improved customer experience have all helped reset the trading base to a new level.

Gross Margin of £54.4m is at 86.0% of sales. This is a function of the nature of our business model. Bowling, which represents 44.7% of sales, carries no Cost of Goods sold because it relies solely on the fixed asset base of the business. Machine sales, which are 22.2% of the business are a blend of owned machines, which have zero Cost of Sales, and machines which operate on a finance lease from our suppliers which do have and associated a cost of sales. The remaining sales from food and beverage also attract direct costs from the supply of the products sold. The result of this significant proportion of sales from fixed assets is a very high blended average margin of 86.0%. Gross margin is (1.9%pts) lower than the 87.9% in HY19 principally a function of a shifting sales mix as a result of better cross sell of ancillary products. Bowling represented 48.0% of sales in H1 19. This 3.3%pt shift in bowling mix, while margin dilutive at a GP% level is cash positive at a Gross margin level as we have successfully increased the revenue per head from our customers without increasing prices. LFL revenue per head in HY 19 was £14.88 and this has increased by 7.4% to £15.98. All this revenue per head increase is from additional sales of food, drink and machines, with a static spend per head on bowling.

Costs and overheads

Total Operating costs of £19.0m. This is a significant increase compared to H1 21 which was £5.5m of cost. However, during this period the business was closed for 20 weeks with associated benefits in reduced staffing and other variable costs and so the numbers are not truly comparable. Compared to a full 26 weeks of trading in HY19, where total costs were £14.3m, there has been an increase of £4.7m +32.4% and has been subject to three years of inflationary pressures. The operational gearing of the variable cost base means that this inflationary and volume impact has been absorbed by labour and fixed cost efficiencies. H1 19 costs as a % of sales were 34.6% and this ratio has fallen to 30.0% for H1 22. Had costs stayed at the H1 19 ratio, operating costs would have been £21.9m which demonstrates an implied cost saving of £2.9m as a function of these efficiencies.

Central and support overheads in H1 22 were £6.6m, (£3.4m) higher than in H1 21. H1 19 is a more suitable trading comparative due to the Covid disruption in H1 21. Since 2019 these central costs have grown by 32.7% or £1.6m. There are three principal drivers of this increase: inflationary pressures in the central fixed cost base; an increased level of marketing and digital investment to drive sales growth; and an investment in specific strategic programmes to deliver long term sustainable growth. In terms of inflation, the central costs have seen around 9% wage inflation. In addition, there has been significant inflation in certain professional fees; the audit fee has more than doubled since 2019. The Group has increased its digital and marketing expenditure to maintain and extend its customer engagement. This has been rewarded with doubling of the customer database and a sustained improvement in click-through and conversion rates on our customer communications. Finally, we have been very active in increasing our pipeline of new centres. We have acquired one centre in H1 22; almost completed the new build at Walsall and have three further centres pending licensing or planning as well as more than five other centres nearing legal completion. This not only increases the professional fees but has also resulted in a growth in our property and operational teams as we plan and execute these new centre builds. We expect our central and support costs to remain at this new higher level as the business continues its strong growth agenda.

EBITDA

We continue to highlight our total property rent costs even though this is no longer an IFRS16 measure. This Alternative Performance Measure (APM) helps with a comparison of costs against 2019 when the business was reporting on an IAS17 basis. These costs in H1 22 were £6.3m which is (£0.4m) 6.1% higher than in H1 19. The principal reason for the growth is the addition of four new centres. Absent this, the long-term nature of our lease deals has proven very effective at mitigating any inflationary pressures, and we expect it to continue to be so.

EBITDA after property rental costs is another APM that helps illustrate the long-term trends in the performance of our business and its cash generation potential. In H1 22 the profit was £22.5m which is just over double that generated in the last unaffected trading period of H1 19. This exceptionally high growth in profit illustrates the impact of strong sales growth in a relatively fixed cost high margin operating model.

Depreciation, Amortisation, interest and other costs

Depreciation and interest on the Right of Use property assets in H1 22 is £8.1m, which is £1.8m higher (29.4%) than the cost of the rent in the period. Partly this is due to the compression on PBT that results from having leases that are early in their tenure which attract a higher cost of interest. In addition, some properties may benefit from a rent-free period on inception of a new lease, which is amortised for the full lease period when calculating interest and depreciation but is omitted from the property rental cost.

Other depreciation and amortisation was £4.4m in H1 22. This was £1.2m higher than in H1 21 where the depreciation was only £3.2m. That lower figure was a function of the halting of the capital investment programme from March 2020 until it was restarted in the second half of 2021. This temporarily reduced the depreciation charge as assets came to the end of their useful economic life and new replacement assets were not added. Over the 12 months to 26 June 2022, since the capital investment programme was restarted, the business has invested £22.0m of capital expenditure. This investment has increased the depreciation charge.

Loss on Joint Venture
At the end of FY19, the Group invested £310k in a 50:50 Joint Venture with Houdini's Escape Room Experience limited. Since that date, as a result of Covid-19 closures and a rapid expansion programme, the company has made a trading loss. This loss of £0.3m represents TEG's 50% share of that loss on Joint Venture and brings the investment value to zero.

The Group remains committed to continuing to expand this successful experiential leisure concept. Escape rooms typically have a 12-month maturity curve and as expansion accelerates there is an inevitable delay in translating that growth into the profit. However, the underlying model is strong and delivering some excellent results and strong customer feedback. TEG has an option to purchase the remaining 50% of share capital at the end of 2024 and we remain confident that the business will be earnings enhancing in the medium term.

Exceptional items
The Group confirmed with HMRC in April that the Reduced Rate of VAT implemented by the Government in July 2020 to support hospitality business should apply to sales of Tenpin bowling. This resulted in a backdated claim for overpaid output tax of £4.4m relating to 2020 and 2021. This cash has now been received in full and the £4.4m of income has been treated as an exceptional item as it relates to sales that were made in previous years. A further £0.2m is the release of an historic VAT provision which is deemed no longer necessary based on current VAT guidance.

Reversal of impairment
The strong sales and profit performance in the first half of the year has created a trigger event to review the impairment modelling for our sites and in particular the right of use property assets. Stronger cashflows have led management to revise their future models and have resulted in a £0.7m release of the 2020 impairment charge.

Financing

£000	**26 weeks to 26 June 2022**	26 weeks to 27 June 2021
Interest on bank debt	**(216)**	(207)
Amortisation of bank financing costs	**(40)**	(15)
Finance lease interest charges	**(3,276)**	(2,444)
Net interest excluding shareholder loan note interest	**(3,532)**	(2,666)

Finance costs increased to £3.5m in H1 22 (H1 21: £2.7m) comprising the implied interest relating to the lease liability under IFRS 16 of £3.3m (H1 21: £2.4m) and £0.2m (H1 21: £0.2m) associated with our bank borrowing facilities. The finance lease interest charges have increased by £0.9m due to the lease regears completed in the second half of 2021 and the recognition of the Walsall and Harlow leases in 2022.

The interest on the bank debt is flat year on year and relates to interest on the CLBILS term loan facility and a commitment fee for the £25m RCF. £7.0m of the CLBILS term loan facility was repaid in April 2022 the balancing £7.0m repaid in July 2022. This has fully repaid the CLBILS and means the Group no longer has any constraints on declaring a dividend. The £25m RCF remains in place until 2024 and is currently undrawn.

Taxation

A tax charge of £2.7m has been recognised for H1 22 (H1 21: £2.0m credit) arising on the profit before tax generated in the period. The effective tax rate of 12.9% is lower than the actual tax rate of 19% arising from the benefit of the super deduction of 130% on capital allowances.

Net debt

As at £000	**26 June 2022**	26 December 2021	Movement	27 June 2021
Closing cash and cash equivalents	**7,734**	11,511	(3,777)	17,103
Bank loans	**(7,000)**	(14,000)	7,000	(28,000)

Bank net debt	**734**	(2,489)	3,223	(10,897)
Finance leases – Machines and other	**(4,556)**	(5,613)	1,057	(5,781)
Finance leases – Property	**(196,523)**	(190,049)	(6,474)	(181,339)
Total net debt	**(200,345)**	(198,151)	(2,194)	(198,017)

The Group ended the first half with a net cash position of £0.7m, with £7.0m drawn on the CLBILS term facility and £7.7m of cash and cash equivalents. This represents a very significant recovery in the financial indebtedness as a result of the strong profit generation over the past 12 months.

The bank loans consist of the £14.0m CLBILs facility which was drawn in 2021 and the £25.0m RCF of which none was drawn at the period end. £7.0m of the CLBILs facility was repaid in April 2022 leaving the balance as £7.0m at H1 22. This remaining £7m CLBILS has since been repaid during July 2022.

The £1.1m decrease in machines finance leases is from capital repayments made to the supplier, net of additions and accrued interest in the interim period. The £6.5m increase in the property leases arose from the addition of two new leases and modification of one lease totalling £10.1m, accrued interest less repayments to landlords.

Cash flow

£000	**26 weeks to 26 June 2022**	26 weeks to 27 June 2021	Movement
Cash flows from operating activities			
Group adjusted EBITDA	**28,775**	631	28,144
Maintenance capital	**(1,291)**	(205)	(1,086)
Movement in working capital	**2,812**	7,962	(5,150)
Lease and taxation payments	**(11,528)**	(6,785)	(4,743)
Free cash flow	**18,768**	1,603	17,165
Strategic investments:			
Existing estate	**(7,044)**	-	(7,044)
Estate expansion	**(8,749)**	-	(8,749)
Exceptionals and share-based payments	**248**	106	142
Cash flow after investment	**3,223**	1,709	1,514
(Repayment)/draw down of debt	**(7,000)**	8000	(15,000)
Opening cash and cash equivalents	**11,511**	7,394	4,117
Cash and cash equivalents – end of period	**7,734**	17,103	(9,369)

The Group generated significant free cash flow of £18.8m in the first half of the year. The strategic investment programme was paused in March 2020 and only resumed in the second half of 2021

In H1 22 £7.0m has been invested in the existing estate through refurbishments and enhancements to the bowling equipment. This includes £2.1m of advance payments to suppliers for forward orders of critical equipment that have long lead times.

£8.7m was invested in invested in estate expansion, with the acquisition and refurbishment of Harlow and the building of Walsall, which will open at the end of September. £7.6m of this expansion capital is in respect of advance purchases of equipment needed for our development pipeline and includes a payment in respect of monies held in escrow for a freehold acquisition that completed in July. This is the purchase of the freehold of an existing highly profitable centre which was at risk of redevelopment.

The advance payments for deposits to suppliers and the monies for the freehold acquisition have contributed to a significantly higher Trade Receivables value on the balance sheet, which has increased from £5.4m at the end of FY 21 to £14.8m at the end of H1 22.

Cash flow after investment costs were £3.2m which gives the board confidence to declare an interim dividend of 3p, a payment of £2.1m which will be paid in the second half of the year.

Dividends

The Board have declared an interim dividend of 3.0p per share (HY21 interim: nil). The interim ex-dividend date is 06 October 2022, the record date 07 October 2022 and the interim dividend payment date is 28 October 2022.

Accounting standards and use of non-GAAP measures

The Group has prepared its consolidated financial statements based on International Financial Reporting Standards for the 26 weeks ended 26 June 2022. The basis for preparation is outlined in note 2 to the financial statements.

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 4 to the financial statements.

Although the effects of Covid-19 are no longer affecting the current trading, there remains a significant impact on the prior year comparatives. The Group will continue to provide transparency of reporting across a range of comparative periods, using equivalent open centres where appropriate to get a like-for-like comparative.

The trading periods for 2020 and 2021 were significantly disrupted due to Covid restrictions and Lockdowns. 2019 remains a useful baseline when comparing sales performance, because this is the last time the business traded a full first half of the year. We are now also able to compare FY22 results against FY21 results but on a more restricted basis. For the first half, there are six weeks of comparator in relation to the reopening trading from 17 May 2021 and the business has been fully trading since that date. The trading periods are set out in the table below:

	26 weeks to 26 June 2022	26 weeks to 27 June 2021	26 weeks to 28 June 2020	26 weeks to 29 June 2019
Number of centres	**47**	46	45	44
All centres open	**Weeks 1-26**	Weeks 21-26	Weeks 1-12	Weeks 1-26
All centres closed	**n/a**	Weeks 1-20	Weeks 13 - 26	n/a
% open	**100%**	23%	49%	100%

Going Concern

Having assessed the Group's going concern position and taking 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 these statements. Accordingly, the Group continues to adopt the going concern basis in preparing these condensed consolidated interim financial statements.

Antony Smith
Chief Financial Officer
21 September 2022

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 26 week period ended 26 June 2022

	Notes	**26 weeks to 26 June 2022 Unaudited £000**	26 weeks to 27 June 2021 Unaudited £000	52 weeks to 26 December 2021 Audited £000
Revenue	5	**63,238**	10,610	67,521
Cost of sales		**(19,707)**	(4,154)	(22,511)
Gross profit		**43,531**	6,456	45,010
Administrative expenses		**(24,022)**	(14,559)	(35,711)
Loss on Joint Venture		**(310)**	-	-
Reversal of impairment		**747**	-	1,124
Exceptional income		**4,601**	-	-
Operating profit		**24,547**	(8,103)	10,423
Finance costs		**(3,532)**	(2,666)	(5,986)
Profit/(loss) before taxation		**21,015**	(10,769)	4,437
Taxation		**(2,721)**	1,970	(432)
Profit/(loss) for the period and total comprehensive profit/(loss) attributable to owners of the parent		**18,294**	(8,799)	4,005

Earnings per share				
Basic earnings per share	6	26.75p	(12.87p)	5.86p
Diluted earnings per share	6	26.62p	(12.87p)	8.84p

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 26 June 2022

	Notes	**26 weeks to 26 June 2022 Unaudited £000**	26 weeks to 27 June 2021 Unaudited £000	52 weeks to 26 December 2021 Audited £000
Assets				
Non-current assets				
Goodwill	7	**29,740**	29,350	29,350
Intangible assets	7	**195**	355	279
Investments in joint venture		**-**	310	310
Property, plant and equipment	8	**42,151**	38,566	39,530
Right of use assets	9	**173,009**	156,559	167,324
Deferred tax asset		**4,232**	6,088	4,374
		249,327	231,228	241,167
Current assets				
Inventories		**1,250**	1,050	1,226
Trade and other receivables		**14,777**	1,194	5,426
Cash and cash equivalents		**7,734**	17,103	11,511
Corporation tax receivable		**314**	10	10
		24,075	19,357	18,173
Liabilities				
Current liabilities				
Bank borrowings and lease liabilities	11	**(17,964)**	(43,871)	(16,661)
Trade and other payables		**(10,568)**	(12,833)	(13,513)
		(28,532)	(56,704)	(30,174)
Net current liabilities		**(4,457)**	(37,347)	(12,001)
Non-current liabilities				
Bank borrowings and lease liabilities	11	**(189,987)**	(171,182)	(192,833)
Deferred tax liabilities		**(2,274)**	(1,582)	(2,270)
		(192,261)	(172,764)	(195,103)
Net assets		**52,609**	21,117	34,063
Equity				
Share capital		**685**	684	684
Share premium		**4,844**	4,844	4,844
Share based payments reserve		**749**	356	498
Merger reserve		**6,171**	6,171	6,171
Retained earnings		**40,160**	9,062	21,866
Total equity		**52,609**	21,117	34,063

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the 26 week period ended 26 June 2022

	Notes	**26 weeks to 26 June 2022 Unaudited £000**	26 weeks to 27 June 2021 Unaudited £000	52 weeks to 26 December 2021 Audited £000
Cash flows generated from operating activities				
Cash generated from operations	10	**31,851**	5,208	30,827
Corporation tax (paid)/received		**(2,878)**	2,292	2,292
Finance costs paid		**(3,474)**	(2,651)	(5,868)
Net cash generated from operating activities		**25,499**	4,849	27,251
Cash flows used in investing activities				
Acquisitions of sites by Tenpin Limited		**(454)**	-	-
Purchase of property, plant and equipment		**(16,632)**	(205)	(7,108)
Purchase of software		**(13)**	-	(24)
Net cash used in investing activities		**(17,099)**	(205)	(7,132)
Cash flows (used in)/ from financing activities				
Lease principal payments		**(5,177)**	(2,935)	(10,002)
Drawdown of bank borrowings		**-**	18,000	22,000
Repayment of borrowings		**(7,000)**	(10,000)	(28,000)
Net cash (used in)/from financing activities		**(12,177)**	5,065	(16,002)
Net (decrease)/increase in cash and cash equivalents		**(3,777)**	9,709	4,117
Cash and cash equivalents – beginning of period		**11,511**	7,394	7,394
Cash and cash equivalents – end of period		**7,734**	17,103	11,511

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 26 June 2022

	Share capital £000	Share premium	Share based payment reserve £000	Merger reserve £000	Retained earnings £000	Total equity £000
Unaudited 26 weeks to 26 June 2022						
Balance at 26 December 2021	684	4,844	498	6,171	21,866	34,063
Share based payment charge	-	-	251	-	-	251
Issue of shares	1	-	-	-	-	1
Profit for the period and total comprehensive income attributable to owners of the parent	-	-	-	-	18,294	18,294
Balance at 26 June 2022	**685**	**4,844**	**749**	**6,171**	**40,160**	**52,609**
Unaudited 26 weeks to 27 June 2021						
Balance at 27 December 2020	683	4,844	250	6,171	17,861	29,809
Share based payment charge	-	-	106	-	-	106
Issue of shares	1	-	-	-	-	1
Loss for the period and total comprehensive loss attributable to owners of the parent	-	-	-	-	(8,799)	(8,799)
Balance at 27 June 2021	684	4,844	356	6,171	9,062	21,117
52 weeks to 26 December 2021						
Balance at 28 December 2020	683	4,844	250	6,171	17,861	29,809
Share based payment charge	-	-	248	-	-	248
Issue of shares	1	-	-	-	-	1
Profit for the period and total comprehensive income attributable to owners of the parent	-	-	-	-	4,005	4,005
Balance at 26 December 2021	684	4,844	498	6,171	21,866	34,063

1 General information

Ten Entertainment Group plc (the “Company”) is a public limited company incorporated and domiciled in England, United Kingdom under company registration number 10672501. The address of the registered office is Aragon House, University Way, Cranfield Technology Park, Cranfield, MK43 0EQ.

The condensed consolidated interim financial statements for the 26 week period ended 26 June 2022 (“interim financial statements”) 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.

The financial information for the 26 week period ended 26 June 2022 has been reviewed by the Company’s auditors. Their report is included within this announcement.

The financial information does not constitute statutory financial statements within the meaning of Section 434 of the Companies Act 2006. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the 52 week period to 26 December 2021 which were approved by the board of directors on 29 March 2022 and have been filed with the Registrar of Companies. The report of the auditors on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The interim financial statements were approved by the directors on 21 September 2022.

2 Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 “Interim financial reporting” as endorsed by the European Union and the Disclosures and Transparency Rules of the United Kingdom’s Financial Conduct Authority, and incorporate the consolidated results of the Company and all its subsidiaries for the 26 week period ended 26 June 2022. They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last financial statements. The comparative financial information is for the 26 week period ended 27 June 2021.

The interim financial statements are presented in Pounds Sterling, rounded to the nearest thousand pounds, except where otherwise indicated; and under the historical cost convention as modified by the recognition of certain financial assets/liabilities at fair value through profit or loss.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those applied in the presentation of the Group’s consolidated financial statements for the year ended 26 December 2021. A number of other amendments to existing standards are also effective for periods beginning on or after 27 December 2021.

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. The impact of these standards is not expected to be material.

Going Concern

Having assessed the Group’s going concern position and taking 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 these statements. Accordingly, the Group continues to adopt the going concern basis in preparing these condensed consolidated interim financial statements.

3 Accounting estimates, judgements and non GAAP measures

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the 52 week period ended 26 December 2021.

The Company 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 comparators and key measures used within the business for assessing performance. These condensed interim 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 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 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	**26 weeks to 26 June 2022 £000**	26 weeks to 27 June 2021 £000
Group adjusted EBITDA	**28,775**	631
Rental cost	**(6,269)**	(6,117)
Group adjusted EBITDA after rental costs	**22,506**	(5,486)
Add back rental cost	**6,269**	6,117
Amortisation of fair valued items on acquisition	**(62)**	(68)
Amortisation of software	**(55)**	(76)
Loss on Joint Venture	**(310)**	-
(Loss)/profit on disposals	**15**	-
Depreciation of property, plant and equipment and right-of-use assets	**(9,164)**	(8,590)
Operating profit/(loss) before exceptional items	**19,199**	(8,103)
Impairment reversal	**747**	-
Exceptional items – other	**4,601**	-
Operating profit/(loss)	**24,547**	(8,103)

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	**26 weeks to 26 June 2022 £000**	26 weeks to 27 June 2021 £000
Cost of goods sold per the financial review	**(8,865)**	(1,234)
Site labour costs	**(11,313)**	(3,111)
Machine licence and security costs in administrative expenses	**471**	191
Costs of sales per the statement of comprehensive income	**(19,707)**	(4,154)

Group adjusted profit/(loss) before tax – This consists of the profit before tax adjusted for items judged as exceptional and relating to impairment reversals and VAT claims from prior periods.

Adjusted underlying profit after tax and adjusted earnings per share – This consists of the profit after tax adjusted for exceptional items and impairment provisions and reversals and is used to determine the adjusted earnings per share. The reconciliation of this number to profit after tax is included under Note 6.

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 items helps to provide a better indication of underlying performance.

Exceptional income	**26 weeks to 26 June 2022 £000**	26 weeks to 27 June 2021 £000
Claim for reduced rate of VAT on bowling	**4,375**	-
Release of provision for updated HMRC VAT guidance	**226**	-
Total exceptional income	**4,601**	-

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

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.

Reconciliation of free cash flow	**26 weeks to 26 June 2022 £000**	26 weeks to 27 June 2021 £000
Cash generated from operations	**31,851**	5,208
Maintenance capital	**(1,307)**	(205)
Finance lease and taxation payments	**(11,528)**	(3,294)
Non-cash share-based payments charge	**(248)**	(106)
Free cash flow per the financial review	**18,768**	1,603

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	**26 weeks to 26 June 2022 £000**	26 weeks to 27 June 2021 £000
Cash used in investing activities	**(17,100)**	**(205)**
Analysed as follows:		
Maintenance capital	**(1,307)**	**(205)**
Existing estate	**(9,562)**	-
Estate expansion	**(6,231)**	-
Cash outflows for capital projects	**(17,100)**	**(205)**

4 Performance share plan awards

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. The Company currently has four active schemes in place that arose in prior years as detailed as follows:

- 2019 Share Scheme - This scheme was announced on 20 May 2019 and vested on 18 May 2022 when Graham Blackwell and Antony Smith exercised their options and were awarded 123,333 and 133,333 shares respectively. The Earnings Per Share ("EPS") performance condition which contributed to 50% of the award was not met but the full 50% of the Total Shareholder Return ("TSR") condition was met with the Company's performance being in the upper quartile.

- 2020 Share Scheme - This scheme was announced on 30 November 2020 when 428,572 awards were granted to the two executive directors. The vesting of these awards is conditional upon the achievement of two performance conditions and a share price underpin which will be measured following the announcement of results for the year to 1 January 2023 ("FY2022"). The first performance condition applying to the awards will be based on EPS of the Company and will apply to 50 per cent. of the total number of Share Awards granted. The second performance condition will be based on TSR of the Company over the period from the date of grant to the announcement of results for FY2022 relative to a comparator group of companies and will apply to the remaining 50 per cent. of Share Awards granted. 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. During the 26 week period ended 26 June 2022 the Group recognised a net charge of £64k (27 June 2021: £64k, 26 December 2021: £126k) to administration costs related to these awards.

- 2021 Share Scheme - This scheme was announced on 14 October 2021 when 317,843awards were granted to the two executive directors. 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 ("FY2023"). The first performance condition applying to the awards will be based on EPS of the Company and will apply to 50 per cent. of the total number of Share Awards granted. The second performance condition will be based on TSR of the Company over the period from the date of grant to the announcement of results for FY2023 relative to a comparator group of companies and will apply to the remaining 50 per cent. of Share Awards granted. During the 26 week period ended 26 June 2022 the Group recognised a net charge of £113k (27 June 2021: £nil, 26 December 2021: £45k) to administration costs related to these awards.

- 2022 Share Scheme - This scheme was announced on 30 March 2022 when 327,586 awards were granted to the two executive directors. The vesting of these awards is conditional upon the achievement of two performance conditions which will be measured following the announcement of results for the year to 29 December 2024 ("FY2024"). The first performance condition applying to the awards will be based on EPS of the Company and will apply to 50 per cent. of the total number of Share Awards granted. The second performance condition will be based on TSR of the Company over the period from the date of grant to the announcement of results for FY2024 relative to a comparator group of companies and will apply to the remaining 50 per cent. of Share Awards granted. During the 26 week period ended 26 June 2022 the Group recognised a net charge of £51k to administration costs related to these awards.

5 Segment reporting

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

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

Central - Comprises central management including company secretarial work, the board of directors and general head office assets and costs. The segment results are used by the Board for strategic decision making, and a reconciliation of those results to the reported profit/(loss) in the consolidated statement of comprehensive income, and the segment assets are as follows:

	Tenpin £000	**Central £000**	**Group £000**
For the 26 week period ended 26 June 2022:			
Segment revenue – external	63,238	-	63,238
Adjusted EBITDA	23,648	(1,142)	22,506
Segment total assets as at 26 June 2022	269,566	3,836	273,402
Segment total liabilities as at 26 June 2022	(217,605)	(3,188)	(220,793)
Reconciliation of adjusted EBITDA to reported operating profit:			
Group adjusted EBITDA after rental costs	**23,648**	**(1,142)**	**22,506**
Amortisation and depreciation of intangibles, property, plant and equipment and right of use assets	(9,262)	-	(9,262)
Loss on Joint Venture	-	(310)	(310)
Profit on disposals	15	-	15
Amortisation of fair valued intangibles	(19)	-	(19)
Impairment reversal	747	-	747
Exceptional income	4,601	-	4,601
Add back rental costs	6,269	-	6,269
Operating profit/(loss)	**25,999**	**(1,452)**	**24,547**
Finance (costs)/income	(3,277)	(255)	(3,532)
Profit/(loss) before taxation	**22,722**	**(1,707)**	**21,015**

	Tenpin £000	Central £000	Group £000
For the 26 week period ended 27 June 2021:			
Segment revenue – external	10,610	-	10,610
Adjusted EBITDA	1,648	(1,017)	631
Segment total assets as at 27 June 2021	235,100	15,485	250,585
Segment total liabilities as at 27 June 2021	(216,519)	(12,949)	(229,468)
Reconciliation of adjusted EBITDA to reported operating profit:			
Adjusted EBITDA	1,648	(1,017)	631
Amortisation and depreciation of intangibles and property, plant and equipment	(8,666)	-	(8,666)
Amortisation of fair valued intangibles	(48)	(20)	(68)
Operating loss	(7,066)	(1,037)	(8,103)
Finance (costs)/income	(2,438)	(228)	(2,666)
Loss before taxation	(9,504)	(1,265)	(10,769)

Disaggregation of revenue

In addition to the breakdown of revenue into the above segments we have analysed revenue further as following:

	26 week period ended 26 June 2022 Unaudited £000	26 week period ended 27 June 2021 Unaudited £000	52 week period ended 26 December 2021 Audited £000
Bowling	**28,267**	4,833	29,776
Food and drink	**17,276**	2,875	19,094
Machines and amusements	**15,143**	2,579	16,280
Other	**2,552**	323	2,371
	63,328	10,610	67,521

6 Earnings per share

Basic earnings per share for each period is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. Earnings per share is based on the capital structure of the Company and includes the weighted average of the 68,381,496 ordinary shares in issue. The total shares in issue at the end of the 26 weeks to 26 June 2022 was 68,496,118.

The Company has 326,632 potentially issuable shares (H1 21: 199,553) 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 parent 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 have been calculated in order to compare earnings per share year on year and to aid future comparisons. Earnings have been adjusted to exclude impairment, exceptional 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	**26 weeks to 26 June 2022 Unaudited £000**	26 weeks to 27 June 2021 Unaudited £000	52 weeks to 26 December 2021 Audited £000
Profit/(loss) after tax	**18,294**	(8,799)	4,005
Weighted average number of shares in issue	**68,381,496**	68,348,800	68,358,261
Adjustment for share awards	**326,632**	199,553	274,005
Diluted weighted average number of shares in issue	**68,708,128**	68,548,353	68,632,266
Basic earnings per share (pence)	**26.75p**	(12.87p)	5.86p
Diluted earnings per share (pence)	**26.62p**	(12.87p)	5.84p

Below is the calculation of the adjusted earnings per share.

Adjusted earnings per share	**26 weeks to 26 June 2022 Unaudited £000**	26 weeks to 27 June 2021 Unaudited £000	52 weeks to 26 December 2021 Audited £000
Profit/(loss) after tax	**18,294**	(8,799)	4,005
Exceptional Income	**(4,601)**		(238)
Impairment reversal	**(747)**	-	(1,124)
Tax impact on above adjustments	**874**	-	45
Adjusted underlying earnings after tax	**13,820**	(8,799)	2,688
Adjusted profit/(loss) after tax	**13,820**	(8,799)	2,688
Weighted average number of shares in issue	**68,381,496**	68,348,800	68,358,261
Adjusted basic earnings per share	**20.21p**	(12.87p)	3.93p
Adjusted diluted earnings per share	**20.11p**	(12.87p)	3.92p

7 Goodwill and intangible assets

	Fair valued intangibles on acquisition £000	Goodwill £000	Software £000	Total £000
Cost				
At 27 December 2020	**2,938**	**29,350**	**1,301**	**33,589**
Disposal	-	-	(9)	(9)
At 27 June 2021	**2,938**	**29,350**	**1,292**	**33,580**
Additions	-	-	33	33
At 26 December 2021	**2,938**	**29,350**	**1,325**	**33,613**
Additions	-	390	13	403
At 26 June 2022	**2,938**	**29,740**	**1,338**	**34,016**
Accumulated amortisation and impairment losses				
At 27 December 2020	**2,677**	**-**	**1,086**	**3,763**
Charge for the period - amortisation	48	-	64	112
At 27 June 2021	**2,725**	**-**	**1,150**	**3,875**
Charge for the period - amortisation	42		67	109
At 26 December 2021	**2,767**	**-**	**1,217**	**3,984**
Charge for the period - amortisation	42	-	55	97
At 26 June 2022	**2,809**	**-**	**1,272**	**4,081**
Net book value				
At 26 June 2022	129	29,740	66	29,935
At 27 June 2021	213	29,350	142	29,705
At 27 December 2020	261	29,350	215	29,826

8 Property, plant and equipment

	Fixed furnishings £000	Amusement machines £000	Fixtures, fittings and equipment £000	Total £000
Cost				
At 27 December 2020	**11,368**	**1,401**	**49,099**	**61,868**
Additions	-	-	205	205
At 27 June 2021	**11,368**	**1,401**	**49,304**	**62,073**
Additions	-	35	4,065	4,100
Disposals	(263)	-	(1,282)	(1,545)
At 26 December 2021	**11,105**	**1,436**	**52,087**	**64,628**
Additions	-	235	5,933	6,168
Disposals	-	-	(74)	(74)
At 26 June 2022	**11,105**	**1,671**	**57,946**	**70,722**
Accumulated depreciation and impairment				
At 27 December 2020	**3,806**	**1,159**	**15,450**	**20,415**
Charge for the period	508	54	2,530	3,092
At 27 June 2021	**4,314**	**1,213**	**17,980**	**23,507**
Charge for the period	508	47	2,483	3,038
Impairment reversal	-	-	(264)	(264)
Disposals - Depreciation	(114)	-	(1,069)	(1,183)
At 26 December 2021	**4,708**	**1,260**	**19,130**	**25,098**
Charge for the period	502	358	2,765	3625
Impairment reversal	-	-	(149)	(149)
Disposals - Depreciation	-	-	(3)	(3)
At 26 June 2022	**5,210**	**1,618**	**21,743**	**28,571**
Net book value				
At 26 June 2022	**5,895**	**53**	**36,203**	**42,151**
At 27 June 2021	7,054	188	31,324	38,566
At 27 December 2020	7,562	242	33,649	41,453

9 Right of use assets

	Leasehold properties £000	Amusement machines & other £000	Total £000
Cost			
At 27 December 2020	**163,514**	**10,823**	**174,337**
Lease additions	-	15	15
Modification of leases	4,906	-	4,906
Lease disposals	-	(8)	(8)
At 27 June 2021	**168,420**	**10,830**	**179,250**
Lease additions	-	427	427
Modification of leases	15,161	-	15,161
Lease disposals	-	(158)	(158)
At 26 December 2021	**183,581**	**11,099**	**194,680**
Lease additions	**6,308**	**569**	**6,877**
Modification of leases	**3,793**	**-**	**3,793**
Lease disposals	**-**	**(100)**	**(100)**
At 26 June 2022	**193,682**	**11,568**	**205,250**
Accumulated depreciation and impairment			
At transition on 27 December 2020	10,720	6,472	17,192
Charge for the period	4,410	1,091	5,501
Disposals - Depreciation	-	(2)	(2)
At 27 June 2021	**15,130**	**7,561**	**22,691**
Charge for the period	4,603	1,062	5,665
Disposals – depreciation	-	(140)	(140)
Impairment reversal	(860)	-	(860)
At 26 December 2021	**18,873**	**8,483**	**27,356**
Charge for the period	**4,851**	**730**	**5,581**
Impairment reversal	**(598)**	**-**	**(598)**
Impairment charge	**-**	**(98)**	**(98)**
At 26 June 2022	**23,126**	**9,115**	**32,241**
Net book value			
At 26 June 2022	**170,556**	**2,453**	**173,009**
At 27 June 2021	153,290	3,269	156,559
At 27 December 2020	152,794	4,351	157,145

The lease modification relates to the regear of one site where the term of the lease has been extended. The lease additions are from the entering of two new leases, with the first for the new build at Walsall and the second for the Harlow site that was acquired as explained further in note 12.

10 Cashflow from operations

Cash flows from operating activities	26 weeks to 26 June 2022 Unaudited £000	26 weeks to 27 June 2021 Unaudited £000	52 weeks to 26 December 2021 Audited £000
Profit/(loss) for the period	**18,294**	(8,799)	4,005
Adjustments for:			
Tax	**2,721**	(1,970)	432
Finance costs, net	**3,532**	2,666	5986
Non-cash exceptionals	**(4,601)**	-	(238)
Non-cash share based payments charge	**248**	106	248
Loss on Joint Venture	**310**	-	-
Profit on disposal of assets	**(15)**	-	442
Amortisation of intangible assets	**97**	121	221
Depreciation of property, plant and equipment	**3,625**	3,092	6,130
Depreciation of right to use assets	**5,581**	5,501	11,166
Impairment reversal	**(747)**	-	(1,124)
Changes in working capital:			
Increase in inventories	**(24)**	(542)	(720)
Decrease/(increase) in trade and other receivables	**1,173**	478	(955)
Increase in trade and other payables	**1,657**	4,555	5,234
Cash generated from operations	**31,851**	5,208	30,827

11 Bank borrowings and leases

	26 weeks to 26 June 2022 Unaudited	26 weeks to 27 June 2021 Unaudited	52 weeks to 26 December 2021 Audited
Current liabilities	**£000**	£000	£000
Bank loans	**7,000**	28,000	4,666
Leases – Machines/other	**2,792**	2,730	3,223
Leases – Property	**8,300**	13,208	8,941
Capitalised financing costs	**(128)**	(67)	(169)
	17,964	43,871	16,661
Non - current liabilities			
Bank loans	**-**	-	9,334
Leases – Machines/other	**1,764**	3,051	2,390
Leases – Property	**188,223**	168,131	181,108
	189,987	171,182	192,832

The bank loans with the Royal Bank of Scotland plc consist of a £25.0m committed Revolving Credit Facility (RCF) and £14.0m CLBILS term loan facility. The loans incur interest at SONIA plus a margin of 1.80%. The Group drew £14.0m of the

CLBILS facility and repaid £7.0m in April 2022, with another £7.0m repaid in July 2022 to fully repay this facility. This leaves just the £25m RCF facility available to the Group

The increase in property leases arose from the modification to one lease and the entering into of two further leases.

12 Business Combination – Harlow

On the 15 May 2022, Tenpin Limited entered an Asset Purchase Agreement and acquired the assets and trade of the Harlow bowling site from Harlow Bowl Limited for £454k.

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

The following analyses the purchase consideration	
Consideration as at 15 May 2022	**£000**
Cash consideration paid	454
Identifiable assets acquired and liabilities assumed	
Inventory	6
Property, plant and equipment	59
Intangible assets	-
Cash and cash equivalents	-
Deferred tax asset	1
Other assets and liabilities, net	(2)
Total identifiable net assets	64
Goodwill	390
Total	454

Acquisition related costs of £0.1m have been charged to administrative expenses in the consolidated statement of comprehensive income for the interim period ended 26 June 2022.

Property, plant and equipment acquired did not include the bowling lanes and equipment which is retained by the landlord, which would normally make up the bulk of the cost of a site. The acquired equipment, furniture and fittings on site is bespoke, without a market place to easily attain fair values from. The fair value of the acquired property, plant and equipment has thus been based on the net book value of these assets at the time of sale to the Group, being their cost when acquired less accumulated depreciation up to the date of sale.

A deferred tax asset of £1k was recognised on the fair values of assets acquired versus their tax basis. As part of the due diligence, the sales and profit numbers prior to acquisition from the seller's management accounts were reviewed. As not all of the information was provided they are not disclosed here to provide a guide to potential full-year performance. Since the date of the business combination the site generated £58k of sales and made EBITDA of £nil which has been included in the statement of comprehensive income. The goodwill is made up of the expected benefits to arise from Tenpinisation of the site's operations and processes under the management of the Tenpin brand. None of the goodwill is expected to be deductible for tax purposes.

13 Financial risk management

Cash flow and fair value interest rate risk
Cash flow interest rate risk derives from the Group's floating rate financial liabilities, being its bank debt and overdraft facility, which are linked to LIBOR plus a margin of 1.8%. 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.

Credit risk
As almost all of the Group's sales are for cash, the Group is exposed to minimal credit risk.

Liquidity risk
The Group's cash position and cash flow forecasts are reviewed by management on a daily basis. The current bank facilities consist of a £25.0m RCF and a £14.0m CLBILS term loan facility. Due to the strong cash position of the Group, the decision was made to fully repay the CLBILS facility, with the £7.0m balance being repaid in July 2022.

14 Principal risks and uncertainties
Ultimate responsibility for the Group's risk management framework sits with the Board who review the Group's risk appetite on an annual basis. The Group's principal risks and uncertainties are assessed in detail as set out in the full Annual Report for the 52 weeks ended 26 December 2021.

The growing uncertainty around the economic climate including the possible impacts of a recession on consumers disposal income and inflation on the Groups cost base, has increased since the risk assessed at year end. The risk presented by the Covid-19 pandemic around business closures and disruption to trade however, has further decreased since the risk assessed at the year end.

The Group does not believe there have been any other significant changes to its principal risks that will impact on the Group in the remaining half of the year which in summary include:

- Operational – ageing of estate, deterioration of assets and loss of key personnel
- Operational – allergens related to food and bar services provided
- Regulatory changes – new laws, re-interpreted laws and updates from case law
- Business interruption – risk of cyber-attacks, terrorism, failure or unavailability of IT infrastructure

15 Related Parties

Related party	Income from transactions with related party	Expenses from transactions with related party	Loans to related party	Amounts outstanding with related party
27 December 2020	-	12	166	237
Houdini's Escape Room Experience Limited	-	-	102	339
Source Bioscience	-	1	-	-
At 27 June 2021	-	1	102	339
Houdini's Escape Room Experience Limited	240	-	319	-
Source Bioscience	-	1	-	-
At 26 December 2021	240	1	319	899
Houdini's Escape Room Experience Limited	164	-	511	1,574
At 26 June 2022	**164**	**-**	**511**	**1,574**

All intercompany transactions and balances have been eliminated on consolidation. Other related party transactions consist of compensation of key management personnel which was disclosed in the Group's Annual Report and Accounts for the year ending 26 December 2021.

DIRECTORS' RESPONSIBILTY STATEMENT

The directors confirm that these condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and
- their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first 26 weeks and any material changes in the related-party transactions described in the last annual report.

The directors confirm to the best of their knowledge that the condensed interim financial statements have been prepared in accordance with the Accounting Standards Board 2007 statement on half yearly financial reports.

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 interim financial statements may differ from legislation in other jurisdictions.

The responsibility statement was approved by the Board on 21 September 2022 and signed on its behalf by:

Graham Blackwell
CEO
21 September 2022

Antony Smith
CFO
21 September 2022

Independent review report to Ten Entertainment Group plc
Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Ten Entertainment Group plc's condensed consolidated interim financial statements (the "interim financial statements") in the Half-Year Results of Ten Entertainment Group plc for the 26 week period ended 26 June 2022 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the condensed consolidated statement of financial position as at 26 June 2022;
- the condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Half-Year Results of Ten Entertainment Group plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Half-Year Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with this ISRE. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Half-Year Results, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Half-Year Results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Half-Year Results, including the interim financial statements, the directors are responsible for assessing the group'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 to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Half-Year Results based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct

Authority and for no other purpose. We do not, in giving this conclusion, 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.

PricewaterhouseCoopers LLP
Chartered Accountants
London
21 September 2022