# Half-Year Results
24 September 2019

Results for the 26 weeks to 30 June 2019

24th September 2019

ten. ENTERTAINMENT GROUP PLC

# Ten Entertainment Group plc
# Half-Year Results 26 weeks ended 30th June 2019

*"REVENUE AND PROFITS AT RECORD LEVELS; STRATEGICALLY, FINANCIALLY AND OPERATIONALLY WELL SET"*

Ten Entertainment Group plc, a leading UK operator of family entertainment centres, today announces its half year results for the 26 weeks to 30 June 2019.

| | 26 weeks to 30 June 2019 (H1 19) | 26 weeks to 1 July 2018 (H1 18) | Change |
|---|---|---|---|
| **Total sales** | £41.4m | £37.8m | +9.6% |
| **Like-for-like sales growth** | 7.4% | 3.1% | |
| **Group adjusted EBITDA[1]** | £11.2m | £9.8m | +14.2% |
| **Group adjusted profit before tax[1]** | £7.3m | £6.4m | +14.2% |
| **Reported profit after tax** | £4.7m | £3.8m | +22.1% |
| **Earnings per share** | 7.19p | 5.89p | +22.1% |
| **Interim dividend per share** | 3.7p | 3.3p | +12.1% |

- The Group has performed well during the first half of FY19, with strong sales growth and good progress on improving the customer experience
- Like-for-like sales growth increased to 7.4%. Around 2% benefit arose from more typical weather patterns in May and June
- Group adjusted profit before tax was up 14.2% and reported profit after tax increased to £4.7m

***Our growth strategy continues to deliver:***

**Inward investment:** refurbishment completed at Edinburgh, with two further refurbishments planned for H2. Pins & Strings continues to be rolled out and is on target for 70% of sites converted by year end.

**Transforming customer experience:** We are encouraged by early performance of HyperBowl and have reached agreement for a joint venture with Houdini's to roll out Escape Rooms nationally. A concept site is under development to trial further customer innovations.

**Expanding the estate:** Southport and Falkirk were acquired in the first half. In H2 we have secured a new site for development in Manchester Printworks with heads of terms agreed on three additional development sites as part of our 2020 pipeline.

***Outlook:***

- The Company anticipates long term average growth in like-for-like of 4-6%
- We continue to expand our estate and improve our customer experience through inward investment and product innovation
- Highly cash generative, self-financed growth, strong balance sheet with even better banking terms agreed to grow the business

**Nick Basing, Chairman, commented:**

*Our growth strategy continues to generate record sales, profits and earnings for shareholders. Our new, strong management team have made a confident start and have accelerated the execution of our core*

*strategy. We look forward to further tapping into the potential of our strengthening position in the rapidly growing experiential leisure market.*

***Duncan Garrood, Chief Executive* Officer, commented:**

*We have had a strong first half delivering to our expectations. Operationally, we continue to make progress building an even better business and providing customers with an excellent experience. We are excited about our plans to unlock the potential inherent in the business.*


**Enquiries:**

| **Ten Entertainment Group plc** | | via Instinctif Partners |
| --- | --- | --- |
| Duncan Garrood | Chief Executive Officer | |
| Antony Smith | Chief Financial Officer and Company Secretary | |
| **Instinctif Partners** | | Tel: 020 7457 2020 |
| Matthew Smallwood | | |
| Jack Devoy | | |


There will be a presentation today at 9.00 am to analysts and investors at Instinctif Partners (65 Gresham Street, London, EC2V 7NQ). The supporting slides will also be available on the Group's website, www.tegplc.co.uk, later in the day.

**Forward-looking statements**

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

1 These are non-IFRS measures used by the Group in understanding its underlying earnings. Group adjusted EBITDA consists of earnings before interest, taxation, depreciation, amortisation costs, exceptional items, profit or loss on disposal of assets and adjustments to onerous lease and impairment provisions. Group adjusted profit before tax is defined as profit before exceptional items, profit or loss on disposal of assets, amortisation of acquisition intangibles and adjustments to onerous lease and impairment provisions. Adjusted basic earnings per share represents earnings per share based on adjusted profit after tax. Like-for-like sales are a measure of growth of sales adjusted for new or divested sites over a comparable trading period.

## CHIEF EXECUTIVE'S STATEMENT

The business has performed well in the first half of the year and we are pleased with the progress made both financially and in the execution of our strategy for the longer term. Strong sales growth of 9.6% has been converted into growth in EBITDA of 14.2% resulting in a 14.2% increase in group adjusted PBT to £7.3m for the first half.

Good progress has been made across the three main areas of our strategy: investing in improving our existing estate; transforming the customer experience through innovation; and expanding our estate.

We continue to invest in our high-quality estate to ensure that our customers have a great experience. We have over the past few years been consistently improving, refurbishing and modernising those sites that require it.

We have continued to make our sites more efficient with the proven successful roll-out of Pins & Strings, completing five further sites in the first half which takes the total to 24. By the end of the year we expect to have more than two thirds of our sites operating with this more reliable and efficient technology, assisting in driving utilisation and returns.

We have also made good progress in pursuing innovation and are encouraged by the early results from HyperBowl and Escape Rooms. We are in advanced negotiations with Houdini's Escape Rooms to build a long term joint venture to roll out this industry leading customer experience nationally.

We have stated that in each year we intend to acquire and operate between two to four additional new sites. We continue to deliver that goal. We acquired bowling centres in Falkirk and Southport in the first half. We are pleased to also announce today that we have secured a lease in Manchester city centre to build a new bowling centre, which we expect to open by the end of the year. We are in negotiations on three further sites which will bring the 2019 new sites to the upper end of guidance and establish a good pipeline for 2020 to continue the expansion of the estate.

### Sales growth – continued strong underlying momentum

We are pleased to report another half of strong sales growth, with total sales of £41.4m in the first half, an increase of 9.6% compared to 2018. Like-for-like sales were strong at 7.4% with the majority of the growth driven by increased footfall and enhanced by a modest increase in spend per head ("SPH"). Growth was seen in all categories, with particularly strong performance from the refresh of the machine offering in partnership with our key suppliers. The balanced growth across all categories demonstrates the underlying strength of the customer proposition and it remains a core focus to continue to deliver sales growth across the business.

The first half benefited from extreme weather comparatives which we estimate accounts for around 2%pts of the half year growth. Absent this weather impact, we are experiencing a consistent underlying 4-6% of like-for-like growth providing an excellent base for continued strong profit growth.

Sales have continued to be strong since the end of June, and the YTD sales to 22nd September are +9.6% in total and +7.5% on a like-for-like basis reflecting the ongoing comparative against last year's summer. We are encouraged by this performance; however, it should be noted that 2019 has also seen some extreme climatic conditions that have made trading variable particularly over the summer period.

### Inward investment – ongoing improvements for our customers

Our ongoing investment in the existing estate has continued. The extension at Star City in Birmingham last year has started to deliver in 2019, with strong double-digit sales growth achieved as a result of the improved customer environment and increased capacity from the new lanes. A similar project has now been completed in Edinburgh's Fountain Park in H1, and although these benefits will not be seen until the second half of this year, the initial results have been encouraging.

Two further site refurbishments have begun which will refresh the bar and reception and improve the gaming area to improve the customer experience and increase dwell time and spend per head.

Our programme of installing Pins & Strings continues to deliver strong returns. We have already installed Pins & Strings at five sites in H1 and will have completed installation in more than two thirds of the total estate by the end of the year, with an estimated completion of the full estate by mid-2021. The continued roll-out has delivered further substantial improvement in games played per stop, up by 53%.

**Transforming customer experience – developing new products and games**

Work has accelerated in H1 2019 in developing the next stage of customer innovation to ensure that we remain relevant and have a competitive advantage. This has been combined with the continued roll-out of established investments to ensure sales growth remains robust with tightly controlled costs.

We have made targeted investments developing the customer experience. A new menu to better suit our customers' preferences has been rolled out and we have secured a much-improved drinks contract with a new supplier enabling greater localisation of product offering and on improved terms. Food and beverage sales remain an important ancillary income stream to the bowling experience and whilst we will not target becoming a destination for food sales, we do believe that our improved menu and wider range of snacking choices, combined with better "at lane" service, will contribute to giving customers a more memorable experience and increase dwell time.

We are very pleased with the early signs seen from the introduction of the innovative Escape Rooms and HyperBowl concepts which has delivered positive customer feedback and encouraged us to move both of these into a broader trial phase. We have reached agreement on a joint venture with Houdini's Escape Rooms, subject to contract. This will combine their industry expertise with our national footprint and leisure infrastructure to enable a national roll-out.

In addition, one site is being refurbished as a concept site to showcase a range of customer innovations and concepts and to trial these prior to rolling them out. This concept site will, by its nature, have a higher capital spend on the initial development work than a standard refurbishment and as a result will deliver a lower return on investment. The insights gained will be invaluable for continuing to develop a leading edge customer experience.

2019 has been a year of infrastructure work on the website and CRM programme, and progress on enhancing these has been slower than originally anticipated. The new website will go live by the end of the year as will an improved CRM proposition. These remain critical for engaging with our customers and driving new footfall into our centres, and we expect that the cost investments made in 2019 will drive benefits in 2020.

**Expanding the estate – progress on acquisitions and development of new centres**

In the first half of the year we have successfully acquired and integrated two existing bowling sites at Southport and Falkirk into the Tenpin estate.

Southport is already performing well and progress is advanced in our Tenpinisation process, with a modest capital investment needed to bring the site up to our operating standards. Sales are already encouraging and showing good progress compared to the previous ownership. Falkirk was a different proposition requiring more investment and this was reflected in the consideration paid. Consequently, it is expected that this site will take longer to contribute profit than would ordinarily be expected. Nevertheless, the Tenpinisation and refurbishment programme has begun and we are confident that by 2020 the site will generate good returns.

We are pleased to announce today our first success in securing leases on existing properties to build new bowling centres. We have agreed a new lease in the Printworks in Manchester city centre on the site of a casino. This is an exciting opportunity to develop our city centre proposition in a vibrant and popular part of a major metropolitan area and we anticipate opening it early in 2020.

The costs of this new centre approximately match the cost of acquiring existing operations, albeit with the capital focused on build rather than acquisition cost, and as such we are confident we can generate continued strong returns from this site. There will be a development cost in H2, and the site is expected to contribute from 2020.

We are in advanced negotiations on three other opportunities and are confident of developing at least one of these in 2019, with work beginning on the others in 2020. Expanding the remit to include existing retail and leisure space, as well as acquisition of existing bowling centres has opened up the pipeline and gives the business a clearer runway for growth going forwards. We remain returns focused and will continue to acquire sites that deliver a consistent profit delivery.

Acquisitions cost, including the new lease in 2019, will be at the higher end of guidance with the split of new build and acquisition expected to be typical of the approach we will take in future. Therefore it is anticipated that the income and profit from new sites in 2019 is likely to be lower than previously guided as a result of the longer lead time required to develop and build rather than acquire a site. Medium term guidance is unchanged.

Work is continuing to secure further sites for ongoing development in 2020 and beyond, and we are confident that there remains a good pipeline of opportunity for both acquisition and new leases for the foreseeable future.

**Cost control – tight operational controls and targeted investment in the centre**

Operating costs have remained tightly controlled, with 9.6% sales growth achieved whilst containing cost growth to only 3.3%. We have continued our programme of re-gearing leases to reduce costs and secure tenure at key sites. We have also continued to benefit from the cost savings as a result of Pins & Strings.

Central overheads and support costs have grown, reflecting a desire to accelerate the development of the customer proposition in three key areas. The investment has focused upon: improving our marketing and CRM; developing an improved food and beverage (F&B) offering; and developing customer innovations and technologies. These are long term projects that should show returns towards the end of this year and into 2020. Overall, these costs increased £0.7m above inflation.

Much of the development and investment work has now taken place, and we are in the process of reviewing our central management structure to ensure it is fully aligned to the way we want to support the business going forwards.

**Outlook**

We are pleased with our consistent underlying like-for-like sales growth and although the unusual weather conditions, both in 2018 and 2019, do make it difficult to read accurately the short-term sales delivery, we have met our targets for the year to date. We also remain confident that our strategy will continue to drive profitable growth.

Looking forward, on an underlying basis, we expect to continue to deliver like-for-like growth of 4-6% in the medium term. We have a business with much potential in a segment of the leisure sector that will continue to grow. We have a strong pipeline of new sites and a capable management team to deliver continued strong profitable progress.

**Duncan Garrood**
Chief Executive Officer
24 September 2019

## FINANCIAL REVIEW

| £000 | 26 weeks to 30 June 2019 | 26 weeks to 1 July 2018 |
|---|---|---|
| **Revenue** | **41,444** | **37,804** |
| Cost of sales[1] | (4,999) | (4,246) |
| **Gross margin** | **36,445** | **33,558** |
| | | |
| Total operating costs | (20,241) | (19,595) |
| Central and support overheads | (4,984) | (4,142) |
| **Group adjusted EBITDA[2]** | **11,220** | **9,821** |
| | | |
| Depreciation and amortisation | (3,520) | (3,098) |
| Net interest | (401) | (329) |
| **Group adjusted profit before tax[2]** | **7,299** | **6,394** |
| | | |
| Exceptional items | (1,169) | (809) |
| (Loss)/profit on disposal of assets | (57) | (439) |
| Amortisation of acquisition intangibles | (151) | (233) |
| Adjustments in respect of onerous lease & impairment provisions | 12 | 13 |
| **Profit before tax** | **5,934** | **4,926** |
| | | |
| Taxation | (1,261) | (1,100) |
| *Of which: taxation attributable to Group Adjusted Profit* | (1,443) | (1,227) |
| | | |
| **Profit after tax** | **4,673** | **3,826** |
| | | |
| **Earnings per share** | | |
| Basic earnings per share | **7.19p** | **5.89p** |
| Adjusted basic earnings per share | **9.01p** | **7.95p** |
| | | |
| Interim dividend | **3.7p** | **3.3p** |

The first half has delivered strong sales growth of 9.6% which has converted strongly into growth in adjusted EBITDA of £1.4m (+14.2%). The continued investment in the customer experience has increased the depreciation and amortisation charge in line with expectations which gives an increase in group adjusted PBT of £0.9m to £7.3m, an increase of 14.2%. Free cash flow conversion has been strong at 66% of group adjusted EBITDA, with the business generating £5.3m of cash available for investment after dividend payment.

Investment spend has been lower in the first half of 2019 as there have been fewer sites acquired and a rephased approach to some of the transformation investment.

The resultant 13.3% growth in adjusted EPS to 9.01p demonstrates the continued momentum in the business and the success of the strategy of investing in the customer experience.

1 Cost of sales and operating expenses are presented on the basis as analysed by management. Cost of sales in the financial summary are determined by management as consisting of the direct bar, food, vending, amusements and gaming machine related costs. Statutory costs of sales reflected in the Statement of comprehensive income also include the staff and call centre costs incurred by the sites. Operating expenses are split into more detail in the financial summary to obtain statutory operating profit, with overheads, support office, amortisation, depreciation and exceptional costs reflected separately.

2 These are non-IFRS measures used by the Group in understanding its underlying earnings. Group adjusted EBITDA consists of earnings before interest, taxation, depreciation, amortisation costs, exceptional items, profit or loss on disposal of assets, adjustments to onerous lease and impairment provisions and derecognition of finance leases. Group adjusted profit before tax is defined as profit before exceptional items, profit or loss on disposal of assets, amortisation of acquisition intangibles and adjustments to onerous lease and impairment provisions. Adjusted basic earnings per share represents earnings per share based on adjusted profit after tax. Like-for-like sales are a measure of growth of sales adjusted for new or divested sites over a comparable trading period.

## Drivers of growth

### Revenue

| | 26 weeks to 30 June 2019 | 26 weeks to 1 July 2018 |
|---|---|---|
| Revenue (£000) | 41,444 | 37,804 |
| Number of bowling centres | 45 | 44 |
| Like-for-like sales growth | 7.4% | 3.1% |
| Net new space sales growth | 2.2% | 4.6% |
| Total sales growth | 9.6% | 7.7% |

Total sales were up 9.6% at £41.4m (HY18: £37.8m). Like-for-like sales were up 7.4%. Net new space contributed 2.2% in the half. The impact of lapping the hot weather from 2018 has supported the number by around 2%pts leaving an underlying strong LFL delivery of around 5%.

Sales growth has been principally driven by a growth in footfall of 5.8%, with a modest increase in SPH to £14.89. It is pleasing to see growth in all areas of spend, with the anchor product remaining very robust. Machines have performed particularly strongly as a result of an injection of new machines into the estate.

Sustainable longer term growth drivers remain the focus of the business, with investments made in H1 in developing a new menu, building a new drinks contract and introducing more variety of competitive socialising into our centres. These developments will start to contribute towards the end of the year and set the business up well to continue to deliver underlying like-for-like growth.

### Gross margin

The reported gross margin rate was down 83 basis points year on year at 87.9% (HY18: 88.8%). The reduction is principally a result of an enhanced machines performance, where sales growth was stronger than bowling. Given that machine revenue is typically ancillary to the bowling activity, management consider a slight reduction in the margin rate to be a sign of healthy growth in ancillary products. The gross margin rate, combined with the growth in reported sales, resulted in gross margin being up 8.6% to £36.4m (HY18: £33.6m).

### Operating costs

Total operating costs increased by 3.3% to £20.2m (HY18: £19.6m), principally driven by costs associated with the net additional sites opened during the period, offset by a continued benefit from rent reductions as a result of re-gearing leases. Underlying operating costs excluding net new space were up 0.9%, well below inflation, with strong operations management and cost control offsetting the impact of wage increases and commodity cost inflation.

### Central costs

Central costs grew from £4.1m in H1 FY18 to £5.0m, an increase of 20.3% driven by the decision to invest in resource to improve the customer experience. This £0.8m increase was invested in more targeted marketing, developing F&B offering and building customer innovations for the future. This push for future developments will continue with the benefits from these investments coming late in FY19 and into FY20.

It is expected that in the second half the rate of growth will continue as we maintain focus on improving the customer experience. This is important to ensure momentum is maintained in the underlying sales growth.

### Profitability

Management use a number of measures to understand the underlying profitability of the business.

Group adjusted EBITDA reflects the underlying cash generation potential of the business and remains a principal measure of business profitability. Delivery of £11.2m in the first half is 14.2% ahead of prior year (HY18: £9.8m) as a result of the strong sales growth being converted at a rate of 38% to EBITDA.

Group adjusted PBT, which takes into account costs of financing the assets and the depreciation on historic investments has increased by £0.9m to £7.3m in the first half. This is an increase of 14.2% in line with the growth in EBITDA. The increase in the interest costs and depreciation reflect the ongoing investments in the customer experience and these continue to generate strong returns.

Profit after tax has increased by £0.8m to £4.7m, an improvement of 22.1%.

**Exceptional items**

There has been a charge of £1.2m in H1 (2018: £0.8m) to exceptional items, which are one-off non recurring adjusting items which we believe aid interpretation of the accounts.

There are three principal activities to which these items relate.

£0.2m is in relation to a 2019 business restructuring programme instigated by the new CEO. This is the reorganisation of the central senior management team to be better placed to deliver long term sustainable sales growth through customer innovation. The review is under way and further costs to the programme are expected in the second half.

A further £0.2m is in relation to the restructuring of the estate. This is the final work on reviewing the lease portfolio to reduce costs and secure strategically important sites which should be complete by the end of 2019. These costs also include the legal fees for the acquisition of new sites.

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

The total effect of these one-off items will generate a benefit in 2020 from an improved cost base as a result of the restructuring activity.

**Cash flow**

| | 26 weeks to 30 June 2019 £000 | 26 weeks to 1 July 2018 £000 | Movement | 52 weeks to 30 December 2018 £000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Group adjusted EBITDA | **11,220** | 9,821 | 1,399 | 20,552 |
| Maintenance capital | (1,430) | (1,121) | (309) | (2,417) |
| Movement in working capital | 192 | 1,034 | (842) | 1,947 |
| Finance lease and taxation payments | (2,522) | (2,511) | (11) | (5,313) |
| **Free cash flow** | **7,460** | **7,223** | **237** | **14,769** |
| Dividends paid | (2,145) | (1,950) | (195) | (6,500) |
| **Cash flow available for investment** | **5,315** | **5,273** | 42 | **8,269** |
| Existing estate refurbishments | (1,202) | (2,682) | 1,480 | (4,109) |
| Transformative investment | (478) | (117) | (361) | (250) |
| Site acquisitions including Tenpinisation | (1,536) | (4,498) | 2,962 | (6,031) |
| Exceptionals & share based payments | (1,070) | (330) | (740) | (1,652) |
| **Cash flow after investment** | **1,029** | **(2,354)** | **3,383** | **(3,773)** |
| (Repayment)/Draw down of debt | (3,300) | 4,000 | (7,300) | 3,500 |
| Opening cash and cash equivalents | 5,298 | 5,571 | (273) | 5,571 |
| Cash and cash equivalents – end of period | 3,027 | 7,217 | (4,190) | 5,298 |

Free cash flow generated in the period was £7.5m, £0.2m better than last year. Last year's working capital benefited from timing of payments which was not repeated in 2019. Acquisition spend and refurbishment is £4.4m lower than last year as a result of the timing of acquisitions. Two sites have been acquired and are in the process of Tenpinisation compared to 4 sites in 2018.

Overall the business maintains its ambition to use free cash flow to pay dividend and drive investment in the existing estate, transforming the customer proposition and expanding the estate. Investment will accelerate in the second half with development work of the two new sites and ongoing refurbishment and investment in the proposition.

### Financing

| £000 | 26 weeks to 30 June 2019 | 26 weeks to 1 July 2018 |
|---|---|---|
| Interest on bank debt | (136) | (84) |
| Amortisation of bank financing costs | (33) | (32) |
| Finance lease interest charges | (145) | (122) |
| Other finance costs | (87) | (91) |
| **Net interest excluding shareholder loan note interest** | **(401)** | **(329)** |

| **As at** | 30 June 2019 | 30 December 2018 | Movement | 1 July 2018 |
|---|---|---|---|---|
| **Closing cash and cash equivalents** | **3,027** | **5,298** | **(2,271)** | **7,217** |
| Bank loans | (6,200) | (9,500) | 3,300 | (10,000) |
| **Bank net debt** | **(3,173)** | **(4,202)** | **1,029** | **(2,783)** |
| Finance leases | (7,273) | (6,467) | (806) | (5,254) |
| **Statutory net debt** | **(10,446)** | **(10,669)** | **223** | **(8,037)** |

Net interest (excluding shareholder loan note interest) increased by 21.9% to £0.4m (HY18: £0.3m) as a result of ongoing investment in acquisitions and capital investment.

The level of bank net debt remains low and has been reduced by £1.0m since the year end as a result of the positive cash inflow. Statutory net debt has increased by £2.4m since the end of H1 2018 principally as a result of the increased finance lease cost of the new tranche of gaming machines, although it should be noted that the cash flow impact of these is minimal.

We are pleased to announce that in September a new financing deal has been agreed with the incumbent bank that secures a larger £25.0m facility for the next three years at a reduced cost. On a like-for-like basis the new deal represents a 13% cost saving and gives the Group access to increased funds when opportunities arise to accelerate the investment programme.

### Dividends

The continued growth in sales and profit mean that the Board have declared an interim dividend of 3.7p per share (HY18 interim: 3.3p), a growth of 12.1%. The interim ex-dividend date is 21 November 2019, the record date 22 November 2019 and the interim dividend payment date is 3 January 2020.

### Accounting standards and use of non-GAAP measures

The Group has prepared its consolidated financial statements based on International Financial Reporting Standards for the 26 weeks ended 30 June 2019. The basis for preparation is outlined in note 2 to the financial statements.

The Group uses certain measures that it believes provide additional useful information on its underlying performance. These measures are applied consistently but as they are not defined under GAAP they may not be directly comparable with other companies adjusted measures. The non-GAAP measures are outlined in note 4 to the financial statements.

In accordance with IFRS 16 Finance Leases, the Group expects to recognise right-of-use assets and finance lease liabilities of approximately £160m-£180m on 30 December 2019. Adjusted EBITDA is expected to increase by £12m-£13m, as the operating lease payments were included in EBITDA, but the depreciation of the right-of-use assets and interest on the finance lease liability are excluded from this measure but included in net profit before tax which will decrease by approximately £2m-£3m for 2020 as a result of adopting the new rules. Operating cash flows will increase and financing cash flows decrease by approximately £12m-£13m as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

### Principal risks and uncertainties

Ultimate responsibility for the Group's risk management framework sits with the Board who review the Group's risk appetite on an annual basis. The Group's principal risks and uncertainties are assessed in detail as set out in the full Annual Report for the 52 weeks ended 30 December 2018. The Group does not believe there have been any

significant changes to its principal risks that will impact on the Group in the remaining half of the year which in summary include:

- Operational – ageing of estate, deterioration of assets and loss of key personnel
- regulatory changes – new laws, re-interpreted laws and updates from case law
- business interruption – risk of cyber-attacks, terrorism, failure or unavailability of IT infrastructure
- major supplier failure – sudden failure or loss of key suppliers

The risks around the economic climate are constantly evolving especially with the unstable political environment and potential impacts of Brexit. The Group's bowling business is based exclusively in the UK and so is exposed to UK economic and consumer confidence. The business has not been significantly impacted in the first half of the year by the uncertainty of Brexit and does not expect to be impacted in the short term as the situation develops.

The Group continues to adopt the going concern basis as set out in note 3 to the financial statements.

**Antony Smith**
Chief Financial Officer
24 September 2019

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

for the 26 week period ended 30 June 2019

| | Notes | **26 weeks to 30 June 2019 Unaudited** | 26 weeks to 1 July 2018 Unaudited | 52 weeks to 30 December 2018 Audited |
|---|---|---|---|---|
| | | **£000** | £000 | £000 |
| **Revenue** | 8 | **41,444** | **37,804** | 76,350 |
| Cost of sales | | **(12,081)** | **(11,140)** | (22,423) |
| **Gross profit** | | **29,363** | **26,664** | 53,927 |
| Administrative expenses | | **(23,028)** | **(21,409)** | (42,565) |
| **Operating profit** | | **6,335** | **5,255** | 11,362 |
| *Analysed as:* | | | | |
| **Group adjusted EBITDA** | | **11,220** | **9,821** | 20,552 |
| Exceptional administrative costs | 6 | **(1,169)** | **(809)** | (1,726) |
| Onerous lease provision released | | **12** | **13** | 25 |
| Amortisation of acquisition intangibles | | **(151)** | **(233)** | (459) |
| Depreciation and amortisation | | **(3,520)** | **(3,098)** | (6,396) |
| (Loss) / profit on disposal of assets | | **(57)** | **(439)** | (634) |
| **Operating profit** | | **6,335** | **5,255** | 11,362 |
| Finance costs | | **(401)** | **(329)** | (693) |
| **Profit before taxation** | | **5,934** | **4,926** | 10,669 |
| Taxation | | **(1,261)** | **(1,100)** | (2,527) |
| **Profit for the period and total comprehensive income attributable to owners of the parent** | | **4,673** | **3,826** | 8,142 |

| **Earnings per share** | | | | |
|---|---|---|---|---|
| Basic earnings per share | 7 | 7.19p | 5.89p | 12.53p |
| Diluted earnings per share | 7 | 7.17p | 5.87p | 12.50p |
| Adjusted basic earnings per share | 7 | 9.01p | 7.95p | 16.61p |
| Adjusted diluted earnings per share | 7 | 8.98p | 7.92p | 16.58p |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
as at 30 June 2019

| | Notes | **26 weeks to 30 June 2019 Unaudited £000** | 26 weeks to 1 July 2018 Unaudited £000 | 52 weeks to 30 December 2018 Audited £000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Goodwill | 9 | **29,350** | 28,045 | 28,045 |
| Intangible assets | 9 | **776** | 1,212 | 969 |
| Property, plant and equipment | 10 | **43,250** | 38,675 | 41,717 |
| | | **73,376** | 67,932 | 70,731 |
| **Current assets** | | | | |
| Inventories | | **1,449** | 1,323 | 1,505 |
| Trade and other receivables | | **4,957** | 3,933 | 4,307 |
| Cash and cash equivalents | | **3,027** | 7,217 | 5,298 |
| | | **9,433** | 12,473 | 11,110 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Bank borrowings and finance leases | 13 | **(8,802)** | (11,936) | (11,476) |
| Trade and other payables | | **(12,456)** | (11,189) | (7,354) |
| Corporation tax payable | | **(930)** | (1,124) | (719) |
| Provisions | | **(63)** | (70) | (63) |
| | | **(22,251)** | (24,319) | (19,612) |
| **Net current liabilities** | | **(12,818)** | (11,846) | (8,502) |
| **Non-current liabilities** | | | | |
| Bank borrowings and finance leases | 13 | **(4,616)** | (3,195) | (4,403) |
| Other non-current liabilities | | **(959)** | (234) | (481) |
| Deferred tax liabilities | | **(2,113)** | (1,707) | (2,087) |
| Provisions | | **(341)** | (352) | (350) |
| | | **(8,029)** | (5,488) | (7,321) |
| **Net assets** | | **52,529** | 50,598 | 54,908 |
| **Equity** | | | | |
| Share capital | | **650** | 650 | 650 |
| Share based payments reserve | | **257** | 166 | 159 |
| Merger reserves | | **6,171** | 6,171 | 6,171 |
| Retained earnings | | **45,451** | 43,611 | 47,928 |
| **Total equity** | | **52,529** | 50,598 | 54,908 |

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

for the 26 week period ended 30 June 2019

| | Notes | **26 weeks to 30 June 2019 Unaudited** | 26 weeks to 1 July 2018 Unaudited | 52 weeks to 30 December 2018 Audited |
|---|---|---|---|---|
| | | **£000** | £000 | £000 |
| **Cash flows generated from operating activities** | | | | |
| Cash generated from operations | 12 | **10,342** | 10,526 | 20,846 |
| Corporation tax paid | | **(1,022)** | (1,023) | (2,472) |
| Finance costs paid | | **(365)** | (293) | (619) |
| **Net cash generated from operating activities** | | **8,955** | 9,210 | 17,555 |
| **Cash flows used in investing activities** | | | | |
| Acquisition of sites by Tenpin Limited | | **(1,456)** | (3,908) | (3,908) |
| Purchase of property, plant and equipment | | **(3,109)** | (4,425) | (8,708) |
| Purchase of software | | **(81)** | (86) | (190) |
| **Net cash used in investing activities** | | **(4,646)** | (8,419) | (12,806) |
| **Cash flows (used in)/ from financing activities** | | | | |
| Finance lease principal payments | | **(1,135)** | (1,195) | (2,222) |
| Dividends paid | | **(2,145)** | (1,950) | (6,500) |
| Drawdown of bank borrowings | | **6,200** | 4,000 | 8,500 |
| Repayment of borrowings | | **(9,500)** | - | (5,000) |
| **Net cash (used in)/from financing activities** | | **(6,580)** | 855 | (5,222) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(2,271)** | 1,646 | (273) |
| Cash and cash equivalents – beginning of period | | **5,298** | 5,571 | 5,571 |
| **Cash and cash equivalents – end of period** | | **3,027** | 7,217 | 5,298 |

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

as at 30 June 2019

| | Share capital £000 | Share based payment reserve £000 | Merger reserve £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|---|---|
| **Unaudited 26 weeks to 30 June 2019** | | | | | |
| Balance at 30 December 2018 | **650** | **159** | **6,171** | **47,928** | **54,908** |
| Share based payment charge | **-** | **98** | **-** | **-** | **98** |
| Dividends paid | **-** | **-** | **-** | **(7,150)** | **(7,150)** |
| Profit for the period and total comprehensive income attributable to owners of the parent | **-** | **-** | **-** | **4,673** | **4,673** |
| **Balance at 30 June 2019** | **650** | **257** | **6,171** | **45,451** | **52,529** |
| | | | | | |
| **Unaudited 26 weeks to 1 July 2018** | | | | | |
| Balance at 1 January 2018 | 650 | 87 | 6,171 | 46,285 | 53,193 |
| Share based payment charge | - | 79 | - | - | 79 |
| Dividends paid | - | - | - | (6,500) | (6,500) |
| Profit for the period and total comprehensive income attributable to owners of the parent | - | - | - | 3,826 | 3,826 |
| **Balance at 1 July 2018** | **650** | **166** | **6,171** | **43,611** | **50,598** |
| | | | | | |
| **52 weeks to 30 December 2018** | | | | | |
| Balance at 1 January 2018 | 650 | 86 | 6,171 | 46,286 | 53,193 |
| Dividends paid | - | - | - | (6,500) | (6,500) |
| Share based payment charge | - | 73 | - | | 73 |
| Profit for the period and total comprehensive income attributable to owners of the parent | - | - | - | 8,142 | 8,142 |
| **Balance at 30 December 2018** | 650 | 159 | 6,171 | 47,928 | 54,908 |

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

The condensed consolidated interim financial statements for the 26 week period ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the “Group”). The principal activity of the Group comprises the operation of tenpin bowling centres.

The financial information for the 26 week period ended 30 June 2019 has been reviewed by the Company’s auditors. Their report is included within this announcement.

The financial information does not constitute statutory financial statements within the meaning of Section 434 of the Companies Act 2006. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the 52 week period to 30 December 2018 which were approved by the board of directors on 20 March 2019 and have been filed with the Registrar of Companies. The report of the auditors on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 434 of the Companies Act 2006.

This report was approved by the directors on 24 September 2019.

**2 Basis of preparation**
The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 “Interim financial reporting” as endorsed by the European Union and the Disclosures and Transparency Rules of the United Kingdom’s Financial Conduct Authority, and incorporate the consolidated results of the Company and all its subsidiaries for the 26 week period ended 30 June 2019. They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last financial statements. The comparative financial information is for the 26 week period ended 1 July 2018.

The accounting policies applied by the Company in this report are consistent with those of the annual financial statements of the Company for the 52 week period to 30 December 2018, as described in those financial statements except for income taxes. Income tax in the interim period is accrued using the tax rate that would be applicable to expected total annual profit.

IFRS 16 Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). The effective date applicable is for financial years beginning on or after 1 January 2019. The Group’s financial year commences on 31 December 2018 and thus the standard will not be adopted early. The standard will affect the accounting for the Group’s operating leases and will result in a material decrease in operating lease rental costs; material increases in depreciation and finance costs; a decrease in profit before and after tax; a decrease in net assets; and recognition of lease assets and liabilities. The Group has reviewed its contracts in place for right-of-use assets and has identified that the site property operating leases are the main contracts that are impacted by the standard. Any leases with break clauses that render the lease as short term (i.e. less than one year) will be excluded. These contracts are expected to be recognised as right-of-use assets capitalised under property, plant and equipment and the liability under finance leases in borrowings. There are two options for the first time adoption of the standard:

- Full retrospective approach – The comparatives will be fully restated as if the standard had always been implemented.
- Modified retrospective approach – The comparatives do not need to be restated with the transitional adjustment to the new approach being reflected in the current financial year. The Group intends to adopt this approach.

As at the reporting date, the Group has non-cancellable operating lease commitments of £188.1m. The Group will take the modified retrospective approach and thus comparative lease liability information will not restated. Using this approach, the Group expects to recognise right-of-use assets and finance lease liabilities of approximately £160m-£180m on 30 December 2019 compared to the expected operating lease commitments of £182.4m. The Group uses adjusted EBITDA as an Alternative Performance Measure and this adoption is

expected to increase adjusted EBITDA by approximately £12m-£13m, as the operating lease payments were included in EBITDA. Depreciation of the right-of-use assets and interest on the finance lease liability are excluded from this measure but included in net profit before tax which will decrease by approximately £2m-£3m for 2020 as a result of adopting the new rules. Operating cash flows will increase and financing cash flows decrease by approximately £12m-£13m as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

In applying IFRS 16 for the first time, the Group expects to use the following expedients permitted by the standard:

- The use of a single discount rate for its portfolio of property leases
- Operating leases with a remaining term of less than 12 months as at 1 January 2019 will remain as short term leases
- The exclusion of initial direct costs for the measurement of the right-of-use assets

## 3 Going concern

The Group meets its day-to-day working capital requirements with the assistance of its bank facilities. The Group entered into a new three year banking agreement with its Bank for £25.0m, an increase of £10.0m from its prior facilities, to assist with future growth and capital plans. The Group's forecasts and projections take account of reasonably possible changes in trading performance and show that the Group should be able to operate within the level of its current facilities, meet future debt repayments and will continue to comply with its banking covenants for at least the foreseeable future. At 30 June 2019 the Group has net current liabilities which is mainly due to timing with the drawdown of £6.2m of the bank debt and £5.0m accrual of the final dividend which was paid on 5 July 2019. The directors have not identified any material uncertainties that would prevent the Group from operating for at least the following 12 months from the date of approving these condensed consolidated interim financial statements. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial statements.

## 4 Accounting estimates, judgements and non GAAP measures

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the 52 week period ended 30 December 2018.

The Company has identified certain measures that it believes will assist in the understanding of the performance of the business. The measures are not defined under IFRS and they may not be directly comparable with other companies adjusted measures. The non-IFRS measures are not intended to be a substitute for an IFRS performance measure but the business has included them as it considers them to be important comparables and key measures used within the business for assessing performance. These condensed interim financial statements make reference to the following non-IFRS measures:

**Group adjusted EBITDA** – This consists of earnings before interest, taxation, depreciation, amortisation costs, exceptional items, profit or loss on disposal of assets and adjustments to onerous lease and impairment provisions. The reconciliation to operating profit is included on the condensed consolidated statement of comprehensive income.

**Adjusted underlying profit after tax** – This consists of the profit after tax adjusted for exceptional items, profit or loss on disposal of assets, amortisation of acquisition intangibles and adjustments to onerous lease and impairment provisions. The reconciliation of this number to profit after tax is included under note 7.

**Exceptional costs** - Exceptional items are those significant items which management consider to be one-off and non-recurring. The separate reporting of these per note 6 helps to provide a better indication of underlying performance.

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

### 5 Performance share plan awards

The Company operates a Performance Share Plan (PSP) for its executive directors. In accordance with IFRS 2 Share Based Payments, the value of the awards is measured at fair value at the date of the grant. The fair value is written off on a straight-line basis over the vesting period, based on management's estimate of the number of shares that will eventually vest. The Company currently has three schemes in place.

- 2017 Share Scheme – This scheme was announced on 22 May 2017 when 739,393 awards were granted. The vesting of the awards is conditional upon the achievement of two performance conditions which will be measured following the announcement of results for the year to 31 December 2019 ("FY2019"). The first performance condition applying to the awards will be based on Earnings per Share of the Company ("EPS") and will apply to 50 per cent. of the total number of Share Awards granted. The second performance condition will be based on Total Shareholder Return ("TSR") of the Company over the period from the date of grant to the announcement of results for FY2019 relative to a comparator group of companies and will apply to the remaining 50 per cent. of Share Awards granted. Upon the resignation of the Chief Executive Officer, Alan Hand, on 5 June 2018 and the Chief Financial officer, Mark Willis on 29 October 2018, 545,454 of these awards are now not expected to vest.

- 2018 Share Scheme - This scheme was announced on 14 June 2018 when 207,089 awards were granted to the Chief Financial Officer, Mark Willis and Chief Commercial Officer, Graham Blackwell and updated on 11 December 2018 when the new Chief Executive Officer, Duncan Garrood was issued 111,940 awards on the same terms. The vesting of these awards is conditional upon the achievement of two performance conditions which will be measured following the announcement of results for the year to 27 December 2020 ("FY2020"). The first performance condition applying to the awards will be based on EPS of the Company and will apply to 50 per cent. of the total number of Share Awards granted. The second performance condition will be based on TSR of the Company over the period from the date of grant to the announcement of results for FY2020 relative to a comparator group of companies and will apply to the remaining 50 per cent. of Share Awards granted. Upon the resignation of the Chief Financial officer, Mark Willis on 29 October 2018, 111,940 of these awards are now not expected to vest.

- 2019 Share Scheme - This scheme was announced on 20 May 2019 when 456,666 awards were granted to the three executive directors. The vesting of these awards is conditional upon the achievement of two performance conditions which will be measured following the announcement of results for the year to 2 January 2022 ("FY2021"). The first performance condition applying to the awards will be based on EPS of the Company and will apply to 50 per cent. of the total number of Share Awards granted. The second performance condition will be based on TSR of the Company over the period from the date of grant to the announcement of results for FY2021 relative to a comparator group of companies and will apply to the remaining 50 per cent. of Share Awards granted.

During the 26 week period ended 30 June 2019 the Group recognised a net charge of £98,424 (1 July 2018: £78,936, 30 December 2018: £73,547) to administration costs related to these awards.

### 6 Exceptional administrative costs

| | **26 weeks to 30 June 2019** | 26 weeks to 1 July 2018 | 52 weeks to 30 December 2018 |
|---|---|---|---|
| | **£000** | £000 | £000 |
| Provision for updated HMRC guidance | **800** | - | - |
| Staff redundancy costs and CEO recruitment fees | **182** | - | 385 |
| Professional fees, taxes and other costs in acquisition of sites | **143** | 508 | 515 |
| Professional fees, costs and taxes from property re-gears | **27** | 197 | 722 |
| Professional fees and other one off property costs | **17** | 104 | 104 |
| Total exceptional items | **1,169** | 809 | 1,726 |

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

Staff redundancy costs incurred in the 26 weeks to 30 June 2019 mainly relate to a restructuring exercise carried out. The professional fees, taxes and other costs in acquisition of sites consisted of legal fees around the due diligence and drafting of the Business Purchase Agreements entered into with the sellers and professional fees from property agents incurred in reviewing the property leases and negotiating the assignment of these leases from the sellers to Tenpin Limited.

## 7 Earnings per share

Basic earnings per share for each period is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. Earnings per share is based on the capital structure of the Company and includes the weighted average of the 65,000,000 ordinary shares in issue. The total shares in issue at the end of the 26 weeks to 30 June 2019 was 65,000,000.

The Company has 857,693 potentially issuable shares (2018: 613,149) all of which relate to share options issued to Directors of the Company. Diluted earnings per share amounts are calculated by dividing profit for the year and total comprehensive income attributable to equity holders of the parent Company by the weighted average number of ordinary shares outstanding during the year together with the dilutive number of ordinary shares.

Adjusted basic earnings per share have been calculated in order to compare earnings per share year on year and to aid future comparisons. Earnings have been adjusted to exclude IPO expenses, share based payments and other one-off costs (and any associated impact on the taxation charge). Adjusted diluted earnings per share is calculated by applying the same adjustments to earnings as described in relation to adjusted earnings per share divided by the weighted average number of ordinary shares outstanding during the year adjusted by the effect of the outstanding share options.

| **Basic and diluted** | **26 weeks to 30 June 2019 Unaudited £000** | **26 weeks to 1 July 2018 Unaudited £000** | 52 weeks to 30 December 2018 Audited £000 |
|---|---|---|---|
| Profit after tax | **4,673** | 3,826 | 8,142 |
| Weighted average number of shares in issue | **65,000,000** | 65,000,000 | 65,000,000 |
| Adjustment for share awards | **191,908** | 236,843 | 126,617 |
| Diluted weighted average number of shares in issue | **65,191,908** | 65,236,843 | 65,126,617 |
| Basic earnings per share (pence) | **7.19p** | 5.89p | 12.53p |
| Diluted earnings per share (pence) | **7.17p** | 5.87p | 12.50p |

Below is the calculation of the adjusted earnings per share.

| **Adjusted earnings per share** | **26 weeks to 30 June 2019 Unaudited £000** | **26 weeks to 1 July 2018 Unaudited £000** | 52 weeks to 30 December 2018 Audited £000 |
|---|---|---|---|
| Profit after tax | **4,673** | **3,826** | 8,142 |
| Amortisation of fair valued items on acquisition | **151** | **233** | 459 |
| Loss/(profit) on disposals | **57** | **439** | 634 |
| Exceptional costs | **1,169** | **809** | 1,726 |
| Onerous lease releases | **(12)** | **(13)** | (25) |
| Tax impact on above adjustments | **(182)** | **(127)** | (138) |
| Adjusted underlying earnings after tax | **5,856** | **5,167** | 10,798 |
| | | | |
| Adjusted profit after tax | **5,856** | **5,167** | 10,798 |
| Weighted average number of shares in issue | **65,000,000** | **65,000,000** | 65,000,000 |
| Adjusted basic earnings per share | **9.01p** | **7.95p** | 16.61p |
| Adjusted diluted earnings per share | **8.98p** | **7.92p** | 16.58p |

## 8 Segment reporting

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

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

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

| | **Tenpin £000** | **Central £000** | **Group £000** |
|---|---|---|---|
| **For the 26 week period ended 30 June 2019:** | | | |
| **Segment revenue – external** | **41,444** | **-** | **41,444** |
| **Adjusted EBITDA** | **12,287** | **(1,067)** | **11,220** |
| **Segment net assets/(liabilities) as at 30 June 2019** | **83,109** | **(300)** | **82,809** |
| **Reconciliation of adjusted EBITDA to reported operating profit:** | | | |
| **Adjusted EBITDA** | **12,287** | **(1,067)** | **11,220** |
| **Amortisation and depreciation of intangibles and property, plant and equipment** | **(3,520)** | **-** | **(3,520)** |
| **Amortisation of fair valued intangibles** | **(61)** | **(90)** | **(151)** |
| **Loss on disposals** | **(57)** | **-** | **(57)** |
| **Exceptional costs (note 6)** | **(1,169)** | **-** | **(1,169)** |
| **Onerous lease provision movement** | **12** | **-** | **12** |
| **Operating profit/(loss)** | **7,492** | **(1,157)** | **6,335** |
| **Finance (costs)/income** | **(437)** | **36** | **(401)** |
| **Profit/(loss) before taxation** | **7,055** | **(1,121)** | **5,934** |

| | Tenpin £000 | Central £000 | Group £000 |
|---|---|---|---|
| For the 52-week period ended 30 December 2018: | | | |
| Segment revenue – external | 76,350 | - | 76,350 |
| Adjusted EBITDA | 22,393 | (1,841) | 20,552 |
| Net segment assets/(liabilities) as at 30 December 2018 | 77,880 | 3,961 | 81,841 |
| Reconciliation of adjusted EBITDA to reported operating profit: | | | |
| Adjusted EBITDA | 22,393 | (1,841) | 20,552 |
| Amortisation and depreciation of intangibles and property, plant and equipment | (6,396) | - | (6,396) |
| Loss on disposals | (634) | - | (634) |
| Amortisation of fair valued intangibles | (129) | (330) | (459) |
| Exceptionals | (1,562) | (164) | (1,726) |
| Onerous lease provision movement | 25 | - | 25 |
| Operating profit/(loss) | 13,697 | (2,335) | 11,362 |
| Finance costs | (827) | 134 | (693) |
| Profit/(loss) before taxation | 12,870 | (2,201) | 10,669 |

| | Tenpin £000 | Central £000 | Group £000 |
|---|---|---|---|
| For the 26 week period ended 1 July 2018: | | | |
| Segment revenue – external | 37,804 | - | 37,804 |
| Adjusted EBITDA | 10,736 | (915) | 9,821 |
| Segment net assets/(liabilities) as at 1 July 2018 | 70,226 | 10,179 | 80,405 |
| Reconciliation of adjusted EBITDA to reported operating profit: | | | |
| Adjusted EBITDA | 10,736 | (915) | 9,821 |
| Amortisation and depreciation of intangibles and property, plant and equipment | (3,098) | - | (3,098) |
| Amortisation of fair valued intangibles | (68) | (165) | (233) |
| Loss on disposals | (439) | - | (439) |
| Exceptional costs (note 6) | (752) | (57) | (809) |
| Onerous lease provision movement | 13 | - | 13 |
| Operating profit/(loss) | 6,392 | (1,137) | 5,255 |
| Finance (costs)/income | (412) | 83 | (329) |
| Profit/(loss) before taxation | 5,980 | (1,054) | 4,926 |

All assets have been allocated to segments.

**Disaggregation of revenue**

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

| | **26 week period ended 30 June 2019 Unaudited £000** | 26 week period ended 1 July 2018 Unaudited £000 | 52 week period ended 30 December 2018 Audited £000 |
|---|---|---|---|
| Bowling | **20,218** | 18,083 | 36,209 |
| Food and drink | **10,119** | 9,923 | 20,180 |
| Machines and amusements | **9,503** | 8,287 | 16,987 |
| Other | **1,604** | 1,511 | 2,974 |
| | **41,444** | 37,804 | 76,350 |

## 9 Goodwill and intangible assets

| | Fair valued intangibles on acquisition | Goodwill | Software | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Cost** | | | | |
| **At 31 December 2017** | **2,938** | **25,171** | **820** | **28,929** |
| Additions | 14 | 2,874 | 85 | 2,973 |
| **At 1 July 2018** | **2,952** | **28,045** | **905** | **31,902** |
| Disposals | (14) | - | - | (14) |
| Additions | - | - | 105 | 105 |
| **At 30 December 2018** | **2,938** | **28,045** | **1,010** | **31,993** |
| Additions | - | 1,305 | 81 | 1,386 |
| **At 30 June 2019** | **2,938** | **29,350** | **1,091** | **33,379** |
| | | | | |
| **Accumulated amortisation and impairment losses** | | | | |
| **At 31 December 2017** | **1,906** | **-** | **362** | **2,268** |
| Charge for the period - amortisation | 233 | - | 144 | 377 |
| **At 1 July 2018** | **2,139** | **-** | **506** | **2,645** |
| Charge for the period - amortisation | 192 | - | 142 | 334 |
| **At 30 December 2018** | **2,331** | **-** | **648** | **2,979** |
| Charge for the period - amortisation | 130 | - | 144 | 274 |
| **At 30 June 2019** | **2,461** | **-** | **792** | **3,253** |
| | | | | |
| **Net book value** | | | | |
| **At 30 June 2019** | 477 | 29,350 | 299 | 30,126 |
| **At 30 December 2018** | 607 | 28,045 | 362 | 29,014 |
| **At 1 July 2018** | 813 | 28,045 | 399 | 29,257 |

## 10 Property, plant and equipment

| | Long leasehold premises £000 | Short leasehold premises £000 | Amusement machines £000 | Fixtures, fittings and equipment £000 | Total £000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **At 31 December 2017** | **2,122** | **9,569** | **6,827** | **25,374** | **43,892** |
| Additions | - | - | 2,314 | 4,330 | 6,644 |
| Acquisition of new sites | - | - | - | 1,129 | 1,129 |
| Disposals | - | - | (1,033) | (782) | (1,815) |
| **At 1 July 2018** | **2,122** | **9,569** | **8,108** | **30,051** | **49,850** |
| Additions | - | - | 2,211 | 4,471 | 6,682 |
| Disposals | - | - | (858) | (621) | (1,479) |
| **At 30 December 2018** | **2,122** | **9,569** | **9,461** | **33,901** | **55,053** |
| Additions | - | - | 1,940 | 3,109 | 5,049 |
| Acquisition of new sites | - | - | - | 111 | 111 |
| Disposals | - | - | (890) | (79) | (969) |
| **At 30 June 2019** | **2,122** | **9,569** | **10,511** | **37,042** | **59,244** |
| **Accumulated depreciation and impairment** | | | | | |
| **At 31 December 2017** | **131** | **837** | **3,447** | **4,586** | **9,001** |
| Charge for the period | 27 | 421 | 1,101 | 1,405 | 2,954 |
| Disposals – Depreciation | - | - | (622) | (158) | (780) |
| **At 1 July 2018** | **158** | **1,258** | **3,926** | **5,833** | **11,175** |
| Charge for the period | 27 | 485 | 1,082 | 1,562 | 3,156 |
| Disposals - Depreciation | - | - | (617) | (378) | (995) |
| **At 30 December 2018** | **185** | **1,743** | **4,391** | **7,017** | **13,336** |
| Charge for the period | 27 | 484 | 1,029 | 1,838 | 3,378 |
| Disposals - Depreciation | | | (706) | (14) | (720) |
| **At 30 June 2019** | **212** | **2,227** | **4,714** | **8,841** | **15,994** |
| **Net book value** | | | | | |
| **At 30 June 2019** | **1,910** | **7,342** | **5,797** | **28,201** | **43,250** |
| At 30 December 2018 | 1,937 | 7,826 | 5,070 | 26,884 | 41,717 |
| At 1 July 2018 | 1,964 | 8,311 | 4,182 | 24,218 | 38,675 |

A high level review was carried out to assess the performance and assets of the sites and the Group as a whole to determine whether there was any evidence of impairment. There were no indications of impairment from this review.

## 11 Business combinations

As part of the Group's strategy to grow and expand, the following two sites were acquired as part of a business combination.

**Business combination – Southport**

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

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

Acquisition-related costs of £0.1m have been charged to administrative expenses and included in exceptional items. Property, plant and equipment fair values were determined internally looking at the market prices for the acquired assets and for similarly aged assets elsewhere in the Company's business which resulted in a step up from the assets' book values of £0.1m which will be depreciated over 20 years. Deferred tax liabilities were recognised on the fair values of assets acquired and their tax bases which will be released as the related fair value measurement differences are recognised in the statement of comprehensive income. As part of the due diligence, the sales and profit numbers prior to acquisition from the seller's management accounts were reviewed including the period from 31 December 2018 to the date of acquisition. As they have not been audited they are not disclosed here to provide a guide to potential full year performance. The sales and profit generated by the site since acquisition are impacted by the uncertainty of the business combination and thus are not a true reflection of the sites performance. This will be disclosed in the full year end financial statements after the site has traded for a longer period. The goodwill is made up of the expected benefits to arise from Tenpinisation of the site's operations and processes under the management of the Tenpin brand. None of the goodwill is expected to be deductible for tax purposes.

**Business combination – Falkirk**

On 3 June 2019, the Group acquired the assets and trade of a bowling site in Falkirk. The Group entered into a purchase agreement and a new 25 year lease. The business was acquired for a nil value with no purchase price paid in exchange for the Group entering into the 25 year lease for the property and the bowling equipment.

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

As part of the due diligence, the sales and profit numbers prior to acquisition from the seller's management accounts were reviewed including the period from 31 December 2018 to the date of acquisition. As they have not been audited they are not disclosed here to provide a guide to potential full year performance. The sales and profit generated by the site since acquisition are impacted by the uncertainty of the business combination and thus are not a true reflection of the sites performance. This will be disclosed in the full year end financial statements after the site has traded for a longer period.

## 12 Cashflow from operations

| Cash flows from operating activities | **26 weeks to 30 June 2019 Unaudited £000** | 26 weeks to 1 July 2018 Unaudited £000 | 52 weeks to 30 December 2018 Audited £000 |
|---|---|---|---|
| **Profit for the period** | **4,673** | **3,826** | 8,142 |
| Adjustments for: | | | |
| Tax | **1,261** | **1,100** | 2,527 |
| Finance costs, net | **401** | **329** | 693 |
| Non-cash exceptionals | **-** | **400** | - |
| Non-cash share based payments charge | **98** | **79** | 73 |
| Loss on disposal of assets | **57** | **439** | 634 |
| Amortisation of intangible assets | **274** | **377** | 711 |
| Depreciation of property, plant and equipment | **3,378** | **2,954** | 6,110 |
| Changes in working capital: | | | |
| Decrease/(increase) in inventories | **56** | **32** | (149) |
| Increase in trade and other receivables | **(613)** | **(413)** | (678) |
| Increase in trade and other payables | **769** | **1,412** | 2,808 |
| Decrease in provisions | **(12)** | **(9)** | (25) |
| **Cash generated from operations** | **10,342** | **10,526** | 20,846 |

## 13 Bank borrowings and finance leases

| Current liabilities | **26 weeks to 30 June 2019 Unaudited £000** | 26 weeks to 1 July 2018 Unaudited £000 | 52 weeks to 30 December 2018 Audited £000 |
|---|---|---|---|
| Bank loans | **6,200** | 10,000 | 9,500 |
| Finance leases | **2,658** | 2,059 | 2,064 |
| Capitalised financing costs | **(56)** | (123) | (88) |
| | **8,802** | 11,936 | 11,476 |
| **Non - current liabilities** | | | |
| Finance leases | **4,616** | 3,195 | 4,403 |
| | **4,616** | 3,195 | 4,403 |

The bank loans with the Royal Bank of Scotland plc consist of a £25.0m committed Revolving Credit Facility (RCF). The loans incur interest at LIBOR plus a margin of 1.40%. The Group has drawn £6.2m of the RCF as at the half year end.

## 14 Financial risk management

### Cash flow and fair value interest rate risk

Cash flow interest rate risk derives from the Group’s floating rate financial liabilities, being its bank debt and overdraft facility, which are linked to LIBOR plus a margin of 1.4%. The Group has no fair value interest rate risk. The average period to the expected maturity date of the interest-free financial liabilities, being the onerous lease provision, is 8 years. Sensitivity analysis: In managing interest rate risk the Group aims to reduce the

impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, sustained changes in interest rates would have an impact on the Group's earnings.

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

**Liquidity risk**
The Group's cash position and cash flow forecasts are reviewed by management on a daily basis. The current bank facilities consist of a £25.0m RCF.

## 15 Principal risks and uncertainties

The Group recognises that the effective management of risk is key in achieving its strategic objectives. Ultimate responsibility for the Group's risk management framework sits with the Board. The Group has focused on introducing a risk management process, to identify, evaluate and monitor the risks it faces. Each risk has been assessed to determine the likelihood of occurrence together with the potential impact on the Group. Please refer to the Annual Report of the Group for the 52 week period to 30 December 2018 which were approved by the board of directors on 20 March 2019 and have been filed with the Registrar of Companies for the full analysis of the risks assessed for the Group.

## 16 Related Parties

There are no related party transactions nor any related party balances receivable or payable that are not intercompany related. All intercompany transactions and balances have been eliminated on consolidation. There were no material related party transactions requiring disclosure, other than compensation of key management personnel which was disclosed in the Group's Annual Report and Accounts for the year ending 30 December 2018.

## 17 Post balance sheet events

The Group has agreed a new tenpin bowling site at Printworks Manchester. A 15 year lease which is under the provision of the Landlord and Tenants Act has been signed and is now undergoing construction.

The Group has renewed and extended a £25.0m Revolving Credit Facility with its Bank, Royal Bank of Scotland plc, in September 2019, on improved terms.

## 18 Dividends

The Board have declared an interim dividend of 3.7p per share (FY18 interim: 3.3p). The interim ex-dividend date is 21 November 2019, the record date 22 November 2019 and the interim dividend payment date is 3 January 2020.

## DIRECTORS RESPONSIBILTY STATEMENT

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

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

The directors confirm to the best of their knowledge that the condensed interim financial statements have been prepared in accordance with the Accounting Standards Board 2007 statement on half yearly financial reports. The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of interim financial statements may differ from legislation in other jurisdictions.

The responsibility statement was approved by the Board on 24 September 2019 and signed on its behalf by:

**Duncan Garrood**
**CEO**
**24 September 2019**

**Antony Smith**
**CFO**
**24 September 2019**

## Report on the condensed consolidated financial statements

### Our conclusion

We have reviewed Ten Entertainment Group Plc's condensed consolidated financial statements (the 'interim financial statements') in the Half-Year Results of Ten Entertainment Group Plc for the 26 week period ended 30 June 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

### What we have reviewed

The interim financial statements comprise:

- the condensed consolidated statement of financial position as at 30 June 2019;
- the condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

## Responsibilities for the interim financial statements and the review

### Our responsibilities and those of the directors

The Half-Year Results, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half-Year Results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Half-Year Results based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### What a review of interim financial statements involves

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

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

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

PricewaterhouseCoopers LLP
Chartered Accountants
London

24 September 2019

a) The maintenance and integrity of the Ten Entertainment Group Plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.
b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.