Full-Year Results
29 March 2021

Results for the 52 weeks to 27 December 2020

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Ten Entertainment Group plc
Full-Year Results

Robust response to Covid protects a strong underlying business well placed to return to growth

Ten Entertainment Group plc ("Ten Entertainment" or "The Group"), a leading UK operator of 46 family entertainment centres, today announces its audited full-year results for the 52 weeks to 27 December 2020. The year included 11 weeks of normal trading conditions, 25 weeks of closure and 16 weeks of disrupted trading due to Covid-19 restrictions.

Since the outbreak of the Covid-19 pandemic, the Group's priority has been the health and safety of our employees and customers and securing the company both financially for our investors and operationally for all our colleagues.

Business highlights

Strong controls maintained the business in excellent shape

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

An underlying strong business that continued to develop

- Good progress in developing our digital platform
- Next generation development in Manchester exceeded expectations
- Underlying model still offers significant cash on cash returns to investors
- Long-standing 8-year track record of organic growth and >30% returns on acquisition investment

Well positioned for growth and expansion post Covid

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

Financial Summary

	52 weeks ended 27th December 2020	**52 weeks ended 27th December 2020**	52 weeks ended 29th December 2019	**Movement**
	IFRS 16	**IAS 17**	IAS 17	
Total sales	**£36.3m**	**£36.3m**	£84.1m	(56.9%)
Like-for-like sales growth[1]	**(17.4%)**	**(17.4%)**	+8.0%	(25.4%pts)
Group adjusted EBITDA[1]	**£3.3m**	**(£7.9m)**	£23.6m	(£31.4m)
Group adjusted (loss)/profit before tax[1]	**(£19.1m)**	**(£16.3m)**	£15.4m	(£31.7m)
Reported (loss)/profit after tax	**(£17.7m)**	**(£12.2m)**	£9.0m	(£21.3m)
Adjusted (loss)/earnings per share	**(23.2)p**	**(17.9)p**	19.3p	(37.3)p
Basic (loss)/earnings per share	**(26.3)p**	**(18.1)p**	13.9p	(32.0)p

Outlook

- Intend to reopen all centres on 17 May based on Government roadmap
- Only £6.7m of 2020 cash deferrals fall due in 2021; well within liquidity headroom
- Strategy remains unchanged:
    - Transform the customer experience
    - Inward investment
    - Estate expansion
- Initial focus on low capital enhancements to customer experience
- Will continue to develop estate pipeline for future growth, taking advantage of new opportunities

Leadership

Following a hugely successful time with The Group, leading the business to consistent, profitable growth through some momentous milestones, Nick Basing has announced that now is the right time to hand over to his successor. He will be stepping down in September. Nick's leadership and passion has created a modern and dynamic Group that is at the forefront of delivering a memorable leisure experience for over 6 million customers. Over the past 12 months Nick's leadership has navigated the Group through the turbulence of the Covid-19 pandemic, assuring its financial security. Nick will remain in place to oversee the appointment and handover to the new Chair and the relaunch of our business to continue to journey to future growth.

Nick Basing, Chairman said:

"Although the leisure and hospitality landscape has changed significantly, we know that our customers will more than ever be seeking out our great value experiences to reconnect with friends and family.

As my fantastic journey with the business draws to a close, and I start a new chapter in my career, I look forward to guiding Ten Entertainment through a successful reopening in May and setting the business back on the path to growth before handing over the reins to my successor.

I am hugely privileged to lead a first-class board and I am very proud of our CEO and CFO for their dedication to the business over the turbulence of the past 12 months.

Ten Entertainment's fundamental purpose is to make friends and families happy; we entertain and enthral profitably. I remain confident in the strength of our business and the stellar work of the leadership team has ensured we are on a strong footing for the future, and I leave my legacy in safe hands."

Graham Blackwell, Chief Executive Officer, commented:

"2020 has been extremely challenging but we can be proud of the way we have protected the long-term future of the business. We progress towards the reopening of hospitality and leisure with a business that is fit and ready and more digitally driven than ever before.

We used the time wisely in Lockdown to transform our digital platforms and to prepare our business for the future, to open our next generation centre *in Manchester and refurbish two of our flagship centres. We are in great shape, prepared, and looking forward to reopening, with our team eager to welcome back and entertain our customers."*

Ten Entertainment Group plc via Instinctif Partners
Graham Blackwell, Chief Executive Officer
Antony Smith, Chief Financial Officer

Instinctif Partners Tel: 020 7457 2020
Matthew Smallwood
Jack Devoy

There will be a video call today at 9:00am for analysts. 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 and profit or loss on disposal of. 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 sales change adjusted for new centres, divested centres, and temporary centre closures over a comparable trading period.

CHAIRMAN'S STATEMENT

Keeping the business fit for purpose, ready to recommence growth

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

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

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

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

We took the opportunity in the year to strengthen our business wherever possible. We enhanced our estate with the completion of our brand-new centre in Manchester (Printworks) and two major refurbishments at our flagship centres, Acton and Birmingham (Star City). We concentrated our focus towards our digital strategy in 2020. This had the dual effect of facilitating our response to the operational challenges of Covid-19, but more importantly it positions us as best-in-class for the coming years. We were the first bowling operator in the UK to enable all of our centres with contact-free food and drink ordering. Our customer engagement through social media channels grew significantly during Lockdown, and we are now the most followed bowling business in the UK on Facebook and Instagram. Our operational leadership played an active and impactful role in taking the lead for the industry's negotiations with the Government in setting and agreeing the safe operating protocols under Covid restrictions, and all our centres now have fixed lane dividers that allow us to operate all lanes safely.

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

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

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

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

The headlines of 2020 have been dominated by the drama of Covid-19 with some tragic and traumatic outcomes for society and individuals. As a business focused on family entertainment, we truly hope that this pandemic can be put

behind us and important lessons learned to avoid a repeat for future generations. For TEG we would wish the year to be defined as maintaining clarity of purpose, taking decisive action, and working closely with all our stakeholders to prosper on return.

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

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

Nick Basing
Chairman
29 March 2021

CHIEF EXECUTIVE'S STATEMENT AND OPERATING REVIEW

Overview of 2020

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

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

- Pre-Covid
    - Accelerating like-for-like growth at 9.6% with record breaking February half-term sales
    - Strategic investment in refurbishing two flagship centres and new centre in Manchester
    - Significant progress on digital integration
- Lockdown
    - Decisive action to secure long-term liquidity against over 18 months of potential closure
    - Supporting all major stakeholder groups equitably reducing cash outflow by over 70%
    - Responsibly utilising available Government support
- Reopening
    - Taking the initiative with the Government in agreeing safe operating protocols with DCMS
    - Digitally enabled from the outset with food ordering and track and trace technology
    - Industry-leading initial sales at 82% of prior year despite restrictions on lane capacity
- Retightening
    - Looking after the health and wellbeing of customers and employees
    - Re-engaging cash conservation measures
    - Securing additional funding in preparation for further Lockdowns

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

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

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

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

Pre Covid

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During 2020 we partnered with Rays of Sunshine as our chosen national charity. Rays of Sunshine helps brighten the lives of seriously ill young people by granting wishes and providing ongoing support in hospital and

within the community. We have engaged in fundraising activities and are looking forward when we are open to using our centres to help this fantastic good cause.

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

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

People and wellbeing

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

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

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

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

Outlook

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

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

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

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

Graham Blackwell
Chief Executive Officer
29 March 2021

FINANCIAL REVIEW

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

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

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

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

FINANCIAL SUMMARY

£000	**52 weeks to 27 December 2020 IFRS 16**	**52 weeks to 27 December 2020 IAS 17**	52 weeks to 29 December 2019 IAS 17	Movement
Revenue	**36,269**	36,269	84,122	(47,853)
Cost of sales[1]	**(4,854)**	(4,854)	(10,387)	5,533
Gross margin	**31,415**	31,415	73,735	(42,320)
GP%	**86.6%**	86.6%	87.7%	(1.1%)
Total operating costs	**(18,051)**	(29,177)	(40,855)	11,678
Centrally allocated overheads	**(4,537)**	(4,537)	(3,155)	(1,382)
Support office	**(5,480)**	(5,561)	(6,157)	596
Group adjusted EBITDA[2]	**3,347**	(7,860)	23,568	(31,428)
Profit on share of joint venture	**-**	**-**	10	(10)
Depreciation and amortisation	(16,634)	(7,986)	(7,379)	(607)
Net interest	(5,815)	(457)	(788)	331
Group adjusted (loss)/profit before tax[2]	**(19,102)**	**(16,303)**	15,411	(31,714)
Impairment	(2,521)	-	-	-
Exceptional items	-	-	(2,391)	2,391
Profit /(loss) on disposal of assets	99	123	(932)	1,055
Amortisation of acquisition intangibles	(142)	(142)	(293)	151
(Loss)/profit before tax	**(21,666)**	(16,322)	11,795	(28,117)
Taxation	**3,919**	4,101	(2,758)	6,859
Of which: taxation attributable to Group adjusted (loss)/profit	**3,463**	4,097	(2,836)	6,933
(Loss)/profit after tax	**(17,747)**	(12,221)	9,037	(21,259)
Earnings per share				
Basic (loss)/earnings per share	**(26.3)p**	**(18.1)p**	**13.9p**	
Adjusted basic (loss)/earnings per share	**(23.2)p**	**(17.9)p**	**19.3p**	
Full-year dividend	**-**	**-**	**3.7p**	

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

2 These are non-IFRS measures used by the Group in understanding its underlying earnings. Group adjusted EBITDA consists of earnings before interest, taxation, depreciation, amortisation costs, exceptional items and profit or loss on disposal of assets. Group adjusted profit before tax is defined as profit before exceptional items, profit or loss on disposal of assets and amortisation of acquisition intangibles. Adjusted basic (loss)/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 centres and adjusting for whether a centre was forced to close due to Covid regulations over a comparable trading period.

Revenue

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

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

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

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

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

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

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

Gross margin

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

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

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

Operating costs

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

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

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

Central costs

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

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

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

Group adjusted EBITDA (on an IAS 17 basis)

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

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

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

Depreciation, amortisation and capital expenditure

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

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

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

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

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

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

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

Finance costs and Banking Arrangements

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

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

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

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

Group adjusted loss before tax

The Group delivered an adjusted loss before tax of (£16.3m) on an IAS 17 basis. On an IFRS 16 basis this loss was (£19.1m). The difference is a result of the profit compression effect of the standard on businesses like ours that are at the early stages of their lease tenure. The differential is larger than anticipated in last year's report as a result of the lease regears in 2020 which have extended the weighted average lease expiry by three years to 19 years. This differential does not impact cash flow and in fact in 2020 and 2021 have benefited from improved cash positions as a result of the lease regears by exchanging short-term rent payments for a longer lease tenure.

Disposal of assets

The business has continued the roll-out of the latest technology of bowling pinsetters, referred to as Pins & Strings. When these are installed, it results in a non-cash loss on disposal of the existing pinsetters. In 2020 the profit of £0.1m arose on the disposal of gaming machines which was significantly lower than in 2019 when the loss from pinsetters was (£0.9m). The eight centres benefiting from Pins & Strings in 2020 had somewhat older pinsetters that had been almost fully depreciated.

Although the programme does result in this non-cash loss, the technology generates a significant return on investment from reduced costs and an improved customer experience. The business has now almost completed the programme, with only six centres remaining, and has temporarily placed it on hold in order to conserve cashflow.

Amortisation of acquisition intangibles

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

Taxation

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

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

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

(Loss)/profit after tax

The Group generated a loss after tax of (£17.7m). On an IAS 17 basis the loss after tax was (£12.2m) (FY19: +9.0m). The year on year change of (£21.3m) is a function of the lost revenue and enforced closures as a result of the Covid-19 pandemic.

Number of shares and (loss)/earnings per share

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

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

Dividends

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

BALANCE SHEET

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

Net debt analysis

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

CASH FLOW

	52 weeks to 27 December 2020	52 weeks to 29 December 2019	
	£000	£000	Movement
Cash flows from operating activities			
Group adjusted EBITDA	**(7,860)**	23,568	(31,428)
Maintenance capital	**(741)**	(2,369)	1,628
Movement in working capital	**5,489**	1,829	3,660
Finance lease and taxation payments	**(1,636)**	(5,325)	3,689
Free cash flow	**(4,747)**	17,703	**(22,450)**
Dividends paid	**(2,405)**	(7,150)	4,745
Cash flow available for investment	**(7,152)**	10,553	(17,705)
Proceeds from issue of shares	**4,878**	-	4,878
Inward investment	**(2,710)**	(4,183)	1,473
Transforming customer experience	**(483)**	(2,198)	1,715
Expanding the estate	**(3,105)**	(2,618)	(487)
Exceptionals and share-based payments	**25**	(1,414)	1,439
Cash flow after investment	**(8,544)**	140	**(8,684)**
Draw down/(Repayment) of debt	**13,750**	(3,250)	17,000
Opening cash and cash equivalents	**2,188**	5,298	(3,110)
Cash and cash equivalents – end of period	**7,394**	2,188	5,206

IFRS 16

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

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

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

Accounting standards and use of non-GAAP measures

The Group has prepared its consolidated financial statements based on International Financial Reporting Standards as adopted by the European Union for the 52 weeks ended 27 December 2020. The basis for preparation is outlined in the accounting policies to the financial statements on page 93.

The Group uses certain measures that it believes provide additional useful information on its underlying performance. These measures are applied consistently but as they are not defined under GAAP they may not be directly comparable with other companies' adjusted measures. The non-GAAP measures are outlined in Note 2 to the financial statements on page 105.

Principal risks and uncertainties

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

Attention is drawn in particular to the risk associated with Covid-19. At the time of signing all centres in the Group are closed due to the ongoing international pandemic after operating only 51% of the year in 2020 and not open at all during 2021. The business has taken significant actions to conserve cash, raise financing and work with the banks to ensure liquidity is available and covenants are reset to recognise the pandemic. These actions, described in the CEO's Operating Review, mean that the Directors are confident that the business has sufficient liquidity to continue closed for well over 12 months. Therefore these financial statements have been prepared on a going concern basis.

Note on Alternative Profit Measures

The group uses a number of Alternative Profit Measures ("APM"s) in the disclosure of its results. In particular for 2020, with the transition to IFRS16, the Group has presented its results for the year on an IAS17 and IFRS16 basis. The use of IAS17 basis for 2020 aids year on year comparison as it is not possible to restate 2019 on an IFRS16 basis. Therefore, where year on year movements are discussed, these are on an IAS17 basis.

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

Going Concern

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

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

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

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

Current covenants:

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

New covenants:
Introduced for January 2021 to December 2021:

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

The base case was prepared using the following key assumptions:

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

- reduced maintenance and marketing spend, as well as reducing all non-essential and non-committed capital expenditure in FY21 and the first quarter of FY22; and
- no dividend payments in FY21 or FY22.

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

The downside case was prepared using the following key assumptions:

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

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

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

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

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

Antony Smith
Chief Financial Officer
29 March 2021

Consolidated statement of comprehensive income

for the 52-week period ended 27 December 2020

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

Consolidated and Company statements of financial position

as at 27 December 2020

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

Consolidated and Company statements of cash flows

for the 52-week period ended 27 December 2020

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

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

Consolidated and Company statements of changes in equity

for the 52-week period ended 27 December 2020

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

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

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 52-week period ended 27 December 2020 comprise the Company and its subsidiaries (together referred to as the 'Group'). The principal activity of the Group comprises the operation of tenpin bowling centres.

2. Basis of preparation

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.
The accounting policies which follow set out those policies which apply in preparing the financial statements for the 52 weeks ended 27 December 2020 and have been applied consistently, to all periods presented in these consolidated financial statements, other than the adoption of IFRS 16 Leases which became effective for the Group from 30 December 2019. IFRS 16 is a replacement for IAS 17 Leases. There has been a significant impact on the Group's accounting for leases as a result of IFRS 16, the effect of which is set out further down this report. The Group and the Company financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated. The financial statements are prepared using the historical cost basis. On publishing the Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements.

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

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

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

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

Current covenants:

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

New covenants:
Introduced for January 2021 to December 2021:

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

The base case was prepared using the following key assumptions:

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

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

The downside case was prepared using the following key assumptions:

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

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

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

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

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

4. Leases

IFRS 16 Leases replaces existing guidance under IAS 17 and introduces a fundamental change to the recognition, measurement, presentation and disclosure of leases for lessees.

The Group adopted IFRS 16 with effect from 30 December 2019. The Group applied the standard using the modified retrospective approach and thus comparative information has not been restated and is presented, as previously reported, under IAS 17. The new standard results in all property leases which were classified as operating leases under IAS 17, being recognised on the Statement of Financial Position as, from a lessee perspective, there is no longer any distinction between operating and finance leases. Under IFRS 16, an asset, based on the right to use a leased item over a long-term period and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group leases properties, which under IAS 17 were classified as operating leases with payments made charged to profit or loss as arising over the period of the lease. From 30 December 2019, under IFRS 16, leases are recognised as a right-of-use asset with a corresponding lease liability from the date at which the leased asset becomes available for use by the Group. Each lease payment is allocated between the liability and a finance cost. The finance cost is charged to profit or loss over the lease period using the effective interest method. Right-of-use assets are measured at cost, less any accumulated

depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Lease liabilities are measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and variable lease payments that depend on an index or a rate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- short-term leases (leases of less than 12 months) and leases with less than 12 months remaining as at the date of adoption of the new standard are not within the scope of IFRS 16;
- leases for which the asset is of low value (IT equipment and small items of office equipment) are not within the scope of IFRS 16; and
- exclusion of initial direct costs from the measurement of the right-of-use asset on transition.

On transition to IFRS 16, the Group elected to apply the practical expedient to apply the definition of a lease from IAS 17 for contracts in place at 30 December 2019. For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. For all leases previously classified as operating leases, these liabilities and assets were measured at the present value of the remaining lease payments, discounted using the Group's average incremental borrowing rate (IBR) as of 30 December 2019, specific to the portfolio of leases. The IBR is a significant area of estimation, as the Group obtained a range of borrowing rates for differing terms to determine a range of rates on adoption as reflected in IBR accounting policy. A 1% increase in all of these rates would decrease the value of the right-of-use asset on adoption by £13.1m, while a 1% decrease in the rates would increase the value by £15.1m.

Under IFRS 16, the right-of-use assets are tested for impairment in accordance with IAS 36 'Impairment of Assets'. This replaces the previous requirement to recognise a provision for onerous leases. An impairment assessment of the cash-generating unit ('CGU') assets was performed on transition at 30 December 2019 with an impairment charge of £16.3m identified as part of the adoption of IFRS 16 in retained earnings. A CGU is each of the 46 (2019: 45) centres open as at the period end. The recoverable amount of each CGU has been calculated as the higher of its value in use and its fair value less cost to sell. The calculation of value in use is based on pre-tax cash flow projections from the financial forecasts approved by the Board covering a one-year period and extrapolated by management using an estimated medium-term growth rate for a further two years. Cash flows beyond this three-year period are extrapolated over the life of the lease relating to that centre.

The key assumptions of the value in use calculation at the adoption date are:

Period on which management-approved forecasts are based	3 years
Growth rate applied beyond approved forecast period	2%
Pre-tax discount rate	11.6%

The pre-tax discount rate applied to the cash flow projections approximates the Group's weighted average cost of capital ('WACC'), adjusted only to reflect the way in which the market would assess the specific risks associated with the estimated cash flows of the bowling businesses and to exclude any risks that are not relevant to estimated cash flows of the bowling businesses, or for which they have already been adjusted.

The budgets which underlie the calculations are compiled on a centre-by-centre basis, with gross margin, staff cost, property cost and other operating profit assumptions being based on past performance and known factors specific to that centre which are expected by management to affect future performance, to reflect the operating circumstances and risks relevant to each part of the business at the time of adoption. They also include an allocation of central overheads which are allocated across the centres based on turnover. Due to the timing of the adoption of IFRS 16 these forecasts do not take the impact of Covid-19 into consideration.

The key assumptions to which the calculation is sensitive are the pre-tax discount rate, the future trading performance and the growth rate that is expected of each centre. If the discount rate applied in the calculations is increased by 1%, the impairment charge increases by £3.4m. If the growth rate applied is changed to 1% then impairment increases by £2.4m.

The effect of the accounting policy change on the Consolidated Statement of Financial Position at implementation on 30 December 2019 was:

Assets	As at 29 December 2019 £000	IFRS adjustment £000	As at 30 December 2019 £000
Right-of-use assets	—	148,645	148,645
Deferred tax asset on IFRS 16 transition	—	3,168	3,168
Prepayments	2,559	(2,559)	—
	2,559	**149,254**	**151,813**
Liabilities			
Lease – Property current	—	(12,400)	(12,400)
Lease – Property non-current	—	(151,538)	(151,538)
Deferred income – Lease incentive	(1,578)	1,578	—
Onerous lease provision	(779)	779	—
	(2,357)	**(161,581)**	**(163,938)**
Retained earnings			
Retained earnings	49,815	(11,802)	38,013
	49,815	**(11,802)**	**38,013**

The adoption of IFRS 16 reduced opening retained earnings as at 30 December 2019 by £11.8m.

During the period ended 27 December 2020, the application of IFRS 16 resulted in increased adjusted EBITDA, as reported in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, of £11.2m in comparison to treatment under IAS 17. There was an increase to operating profit of £2.6m. The differences have arisen as operating lease payments under IAS 17 were replaced by a depreciation charge on right-of-use assets, onerous lease provision under IAS 17 has been replaced by impairment of assets and adjustments to rent free periods and other lease incentives. Profit before taxation therefore decreased by a total of £2.8m with the inclusion of £5.4m of finance costs under the new standard. The table below reconciles operating profit between IAS 17 and the new standard, IFRS 16:

	£000
Add: Operating lease costs under IAS 17	11,230
Impact on adjusted EBITDA for the period ended 27 December 2020:	**11,230**
Less: Depreciation of right-of-use assets for leases previously recognised as operating leases under IAS 17	(8,648)
Less: Onerous lease provision previously recognised under IAS 17	(17)
Impact on operating profit for the period ended 27 December 2020:	**2,565**
Less: Finance costs (interest)	(5,388)
Net decrease to profit before tax	**(2,823)**

The table below represents a reconciliation from operating lease commitments disclosed at 29 December 2019 to lease liabilities recognised at 30 December 2019:

	£000
Operating lease commitments disclosed at 29 December 2019	197,386
Increase from contractual rent reviews[1]	37,248
Effect of discounting lease payments[2]	(70,695)
Lease liabilities recognised at 30 December 2019	**163,939**

1 The previous disclosure of commitments was based on the current agreed rent over the term of the lease, whilst under IFRS 16 lease commitments factor in the minimum rent increases agreed in the rent review clauses of the leases.
2 The previous disclosure of commitments was undiscounted, while under IFRS 16 lease commitments are discounted over the term of the lease based on the Group's incremental borrowing rate.

5. Segment reporting

Segmental information is presented in respect of the Group's business segments. Strategic decisions are made by the Board based on information presented in respect of these segments. There are no differences in the measurement of segment profit or loss, assets and liabilities for each segment.

The Group comprises the following segments:
Tenpin Limited – Tenpin Limited is a leading tenpin bowling operator in the UK. All revenue is derived from activities conducted in the UK.
Central – comprises central management including company secretarial work and the Board of Directors' and general head office assets and costs. The segment results for the 52-week period ended 27 December 2020 are used by the Board for strategic decision making, and a reconciliation of those results to the reported profit in the Consolidated Statement of Comprehensive Income, and the segment assets are as follows:

	Tenpin Limited £000	**Central £000**	**Group £000**
For the 52-week period ended 27 December 2020			
Segment revenue – external	**36,269**	**–**	**36,269**
Bowling	**16,830**	**–**	**16,830**
Food and drink	**9,898**	**–**	**9,898**
Machines and amusements	**8,298**	**–**	**8,298**
Other	**1,243**	**–**	**1,243**
Adjusted EBITDA (Note 6)	**5,466**	**(2,119)**	**3,347**
Segment assets as at 27 December 2020	**223,200**	**21,528**	**244,728**
Segment liabilities as at 27 December 2020	**(193,029)**	**(21,890)**	**(214,919)**
Reconciliation of adjusted EBITDA to reported operating (loss)/profit			
Adjusted EBITDA (Note 6)	**5,466**	**(2,119)**	**3,347**
Amortisation and depreciation of intangibles, property, plant and equipment and right-of-use assets	**(16,634)**	**–**	**(16,634)**
Amortisation of fair value items	**(142)**	**–**	**(142)**
Impairment	**(2,521)**	**–**	**(2,521)**
Profit on disposals (Note 9)	**99**	**–**	**99**
Operating loss	**(13,732)**	**(2,119)**	**(15,851)**
Finance costs (Note 8)	**(5,654)**	**(161)**	**(5,815)**
Loss before taxation	**(19,386)**	**(2,280)**	**(21,666)**

	Tenpin Limited £000	Central £000	Group £000
For the 52-week period ended 29 December 2019			
Segment revenue – external	84,122	–	84,122
Bowling	39,912	–	39,912
Food and drink	21,426	–	21,426
Machines and amusements	19,649	–	19,649
Other	3,135	–	3,135
Adjusted EBITDA (Note 6)	25,526	(1,958)	23,568
Segment assets as at 29 December 2019	88,420	(2,445)	85,975
Segment liabilities as at 29 December 2019	(28,189)	(875)	(29,064)
Reconciliation of adjusted EBITDA to reported operating profit			
Adjusted EBITDA (Note 6)	25,526	(1,958)	23,568
Amortisation and depreciation of intangibles and property, plant and equipment	(7,379)	–	(7,379)
Loss on disposals (Note 5)	(932)	–	(932)
Profit on share of joint venture	10	–	10
Amortisation of fair valued intangibles	(114)	(179)	(293)
Exceptional items (Note 9)	(2,300)	(91)	(2,391)
Operating profit/(loss)	14,811	(2,228)	12,583
Finance (costs)/income (Note 8)	(865)	77	(788)
Profit/(loss) before taxation	13,946	(2,151)	11,795

All assets have been allocated to segments.

6 Alternative performance measures – non-GAAP measures

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

Group adjusted EBITDA – this consists of earnings before interest, taxation, depreciation, amortisation costs, exceptional items and profit or loss on disposal of assets.

Reconciliation of operating profit to Group adjusted EBITDA	**52 weeks to 27 December 2020 £000**	52 weeks to 29 December 2019 £000
Group adjusted EBITDA	**3,347**	23,568
Amortisation of software	**(184)**	(283)
Amortisation of fair valued items on acquisition	**(142)**	(293)
Profit on disposals	**99**	(932)
Impairment	**(2,521)**	
Depreciation of property, plant and equipment and right-of-use assets	**(16,450)**	(7,096)
Profit on share of joint venture	**—**	10
Operating profit before exceptional items	**(15,851)**	14,974
Exceptional items – other	**—**	(2,391)
Operating profit	**(15,851)**	12,583

Costs of sales – Costs of sales in the financial summary are determined by management as consisting of the direct bar, food, vending, amusements and gaming machine related costs. Statutory costs of sales reflected in the statement of comprehensive income also include the staff costs but excludes security and machine licence costs incurred by the centres.

Reconciliation of costs of sales	**52 weeks to 27 December 2020 £000**	52 weeks to 29 December 2019 £000
Costs of sales per the financial review	**(4,854)**	(10,387)
Centre labour costs	**(9,519)**	(15,173)
Machine licence and security costs in administrative expenses	**278**	630
Costs of sales per the statement of comprehensive income	**(14,095)**	(24,930)

Adjusted underlying profit after tax – this consists of the profit after tax adjusted for exceptional items, profit or loss on disposal of assets, amortisation of acquisition intangibles and impairment provisions. The reconciliation of this number to profit after tax is included under Note 12.

Exceptional costs – exceptional items are those significant items which management considers to be one-off and non-recurring. The separate reporting of these per Note 9 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 centres over a comparable trading period. The reconciliation of this % to the total sales (decline)/growth is reflected on page 12.

Return on Capital Employed ('ROCE') – this is operating profit as a percentage of total capital employed which consists of non-current assets and current assets less current liabilities.

Bank net debt – this is made up of bank borrowings less cash and cash equivalents.

7 Staff costs and numbers

Staff costs – Group	**52 weeks to 27 December 2020 £000**	52 weeks to 29 December 2019 £000
Wages and salaries	**11,829**	17,553
Social security costs	**1,088**	1,154
Other pension costs	**170**	180
Share-based payments	**(25)**	116
	13,062	19,003

Staff costs included within costs of sales are £9.0m (2019: £14.6m). The balance of staff costs is recorded within administrative expenses. The staff costs are net of CJRS which amount to £5.2m. Details of Directors' remuneration are set out in the Directors' 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 52-week period ended 27 December 2020 received remuneration of £267,323 (2019: £348,633). The 2017 LTIP scheme vested in 2020 and 96,970 awards were exercised at a market value of £133,819. All key management positions are held by Executive Directors of Ten Entertainment Group plc and, accordingly, no further disclosure of key management remuneration is deemed necessary.

The average monthly number of persons employed (including Executive Directors) during the period, analysed by category, was as follows:

Staff numbers – Group	**52 weeks to 27 December 2020 Number**	52 weeks to 29 December 2019 Number
Centre staff	**931**	978
Administration	**45**	56
Unit management	**150**	153
	1,126	1,187

Staff costs – Company	**52 weeks to 27 December 2020 £000**	52 weeks to 29 December 2019 £000
Wages and salaries	**1,144**	1,125
Social security costs	**123**	96
Other pension costs	**11**	13
Share-based payments	**(25)**	116
	1,253	1,350
Staff numbers – Company	**Number**	Number
Administration (including Executive Directors)	**6**	9

8 Finance costs

	52 weeks to 27 December 2020 £000	52 weeks to 29 December 2019 £000
Interest on bank loans and overdrafts	**330**	277
Amortisation of debt issuance costs	**49**	56
Lease interest	**5,393**	282
Notional interest on unwinding of discount on provisions	**—**	7
Other	**43**	166
Finance costs	**5,815**	788

9 (Loss)/profit before taxation

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

	52 weeks to 27 December 2020 £000	52 weeks to 29 December 2019 £000
Staff costs (Note 7)	**13,062**	19,003
Consumables charged to cost of sales	**754**	1,770
Depreciation of property, plant and equipment (Note 16)	**5,498**	7,096
Depreciation of right-of-use assets (Note 17)	**10,965**	—
Amortisation of software (Note 9)	**171**	283
Amortisation of fair valued intangibles on acquisition (Note 13)	**101**	245
(Profit)/loss on disposal of assets	**(99)**	932
Profit on share of joint venture	**—**	(10)
Impairment	**2,521**	—
Government grants received (excluding CJRS)	**(148)**	—
CJRS grants received	**(5,205)**	—
Operating lease rentals (receivable)/payable – property	**(10)**	11,932
Share-based payments	**(25)**	116
Repairs on property, plant and equipment	**2,436**	1,943
Exceptional items		
Provision for updated HMRC guidance	**—**	822
Redundancy and restructuring costs	**—**	643
Costs relating to acquisitions and one-off lease charges	**—**	926
Total exceptional costs	**—**	2,391
Auditors' remuneration		
Fees payable to Company's auditors for the Company and Consolidated financial statements	**40**	53
Audit of Company's subsidiaries	**95**	70
Audit-related assurance services	**35**	39
	170	162

10 Results attributable to Ten Entertainment Group plc

The financial statements of the Company, Ten Entertainment Group plc, were approved by the Board of Directors on 29 March 2021. The result for the financial year dealt with in the financial statements of Ten Entertainment Group plc was a profit of £5.3m (2019: profit of £5.4m). As permitted by Section 408 of the Companies Act 2006, no separate statement of comprehensive income is presented in respect of the Company.

11 Taxation

Recognised in the consolidated statement of comprehensive income:

	52 weeks to 27 December 2020 £000	52 weeks to 29 December 2019 £000
Current tax		
Current tax on (loss)/profit for the period	**—**	2,678
Adjustment in respect of prior years	**(2,494)**	126
Deferred tax		
Origination and reversal of temporary differences	**(1,384)**	(92)
Adjustment in respect of prior years	**(41)**	46
Tax (credit)/charge in statement of comprehensive income	**(3,919)**	2,758

The tax on the Group's (loss)/profit before tax differs (2019: differs) from the theoretical amount that would arise using the standard rate of tax in the UK of 19% (2019: 19%). The differences are explained below:

	52 weeks to 27 December 2020 £000	52 weeks to 29 December 2019 £000
(Loss)/profit before taxation	**(21,666)**	11,795
Tax using the UK corporation tax rate of 19% (2019: 19%)	**(4,118)**	2,241
Expenses not deductible	**(372)**	509
Adjustment in respect of prior years	**(2,535)**	172
Allowable depreciation on leases	—	(414)
Permanent differences	**605**	250
Loss carry back	**2,501**	—
Tax (credit)/charge	**(3,919)**	2,758

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax expense for the period by £1.2m, to increase the deferred tax asset by £1.0m.

12 Earnings per share

Basic earnings per share for each period is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. The total shares in issue at the end of the 52-week period were 68,346,970.

The Company has 103,673 potentially issuable shares (2019: 179,451), all of which relate to share options issued to Directors of the Company. Diluted earnings per share amounts are calculated by dividing profit for the year and total comprehensive income attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year together with the dilutive number of ordinary shares.

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

Basic and diluted	**52 weeks to 27 December 2020 £000**	52 weeks to 29 December 2019 £000
(Loss)/profit after tax	**(17,747)**	9,037
Basic weighted average number of shares in issue	**67,471,461**	65,000,000
Adjustment for share awards	**103,673**	179,451
Diluted weighted average number of shares in issue	**67,575,134**	65,179,451
Basic (loss)/earnings per share (pence)	**(26.30)p**	13.90p
Diluted (loss)/earnings per share (pence)*	**(26.30)p**	13.87p

Below is the calculation of the adjusted earnings per share:

Adjusted (loss)/earnings per share	**52 weeks to 27 December 2020 £000**	52 weeks to 29 December 2019 £000
(Loss)/profit after tax	**(17,747)**	9,037
Amortisation of fair valued items on acquisition	**142**	293
(Profit)/Loss on disposals	**(99)**	932
Profit on share of joint venture	**—**	(10)
Impairment	**2,521**	—
Exceptional costs	**—**	2,391
Tax impact on above adjustments	**(456)**	(78)
Adjusted underlying (loss)/profit after tax	**(15,639)**	12,565
Adjusted (loss)/profit after tax	**(15,139)**	12,565
Weighted average number of shares in issue	**67,471,461**	65,000,000
Adjusted basic (loss)/earnings per share	**(23.18)p**	19.33p
Adjusted diluted (loss)/earnings per share*	**(23.18)p**	19.27p

* The diluted EPS is the same as the basic EPS as the adjustment for the share awards would be anti-dilutive so has been excluded.

13 Goodwill and intangible assets

Group	Fair valued intangibles on acquisition £000	Goodwill £000	Software £000	Total £000
Cost				
At 1 January 2018	2,938	28,045	1,010	31,993
Additions	—	1,305	212	1,517
At 29 December 2019	2,938	29,350	1,222	33,510
Additions	—	—	119	119
Adjustment on initial application of IFRS 16	—	—	(40)	(40)
At 27 December 2020	**2,938**	**29,350**	**1,301**	**33,589**
Accumulated amortisation and impairment losses				
At 1 January 2018	2,331	—	648	2,979
Charge for the period – amortisation	245	—	283	528
At 29 December 2019	2,576	—	931	3,507
Charge for the period – amortisation	101	—	171	272
Adjustment on initial application of IFRS 16	—	—	(16)	(16)
At 27 December 2020	**2,677**	**—**	**1,086**	**3,763**
Net book value				
At 27 December 2020	**261**	**29,350**	**215**	**29,826**
At 29 December 2019	362	29,350	291	30,003
At 30 December 2018	607	28,045	362	29,014

Impairment testing is carried out at the cash-generating unit ('CGU') level on an annual basis. A CGU is the smallest dentifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each individual centre is considered to be a CGU. However, for the purposes of testing goodwill for impairment, it is acceptable under IAS 36 to group CGUs, in order to reflect the level at which goodwill is monitored by management. The whole Group is considered to be one group of CGUs, for the purposes of goodwill impairment testing, on the basis of the level at which goodwill is monitored by management and historical allocation of goodwill upon acquisition. The overall process for testing impairment follows the same methodology as detailed in Note 12 for property, plant and equipment. As part of the business combination accounting for the acquisition of Essenden Limited in 2015, the fair value of customer lists, rebate contracts and the Tenpin Limited website was recognised and have been fully amortised over the period for which the benefits were expected to be recognised. The remaining value is for the lease acquired at the Worcester centre which was significantly below market value and was fair valued and accounted for on acquisition in 2016 and is being amortised until the end of the lease. The amortisation charged on the above intangible assets is included in other administrative expenses in the statement of comprehensive income. Bank borrowings are secured on property, plant and equipment for the value of £25.0m (2019: £25.0m).

14 Investments in joint venture

Group and Company	£000
At 1 January 2018	
Acquisitions and disposals	310
At 29 December 2019	310
Share of post-tax profit in new venture	—
At 27 December 2020	**310**

Company	Country of incorporation	Ownership interest %	Principal activity
Houdini's Escape Room Experience Limited (Registered address: 11 Stares Close, Gosport, Hampshire, England, PO13 9RZ)	UK	50%	Leisure

In December 2019, the Company entered into a Share Purchase Agreement and acquired 50% of the share capital of Houdini's Escape Rooms Experience Limited for £0.3m. The Company also entered into a joint venture agreement to determine the arrangements around the selection of Directors, dividend policy, premises use, provision of services, put and call option arrangements and deadlock procedures. Tenpin Limited and Houdini's also entered into a £2.5m loan facility agreement whereby Houdini's can borrow money from Tenpin Limited over a three-year period to fund the building of Escape Rooms on their premises. £0.2m has been borrowed as at 27 December 2020. The loans will incur a market

rate of interest and have been secured by a Debenture Agreement that the two parties entered into. As the purpose of the joint venture is to fund and build Escape Rooms there is a restriction in the agreement around the payment of dividends by Houdini's. Houdini's has a financial year ending 31 July and once its financial statements have been finalised and submitted the Group will look at changing the date to be that of the Group. Due to the Covid-19 pandemic, Houdini's has been closed for a significant portion of the year and no profit has been generated of which a 50% share would be added to the investment value. The business has not impaired the investment in Houdini's as it believes the impact of the pandemic on the joint venture is short term, and it will return to a profitable position once trade returns to normal.

Prior to the above agreements, in 2019 Houdini's built and operated Escape Rooms at three of Tenpin's centres which were covered by a revenue share agreement between the parties. Going forward after entering into the joint venture arrangement, Tenpin will charge Houdini's an operating licence fee instead. Further rooms are under construction at other centres but due to the Covid-19 pandemic, the rollout has been delayed.

15 Investments

Company	Subsidiaries' shares £000
At 1 January 2019	38,915
Acquisitions and disposals	—
At 29 December 2019	38,915
Acquisitions and disposals	—
At 27 December 2020	**38,915**

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

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

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

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

Tenpin Five Limited and Tenpin One Limited are claiming exemption from the audit and the preparation of financial statements in accordance with Section 476A of the Companies Act 2006. A parent guarantee will be issued for the liabilities of these companies which only consist of intercompany loans with the parent company and thus the guarantee is not expected to be called upon.

16 Property, plant and equipment

Group	Fixed furnishings £000	Amusement machines £000	Fixtures, fittings and equipment £000	Total £000
Cost				
At 1 January 2019	11,691	9,461	33,901	55,053
Additions	—	3,624	9,951	13,575
Acquisition of new centres	—	—	111	111
Disposals	—	(1,514)	(943)	(2,457)
At 29 December 2019	11,691	11,571	43,020	66,282
Adjustment on initial application of IFRS 16	—	(10,217)	(469)	(10,686)
Additions	—	47	6,548	6,595
Disposals	(323)	—	—	(323)
At 27 December 2020	**11,368**	**1,401**	**49,099**	**61,868**
Accumulated depreciation and impairment				
At 1 January 2019	1,928	4,391	7,017	13,336
Charge for the period	1,023	2,177	3,896	7,096
Disposals – depreciation	—	(1,164)	(234)	(1,398)
At 29 December 2019	2,951	5,404	10,679	19,034
Adjustment on initial application of IFRS 16	—	(4,378)	(22)	(4,400)
Charge for the period	1,022	133	4,343	5,498
Impairment charge	—	—	450	450
Disposals – depreciation	(167)	—	—	(167)
At 27 December 2020	**3,806**	**1,159**	**15,450**	**20,415**
Net book value				
At 27 December 2020	**7,562**	**242**	**33,649**	**41,453**
At 29 December 2019	8,740	6,167	32,341	47,248
At 30 December 2018	9,763	5,070	26,884	41,717

Property, plant and equipment and right-of-use assets are reviewed for impairment on an annual basis. The recoverable amount of each CGU (each of the 46 (2019: 45) centres open as at the period end has been treated as a CGU) and has been calculated as the higher of its value in use and its fair value less cost to sell. The calculation of value in use is based on pre-tax cash flow projections from the financial forecasts approved by the Board covering a one-year period and which accounts for the impact of Covid-19 with year two and three expected to have returned to 2019 pre-Covid-19 levels. Cash flows beyond this three-year period are extrapolated over the life of the lease relating to that centre.

The key assumptions of the value in use calculation are:

	27 December 2020	29 December 2019
Period on which management-approved forecasts are based	**3 years**	3 years
Growth rate applied beyond approved forecast period	**2%**	2%
Speed of recovery to pre-Covid-19 levels	**Year 2**	N/A
Pre-tax discount rate	**10.78%**	13.0%

The pre-tax discount rate applied to the cash flow projections approximates the Group's weighted average cost of capital ('WACC'), adjusted only to reflect the way in which the market would assess the specific risks associated with the estimated cash flows of the bowling businesses and to exclude any risks that are not relevant to estimated cash flows of the bowling businesses, or for which they have already been adjusted. This pre-tax discount rate has been benchmarked against the discount rates applied by other companies in the leisure sector. The pre-tax discount rate has reduced in this financial year due to the adoption of IFRS 16. The target Debt:Equity ratio used in the WACC calculation now accounts for IFRS 16 and so there has been a significant increase in the debt side of the ratio as well as an increase in the value of the beta which increased the cost of equity element. As debt has a lower cost than equity, the calculation has led to a lower discount rate. The pre-tax cash flows have also increased as there is no longer a rental cost, but the value of the assets has increased due to the accounting for the right-of-use assets. The impact of the Covid-19 pandemic has been factored into the calculations of the cash flows at the year end which is why there has been further impairment raised when this has been retested at the period end. Impairment on transition has been explained under "Leases" in the statement of accounting policies. The impairment recognised at the year end as been apportioned between right-of-use assets and property, plant and equipment based on the total values of these categories. The approach used to test for impairment on the adoption of IFRS 16 is disclosed under "Leases" in the statement of accounting policies.

Due to the uncertainty brought about by Covid-19,the budgets which underly the calculations have been compiled on a Group basis, with gross margin, staff cost, property cost and other operating profit assumptions being based on past performance and known factors which are expected by management to affect future performance, to reflect the operating circumstances and risks relevant to each part of the business. This has been allocated on a centre basis based on the actual 2019 trading performance and also includes an allocation of central overheads which are allocated across the centres based on turnover.

The key assumptions to which the calculation is sensitive remain the future trading performance, the growth rate that is expected of each centre, the pre-tax discount rate and speed of recovery. If the discount rate applied in the calculations is increased by 1%, the impairment charge increases by £3.5m (2019: £0.04m). If the growth rate applied is changed to 1% then impairment increases by £5.3m (2019: £0.05m). If the speed of recovery is slower and the year two trade levels mirror year one then impairment increases by £10.3m. The business has been prudent in its forecasting of its short-term profitability due to the impact of Covid-19.

For the calculation of fair value less cost to sell, management has assumed that each Tenpin Limited business could be sold for a multiple of 5x EBITDA (2019: 5x EBITDA).

The depreciation and impairment charges are recognised in administrative expenses in the statement of comprehensive income. Bank borrowings are secured on property, plant and equipment for the value of £25.0m (2019: £25.0m).

17 Right-of-use assets

Group	Property £000	Amusement machines and other £000	Total £000
Cost			
At transition on 30 December 2019	164,920	10,727	175,647
Impairment of assets on transition	(16,275)	—	(16,275)
Lease additions	—	444	444
Disposals	—	(348)	(348)
Modification of leases	14,869		14,869
Lease surrenders	—	—	—
At 27 December 2020	**163,514**	**10,823**	**174,337**
Accumulated depreciation and impairment			
At transition on 30 December 2019	—	4,416	4,416
Charge for the period	8,648	2,317	10,965
Impairment charge	2,072	—	2,072
Disposals – depreciation	—	(261)	(261)
At 27 December 2020	**10,720**	**6,472**	**17,192**
Net book value			
At 27 December 2020	**152,794**	**4,351**	**157,145**
At 29 December 2019	—	—	—

18 Cash generated from operations

	Group		Company	
Cash flows from operating activities	**52 weeks to 27 December 2020 £000**	52 weeks to 29 December 2019 £000	**52 weeks to 27 December 2020 £000**	52 weeks to 29 December 2019 £000
(Loss)/profit for the period	**(17,747)**	9,037	**(2,126)**	(1,990)
Adjustments for:				
Tax	**(3,919)**	2,758	**—**	—
Finance costs	**5,815**	788	**—**	—
Profit on share of joint venture	**—**	(10)	**—**	(10)
Non-cash one-off costs	**—**	800	**—**	—
Non-cash share-based payments charge	**(25)**	116	**(25)**	116
(Profit)/loss on disposal of assets	**(125)**	921	**—**	—
Amortisation of intangible assets	**272**	528	**—**	—
Depreciation of property, plant and equipment	**5,498**	7,096	**—**	—
Depreciation of right to use assets	**10,965**	—	**—**	—
Impairment	**2,521**	—	**—**	—
Changes in working capital:				
Decrease in inventories	**789**	208	**—**	—
Decrease/(increase) in trade and other receivables	**3,257**	(622)	**2,350**	(2,383)
(Decrease)/increase in trade and other payables	**(2,821)**	1,938	**(5,557)**	2,163
Increase in provisions	**—**	359	**—**	—
Cash generated from/(used in) operations	**4,480**	23,917	**(5,358)**	(2,104)

19 Bank borrowings and lease liabilities

	Group		Company	
Current liabilities	**27 December 2020 £000**	29 December 2019 £000	**27 December 2020 £000**	29 December 2019 £000
Bank loans	**20,000**	6,250	**—**	—
Leases – Machines/other	**3,201**	3,118	**—**	—
Leases – Properties	**10,922**	—	**—**	—
Capitalised financing costs	**(92)**	(141)	**(6)**	(9)
	34,031	9,227	**(6)**	(9)

In September 2019, the Group entered into a £25.0m facility with the Royal Bank of Scotland plc ('RBS'). This facility consists of a committed £25.0m facility split into a £23.0m revolving credit facility and a £2.0m overdraft facility. All loans carry interest at LIBOR plus a margin of 1.40%.

	Group		**Company**	
Non-current liabilities	**27 December 2020 £000**	29 December 2019 £000	**27 December 2020 £000**	29 December 2019 £000
Leases – Machines/other	**3,744**	4,991	**—**	—
Leases – Property	**167,280**	—	**—**	—
	171,024	4,991	**—**	—

Bank borrowings are repayable as follows:

Bank loans	Group		Company	
	27 December 2020 £000	29 December 2019 £000	**27 December 2020 £000**	29 December 2019 £000
Within one year	**20,000**	6,250	**—**	—
	20,000	6,250	**—**	—

The drawdown under the revolving credit facility ('RCF') has been included as payable within one year on the basis that the business draws down and repays under the RCF on a regular basis.

Available borrowings are as follows:

Group	Currency	Interest rates	Maturity	Total available £000	Total drawn £000
Revolving credit facility	GBP	LIBOR + 1.40%	Sept 2022	23,000	20,000
Bank overdraft	GBP	LIBOR + 1.40%	Annually	2,000	—
Total borrowings				25,000	20,000

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

Net	Property leases		Machines and other leases		Total	
	27 December 2020 £000	29 December 2019 £000	**27 December 2020 £000**	29 December 2019 £000	**27 December 2020 £000**	29 December 2019 £000
Within one year	**10,922**	3	**3,201**	3,115	**14,123**	3,118
Between one and two years	**6,168**	3	**2,667**	2,323	**8,835**	2,326
Between two and five years	**20,971**	12	**1,077**	2,389	**22,048**	2,401
After five years	**140,140**	264	**—**	—	**140,140**	264
	178,201	282	**6,945**	7,827	**185,146**	8,109

Gross	Property leases		Machines and other leases		Total	
	27 December 2020 £000	29 December 2019 £000	**27 December 2020 £000**	29 December 2019 £000	**27 December 2020 £000**	29 December 2019 £000
Within one year	**17,522**	23	**3,402**	3,242	**20,924**	3,265
Between one and two years	**12,348**	23	**2,768**	2,385	**15,116**	2,408
Between two and five years	**38,039**	68	**1,111**	2,407	**39,150**	2,475
After five years	**180,932**	540	**—**	—	**180,932**	540
	248,841	654	**7,281**	8,034	**256,122**	8,688
Future finance charges on leases	**(70,640)**	(372)	**(336)**	(207)	**(70,976)**	(579)
Present value of lease liabilities	**178,201**	282	**6,945**	7,827	**185,146**	8,109

Leases are in place for all 46 centres (2019: one) at a value of £178.2m (2019: £0.3m), amusement machines from Bandai Namco Europe Limited with a value of £6.4m (2019: £7.3m), Wi-Fi equipment with a value of £0.1m (2019: £0.1m) and coffee machines acquired in 2019 with a value of £0.4m (2019: £0.5m).

Analysis of statutory net debt

Net (debt)/cash as analysed by the Group consists of cash and cash equivalents less bank loans and amounts to (£12.6m) (2019: (£4.1m)). Statutory net debt as analysed below includes leases.

	Cash and cash equivalents £000	Bank loans and overdrafts £000	Net cash excluding notes and leases £000	Leases £000	Statutory net debt £000
Balance at 1 January 2019	5,298	(9,500)	(4,202)	(6,467)	(10,669)
Cash flows	(3,110)	3,250	140	2,709	2,849
Lease acquisition of amusement machines	—	—	—	(4,351)	(4,351)
Balance at 29 December 2019	2,188	(6,250)	(4,062)	(8,109)	(12,171)
Adoption of IFRS 16				(163,846)	(163,846)
Balance at 30 December 2019	2,188	(6,250)	(4,062)	(171,955)	(176,017)
Cash flows	5,206	(13,750)	(8,544)	2,853	(5,691)
Lease modifications in the year	—	—	—	(14,962)	(14,962)
Lease acquisitions	—	—	—	(1,082)	(1,082)
Balance at 27 December 2020	**7,394**	**(20,000)**	**(12,606)**	**(185,146)**	**(197,752)**