ENTERTAINMENT GROUP PLC

Full-Year Results

22 March 2023

Results for the 53 weeks to 1 January 2023

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Ten Entertainment Group plc

Full-Year Results

Value-for-money social entertainment delivering record sales and profit

Ten Entertainment Group plc ("TEG" or "the Group"), a leading UK operator of 49 social entertainment centres, today announces its audited full-year results for the 53 weeks to 1 January 2023.

In the first full financial year of trading since FY19, the Group has delivered its highest ever sales and profit in its history and has ended the year with no bank debt and over £10m of cash. Our strategy is focused on delivering high quality social entertainment to friends and families at affordable prices. We have accelerated our investment in the existing estate and in growing our UK footprint, delivering a fantastic customer experience to over 8 million people in 2022.

FY22 Financial Summary	**53 weeks ended 1st January 2023**	52 weeks ended 26th December 2021	52 weeks ended 29th December 2019	**Movement vs 2019**
Total sales	**£126.7m**	£67.5m	£84.1m	**+50.6%**
Proportion of year open	**100%**	62%	100%	
Like-for-like sales growth[1]	**5.5%**	29.0%	8.0%	
Group adjusted EBITDA after rental costs[2]	**£39.6m**	£14.6m	£23.6m	**+68.2%**
Group adjusted profit before tax[2]	**£26.1m**	£3.1m	£14.2m	**+84.1%**
Profit before tax	**£34.0m**	£4.4m	£11.8m	**+188.2%**
Profit after tax	**£26.6m**	£4.0m	£9.0m	**+194.3%**
Bank net (debt) / cash	**£10.1m**	(£2.5m)	(£4.1m)	**+£14.2m**
Basic earnings per share	**38.9p**	5.9p	13.9p	**+179.5%**
Adjusted earnings per share	**29.3p**	5.9p	19.3p	**+52.0%**

Value for money customer experience driving continued and consistent growth

- +39.8% like-for-like sales[1] growth compared to 2019
- Continued momentum in 2022 with +5.5% like-for-like sales growth compared to 2021
- Sales growth converting into profit growth with Group Adjusted PBT of £26.1m +84.1% compared to 2019
- Profit Before Tax of £34.0m including £7.9m of one-off benefit from impairment reversals and VAT rebate

Strong balance sheet supporting our investment programme

- Full year free cash flow of £27.2m
- Move from net debt to £10.1m of net cash at year end
- £20.3m of strategic capital invested in developing the business
- Final dividend of 7p per share recommended; 3p interim paid in October 2022

Focused customer proposition delivering to more customers than ever before

- Over 8 million customers enjoyed wide variety of entertainment, food and drink
- Exceptional value for money with average realised price per game only £5.13 inc VAT
- Ancillary spend and food and drink up 58% since 2019

Focused on the future

- Six major refurbishments and five bowling upgrades creating best-in-class bowling centres
- World's first bowling loyalty and reward app launched
- Two new centres opened in 2022 with one more opened in February 2023. Expect to open four in 2023

Responsible stewardship sharing the rewards of success

- Over £2m of bonuses paid to team members to reward performance
- Wage increases brought forward to October 2022 to assist employees manage cost of living crisis
- Route map to Net Zero focused on energy and waste management to reduce our carbon footprint

An encouraging start to 2023

- Like-for-like sales growth vs 2022 in first 10 weeks of 2023 is an encouraging +2.7%
- Bowling prices maintained to continue to deliver value for money and maintain sales
- Utility costs 90% fixed until September 2024
- Operationally focused to minimise the impact of cost pressures and maximise revenues to maintain profitability

Graham Blackwell, Chief Executive Officer, commented:

"2022 has built on the success of 2021 and we have taken the customer experience another step forwards. Our teams work tirelessly to deliver high-quality social entertainment and it is great to see those efforts rewarded by this record financial performance.

We now have 49 centres across the UK and are in the process of building two more, with scope to continue rolling out our winning model to more customers over the coming years. Our model has broad appeal across the generations and for a wide range of customers, and our value-for-money proposition makes a visit to Tenpin an affordable treat.

We continue to be mindful of the macro-economic climate and its effects. However, we remain confident that our investment strategy to deliver state of the art social entertainment together with our value proposition will continue to be very attractive to customers."

Enquiries:

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There will be a video call today at 9:30am for analysts. For details, please contact matthew.smallwood@instinctif.com or olga.bate@instinctif.com. Supporting slides will be available on the Group's website, www.tegplc.co.uk, later today.

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]Like-for-like sales have been disclosed against both 2021 and 2019. Like-for-like sales versus 2019 compares the sales of open centres against the same centres during the same time period in 2019. This measure represents performance against a pre-Covid-19 baseline. Like-for-like sales versus

2021 compares the sales of open centres against the same centres during a 33-week trading period from 16 May 2022 to 1 January 2023 compared to 17 May 2021 to 2 January 2022.

[2]These are non-IFRS measures used by the Group in understanding its performance. Group adjusted EBITDA consists of earnings before interest, taxation, depreciation, amortisation costs, exceptional items, loss on Joint venture, impairment reversal/(charge) and profit or loss on disposal of assets. Group adjusted profit before tax is defined as profit before exceptional items and impairment reversal/(charge). Adjusted basic earnings per share represents earnings per share based on adjusted profit after tax. Bank net debt is the total bank borrowings, less cash and cash equivalents. It excludes lease debt including those associated with gaming machines and property leases.

CHAIRMAN'S STATEMENT

Progress in all areas

2022 has been a remarkable year of growth for Ten Entertainment Group, establishing a new benchmark for what we can achieve. We started this year with optimism, aiming to consolidate and build upon the gains made in 2021, but the outcome this year surpassed even our initial best expectations with a business that is more profitable than ever.

I have been very encouraged by how well the business has navigated the challenges of cost price inflation. We were determined to minimise the impact of rising prices, and I am pleased that we have not passed on inflation to our customers in our bowling prices. We have worked hard to reduce our costs and deliver operational efficiencies.

We are focused on providing great value-for-money social entertainment for groups of all ages to get together and enjoy each other's company. This is a consumer need that is perhaps more relevant today than ever before and we have been delighted to welcome a record number of customers this year.

While the macro-economic landscape looks challenging for the year ahead, I am confident that we have a business model, customer proposition and pricing strategy that is well suited to the environment. We offer affordable entertainment that people of all ages can enjoy together, and we have a pricing structure and range of activities to suit every family budget. That is why we see our Group growing faster than almost any other business in leisure and hospitality.

Our strategy is proving highly successful at delivering growth in sales and profit. Our Executive team's focus on disciplined capital allocation generates strong returns. We focus on the key drivers of growth and have continued to invest in the customer proposition with a significant refurbishment programme and new centre openings.

We welcomed two new centres to the Group in 2022 and have already opened a new centre in Crewe in February 2023 bringing our total to 49 UK centres. We have a solid pipeline for growth and expect to open at least four new centres this year. Despite this significant investment programme, we ended the year without any bank debt and the Board recommends a final dividend of 7p per share which together with the interim dividend paid in October 2022, will total 10p for the year as a whole.

Our people are the most critical part of delivering great service to our customers. Our excellent performance has enabled us to share the rewards of success with our teams. More importantly, we acted decisively in October to bring forward our hourly paid colleagues' annual pay increase by six months. This meant that our lowest paid team members received an average of 9% pay increase to help them manage the winter period.

2022 has been a year of significant development in our corporate governance. The Board has dedicated considerable time to evaluating the risks that we all face due to climate change and we have developed our strategy to minimise our impact on the climate and to insulate the business from future risks. We have established an ESG Committee to oversee the implementation of our sustainability strategy. This Committee is chaired by Sangita Shah who joined the Board as an independent Non-Executive Director in the second half of 2022 bringing a wealth of experience in governance and sustainability. Our Board team has great diversity of talent and knowledge, allowing it to navigate the complexity of delivering consistent growth in a challenging market. Our Board is 57% independent (50% excluding the Chair) with our Executive Directors having over 50 years of combined experience in leisure and retail.

Our business has transformed over the past three years. We are better invested, with higher quality centres. We have a wholly redesigned digital ecosystem that combines targeted CRM tools, a bespoke loyalty and rewards app and the latest in digital bowling technology. Our value-for-money proposition is better than ever before. This transformation is reflected in the scale and profitability of the Group. Since 2019 we have grown our sales by over 50% and nearly doubled our profits. We ended the year with a healthy net cash position. Whatever the future holds in 2023, we are in a stronger position than ever to navigate the challenges ahead.

2023 has started well, with demand remaining robust in the first ten weeks of the year. We have clear plans in place to mitigate the impact of inflation and are determined to continue to offer our customers great value for money. While it is difficult to predict what will happen for the balance of the year, I am confident that the strength of the Group is such that it will be able to continue to deliver excellent returns for its shareholders.

Adam Bellamy
Chairman
21 March 2023

CHIEF EXECUTIVE'S STATEMENT AND OPERATING REVIEW

A record-breaking year

2022 has consolidated TEG's position as a leading business in the UK leisure and hospitality sector. In our first undisrupted financial year since FY19 we have increased our sales by 50.6% and our Group adjusted profit before tax by 84.1%. This is a business that is bigger, better, stronger, and more resilient than it was prior to the pandemic.

During FY22 we built upon the sales growth that we experienced in H2 FY21 and have delivered a year of record sales at £126.7m. Our like-for-like sales were +39.8% higher than in FY19. More importantly, we continued to grow in FY22 compared to the post-Covid-19 boom in sales of FY21. For the 33 weeks comparative against reopening on 17 May 2021, our like-for-like sales for FY22 were a further +5.5% up. This growth was principally driven by additional footfall and an increase in ancillary sales, with little reliance on price increases. In fact, we have reduced our average realised price for bowling since FY19, focusing on leveraging our value-for-money proposition to grow footfall.

Cost pressures in FY22 have been well documented in the media and the Group was not immune to these. However, with our energy prices over 90% fixed until September 2024, long-term rental agreements with our landlords in place, and a business model that is reliant on our underlying fixed asset base, we have been impacted less than many. Where we have seen inflationary pressures, in wages, consumables, and food and drink, we have worked hard to generate operational cost efficiencies to offset those pressures and have chosen not to pass those rises on to our customers.

FY22 has also been a remarkable year of delivery for our strategy. We have invested over £20m in our business to continue to give our customers the best possible social entertainment experience. During the year, we have undertaken six major refurbishments; completed the roll out of Pins & Strings and our scoring systems; refreshed the lanes and bowling experience in five centres; brought two new centres into the Group; and developed the pipeline of sites to add at least four further new centres in FY23.

A highly profitable year of growth is a great achievement, but it must be delivered in a sustainable way. During FY22 we have paid particular focus to supporting our amazing colleagues as well as developing a new climate strategy which targets delivering Net Zero on scopes 1 & 2 emissions by 2030. We have paid over £2m in bonuses to ensure that our management and site-based teams can share in our success. We have also kept a close eye on base wages and salaries to ensure that our people are well equipped to deal with the challenges of the current high levels of inflation. Our strategy has been developed to ensure that not only do we minimise our impact on the climate but also that we are well prepared to deal with some of the consequences of changes in weather patterns in the UK.

FY22 has been a year of significant turmoil and change in the broader political and economic landscape. TEG has focused on the elements that we can control: great customer service; a fun and social environment for all ages; unrivalled value for money; exciting games and activities; and a friendly welcome. We have been rewarded with over eight million visitors this year, trusting us to give all an amazing venue to have fun, be entertained and reconnect socially with each other.

Another step forward in sales

FY22 is the first full financial year of trading since FY19. We knew that the pent-up demand after reopening in the summer of 2021 and the benefit of UK staycations was going to make FY21 a tough act to follow. However, we knew that we had evolved and refocused our operation, to create a more attractive customer proposition than ever before.

Total sales of £126.7m in FY22 is a Group record and is 50.6% higher than FY19. Like-for-like sales growth compared to FY19 is +39.8% with a further 3.5% growth from the 53rd week of trading and 7.3% growth from the new centres built since 2019. Compared to FY21, like-for like growth is +5.5%. We were pleased to continue the sales momentum and take a further step forward in FY22.

The +50.6% sales growth was principally delivered through higher footfall of +41.7%, a combination of more new customers and existing customers visiting more frequently and a 53rd trading week in the year. 8.9%pts of the growth derived from an increase in revenue per head ('RPH'). Our strategy to increase the number of activities as well as improving our food and beverage offering has meant that customers tend to spend longer with us when they visit and participate in more activities. Average realised price per game for bowling reduced to £5.13 in FY22 compared to £5.21 in FY19. This modest reduction of (1.5%) is a function of holding our headline prices at 2019 levels, with increased participation in deals and promotions. This strategic choice was targeted at maintaining our excellent value-for-money proposition in order to maintain momentum in footfall growth. This means that on average a family of four bowled at Tenpin for just over £20; excellent value in comparison to the majority of alternative entertainment options.

In the first 10 weeks of FY23 sales have continued to grow. Although we are lapping an exceptional performance in FY22 we have still delivered total sales growth of 7.6%. On a like-for-like basis the growth is 2.7%. We have been encouraged by this performance in these first weeks of the year, but it is still early in the year and we remain focused on ensuring we continue to deliver an excellent experience for our customers.

We are confident in our strategy and our broad customer appeal and believe that sales will remain resilient despite the economic conditions. We expect the year to deliver modest sales growth in FY23 and are confident that we can manage our cost base to ensure that sales at this level will deliver profitable growth.

A leap forward in profit

A sustained level of sales growth delivered across the whole UK estate has led to a significant step forward in profit. Only around 50% of the total cost base is directly variable with volume. This means that with such pronounced footfall growth we have been able to generate operational efficiencies to offset the impact of cost inflation. The result is that Group adjusted profit before tax has taken a significant leap forward to £26.1m, +84.1% compared to FY19.

Using Group Adjusted EBITDA after rental costs, a measure which is broadly equivalent to the old IAS 17 EBITDA measure, the business delivered £39.6m in FY22 which is 68.2% better than in FY19 and is a ratio of 31% of sales. Pre Covid-19 the Group was operating at an EBITDA to sales ratio of c.28% which shows a significant progression despite the impact of inflation.

A strong and stable cash position

Our profit delivery has enabled us to focus on our strategic priorities, building new centres and investing in our existing estate to drive growth. We reinstated dividend payments in 2022 with an interim dividend in October of 3p per share and we are recommending a final dividend of 7p per share to be paid at the end of May. Our cash priorities have always been clear. We aim to balance our self-funded investment programme with returning money to our shareholders through a progressive dividend policy.

We are pleased that even with our accelerated strategic investment programme, we have turned a modest net debt of (£2.5m) at the end of FY21 into a net cash balance of +£10.1m at the end of FY22. This means that we now have a secure cash position to insulate the business against potential risk or allow us to act swiftly and decisively should major opportunities arise.

First-class customer experience

2022 has been a year where we have continued to focus on delivering the very best customer experience in leisure and hospitality in the UK. Our priorities have been on value for money, variety of games, high-quality ancillary products, and great customer service.

Our customers depend on us to deliver great-value entertainment. That is why we held our prices at 2019 levels, which has meant that our relative value against other leisure and hospitality offerings is better than ever. During the summer of 2022 we were invited to Downing Street as part of a government task force focused on helping hard-pressed families make their money go further in the summer holidays. In support of this initiative, our summer deal for kids, available during the summer holidays, was just £5 for children for a game of bowling and a burger meal. We think that this was probably one of the most attractive leisure propositions available anywhere in the UK. We will continue to offer our customers great priced deals that suit them.

Each of our 49 UK centres has bowling at its heart, ranging from 14 to 32 lanes. Bowling is a well-established pastime and has been drawing customers for decades. Our fresh and modern centres broaden the appeal to customers of all ages. 44% of our total sales in FY22 were from bowling, down from 47% in FY19 as we continue to diversify our portfolio of activities. Laser tag revenue has almost doubled in FY22 compared to FY19 thanks to adding additional arena space and upgrading the experience in our existing arenas. We now have 32 escape rooms across 12 Tenpin centres and the Houdini’s Escape joint venture has more than doubled in size compared to FY21.

We serve traditional bowling food that suits the social aspects of eating on the lanes and we have broadened our range to now include vegan options and pizzas, making our food offer even more attractive. We serve cocktails in many of our higher footfall centres and have introduced high-quality coffee throughout the estate. Our food and drink is competitively priced which means that a typical visit to Tenpin, with bowling, food, drink and some additional games on the arcade or pool will cost a customer less than they would expect to pay for just a meal at a typical casual dining restaurant. Our focus on great value for money has created price stability for our customers in a market beset by significant inflation.

Digitally enabled

Our fully integrated digital systems have enabled us to deliver a first-class enhanced customer experience in 2022. The use of technology starts at the point that we first engage with customers online and extends right through to providing best-in-class experience on the bowling lanes.

Our customer database now includes over one million contactable customers. Digital marketing based on careful customer segmentation has allowed us to be more targeted with our deals and customer communications. As a result, we have seen a welcome balance of new and returning customers in FY22, helping build like-for-like footfall growth of over 30% compared to FY19.

Once in our centres, we have used technology to help enhance the customer experience. Customers continue to use our web-based food and drink ordering to help them enjoy uninterrupted bowling and games. Each of our centres now has the latest scoring technology allowing customers to personalise their scoring screens and interface with our brand-new bespoke loyalty and rewards app.

The introduction of the app takes the customers' experience to another level. They can now maintain a record of their scores as well as earn rewards and treats from purchases they make. The app incorporates augmented reality games in centre as well as fully integrating with our food and drink ordering and our booking engine.

In high-quality centres

A core part of delivering a great customer experience is to ensure that customers have warm, welcoming and high-quality centres in which to enjoy their time together. Continued investment and improvement in our estate is a fundamental part of delivering sales and footfall growth and to ensure that our customers return again and again.

During FY22 we fully recovered our cash position and have fully paid all our obligations from the Covid-19 closures. As a result, we were able to accelerate the investment in refurbishing our centres. In the year we invested almost £5m in six full-scale centre refurbishments, transforming the customer proposition to drive growth. We invested over £1.0m in refurbishing the bowling product in a further five centres. Bowling is our core product, and it is essential that we maintain the quality of the lane surface, ball returns and gutters to give the best possible bowling experience.

The two years of uncertainty as a result of Covid-19 meant that we were focused on cash conservation in 2020 and 2021. As a result, we did create a backlog of essential maintenance which we have been able to address in FY22. During the year we invested over £4.9m in maintenance capital projects. This included a complete overhaul of the heating and ventilation in 12 centres, ensuring that our customers and colleagues benefited from a better environment throughout the year.

Our centre refurbishment programmes are bespoke for each centre depending on the availability of space and local customer needs. Each transformation focuses on three key strategic objectives: increasing sales density; enhancing customer experience; and improving the cost profile and sustainability of profit delivery. For example, in FY22 in Dudley we were able to add six additional lanes to expand the capacity of the centre while upgrading the high-performing soft play area through use of a mezzanine floor construction.

In total during FY22 we have added 10 karaoke rooms, 10 escape rooms, and 10 new bowling lanes all within the existing footprint of the centres. Since FY19 the business has released 12k square foot of additional trading floor space, all of which increases the overall sales density of our centres.

An expanding estate

We have an estate of 49 social entertainment centres across the UK ranging from 14.7k square feet to 52.9k square feet, providing a broad array of social entertainment activities to over eight million customers. We are confident that there is significant opportunity for growth within the UK either by taking on space in towns that have no bowling presence such as Crewe or by adding bowling lane capacity to towns and cities that already have bowling offering but not at sufficient capacity to serve the population such as in Milton Keynes. Our target is to add around four new centres per year to our estate and we believe there is sufficient runway for growth.

In FY22 we added two new centres to the estate through an acquisition in Harlow in May and through a brand-new centre in Walsall which made use of repurposed retail space. In addition, we commenced work on a new centre in Crewe, which opened in February 2023. Work is under way at Milton Keynes and in Dundee, with both centres expected to open by the end of H1 FY23.

Harlow was already trading as an existing bowling centre but had suffered from a significant lack of investment over many years. Harlow is a town with a population of around 90,000 but also with a catchment from several close-by Hertfordshire and Essex villages. It is well located in the town centre and is one of the few local leisure destinations in the area. By investing in a significant refurbishment, we turned a tired and unwelcoming centre into a state-of-the-art bowling and social entertainment venue which is welcoming to families and young adults. We have been delighted to have already more than doubled the sales and footfall from this centre and are confident that it will continue to make significant returns well above 30% ROI.

Walsall was an opportunity to take on redundant retail space at an attractive rent on a thriving retail park in the town centre. Our site was previously occupied by Mothercare and Peacocks and was vacated as a result of those retailers' demise. The landlord saw an opportunity to secure the long-term future of their property by partnering with the Group. We can provide significant footfall and growth for their retail park and our covenant gives them a long-term reliable income stream. We are delighted with the initial trading, which has exceeded our expectations and is providing excellent investment returns.

We have several more properties where we are close to finalising legal agreements and fully expect to strengthen the pipeline as we progress through the year.

Sustainable development

Our business has grown significantly during FY22, building on a highly successful FY21 where we emerged from the pandemic with great strength. During the year we have developed our sustainability strategy and have focused on supporting our key stakeholders as they navigate the difficulties in the broader economic landscape.

We formed a Board ESG Committee in 2022 which has helped to bring together the many positive steps being taken across the Group. We have identified that although the Group is a relatively low carbon intensity, with only 1,740g of CO2 per customer visit, there is still much we can do to reduce our footprint and move to Net Zero on scope 1 & 2 emissions by 2030. The four principal areas of focus in terms of our carbon footprint are our site energy usage; our food and drink supply chain; our waste; and our new building and refurbishment programme.

We continue to focus on energy reduction across our centres. We have now completed the roll out of our modern and efficient pinsetters which has resulted in an 8% reduction in energy usage per site. We are now focusing on low-energy LED lighting throughout our centres. We are planning to utilise the roofs of our centres for micro generation from solar arrays which should provide up to 30% of the energy usage of a site. We plan to install at least six solar arrays during FY23. We have combined these significant actions with a policy to purchase 100% renewable energy supplies.

Our food and drink supply chain is an area where we have made good progress in FY22. We have introduced more plant-based options to give our customers choice but we expect in the short to medium term that this will remain a minority of the food consumed in our centres. We are actively working with our suppliers to select the products that balance cost, waste and carbon, and have made it clear that future purchasing decisions will balance all three needs. We are confident that our suppliers can reduce their carbon impact but in the meantime we have made our entire menu carbon neutral through the purchase of REDD++ carbon credits. This investment in long-term carbon sequestration will offset our food and drink in the short term while we consider ways to reduce the overall impact.

Waste in our centres will be a core focus during FY23. Although we utilise 100% recyclable packaging for our food, we know that we can do better to improve our recycling rates. We are targeting a minimum 50% increase in recycling rates in FY23 through site-based incentives and customer communications as well as making it easier than ever for our customers to recycle.

We have focused on our teams' wellbeing and financial security during 2022. In difficult times it is important to provide the right support to our colleagues. The successful financial results means that we have paid over £2m in bonuses to our people to reward excellent service and performance. These bonuses have rewarded colleagues throughout the organisation and not just the senior management teams. We also decided to bring forward the April 2023 wage increase by six months for our hourly paid team members to ensure that our people were supported during the difficult cost of living pressures of the winter.

Outlook

FY23 has started well, with like-for-like sales in the 10 weeks to 12 March being +2.7% compared to FY22. We are pleased with this continued sales growth, and are cautiously optimistic for the year ahead. We are confident that we have a fantastic customer proposition and will continue to focus on providing the best value-for-money social experience in the market. However, we are mindful of the strain on our customers' finances and will not be complacent in assuming that the success of the past two years will automatically continue.

Our target is to maintain modest like-for-like growth, supplemented with our pipeline of new centres throughout 2023. We have already opened Crewe in February and are under construction in Milton Keynes and in Dundee. We fully expect to add more centres to our estate as the year progresses.

We expect cost pressures to persist, but we are confident that we are operationally well set up to mitigate them where we can without compromising the value for money that we offer our customers.

Our strategy is delivering great results and we will continue to invest in our priorities of maintaining the quality of our product, growing our estate, and developing our digital footprint. We will manage our cash spend to ensure that we allocate capital to these high-returning projects while returning a dividend to our shareholders and maintaining a cash surplus.

Our record performance in FY22 will be a very tough act to follow, but we deliver a great experience and value for our customers and have the right teams in place to maximise the potential of the business. We will continue to focus on value to drive growth and to invest in the experience to ensure that our customers continue to visit us throughout 2023.

Graham Blackwell

Chief Executive Officer
21 March 2023

FINANCIAL REVIEW

Following the Group's return to profitability after the pandemic, TEG has delivered its best ever financial year with record-breaking sales, profit and cash and an adjusted earnings per share of 29.3p which is 52.0% higher than in FY19. The Group is in rude financial health and is well placed to continue to invest to deliver profitable sales growth.

Since reopening in May 2021, we have consistently delivered sales and profit growth ahead of expectations and have built on these foundations to drive sales growth throughout FY22. Our focus on value for money for customers and making operating efficiencies as we increase our footfall has ensured that this sales growth has been profitable. Despite inflationary pressures, sales growth of 50.6% compared to FY19 has delivered growth in Group adjusted PBT of 84.1%.

This profit performance has meant that the Group has been highly cash generative in the year. We have a clear capital allocation strategy that prioritises financial security; investment in growth; and generating shareholder returns. As a result, for the first time in the Group's history we have ended the financial year with a net cash position with no drawings on our banking facility. This has been delivered while still investing over £20m in our strategic growth programme and reinstating dividend payments to our shareholders.

Finding the right comparative for the Group's performance is challenging because of the disruption in FY20 and FY21 as a result of the Covid-19 closures. Our last full and uninterrupted financial year was FY19. Therefore, we will continue to use FY19 as a comparative for our FY22 results in this review. However, there have been significant changes to our business, our market and the economic landscape since FY19 and as such we will also use FY21 comparatives to help the reader understand our financial performance as fully as possible. Throughout this Financial Review we will indicate which comparison we are using, and will include FY22, FY21 and FY19 in our data tables.

£000	FY22 53 weeks to 01 January 2023	FY21 52 weeks to 26 December 2021	FY19 52 weeks to 29 December 2019	Movement vs FY19
Revenue	**126,673**	67,521	84,122	42,551
Cost of goods sold[1]	**(18,145)**	(9,446)	(10,387)	(7,758)
Gross Margin[1]	**108,528**	58,075	73,735	34,793
GP%	**85.7%**	86.0%	87.7%	(2.0%pts)
Total operating costs	**(41,207)**	(22,141)	(28,923)	(12,284)
Centrally allocated overheads	**(6,109)**	(2,214)	(3,155)	(2,954)
Support office	**(8,477)**	(6,661)	(6,157)	(2,320)
Group adjusted EBITDA	**52,735**	27,059	35,500	17,235
Less property rent costs	**(13,105)**	(12,436)	(11,932)	(1,173)
Group adjusted EBITDA after rental costs[2]	**39,630**	14,623	23,568	16,062
Add back property rental costs	**13,105**	12,436	n/a	n/a
Depreciation and interest on Right of Use Property Assets	**(16,468)**	(14,495)	n/a	n/a
Depreciation and amortisation	**(8,941)**	(8,413)	(7,379)	(1,562)
Net interest	**(524)**	(504)	(788)	264
Loss on disposal of assets	**(271)**	(442)	(932)	661
Loss on Joint Venture	**(310)**	-	-	(310)
Amortisation of acquisition intangibles	**(120)**	(130)	(293)	173
Group adjusted profit before tax[2]	**26,101**	3,075	14,176	11,925
Impairment reversal	**631**	1,124	-	631
Exceptional items	**7,263**	238	(2,381)	9,644
Profit before tax	**33,995**	4,437	11,795	22,200
Taxation	**(7,399)**	(432)	(2,758)	(4,641)
Of which: taxation attributable to Group adjusted profit	**(6,019)**	(387)	(2,836)	(3,183)
Profit after tax	**26,596**	4,005	9,037	17,559
Earnings per share				
Basic earnings per share	**38.9p**	5.9p	13.9p	25.0p
Adjusted basic earnings per share[2]	**29.3p**	5.9p	19.3p	10.0p
Full-year dividend	**10.0p**	—	3.7p	6.3p

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 costs 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 5, 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, rental costs, exceptional items, impairment reversal, loss on Joint Venture and profit or loss on disposal of assets. Group adjusted profit before tax is defined as profit before exceptional items, impairment reversal 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 a comparable time period particularly in relation to whether a centre was forced to close due to Covid regulations.

SALES PERFORMANCE

Like-for-like sales	*2021 sales*			*2022 Sales*		
	H1 (6 weeks)	H2	FY	H1	H2	FY
Growth vs 2019	22.5%	30.3%	29.0%	46.0%	34.2%	39.8%
Growth vs 2021	N/A	N/A	N/A	19.0%	3.2%	5.5%

Compared to FY21: Sales growth has been the principal driver of profit growth in FY22. We were very pleased to deliver continued sales progression in FY22 compared to our exceptional FY21. We ended the year with total sales growth of +87.6%, but over a 53-week period rather than the 32 traded in FY21. Like-for-like sales growth was +5.5% reflecting continued progression from a very strong FY21. There was a modest slowdown in growth over the third quarter of 2022 which was a combination of the extreme heatwave during 2022 and the unique circumstances of the post-Covid-19 bounce during the summer of 2021 in the comparative.

Compared to FY19: Total sales of £126.7m were +50.6% higher than in FY19, the last full year of comparable trading. On a like-for-like basis sales were 39.8% ahead of FY19. Since FY19 the Group has added three new centres to the estate in Manchester Printworks, Harlow and Walsall and these are all trading well.

We attribute our sector-leading growth trend to three principal factors:

1. We have seen a fundamental consumer shift in favour social entertainment and leisure
2. We have invested significantly in providing a sector-leading customer experience
3. We have made a significant shift in our value-for-money proposition

As an example of our excellent value-for-money proposition, the average realised price of a game of bowling in 2022 was £5.13 including VAT which is 1.5% lower than in 2019 despite the compound rate of inflation being in excess of 20% over this time. While many retailers and leisure operators have been passing on inflation, we have been making our business model more efficient to keep our prices low. The result is that our relative value position in the sector has significantly improved.

GROSS MARGIN

Compared to FY21: Gross Margin, which is total sales less Cost of Goods Sold but excluding labour costs, was 85.7% compared to 86.0% in FY21. This modest decline of (0.3%pts) reflects inflationary pressures in food and drink that we have chosen to not fully pass on to our customers in order to maintain our value-for-money proposition.

Compared to FY19: Gross Margin is (2.0%pts) lower than in FY19. We have continued to add to the customer experience during FY22. Activities such as karaoke and laser tag have more than doubled in size since FY19, albeit from a small base, and the growth in our machine income has been stronger than the underlying bowling growth. We have also been highly successful at increasing the participation in food and drink while customers play. The result is that bowling now represents 44% of sales compared to 47% of sales in FY19. The (2.0%pts) margin reduction is a function of that shift in sales mix, where growth in food and drink and other amusements has outpaced growth in bowling. We are happy with this trend because typically the growth in these areas is a function of customers participating in additional activities and is incremental and cash positive even though it is slightly margin dilutive.

We will continue to develop the success of our non-bowling product offering and are confident that the underlying business growth will ensure that gross profit in absolute terms will remain healthy as the Group continues to expand.

OPERATING COSTS

Compared to FY21: Total operating costs in FY22 were £41.2m. This is £19.1m more than in FY21 but much of that is a function of the Group being closed for the first 20 weeks of 2021 until mid May.

Compared to FY19: A more appropriate comparison is the operating costs in FY19 which were £28.9m. This means that FY22 saw a £12.3m increase in costs, a growth of 42.5%. This level of growth is significant but must be considered in the context of three years' inflationary pressures, three new centres open, and footfall growth of 41.7%.

At a constant ratio assuming a linear relationship, the footfall growth of 41.7% applied to FY19 operating costs would be expected to grow from £28.9m to a theoretical £41.0m. Over the same period, the underlying rate of inflation has been around 20%. Applying that inflation rate to the volume adjusted theoretical cost of £41.0m takes the expected operating costs to £49.2m. Actual operating costs for FY22 were £41.2m representing an £8.0m efficiency saving against the theoretical expected operating cost.

Efficiency savings have been achieved with a clear focus on three main areas:

1. ***Volume efficiencies*** mean that not all costs are variable with volume and so increases can be maintained at a lower rate than footfall growth.
2. ***Supplier relationships*** mean that we can work in partnership to reduce the level of inflation in our cost base as our suppliers also take the benefit of our growth and success.
3. ***Operational effectiveness*** means that we are consistently improving our operating procedures to reduce waste and help serve our customers more efficiently.

The combination of these factors has kept our costs under control and allowed the sales growth to be translated into even stronger growth in profit.

CENTRAL COSTS

Compared to FY21: Central costs in FY22 were £14.6m comprising the PLC costs, support office and centrally allocated functions providing essential services to the business such as marketing, IT, property management, and regional support teams. Due to the closures in FY21, last year's cost was £8.9m. However, the Covid-19 closures and government support measures makes a year-on-year comparison difficult.

Compared to FY19: This is the last full year of trading and is a more representative comparative of Central costs. Central Costs in FY19 were £9.3m. The increase over 3 years is £5.3m and can be attributed to three years worth of inflationary pressures across wages, services and materials, estimated to be £1.9m based on approximately 20% inflation over the period, as well as an increased level of strategic investment and Group growth.

During FY22 the Group has recognised colleagues across the Group with significant success bonuses totalling over £2.0m. In addition, the Executive team have delivered results far in excess of their maximum targets and the Remuneration Committee has allocated a bonus provision accordingly.

The Group has increased its activity in marketing, IT, property, operations and ESG. During FY22 the Group has developed the world's first bespoke loyalty app, has fully rolled out the latest bowling scoring technology and has continued to grow its customer database and reach on social media. We have delivered 11 refurbishments, developed three new bowling centres and significantly increased our customer experience. We invested in developing our sustainability strategy and continue to work to lower our carbon footprint. These developments have all been made possible thanks to larger and more specialised teams.

Finally, the significant inflationary pressures are particularly prevalent in the labour and services that comprise the central costs. Professional fees are rising at a faster rate than the base level of inflation in many areas, and the ability to attract and retain talent is crucial to a thriving business.

Despite these pressures, we have worked hard to ensure these central costs have delivered value for money, and this cost base as a ratio to sales remains at just above 11%, as it was in FY19.

GROUP ADJUSTED EBITDA AFTER RENTAL COSTS

Group adjusted EBITDA after rental costs is a measure used internally as it considers the cash impact of the rent paid to landlords 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.

Compared to FY21: The Group was only open for 32 of the 52 weeks of trading in FY21 and therefore the £14.6m of EBITDA delivered is not fully representative of a full year's trading period. Because of the costs experienced during the closure period it is not possible to produce an accurate reflection of like-for-like EBITDA and therefore the Group considers FY19 to be the most appropriate comparative.

Compared to FY19: FY22 saw record levels of Group Adjusted EBITDA delivered at £39.6m. This is 68.2% higher than in FY19. The growth in Group Adjusted EBITDA is a function of the operational gearing generated from the increased sales volume. As described above, costs are growing, but not as fast as sales due to the efficiencies of scale more than offsetting the inflationary pressures. Property rent for example was £11.9m in FY19 and has grown to £13.1m in FY22, an increase of only 10%. This is despite an increase of three additional bowling centres and the impact of inflation.

DEPRECIATION, AMORTISATION AND CAPITAL EXPENDITURE

Compared to FY19: There is no suitable comparative for depreciation and amortisation in FY19 due to the FY20 adoption of IFRS 16.

Compared to FY21: This section will focus on FY21 as the comparative measure. Because Covid-19 closures had no impact on depreciation policy, the comparative will remain a helpful one. Total depreciation on Right of Use ('ROU') increased to £16.5m compared to £14.5m in FY21. This increase reflects the addition of Harlow and Walsall as full trading centres but also the addition of Crewe in the final quarter of the year as the centre was under construction thereby attracting depreciation and lease costs under IFRS 16 even though the centre didn't open until February 2023.

As we have described in previous years, the relatively early tenure of the average weighted lease expiry means that IFRS 16 creates a profit compression because the leases are less than halfway through. As a result, the total cost of depreciation and interest on our ROU assets is £3.4m higher than the cash rental costs incurred.

Other depreciation in the year was £8.9m, a 6.3% increase on FY21 as the Group continues to invest in its high returning strategic programme.

Maintenance capital spend in FY22 increased significantly to £4.9m from £0.9m in FY21. Strong cash flow has provided the headroom to recommence investment in the estate. A further £8.5m was spent in FY22 on the existing estate on strategic refurbishments, taking the total existing estate investment to £13.4m. In the medium term we expect to spend the annual depreciation charge (FY22: £8.9m) on existing estate investments in the form of maintenance and refurbishments. In FY22 existing estate investment was £13.4m. During FY22 we invested an additional £4.5m in the estate as catch-up spend from the Covid-19 period where we were focused on cash conservation. Over the past three financial years, FY20 - FY22 the total existing estate investment has been £3.9m, £7.1m and £13.4m respectively. This total investment of £24.4m over that period is consistent with £25.3m depreciation charge over the same period.

£6.9m was invested in new centres in FY22 with the acquisition and refurbishment of Harlow, the build and opening of Walsall and a significant amount of the investment in Crewe which opened in February 2023. In addition, the Group invested £5.0m in the purchase of the freehold of a property where an existing leased centre which was very profitable was vulnerable to redevelopment at the expiry of the lease. While the Group's strategy principally remains to take long leaseholds, we will continue to view freehold opportunities as they arise and assess them on an appropriate returns basis.

FINANCE COSTS AND BANKING ARRANGEMENTS

£000	**53 weeks to 1 January 2023**	52 weeks to 26 December 2021
Interest on bank debt	**(334)**	(391)
Amortisation of bank financing costs	**(168)**	(124)
Lease interest charges	**(6,682)**	(5,481)
Other finance income/(costs)	**(22)**	10
Net interest	**(7,206)**	(5,986)

Net interest increased to £7.2m in the year, with the cost of the bank financing remaining flat but with an increase in the lease interest charges from the three additional property leases.

The Group has a £25m RCF in place with its long-term banking partner RBS. This facility expires in April 2024 and is currently undrawn. The Group will be considering its financing needs in due course when the facility comes up for renewal but given that the Group is in a net cash position, an early renewal is not a business priority.

In 2022 the Group repaid its £14m CLBILS term loan facility as it was no longer considered necessary for the Group's needs. Other than an acceleration of financing cost amortisation, there was no early repayment penalty for doing so.

GROUP ADJUSTED PROFIT BEFORE TAX

Compared to FY21: Group adjusted PBT was £26.1m for FY22, a £23.0m increase from FY21. However, in FY21 we were only open for 62% of the year and were very pleased to have still exited the year with a profit. Given that FY22 was open for 100% of the year, we consider FY19 to be a better comparative.

Compared to FY19: Group adjusted PBT was 84.1% higher than in FY19. PBT as a % of sales is 20.6% and the additional sales of £42.6m compared to FY19 have translated to an additional PBT of £11.9m. This drop through rate of sales to profit of 28.0% is testament to the tight cost control and relentless focus on profitable sales growth that has characterised FY22.

IMPAIRMENT AND EXCEPTIONAL ITEMS

Analysis of the Group's assets, including the Right of Use Property Assets, resulted in a recognition of a net reversal of £0.6m in FY22. This has principally arisen as a result of reassessing the individual site cashflows now that the pandemic has passed.

More significantly, the Group has recognised exceptional profit of £7.3m. This relates to recoveries of monies from HMRC in respect of VAT. The majority of this was in relation to the recognition by HMRC that bowling was subject to the reduced rate of VAT introduced by the Treasury to support the hospitality and leisure sector. The balance of VAT recoveries related to an historic claim.

These elements have been removed from the Group adjusted PBT to show a truer representation of the in-year profit generated from trading in the current year.

PROFIT AFTER TAX

The Group generated a profit after tax of £26.6m. Basic earnings per share were 38.9p and adjusted earnings per share were 29.3p which is 52.0% higher than in FY19.

DIVIDENDS

The Board recommenced the dividend in FY22 having fully discharged its obligations under the CLBILS facility which was fully repaid in July. An interim dividend of 3p per share was paid in October 2022 following the announcement of the half year results.

The Group is now recommending a final dividend in respect of FY22 of a further 7p per share taking the total dividend to 10p per share. Should this be approved by shareholders at the AGM it is expected to be paid in June 2023.

The Group is confident of its financial security. We ended FY22 with net cash of £10.1m and no drawings on the available £25m RCF facility. We have delivered this restored financial stability while continuing to invest in expanding and developing our business with over £20m of strategic capital deployed in the year.

BALANCE SHEET

£000	**1 January 2023**	26 December 2021	Movement
Assets			
Goodwill and other intangible assets	**29,875**	29,939	(64)
Property, plant and equipment	**57,198**	39,530	17,668
Deferred tax asset	**-**	4,374	(4,374)
Right-of-use assets	**171,651**	167,324	4,327
Inventories	**1,493**	1,226	267
Trade and other receivables	**4,667**	5,426	(759)
Cash and cash equivalents	**10,086**	11,511	(1,425)
	274,970	259,330	15,640
Liabilities			
Lease liabilities	**(200,402)**	(195,662)	(4,740)
Bank borrowings	-	(13,832)	13,832
Trade and other payables and provisions	**(14,142)**	(13,503)	(639)
Other liabilities	**(1,282)**	(2,270)	988
	(215,826)	(225,267)	9,441
Net assets	**59,144**	34,063	25,081

NET DEBT ANALYSIS

£000	**1 January 2023**	26 December 2021	Movement
Closing cash and cash equivalents	**10,086**	11,511	(1,425)
Bank loans	-	(14,000)	14,000
Bank net cash / (debt)	**10,086**	(2,489)	12,575
Leases – machines and other	**(4,291)**	(5,613)	1,322
Leases – property	**(196,111)**	(190,049)	(6,062)
Total net debt	**(190,316)**	(198,151)	7,835

TRADING CASH FLOW

£000	**53 weeks to 1 January 2023**	52 weeks to 26 December 2021	Movement
Cash flows from operating activities			
Group adjusted EBITDA	**52,735**	27,059	25,676
Maintenance capital[4]	**(4,943)**	(910)	(4,033)
Movement in working capital[1]	**1,688**	718	970
Lease and taxation payments[2]	**(22,305)**	(13,579)	(8,726)
Free cash flow[3]	**27,175**	13,288	13,887
Dividends paid	**(2,055)**	—	(2,055)
Cash flow available for investment and financing activities	**25,120**	13,288	11,832
Strategic investments[4]:			
Existing estate	**(8,465)**	(3,363)	(5,102)
Estate expansion	**(6,882)**	(56)	(6,826)
Freehold purchase	**(5,000)**	—	(5,000)
Exceptionals and share-based payments	**7,802**	248	7,554
Repayment of debt	**(14,000)**	(6,000)	(8,000)
Cash (outflow)/inflow after investment and financing activities	**(1,425)**	4,117	(5,542)
Opening cash and cash equivalents	**11,511**	7,394	4,117
Cash and cash equivalents – end of period	**10,086**	11,511	(1,425)

1 The movement in working capital is the balance from the “Changes in working capital” section of Note 22 in the notes to the financial statements.
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 and finance costs payments, taxation payments or receipts, advance payments to capital suppliers, loans to Joint ventures and non-cash share-based payments. Please see Note 5, Alternative Performance Measures which reconciles these two measures
4 These 3 lines relate to the spend on capital projects and are reconciled to cash outflows from investing activities in Note 5, Alternative Performance Measures.

ACCOUNTING STANDARDS AND USE OF NON-GAAP MEASURES

The Group has prepared its consolidated financial statements based on UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006, for the 53 weeks ended 1st January 2023 (FY22). 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 5 to the financial statements on page 77.

NOTE ON ALTERNATIVE PERFORMANCE MEASURES

The Group uses a number of alternative profit 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 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 PROFIT MEASURES

Adjusted Gross Margin	This measurement is the total sales less directly attributable costs of sales such as cost of goods sold, transaction costs and licence costs for leased amusement machines. Management do not consider it helpful to include labour costs in the gross margin because although these costs do vary to some extent with volume, the relationship is not linear and as such, any swings in volume are likely to create artificial fluctuations in the margin rate. Site labour costs are therefore included in operating expenses. The reconciliation to gross margin is included in Note 5 to the financial statements.
Group adjusted EBITDA	This measurement is earnings before interest, taxation, depreciation, amortisation, exceptional items, loss on Joint venture, 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. The reconciliation to operating profit is included in Note 5 to the financial statements.
Group adjusted EBITDA after rental costs	This is earnings before interest, taxation, depreciation, amortisation, exceptional items, loss on Joint venture, impairment 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 5.
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 5
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 11 to the financial statements.
Exceptional items	These 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.
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, advance payments to capital suppliers, loans to Joint ventures and non-cash share-based payments. This is reconciled in Note 5.

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 comparative 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	**ANTONY SMITH**
CHIEF EXECUTIVE OFFICER	**CHIEF FINANCIAL OFFICER**
21 March 2023	21 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 53-WEEK PERIOD ENDED 1 JANUARY 2023

	Note	**53 weeks to 1 January 2023 £000**	52 weeks to 26 December 2021 £000
Revenue	4	**126,673**	67,521
Cost of sales		**(40,915)**	(22,511)
Gross profit		**85,758**	45,010
Administrative expenses		**(52,141)**	(35,949)
Exceptional income		**7,263**	238
Reversal of impairment		**631**	1,124
Operating profit		**41,511**	10,423
Loss on share of Joint Venture		**(310)**	-
Finance costs	7	**(7,206)**	(5,986)
Profit before taxation		**33,995**	4,437
Taxation	10	**(7,399)**	(432)
Profit and total comprehensive income for the period		**26,596**	4,005
Earnings per share			
Basic earnings per share	11	**38.86**	5.86p
Diluted earnings per share	11	**38.57**	5.84p

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION
AS AT 1 JANUARY 2023

		Group		Company	
	Note	**1 January 2023 £000**	26 December 2021 £000	**1 January 2023 £000**	26 December 2021 £000
Assets					
Non–current assets					
Goodwill	13	**29,740**	29,350	**—**	—
Intangible assets	13	**135**	279	**—**	—
Investments in joint venture	14	**—**	310	**—**	310
Investments	15	**—**	—	**38,915**	38,915
Property, plant and equipment	16	**57,198**	39,530	**—**	—
Right-of-use assets	17	**171,651**	167,324	**—**	—
Deferred tax asset		**—**	4,374	**—**	—
		258,724	241,167	**38,915**	39,225
Current assets					
Inventories	18	**1,493**	1,226	**—**	—
Trade and other receivables	19	**4,667**	5,426	**620**	209
Corporation tax receivable		**1,022**	10	**—**	—
Cash and cash equivalents	20	**10,086**	11,511	**298**	4,424
		17,268	18,173	**918**	4,633
Liabilities					
Current liabilities					
Bank borrowings and leases	23	**(10,448)**	(16,661)	**—**	—
Trade and other payables		**(15,164)**	(13,513)	**(1,221)**	(3,089)
		(25,612)	(30,174)	**(1,221)**	(3,089)
Net current liabilities		**(8,344)**	(12,001)	**(303)**	1,544
Non-current liabilities					
Bank borrowings and leases	23	**(189,954)**	(192,833)	**—**	—
Deferred tax liability		**(1,282)**	(2,270)	**—**	—
		(191,236)	(195,103)	**—**	—
Net assets		**59,144**	34,063	**38,612**	40,769
Equity					
Share capital	21	**685**	684	**685**	684
Share premium		**4,844**	4,844	**4,844**	4,844
Merger reserve		**6,171**	6,171	**—**	—
Share-based payment reserve		**1,037**	498	**1,037**	498
Retained earnings		**46,407**	21,866	**32,046**	34,743
Total equity		**59,144**	34,063	**38,612**	40,769

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS
FOR THE 53-WEEK PERIOD ENDED 1 JANUARY 2023

Group	Note	**53 weeks to 1 January 2023 £000**	52 weeks to 26 December 2021 £000
Cash flows generated from operating activities			
Cash generated from operations	22	**61,963**	30,827
Corporation tax (paid)/ received		**(5,024)**	2,292
Finance costs paid		**(7,013)**	(5,868)
Net cash generated from operating activities		**49,926**	27,251
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(23,366)**	(7,108)
Purchase of site by Tenpin Limited		**(454)**	-
Purchase of software		**(40)**	(24)
Loan to Joint venture		**(1,203)**	-
Net cash used in investing activities		**(25,063)**	(7,132)
Cash flows used in financing activities			
Gross proceeds from issue of new shares		**—**	—
Transaction costs from share issue		**—**	—
Lease principal payments		**(10,233)**	(10,002)
Dividends paid		**(2,055)**	—
Drawdown of bank borrowings		**—**	22,000
Repayment of bank borrowings		**(14,000)**	(28,000)
Net cash used in financing activities		**(26,288)**	(16,002)
Net (decrease)/increase in cash and cash equivalents		**(1,425)**	4,117
Cash and cash equivalents – beginning of period		**11,511**	7,394
Cash and cash equivalents – end of period	20	**10,086**	11,511

Company	Note	**53 weeks to 1 January 2023 £000**	**52 weeks to 26 December 2021 £000**
Cash flows used in operating activities			
Cash used in operations	22	**(4,126)**	**(153)**
Net cash used in operating activities		**(4,126)**	**(153)**
Cash flows generated from financing activities			
Dividends received		**2,055**	**—**
Dividends paid		**(2,055)**	**—**
Net cash generated from financing activities		**—**	**—**
Net decrease in cash and cash equivalents		**(4,126)**	**(153)**
Cash and cash equivalents – beginning of period		**4,424**	**4,577**
Cash and cash equivalents – end of period	20	**298**	**4,424**

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE 53-WEEK PERIOD ENDED 1 JANUARY 2023

Group	Share capital £000	Share premium £000	Share-based payment reserve £000	Merger reserve £000	Retained earnings £000	Total equity £000
Balance at 27 December 2020	683	4,844	250	6,171	17,861	29,809
Share based payment charge	—	—	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
Share-based payment charge	—	—	539	—	—	539
Issue of shares net of transaction costs	1	—	—	—	—	1
Dividends paid	—	—	—	—	(2,055)	(2,055)
Profit for the period and total comprehensive income	—	—	—	—	26,596	26,596
Balance at 1 January 2023	685	4,844	1,037	6,171	46,407	59,144

Company	Share capital £000	Share premium £000	Share-based payment reserve £000	Merger reserve £000	Retained earnings £000	Total equity £000
Balance at 27 December 2020	683	4,844	250	—	36,781	42,558
Share based payment charge	—	—	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
Share-based payment charge	—	—	539	—	—	539
Issue of shares net of transaction costs	1	—	—	—	—	1
Dividends paid	—	—	—	—	(2,055)	(2,055)
Loss for the period	—	—	—	—	(642)	(642)
Balance at 1 January 2023	685	4,844	1,037	—	32,046	38,612

NOTES TO THE FINANCIAL STATEMENTS

1. 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 53-week period ended 1 January 2023 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.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the 53 weeks ended 1 January 2023 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.

3. 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 1 January 2023, the Group has considered a base case scenario and a severe but plausible downside scenario. In modelling these scenarios, the Group has considered its liquidity, cash balances, refinancing position, business activities and its principal risks.

Base Case

The Groups bank financing facility expires in April 2024 and the intention is to renew this in 2023. As the renewal has not happened at the time of the signing of this Annual Report, the performance beyond the current expiry date in 2024 has been reflected in the base case. The Group is cash positive, the RCF remains undrawn throughout the period with all covenants being passed. The base case is the Groups FY23 budget plus the 2024 forecast from its Strategic Plan. This case was prepared with the following key assumptions reflected:

- Like for Like sales growth versus FY22
- 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 cashflows
- Increased levels of capital spend are reflected in the cashflows to maintain and refurbish the sites
- The Group pays out a final and interim dividend

Downside case

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

- 2023 revenues are reduced by 10% on a like for like basis against FY22. 2024 revenues are reduced by a further 10% against the 2023 downside. Returns from refurbishments in 2023 and 2024 and returns from one new site in 2024, are removed.
- All variable and fixed costs from the base case are increased by a further inflationary 10% across the board.
- Mitigation on variable costs as cost of sales, labour and operating costs are included as these can be controlled by the Group.

Going Concern Continued

The scenario reflects the payment of a final and interim dividend but this has been reduced versus the base case as these are at Group discretion. The investment in new centres remains with the removal of just one in 2024. The refurbishment program spend is also halted in 2023 and 2024. Investments in new centres and refurbishments are under the Group's control and could be used for further mitigating action if needed. All the mitigating actions taken, allow the Group to remain cash positive and the RCF undrawn, throughout the period. The Group remains profitable and all covenants are passed with significant headroom.

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.

4 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 53-week period ended 1 January 2023 and 52 week period ended 26 December 2021 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 53-week period ended 1 January 2023			
Segment revenue – external	**126,673**	**—**	**126,673**
Bowling	**55,729**	**—**	**55,729**
Food and drink	**35,327**	**—**	**35,327**
Machines and amusements	**30,475**	**—**	**30,475**
Other	**5,142**	**—**	**5,142**
Group Adjusted EBITDA after rental costs (Note 5)	**42,024**	**(2,394)**	**39,630**
Segment assets as at 1 January 2023	**271,213**	**4,779**	**275,992**
Segment liabilities as at 1 January 2023	**(211,485)**	**(5,363)**	**(216,848)**
Reconciliation of adjusted EBITDA to reported operating profit			
Group adjusted EBITDA after rental costs (Note 5)	**42,024**	**(2,394)**	**39,630**
Amortisation and depreciation of intangibles, property, plant and equipment and right-of-use assets	**(18,727)**	**—**	**(18,727)**
Loss on disposals of assets	**(271)**	**—**	**(271)**
Amortisation of fair value items	**(120)**	**—**	**(120)**
Net impairment reversal	**631**	**—**	**631**
Exceptional income	**7,263**	**—**	**7,263**
Add back rental cost	**13,105**	**—**	**13,105**
Operating profit	**43,905**	**(2,394)**	**41,511**
Loss on Joint Venture	**—**	**(310)**	**(310)**
Finance costs (Note 7)	**(6,709)**	**(497)**	**(7,206)**
Profit before taxation	**37,196**	**(3,201)**	**33,995**

	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 5)	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			
Group adjusted EBITDA after rental costs (Note 5)	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)
Net impairment reversal	1,124	—	1,124
Exceptional income	238	—	238
Add back rental cost	12,436	—	12,436
Operating profit	12,454	(2,031)	10,423
Finance costs (Note 7)	(5,476)	(510)	(5,986)
Profit before taxation	6,978	(2,541)	4,437

5. 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, loss on Joint Venture and profit or loss on disposal of assets.

Group adjusted EBITDA after rental costs – This measurement is earnings before interest, taxation, depreciation, amortisation, exceptional items, impairment loss on Joint Venture and profit or loss on disposal of assets, less a deduction for the cash cost of rent. This has been done to show the underlying trading performance of the Group which these other costs or income can distort.

Reconciliation of operating profit to Group adjusted EBITDA and Group adjusted EBITDA after rental costs	**53 weeks to 1 January 2023 £000**	52 weeks to 26 December 2021 £000
Group adjusted EBITDA	**52,735**	27,059
Rental cost	**(13,105)**	(12,436)
Group adjusted EBITDA after rental costs	**39,630**	14,623
Add back rental cost	**13,105**	12,436
Amortisation of fair valued items on acquisition	**(113)**	(149)
Amortisation of software	**(105)**	(131)
Loss on disposals	**(271)**	(442)
Depreciation of property, plant and equipment and right-of-use assets	**(18,629)**	(17,276)
Operating profit before exceptional items	**33,617**	9,061
Net impairment reversal	**631**	1,124
Exceptional items – other	**7,263**	238
Operating profit	**41,511**	10,423

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	**53 weeks to 1 January 2023 £000**	52 weeks to 26 December 2021 £000
Cost of goods sold per the financial review	**(18,145)**	(9,446)
Site labour costs	**(23,739)**	(13,547)
Machine licence and security costs in administrative expenses	**969**	482
Costs of sales per the statement of comprehensive income	**(40,915)**	(22,511)

Adjusted profit before tax – This consists of the profit before tax adjusted for items judged as exceptional and relating to impairment.

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 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 11.

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 8 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.

Bank net cash/(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, finance costs, finance lease payments, taxation payments or receipts, advance payments to capital suppliers, loans to Joint ventures and non cash share based payments. This is reconciled below:

Reconciliation of free cash flow	**53 weeks to 1 January 2023 £000**	52 weeks to 26 December 2021 £000
Cash generated from operations	**61,963**	30,827
Maintenance capital	**(4,943)**	(910)
Finance lease, finance costs and taxation payments	**(22,270)**	(13,578)
Exceptional income & non-cash share-based payments charge	**(7,802)**	(248)
Movement in advance payments to capital suppliers	**1,431**	(2,803)
Loan to Joint venture	**(1,204)**	-
Free cash flow per the financial review	**27,175**	13,288

Maintenance capital, existing estate, estate expansion and freehold purchase outflow – This is cash used in investing activities as reconciled below:

Reconciliation of capital investment outflows to cash used in investing activities	**53 weeks to 1 January 2023 £000**	52 weeks to 26 December 2021 £000
Cash used in investing activities	**(25,063)**	(7,132)
Analysed as follows:		
Maintenance capital	**(4,943)**	(910)
Existing estate	**(8,465)**	(3,363)
Estate expansion	**(6,882)**	(56)
Freehold purchase	**(5,000)**	-
Movement in advance payments to capital suppliers	**1,431**	(2,803)
Loan to Joint venture	**(1,204)**	-
Cash outflows for capital projects	**(25,063)**	(7,132)

6. STAFF COSTS AND NUMBERS

Staff costs – Group	**53 weeks to 1 January 2023 £000**	52 weeks to 26 December 2021 £000
Wages and salaries	**25,821**	16,515
Social security costs	**1,906**	1,267
Other pension costs	**322**	178
Share-based payments	**539**	248
	28,588	18,208

Staff costs included within costs of sales are £22,761k (2021: £13,072k). The balance of staff costs is recorded within administrative expenses. The 2021 staff costs are net of CJRS which amount to £3,507k with nil in 2022. Details of Directors' remuneration are set out in the Directors' Remuneration Report. 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 53-week period ended 1 January 2023 received remuneration of £1,197k (2021: £667k). The 2019 LTIP scheme vested in 2022 and 128,334 awards were exercised at a market value of £327k. 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	**53 weeks to 1 January 2023 Number**	52 weeks to 26 December 2021 Number
Site staff	**1,449**	1,275
Administration	**65**	58
Unit management	**159**	157

	1,673	1,490

Staff costs – Company	**53 weeks to 1 January 2023 £000**	53 weeks to 26 December 2021 £000
Wages and salaries	**913**	967
Social security costs	**98**	88
Other pension costs	**14**	15
Share-based payments	**539**	248
	1,564	1,318

Staff numbers – Company	**Number**	Number
Administration (including Executive Directors)	**7**	6

7. FINANCE COSTS

	53 weeks to 1 January 2023 £000	52 weeks to 26 December 2021 £000
Interest on bank loans and overdrafts	**334**	391
Amortisation of debt issuance costs	**168**	124
Lease interest	**6,682**	5,481
Other	**22**	(10)
Finance costs	**7,206**	5,986

8. PROFIT BEFORE TAXATION

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

	53 weeks to 1 January 2023 £000	52 weeks to 26 December 2021 £000
Staff costs (Note 6)	**28,588**	18,208
Consumables charged to cost of sales	**3,086**	1,460
Depreciation of property, plant and equipment (Note 16)	**6,945**	6,130
Depreciation of right-of-use assets (Note 17)	**11,685**	11,166
Amortisation of software (Note 13)	**105**	131
Amortisation of fair valued intangibles on acquisition (Note 13)	**79**	90
Loss on disposal of assets	**271**	442
Net impairment reversal	**(631)**	(1,124)
Government grants received (excluding CJRS)	**-**	(1,354)
CJRS grants received	**-**	(3,507)
Loss on Joint Venture (Note 14)	**310**	-
Variable lease rentals payable – property	**298**	61
Share-based payments	**539**	248
Repairs on property, plant and equipment	**3,289**	1,891
Exceptional items		
HMRC VAT claims received and provision for updated HMRC VAT guidance	**(7,263)**	(238)
Auditors' remuneration		
Fees payable to Company's auditors for the Company and Consolidated financial statements	**70**	58
Audit of Company's subsidiaries	**240**	135
Audit-related assurance services	**40**	37
	350	230

9. 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 21 March 2023. The result for the financial year dealt with in the financial statements of Ten Entertainment Group plc was a loss of £642k (2021: £2,038k). As permitted by Section 408 of the Companies Act 2006, no separate statement of comprehensive income is presented in respect of the Company.

10. TAXATION

Recognised in the consolidated statement of comprehensive income:

	53 weeks to 1 January 2023 £000	52 weeks to 26 December 2021 £000
Current tax		
Tax on profits for the year	**4,013**	—

Deferred tax		
Origination and reversal of temporary differences	**3,386**	1,036
Effect of changes in tax rates	**-**	(248)
Adjustment in respect of prior years	**-**	(356)
Tax charge in statement of comprehensive income	**7,399**	432

The tax on the Group's profit before tax differs (2021: differs) from the theoretical amount that would arise using the standard rate of tax in the UK of 19% (2021: 19%). The differences are explained below:

	53 weeks to 1 January 2023 £000	52 weeks to 26 December 2021 £000
Profit before taxation	**33,995**	4,437
Tax using the UK corporation tax rate of 19% (2021: 19%)	**6,459**	843
Expenses not deductible	**943**	353
Change in tax rates on deferred tax balances	**-**	(248)
Adjustment in respect of prior years	**(52)**	107
Permanent differences	**211**	(30)
(Use) of tax losses/loss carry back	**(162)**	(593)
Tax charge	**7,399**	432

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

11. 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 53-week period were 68,496,118 (2021: 68,367,784).

The Company has 509,325 potentially issuable shares (2021: 274,005), 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), impairment reversal 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	**53 weeks to 1 January 2023**	52 weeks to 26 December 2021
Profit after tax (£000)	**26,596**	4,005
Basic weighted average number of shares in issue	**68,447,949**	68,358,261
Adjustment for share awards (number)	**509,325**	274,005
Diluted weighted average number of shares in issue	**68,957,274**	68,632,266
Basic earnings per share (pence)	**38.86p**	5.86p
Diluted earnings per share (pence)*	**38.57p**	5.84p

Below is the calculation of the adjusted earnings per share:

Adjusted earnings per share	**53 weeks to 1 January 2023 £000**	52 weeks to 26 December 2021 £000
Profit after tax	**26,596**	4,005
Net impairment reversal	**(631)**	(1,124)
Exceptional income	**(7,263)**	(238)
Tax impact on above adjustments	**1,380**	45
Adjusted underlying profit after tax	**20,082**	2,688
Adjusted profit after tax	**20,082**	2,688
Basic weighted average number of shares in issue	**68,447,949**	68,358,261
Adjusted basic earnings per share (pence)	**29.34p**	5.93p
Adjusted diluted earnings per share (pence)	**29.12p**	5.90p

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 £88k have been charged to administrative expenses in the consolidated statement of comprehensive income for the 53 week period ended 1 January 2023.

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 £620k of sales and made EBITDA of £82k 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. GOODWILL AND INTANGIBLE ASSETS

Group	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
Additions	—	—	24	24
At 26 December 2021	2,938	29,350	1,325	33,613
Additions	**-**	**390**	**40**	**430**
Disposals	**-**	**-**	**(34)**	**(34)**
At 1 January 2023	**2,938**	**29,740**	**1,331**	**34,009**
Accumulated amortisation and impairment losses				
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
Charge for the period – amortisation	**79**	**—**	**105**	**184**
Disposals	**—**	**—**	**(34)**	**(34)**
At 1 January 2023	**2,846**	**—**	**1,288**	**4,134**
Net book value				
At 1 January 2023	**92**	**29,740**	**43**	**29,875**
At 26 December 2021	171	29,350	108	29,629
At 27 December 2020	261	29,350	215	29,826

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 16 for property, plant and equipment. As part of the business combination accounting for the acquisition of Essenden Limited in 2015, the fair value of customer lists, rebate contracts and the Tenpin Limited website was recognised and have been fully amortised over the period for which the benefits were expected to be recognised. The remaining value is for the lease acquired at the Worcester centre which was significantly below market value and was fair valued and accounted for on acquisition in 2016 and is being amortised until the end of the lease. The amortisation charged on the above intangible assets is included in other administrative expenses in the statement of comprehensive income. Bank borrowings are secured on property, plant and equipment for the value of £25,000k (2021: £39,000k).

14. INVESTMENTS IN JOINT VENTURE

Group and Company	£000
At 27 December 2020	310
Acquisitions and disposals	—
At 26 December 2021	310
Share of post-tax losses in Joint Venture	**(310)**
At 1 January 2023	**-**

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 £300k. 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 £2,500k 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. £1,801k has been borrowed as at 1 January 2023. 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 had 35 rooms open at the end of FY22 of which 25 are operated out of nine tenpin centres.

15. INVESTMENTS

Company	Subsidiaries' shares £000
At 27 December 2020	38,915
Acquisitions and disposals	—
At 26 December 2021	38,915
Acquisitions and disposals	—
At 1 January 2023	38,915

The Directors believe that the carrying value of the investments is supported by the underlying net assets of the business and the future profits that will be generated by the Group.

Group investments

The Company has investments in the following subsidiary undertakings, which affected the results and net assets of the Group:

	Parent	Country of registration	Percentage of shares held
Companies owned directly by Ten Entertainment Group plc			
TEG Holdings Limited		England & Wales	100%
Companies owned indirectly by Ten Entertainment Group plc			
Tenpin Limited	TEG Holdings Limited	England & Wales	100%
Indoor Bowling Equity Limited	TEG Holdings Limited	England & Wales	100%
Indoor Bowling Acquisitions Limited	Indoor Bowling Equity Limited	England & Wales	100%
Essenden Limited	Indoor Bowling Acquisitions Limited	England & Wales	100%
Georgica Limited	Essenden Limited	England & Wales	100%
Georgica Holdings Limited	Georgica Limited	England & Wales	100%
Tenpin Five Limited	Tenpin Limited	England & Wales	100%
Tenpin One Limited	Tenpin Limited	England & Wales	100%
Georgica (Lewisham) Limited	Georgica Holdings Limited	England & Wales	100%
GNU 5 Limited	Georgica Holdings Limited	England & Wales	100%
Tenpin (Sunderland) Limited	Tenpin Limited	England & Wales	100%
Quattroleisure Limited	Tenpin Limited	England & Wales	100%
Tenpin (Halifax) Limited	Tenpin Limited	England & Wales	100%

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

Tenpin Five Limited and Tenpin One Limited are claiming exemption from the audit and the preparation of financial statements in accordance with Section 479A 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.

16. PROPERTY, PLANT AND EQUIPMENT

Group	Land & buildings £000	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	—	—	35	4,270	4,305
Disposals	—	(263)	—	(1,282)	(1,545)
At 26 December 2021	—	11,105	1,436	52,087	64,628
Additions	**5,000**	**1,142**	**459**	**18,259**	**24,860**
Disposals	—	**-**	**-**	**(2,186)**	**(2,186)**
At 1 January 2023	**5,000**	**12,247**	**1,895**	**68,160**	**87,302**
Accumulated depreciation and impairment					
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
Charge for the period	—	**994**	**141**	**5,810**	**6,945**
Impairment reversal	—	—	—	**(175)**	**(175)**
Disposals	—	—	—	**(1,764)**	**(1,764)**
At 1 January 2023	—	**5,702**	**1,401**	**23,001**	**30,104**
Net book value					
At 1 January 2023	**5,000**	**6,545**	**494**	**45,159**	**57,198**
At 26 December 2021	—	6,397	176	32,957	39,530
At 27 December 2020	—	7,562	242	33,649	41,453

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 48 (2021: 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:

	1 January 2023	26 December 2021
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	**13.25%**	12.01%

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 future cash flows have also been adjusted to account for the climate related risks, with outflows factored in for the purchase of solar panels to go up at sites to help achieve Net Zero targets. The impairment review this year has resulted in an impairment reversal of £1,087k against the £2,522k of impairment charged in 2020. The reversal has been allocated as £912k to Right of Use assets and £175k 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 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%, there is no change to the impairment release but there would be an impairment charge of £116k (2021: £1,297k). If the long term growth rate applied is changed to 1%, there is no change to the impairment release but there would be an impairment charge of £48k (2021: £701k). If the trading performance were to significantly reduce inline with the downside case in the going concern section for 2023, the impairment reversal would reduce by £747k and the impairment charge of £3,669k 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 (2021: 5x EBITDA).

The depreciation and impairment charges and reversal are recognised in administrative expenses in the statement of comprehensive income. Bank borrowings are secured on all assets of the Group for the value of £25,000k (2021: £39,000k) including property, plant and equipment.

17. RIGHT-OF-USE ASSETS

Group	Property £000	Amusement machines and other £000	Total £000
Cost			
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**
Lease additions	**9,547**	**1,768**	**11,315**
Disposals	—	**(383)**	**(383)**
Modification of leases	**3,793**	—	**3,793**
At 1 January 2023	**196,921**	**12,484**	**209,405**
Accumulated depreciation and impairment			
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**
Charge for the period	**9,786**	**1,899**	**11,685**
Impairment reversal	**(912)**	—	**(912)**
Disposals – depreciation	—	**(375)**	**(375)**
At 1 January 2023	**27,747**	**10,007**	**37,754**
Net book value			
At 1 January 2023	**169,174**	**2,477**	**171,651**
At 26 December 2021	164,708	2,616	167,324
At 27 December 2020	152,794	4,351	157,145

18. INVENTORIES

	Group		Company	
	1 January 2023	26 December 2021	**1 January 2023**	26 December 2021
	£000	£000	**£000**	£000
Goods held for resale	**1,493**	1,226	**—**	—

The cost of inventories recognised as an expense and included in cost of sales amounted to £11,548k (2021: £5,758k). There is a provision of £61k (2021: £80k) for obsolete shoes. These are included in the figures above. Bank borrowings for the value of £25,000k (2021: £39,000k) are secured on all assets of the Group including inventory.

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	1 January 2023	26 December 2021	**1 January 2023**	26 December 2021
Current receivables	**£000**	£000	**£000**	£000
Trade receivables	**118**	374	**—**	—
Amounts owed by subsidiary undertakings	**—**	—	**611**	205
Accrued income	**107**	114	—	—
Advance payments to supplier	**1,372**	2,803	—	—
Other receivables	**1,453**	844	**—**	—
Prepayments	**1,617**	1,291	**9**	4
	4,667	5,426	**620**	209

There is a provision of £300k (2021: £300k) for trade receivables that are beyond their due date and a provision of £135k (2021: £135k) against other receivables that may not be recoverable. Included in other receivables is a loan to Houdini's for £1,801k, (2021: £600k) which is charged interest at the effective interest rate agreed at the time of the loan. The loans mature at the end of 2024.

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	1 January 2023	26 December 2021	**1 January 2023**	26 December 2021
	£000	£000	**£000**	£000
Cash and cash equivalents	**10,086**	11,511	**298**	4,424

21. SHARE CAPITAL

	2023		2021	
Group and Company	**Shares**	**£000**	Shares	£000
68,367,784 (2021: 68,346,970) ordinary shares of £0.01 each at the beginning of the year	**68,367,784**	**684**	68,346,970	683
Issue of share capital during the period	**128,334**	**1**	20,814	1
Ordinary shares of £0.01 each at the end of the year	**68,496,118**	**685**	68,367,784	684

As at 1 January 2023, the Company's authorised share capital was £684,961 (2021: £683,678) divided into a single class of 68,496,118 (2021: 68,367,784) 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.

22. CASH GENERATED FROM OPERATIONS

	Group		Company	
	53 weeks to 1 January 2023	52 weeks to 26 December 2021	**53 weeks to 1 January 2023**	52 weeks to 26 December 2021
Cash flows from operating activities	**£000**	£000	**£000**	£000
Profit/(loss) for the period	**26,596**	4,005	**(2,696)**	(2,038)
Adjustments for:				
Tax	**7,399**	432	**—**	—
Finance costs	**7,206**	5,986	**—**	6
Non-cash one-off income	**(239)**	(238)	**—**	—
Non-cash share-based payments charge/(credit)	**539**	248	**539**	248
Loss on disposal of assets	**271**	442	**—**	—
Share of loss in Joint Venture	**310**	—	**310**	—
Amortisation of intangible assets	**184**	221	**—**	—
Depreciation of property, plant and equipment	**6,945**	6,130	**—**	—
Depreciation of right to use assets	**11,685**	11,166	**—**	—
Impairment reversal	**(631)**	(1,124)	**—**	—
Changes in working capital:				
Increase in inventories	**(267)**	(720)	**—**	—
(Increase) / decrease in trade and other receivables	**77**	(955)	**(411)**	(146)
Increase / (decrease) in trade and other payables	**1,888**	5,234	**(1,868)**	1,777
Cash generated from/(used in) operations	**61,963**	30,827	**(4,126)**	(153)

23. BANK BORROWINGS AND LEASE LIABILITIES

	Group		Company	
	1 January 2023	26 December 2021	**1 January 2023**	26 December 2021
Current liabilities	**£000**	£000	**£000**	£000
Bank loans	**—**	4,666	**—**	—
Leases – Machines/other	**2,728**	3,223	**—**	—
Leases – Properties	**7,720**	8,941	**—**	—
Capitalised financing costs	**—**	(169)	**—**	—
	10,448	16,661	**—**	—

In September 2019, the Group entered into a £25,000k facility with the Royal Bank of Scotland plc (‘RBS’) for three years. This facility consists of a committed £25,000k facility split into a £23,000k revolving credit facility and a £2,000k overdraft facility. In January 2021, the Group entered into a £14,000k CLBILS term loan facility with RBS for three years until January 2024. The CLBILS facility was fully repaid during 2022. During the year, the Group extended the expiry date of the £25,000k facility until April 2024. The interest rates for the facilities are tabled further on.

	Group		Company	
	1 January 2023	26 December 2021	**1 January 2023**	26 December 2021
Non-current liabilities	**£000**	£000	**£000**	£000
Bank loans	**—**	9,334	**—**	—
Leases – Machines/other	**1,560**	2,390	**—**	—
Leases – Property	**188,394**	181,108	**—**	—
	189,954	192,832	**—**	—

Bank borrowings are repayable as follows:

	Group		Company	
	1 January 2023	26 December 2021	**1 January 2023**	26 December 2021
Bank loans	**£000**	£000	**£000**	£000
Within one year	**—**	4,666	**—**	—
Between one and two years	**—**	4,667	**—**	—
Between two and five years	**—**	4,667	**—**	—
	—	14,000	**—**	—

The RCF and overdraft have not been drawn down at the end of FY22, with the £14,000k CLBILS term loan facility being fully repaid during the year and cannot be re-borrowed.

Available borrowings are as follows:

Group	Currency	Interest rates	Maturity	Total available £000	Total drawn £000
Revolving credit facility	GBP	LIBOR + 1.80%	Apr-2024	23,000	—
Bank overdraft	GBP	LIBOR + 1.80%	Apr-2024	2,000	—
Total borrowings				25,000	—

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

	Property leases		Machines and other leases		Total	
	1 January 2023	26 December 2021	**1 January 2023**	26 December 2021	**1 January 2023**	26 December 2021
Net Group	**£000**	£000	**£000**	£000	**£000**	£000
Within one year	**7,720**	8,941	**2,728**	3,223	**10,448**	12,164
Between one and two years	**7,349**	7,126	**764**	1,956	**8,113**	9,082
Between two and five years	**24,015**	23,552	**799**	434	**24,814**	23,986
After five years	**157,027**	150,430	—	—	**157,027**	150,430
	196,111	190,049	**4,291**	5,613	**200,402**	195,662

	Property leases		Machines and other leases		Total	
	1 January 2023	26 December 2021	**1 January 2023**	26 December 2021	**1 January 2023**	26 December 2021
Gross	**£000**	£000	**£000**	£000	**£000**	£000
Within one year	**14,388**	15,169	**2,779**	3,241	**17,167**	18,410
Between one and two years	**13,799**	13,069	**794**	1,967	**14,593**	15,036
Between two and five years	**41,757**	39,842	**815**	440	**42,572**	40,282
After five years	**205,936**	197,236	—	—	**205,936**	197,236
	275,880	265,316	**4,388**	5,648	**280,268**	270,964
Future finance charges on leases	**(79,769)**	(75,267)	**(97)**	(35)	**(79,866)**	(75,302)
Present value of lease liabilities	**196,111**	190,049	**4,291**	5,613	**200,402**	195,662

Leases are in place for all 48 centres (2021: 46) at a value of £196,060k (2021: 190,049k), amusement machines from Bandai Namco Europe Limited with a value of £4,089km (2021: £5,297k) and coffee machines acquired with a value of £202k (2021: £316k).

Analysis of statutory net debt

Net cash/(debt) as analysed by the Group consists of cash and cash equivalents less bank loans and amounts to £10,086k (2021: (£2,489k)). 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 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)
Changes from financing cash flows	**(1,425)**	**14,000**	**12,575**	**10,388**	**22,963**
Lease modifications in the year	**—**	**—**	**—**	**(3,793)**	**(3,793)**
Lease acquisitions	**—**	**—**	**—**	**(11,335)**	**(11,335)**
Balance at 1 January 2023	**10,086**	**—**	**10,086**	**(200,402)**	**(190,316)**