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ENTERTAINMENT GROUP PLC

VALUE AND GROWTH

ANNUAL REPORT AND ACCOUNTS 2022

[53 WEEKS TO 1 JANUARY 2023]

WELCOME TO EXCELLENCE IN ENTERTAINMENT

TEN ENTERTAINMENT GROUP PLC OPERATES 49 HIGH-QUALITY SOCIAL ENTERTAINMENT CENTRES THROUGHOUT THE UK

STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

"WE HAVE TAKEN THE CUSTOMER EXPERIENCE ANOTHER STEP FORWARDS. OUR TEAMS HAVE WORKED TIRELESSLY TO DELIVER THIS RECORD PERFORMANCE"

GRAHAM BLACKWELL,
CHIEF EXECUTIVE OFFICER

BREAKING RECORDS

VALUE FOR MONEY DRIVING CONSISTENT GROWTH

- Total sales 50.6% higher than pre-pandemic
- Average price per game lower than in 2019
- Value driving footfall growth of over 40%

STRONG BALANCE SHEET SUPPORTING INVESTMENT

- Over £20m of strategic capital invested
- Two new centres and 11 refurbishments
- Fully repaid bank debt and Covid-19 deferrals

RESPONSIBLE STEWARDSHIP FOR SUSTAINABLE GROWTH

- Pay rise delivered early supporting lowest paid
- Scope 1 and 2 Net Zero commitment by 2030
- Over £2m in bonuses to share success

FOCUSED CUSTOMER PROPOSITION FOR THE FUTURE

- World's first bowling loyalty app
- Pipeline of new UK centres
- Over eight million customers and growing

FINANCIAL HIGHLIGHTS (53 WEEKS TO 1 JANUARY 2023)*

STRONG SALES GROWTH DELIVERS A PROFITABLE YEAR

+39.8%
Like-for-like sales growth versus 2019, the last full year of trading pre Covid-19

+5.5%
Like-for-like sales growth versus 2021 for the 33 weeks post reopening

£39.6M
Group adjusted EBITDA after rental costs, +68.2% vs FY19

£26.1M
Adjusted profit before tax, +84.1% vs FY19

10P PER SHARE
Dividend reinstated for FY22

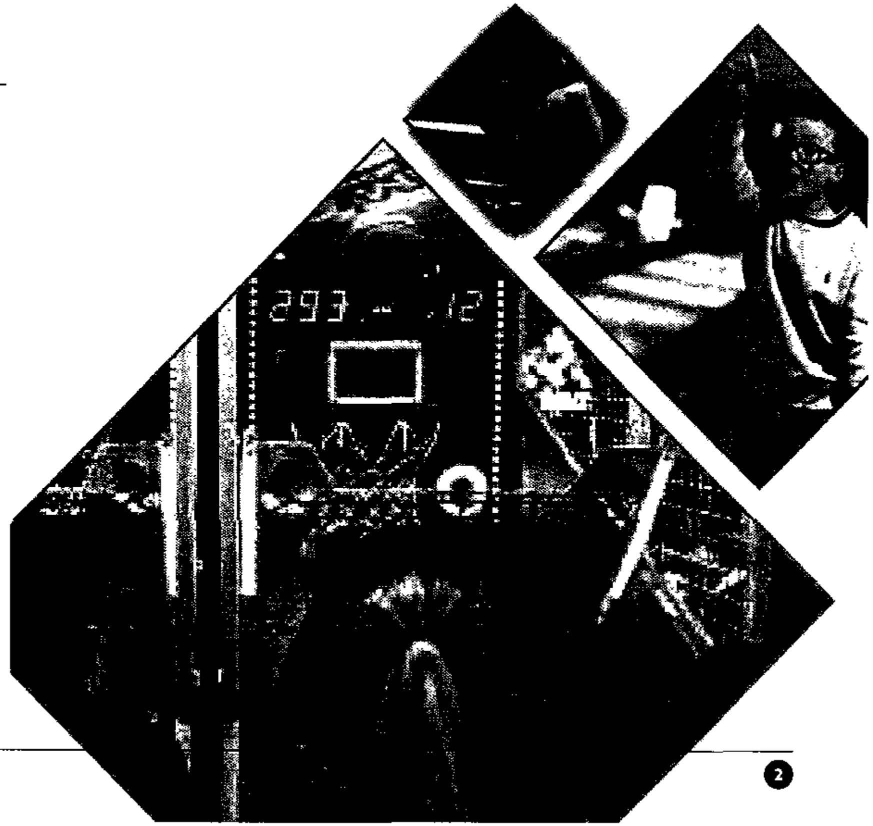
29.3P
Adjusted EPS

SUSTAINED CASH GENERATION

£27.2M
Full year free cash flow

£10.1M
Bank net cash, first time in Group history ending the year with nil bank debt

£20M
of strategic capital investment in six refurbishments, five bowling upgrades and two new centres



* Please see note 2 to the Financial Statements, for the definition of these Alternative Performance Measures (APMs).

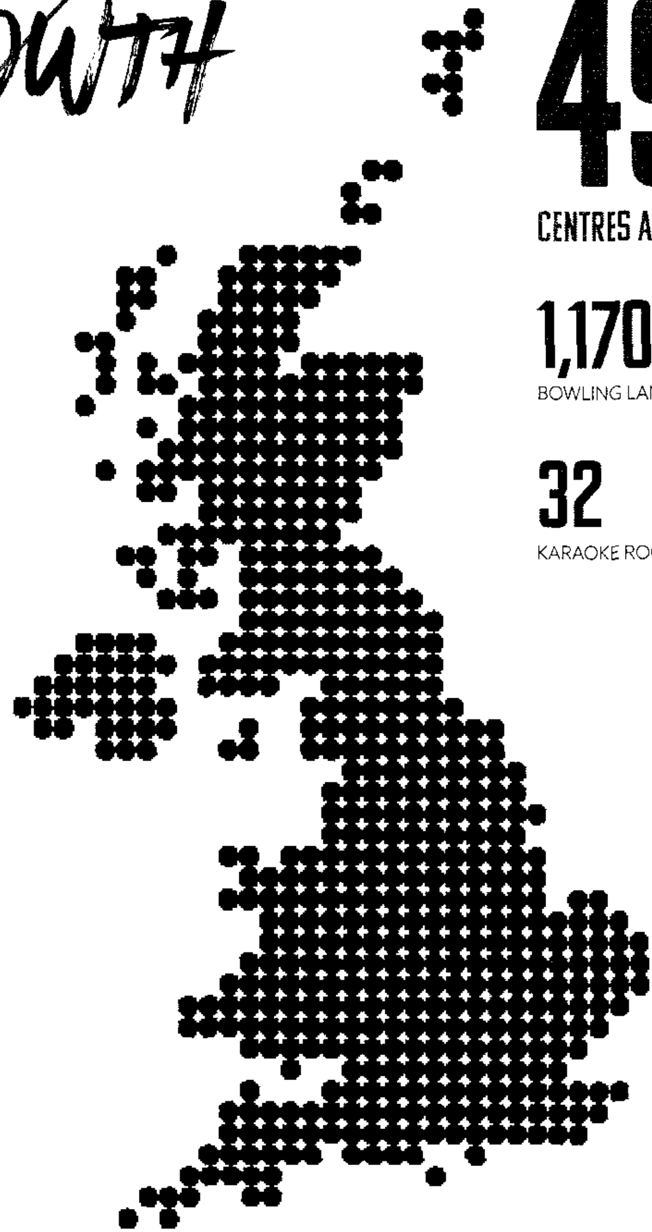
BUILDING GROWTH EVERYWHERE

UNIVERSAL APPEAL
- Value for money
- Fun for all ages
- Entertaining environment

SUCCESSFUL MODEL
- Cash generative with robust balance sheet
- Well invested estate welcomes customers
- High margins reduce impact of inflation

STRONG TRACK RECORD
- Total sales +50.6% vs pre Covid-19
- Group Adj PBT CAGR of 15.0% since 2017
- High-returning investment strategy

SIGNIFICANT OPPORTUNITY
- Room for expansion in UK market
- Favourable property market
- Consumer trend towards experiences



49 CENTRES ACROSS THE UK

1.4M SQFT OF FAMILY ENTERTAINMENT SPACE

1,170 BOWLING LANES

1,700 EMPLOYEES

>1,900 AMUSEMENT MACHINES

373 POOL TABLES

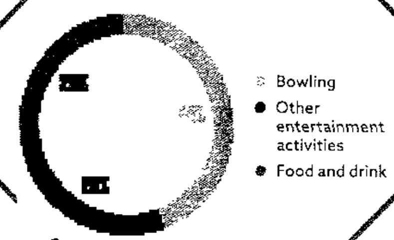
32 KARAOKE ROOMS

32 ESCAPE ROOMS

17 LASER TAG ARENAS

4 SOFT PLAY AREAS

THE GROUP'S REVENUE MIX IN 2022

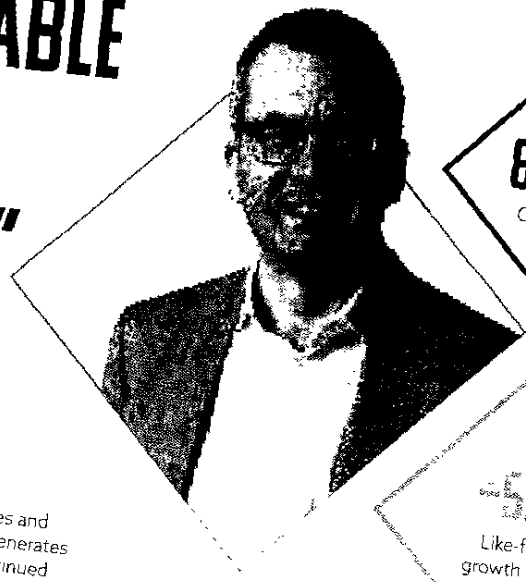


PROGRESS IN ALL AREAS

2022 HAS BEEN A REMARKABLE YEAR OF GROWTH FOR TEN ENTERTAINMENT GROUP, ESTABLISHING A NEW BENCHMARK FOR WHAT WE CAN ACHIEVE.

"A REMARKABLE YEAR OF GROWTH"

ADAM BELLAMY
CHAIRMAN



8 MILLION
Customers in 2022

£10.1M
Cash at year end FY22

5.5%
Like-for-like growth vs FY21

We started this year with optimism, aiming to consolidate and build upon the gains made in 2021, but the outcome this year surpassed even our initial best expectations with a business that is more profitable than ever.

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

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

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

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

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

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

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

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

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

ADAM BELLAMY
CHAIRMAN
21 March 2023

A RECORD-BREAKING YEAR

"OUR TEAMS WORK TIRELESSLY TO DELIVER HIGH-QUALITY SOCIAL ENTERTAINMENT"

GRAHAM BLACKWELL
CHIEF EXECUTIVE OFFICER

VALUE-FOR-MONEY SOCIAL ENTERTAINMENT DRIVING RECORD SALES AND PROFIT DELIVERY

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

CHIEF EXECUTIVE'S STATEMENT AND OPERATING REVIEW CONTINUED

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

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

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

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

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

Another step forward in sales

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

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

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

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

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

A leap forward in profit

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

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

A strong and stable cash position

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

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

First-class customer experience

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

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

CHIEF EXECUTIVE'S STATEMENT AND OPERATING REVIEW CONTINUED

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

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

Digitally enabled

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

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

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

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

In high-quality centres

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

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

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

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

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

An expanding estate

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

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

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

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

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

Sustainable development

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

We formed a Board ESG Committee in 2022 which has helped to bring together the many positive steps being taken across the Group. We have identified that although the Group is a relatively low carbon intensity, with only 1,740g of CO_2 per customer visit, there is still much we can do to reduce our footprint and move to Net Zero on scope 1 & 2 emissions by 2030. The four principal areas of focus in terms of our carbon footprint are our site energy usage; our food and drink supply chain; our waste; and our new building and refurbishment programme.

We continue to focus on energy reduction across our centres. We have now completed the roll out of our modern and efficient pinsetters which has resulted in an 3% reduction in energy usage per site. We are now focusing on low-energy LED lighting throughout our centres. We are planning to utilise the roofs of our centres for micro generation from solar arrays which should provide up to 30% of the energy usage of a site. We plan to install at least six solar arrays during FY23. We have combined these significant actions with a policy to purchase 100% renewable energy supplies.

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

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

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

Outlook

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

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

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

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

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

GRAHAM BLACKWELL
CHIEF EXECUTIVE OFFICER
21 MARCH 2023

A WINNING FORMULA

EXPERIENTIAL LEISURE

- Competitive socialising is a growth sector
- Bowling accessible and enjoyable for all
- Range of activities to increase frequency of visit
- Food and drink tailored to enjoy with games

FAVOURABLE MARKET

- UK market undersaturated with only c.340 centres
- Recently vacated retail space ideal to convert
- Consumers prioritising experiences over purchases
- Exposure to supply chain challenges relatively low

COMPETITIVE ADVANTAGE

- Established social entertainment offering
- Well-invested estate gives best customer experience
- High-margin model helps protect from inflation
- Labour model gives operating efficiencies in growth
- Partnerships with suppliers keep costs low
- Digital reach and engagement strongest in sector

A POSITIVE OUTLOOK

- Nearly two years of growth since reopening
- Relative value for money strengthened in market
- Affordable treats remain a priority for consumers
- Value-for-money creates resilience even in downturn
- Tight cost controls creating profitable growth

HOW WE

Our core bowling proposition is supplemented by a wide range of activities and great value food and drink.

LEVERAGING OUR COMPETITIVE ADVANTAGE...

Our experience is known and trusted in the market with a broad appeal to families, students, work colleagues and groups of friends.

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

Our well-invested estate of 49 centres across the UK offers a wide range of entertainment and a high-quality customer experience.

Strategic partners deliver the experience, including the latest in bowling and gaming technology and a tailored food and drink while you play.

INNOVATION

Technology drives growth through the most modern bowling equipment, latest video games and a fully integrated digital ecosystem.

EXPERIENCE

Bowling is the original competitive social activity and our experienced leadership team know what it takes to entertain our customers.

HOW WE DELIVER GROWTH AND MOMENTUM

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

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

- Strong improvement in profitability since 2019
- Cost efficiencies offsetting the impact of inflation
- Property and central costs down

- Proven model of sales driving investment
- Investment returns >30%
- PBT CAGR of 15% since 2017

THE VALUE WE CREATE FOR STAKEHOLDERS

CUSTOMERS

We offer our customers a broad range of entertainment options at great value, creating a memorable and enjoyable experience every time they visit one of our centres.

SUPPLIERS

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

PEOPLE

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

PARTNERS

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

INVESTORS

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

ENVIRONMENT

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

UNDERPINNED BY:

Our culture and values
See page 12 for more

Robust risk management
See page39 for more

A focus on sustainability
See page 20 for more

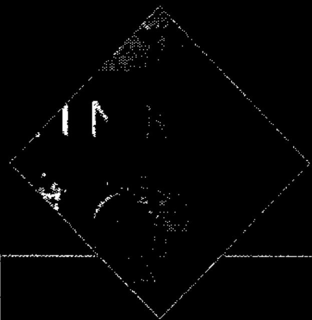
High standards
See page 17 for more

BEST-IN-CLASS

Competitive socialising is at the heart of the experience. Bowling is one of the most established and popular forms of experiential leisure in the UK. Our centres promote a friendly rivalry, which is enjoyable for all generations of families and friends.

- Value for money – average £5.13 per game
- Entertainment for all generations
- Reusable assets
- Fixed cost of sales

bowling % of total revenue



- A range tailored to enjoy while you bowl
- Increasing variety of plant-based options
- Leading value for money
- Sky Sports/BT Sport/Prime available in all centres

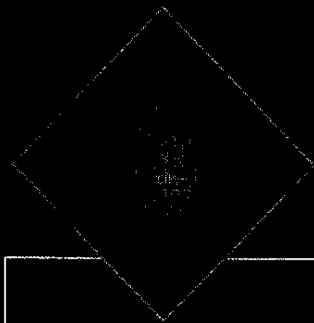
of sales from food and drink

- Boosts spend per head – 25% of revenue
- Increased dwell time
- Impulse purchase
- Strategic partnership
- Blend of traditional and modern arcade games

machines and pool tables

- Destination for 18-30s
- Increased online reach
- 97% laser tag sales growth since 2019
- Drives repeat visits
- Refurbishments deliver +30% ROI

of the estate offers one or both



- Sector-leading gameplay
- Drives supplementary food and bar revenue
- Space efficient in centre
- Broadens appeal
- Increases frequency of visit

Tenpin sites with escape rooms

PLAYING

OUR PURPOSE

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

Our purpose drives and shapes all of our decisions and priorities.

Our purpose drives and shapes all of our decisions and priorities.

We engage with, listen to and value feedback from our customers and teams. We are continually learning to build an amazing experience for all.

We develop and reward our people to focus on results and drive for excellence in entertainment.

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

A first-class customer experience...
see page 13

...digitally enabled...
see page 14

...in high-quality centres...
see page 15

...with increasing UK coverage.
see page 16

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

1. A FIRST-CLASS CUSTOMER EXPERIENCE

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

- Diversification of experience to maximise space – Houdini escape rooms; karaoke; laser tag and more
- Affordable pricing for everyone
- Service-focused employee incentives to drive high performance across all centres
- Simplified menu tailored to be enjoyed while playing

WHY IT IS IMPORTANT

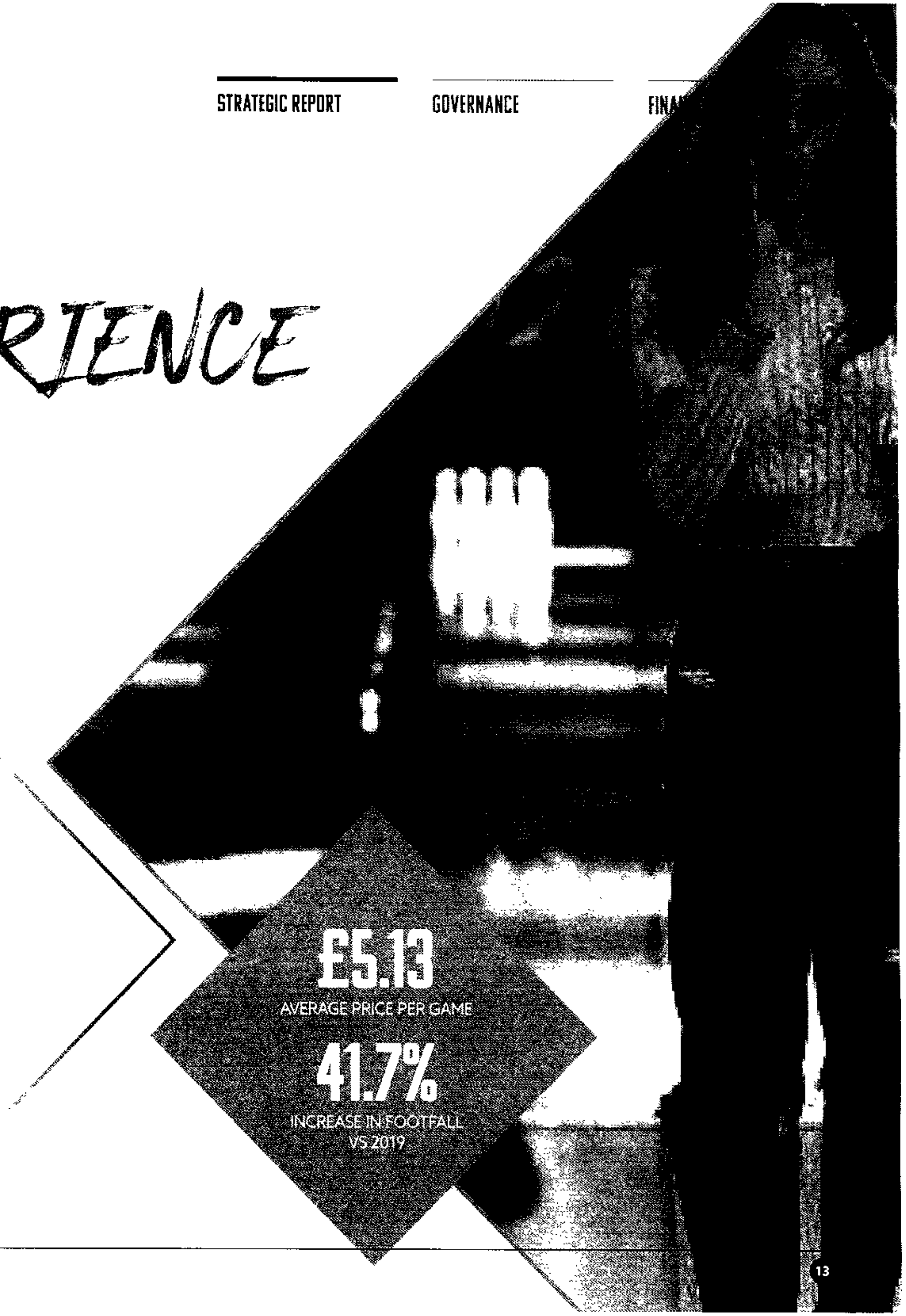
Giving our customers a great value entertainment experience every time:

- Value for money drives loyalty
- Increased revenue per head ('RPH')
- Variety of games drives new customers
- Great service leads to repeat visits
- Entertainment with broad appeal

ACHIEVEMENTS IN THE YEAR

We have added more games and value than ever before:

- 10 new escape rooms
- Bespoke local pricing to suit markets
- Over £2m in bonuses to reward success
- Held bowling prices at 2019 levels
- Doubled revenue from ancillary offerings



2. DIGITALLY ENABLED

OUR INVESTMENT HAS BEEN TARGETED TO IMPROVE DIGITAL CAPABILITIES:

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

WHY IT IS IMPORTANT

Connecting our customers digitally increases their loyalty and frequency:

- Generate growth from new customers
- More engagement with customers
- Drive additional experiences online
- Reward loyalty to encourage return visits
- Targeted offers relevant to customers

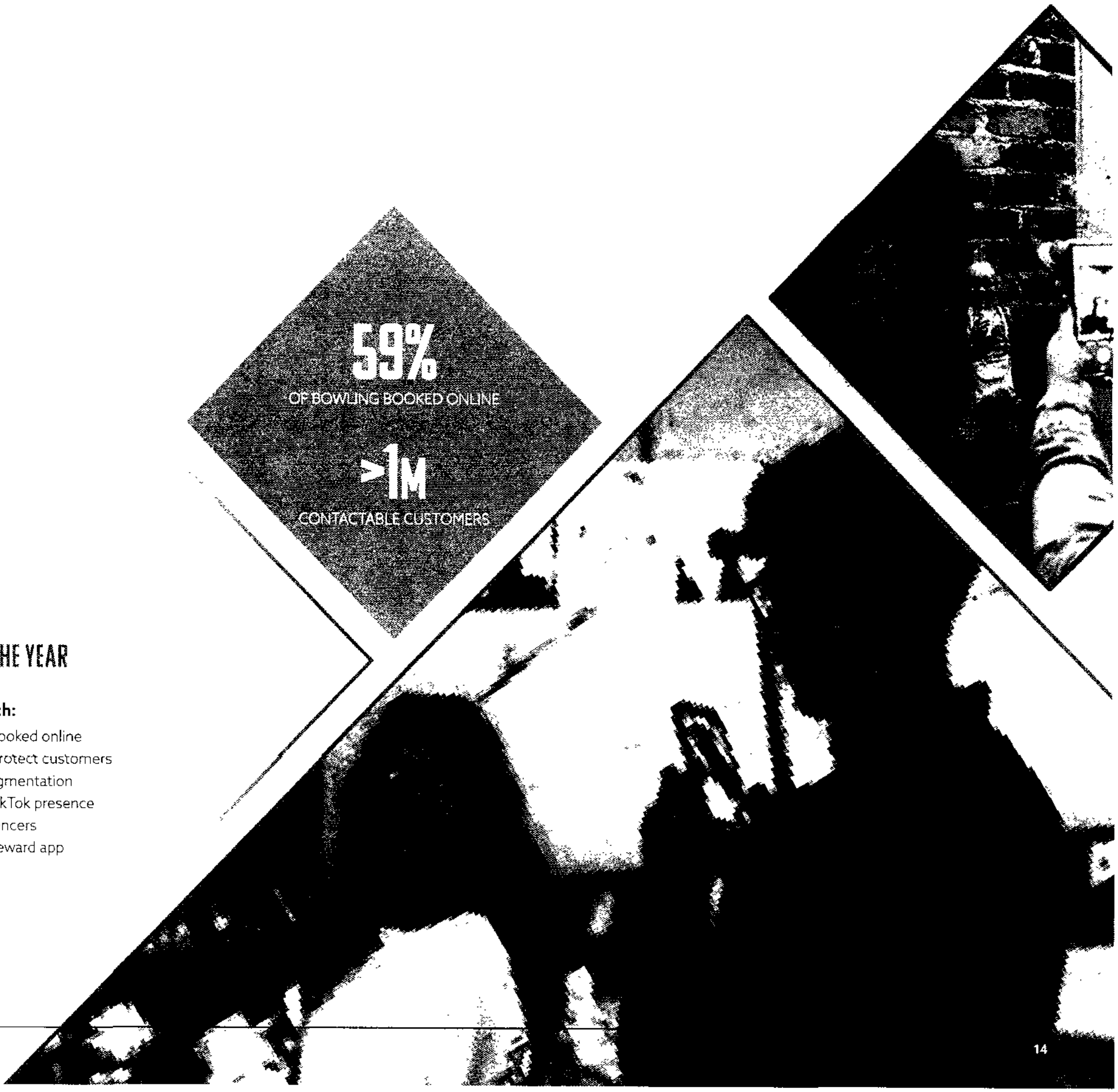
ACHIEVEMENTS IN THE YEAR

We have delivered customer benefits with:

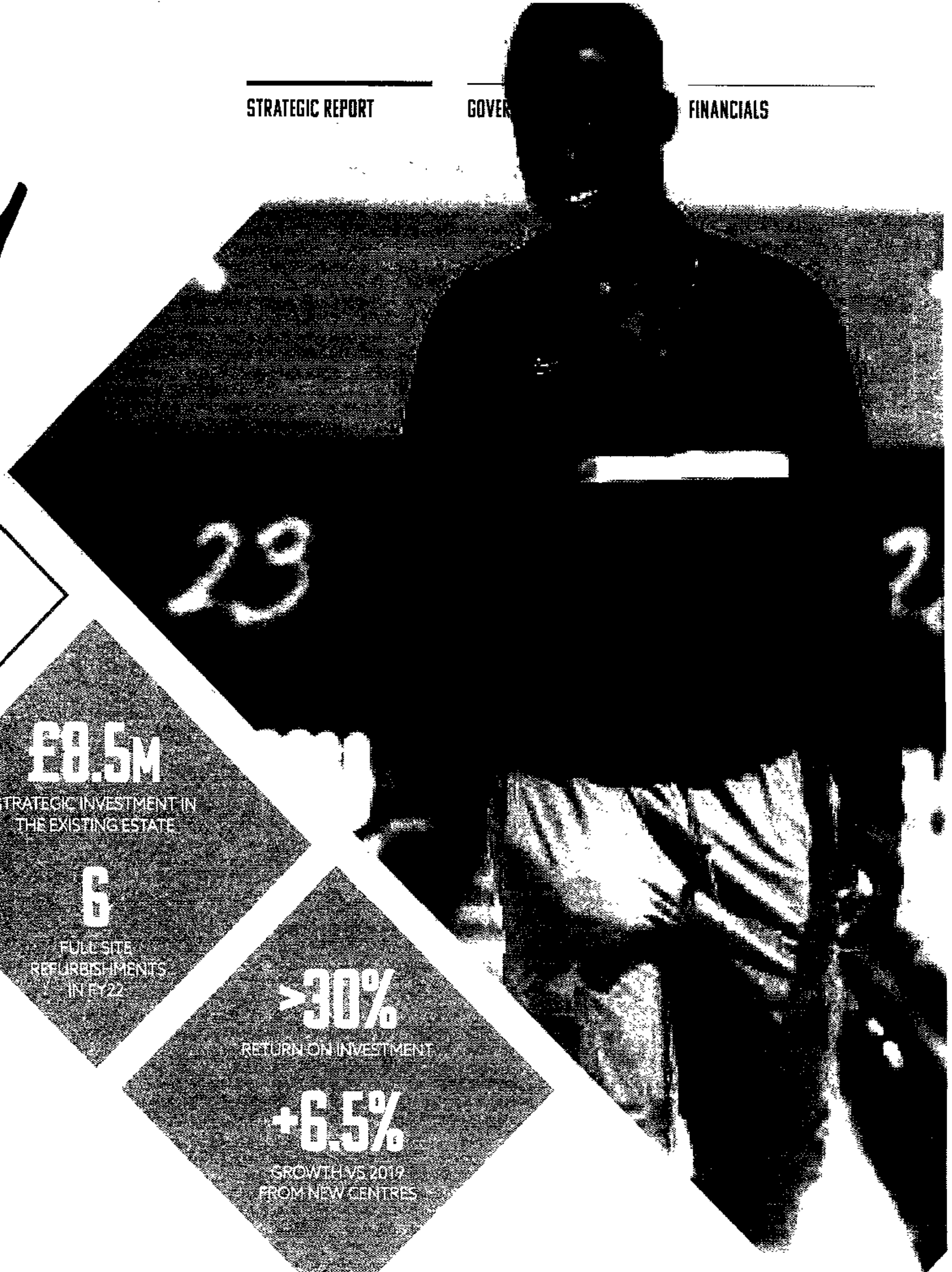
- 59% of bowling sales booked online
- Enhanced security to protect customers
- Enhanced database segmentation
- Continued growth in TikTok presence
- Expanding use of influencers
- Launched loyalty and reward app

59%
OF BOWLING BOOKED ONLINE

>1M
CONTACTABLE CUSTOMERS



3. IN HIGH-QUALITY CENTRES



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

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

£8.5M
STRATEGIC INVESTMENT IN THE EXISTING ESTATE

6
FULL SITE REFURBISHMENTS IN FY22

>30%
RETURN ON INVESTMENT

+6.5%
GROWTH VS 2019 FROM NEW CENTRES

WHY IT IS IMPORTANT

A well-invested estate is a proven way to maintain customer satisfaction:

- Growth in like-for-like sales
- Cost-saving opportunities and efficiencies
- A modern and contemporary environment
- Investment in low-energy solutions
- Competing across leisure and hospitality

ACHIEVEMENTS IN THE YEAR

Continuing to provide a vibrant and modern bowling experience:

- Like-for-like growth vs FY21 of +5.5%
- Sector leading sales growth
- Six major refurbishments
- Five bowling equipment refurbishments
- Scoring system update programme completed

4. WITH INCREASING UK COVERAGE

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

- Acquire bowling centres – driving significant uplifts through implementation of sector-leading processes and experience
- Develop new centres – converting brownfield sites into entertainment centres including selected city centre locations
- Grow the pipeline – identify new opportunities in existing leisure or retail sites

WHY IT IS IMPORTANT

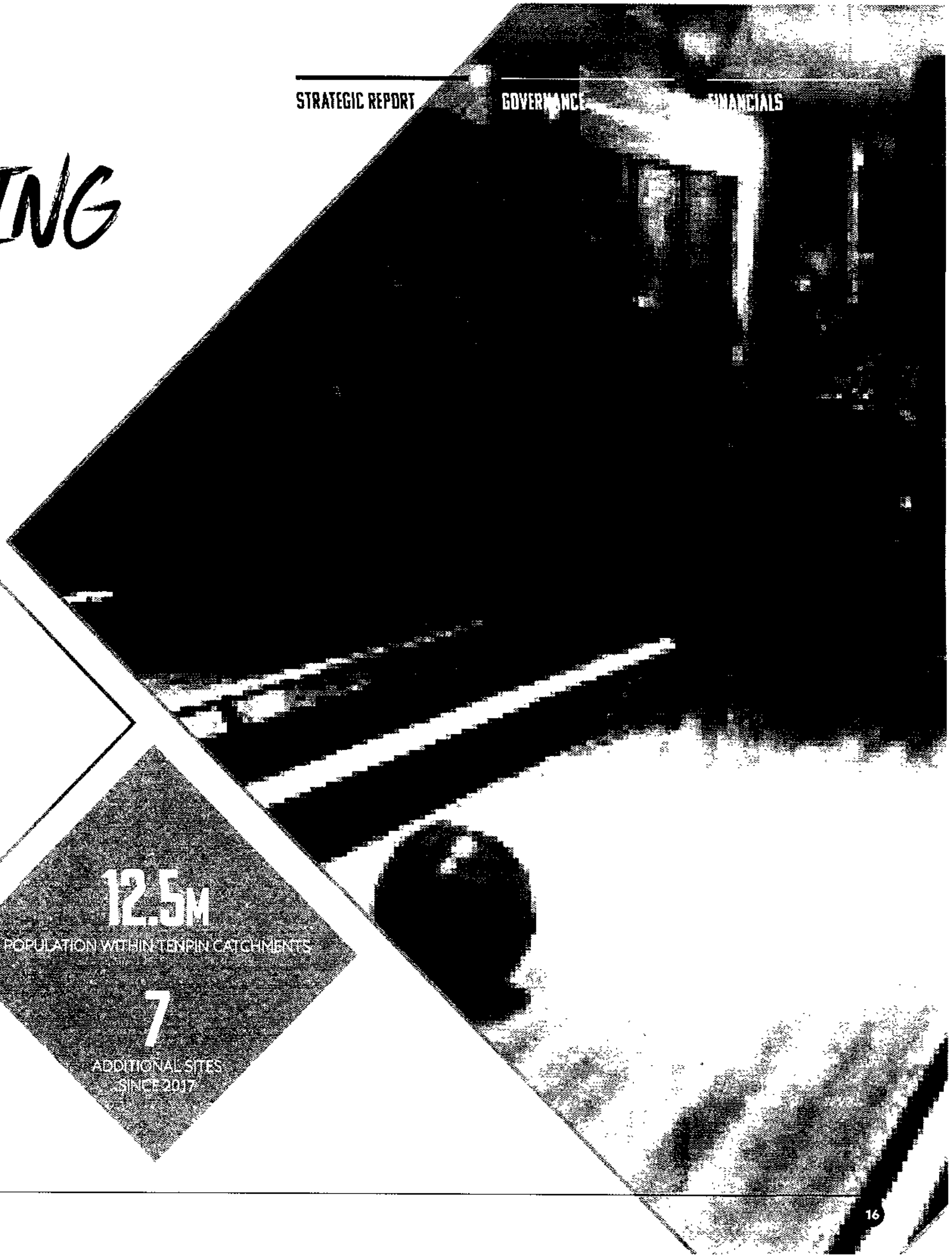
Our winning model still has scope to expand throughout the UK:

- Growth in total sales and profit
- Reaches more customers
- Excellent results from new centres
- Geared for growth
- Optimising new centres for local markets

ACHIEVEMENTS IN THE YEAR

A significantly expanded pipeline with two centres added in 2022:

- A new-build centre in Walsall
- Harlow acquired and refurbished
- New-build Crewe opened in Feb 2023
- Dundee & Milton Keynes in development
- Pipeline continues to grow



12.5M
POPULATION WITHIN TENPIN CATCHMENTS

7
ADDITIONAL SITES SINCE 2017

A NEW GENERATION OF BOWLING CENTRE

THE NEXT GENERATION OF BOWLING CENTRE : WALSALL

In September, the Group opened a revolutionary new bowling concept.

REVITALISING RETAIL SPACE

Walsall is the next generation of social entertainment offering. The site is a 32.5k sq ft, former Mothercare and Peacocks, that has been transformed into far more than just a bowling centre, it's a best-in-class entertainment experience.

LATEST TECHNOLOGY

New style lane seating and booths, complete with LED strip lights, create a 21st century look, while enabling improved energy efficiency. The new lanes give every group privacy from their neighbours and their own individual bowling experience.

SOCIAL ENTERTAINMENT

The centre offers a range of seating and environment, from intimate booths to Instagrammable décor, making it ideal for large social groups or family fun.

MAXIMISING SALES DENSITY

As with all of our recent refurbishments, the centre is designed with an efficient customer journey in mind. We have optimised selling space throughout.

Walsall offers a large arcade, vibrant pool area, two private karaoke rooms, a fully immersive laser tag arena and three exciting escape rooms.

The first six months of trade have exceeded expectations and we are delighted that this is already one of our top 10 sites in terms of sales per square foot, showing the benefit of designing a modern centre from scratch.

Crewe opened in Q1 FY23 and construction is already under way in Milton Keynes and Dundee, both of which will be open in the middle of this year. We expect these sites will deliver the positive reception from customers we have experienced in Walsall.

"PROUD TO BRING TENPIN'S UNIQUE ENTERTAINMENT TO WALSALL"

STUART INGLES
WALSALL GENERAL MANAGER

MEASURING OUR PERFORMANCE

The Group's performance and results during the period can be seen across many metrics and KPIs that are reviewed by the Group to understand our operational and financial performance. Please see note 2 to the Financial Statements for the reconciliation of APMs.

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

GROWTH DRIVERS
A - MORE CUSTOMERS
B - VISITING MORE OFTEN
C - WITH HIGHER SPEND

TOTAL SALES

£126.7M

2022	£126.7m
2021	£67.5m
2020	£36.3m
2019	£84.1m
2018	£76.4m

Definition and how we performed
Total sales is the primary driver of the Group's profitability and long-term value creation. The Group reported total sales growth of –50.6% versus FY19, the last full year of sales pre Covid-19. Consistent growth allows the Group to continue the roll out of new sites and reinvestment in the existing estate through refurbishments.

1 2 3 4 A B C
Target and link to strategy:
Total sales are driven by improving the revenue from our existing estate, through driving repeat customers and development of offering, with the strong revenue from new sites. Our new site in Walsall is in the top 10 sales for the Group, while the acquisition in Harlow has doubled the sales that the previous owners were achieving from the same space. This shows the value created from our proposition.

LIKE-FOR-LIKE SALES GROWTH

+5.5%

2022	5.5%
2021	29.0%
2020	(17.4%)
2019	8.0%
2018	2.7%

Definition and how we performed
This is a critical measure of underlying growth in the business. The Group reported a +5.5% increase in like-for-like sales versus 2021 for the post-reopening period. This is significant as H2 FY21 was a record-breaking period for the Group which has subsequently been beaten. Consistent like-for-like sales growth demonstrates the success of the growth strategy. It allows the Group to defray its fixed costs over a broader sales base which enables growth in profitability.

1 2 3 4 A B C
Target and link to strategy:
Like-for-like sales is driven by investing in new products, growing ancillary sales, improving service, enhancing our digital integration and ensuring that the core bowling product is well invested across all of our centres. Focus on the four pillars of the strategy will generate like-for-like sales growth.

ADJUSTED EPS

29.3P

2022	29.3p
2021	5.9p
2020	(23.2p)
2019	19.3p
2018	16.6p

Definition and how we performed
The Group's basic earnings per share is a reflection of the underlying growth being delivered to shareholders. EPS was at a record level in FY22, highlighting the strong investment case presented by the Group.

1 2 3 4 A B C
Target and link to strategy:
Delivering strong EPS gives investors confidence in the Group's long-term strategy, allowing for the continued investment in new sites and the refurbishment programme.

NUMBER OF CENTRES

48

2022	48
2021	46
2020	46
2019	45
2018	43

Definition and how we performed
Increasing UK coverage is a key measure of the Group's growth strategy. During the Covid-19 closure period, the Group focused on conserving cash but we are now once again focused on estate expansion. Two centres opened in the year, with an expectation of a further four to open in 2023.

1 2 3 A
Target and link to strategy:
By increasing the number of centres in the estate, the Group is able to attract customers in new market segments. New sites are targeted at generating an ROI of >30%, allowing for strong shareholder returns.

BANK NET (DEBT)/CASH

£10.1M

2022	£10.1m
2021	(£2.5m)
2020	(£12.6m)
2019	(£4.1m)
2018	(£4.2m)

Definition and how we performed
The Group's bank net cash is £10.1m (2021: Debt (£2.5m)) an increase of £12.6m. This is the first time the Group has been net cash positive since the IPO. Bank net cash comprises gross bank borrowings of £nil (2021: £14.0m) with cash and cash equivalents of £10.1m (2021: £11.5m). Strong profit performance in FY22 has led to no net debt providing a strong base for investment in 2023.

1 2 3 4 A B C
Target and link to strategy:
Targeting bank net cash between £5m – £10m allows the Group to fund its strategic growth plans, pay dividends to shareholders and manage risk with a liquidity buffer.

MEASURING OUR PERFORMANCE

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

GROWTH DRIVERS
A - MORE CUSTOMERS
B - VISITING MORE OFTEN
C - WITH HIGHER SPEND

EBITDA/CENTRE

£0.83M

Year	EBITDA/centre
2022	**£0.83m**
2021	£0.32m
2020	£0.17m
2019	£0.52m
2018	£0.48m

Definition and how we performed
EBITDA per centre takes the total Group adjusted EBITDA and then adjusts for the total rent cost. This creates a broadly consistent measure with IAS 17 EBITDA (reported from 2017–2020). This allows the Group to track the underlying cash-generating profitability of the estate. The calculation takes into account the number of sites trading at year end. Growing EBITDA per centre at a similar rate to sales shows the steps taken to offset inflationary cost pressures are proving successful.

1 2 3 4 A B C
Target and link to strategy:
We operate large centres that have the space to offer a wide variety of entertainment for our customers. Each centre has a fixed cost base which we work hard to optimise. We tailor the customer offering to ensure that we deliver sales and profit density from each centre in order to continue to deliver strong financial returns.

REVENUE PER HEAD ('RPH')

£15.52

Year	RPH
2022	**£15.52**
2021	£15.10
2020	£13.99
2019	£14.60
2018	£14.76

Definition and how we performed
RPH is the average revenue by customer per visit. This is the total revenue per centre divided by the footfall. RPH has increased by 2.8% since last year and increased by 6.3% compared to pre Covid-19 levels in 2019. This reflects customers' increased spend on food, drink and increased engagement in ancillary activities.

1 2 3 4 C
Target and link to strategy:
Investment in a first-class customer experience is aimed at increasing the dwell time and offering more products to customers to encourage them to spend more. Being digitally enabled enhances the overall customer journey and ease of ordering additional services such as food and beverage whilst maintaining high-quality centres encourages customers to increase their dwell time.

FOOTFALL

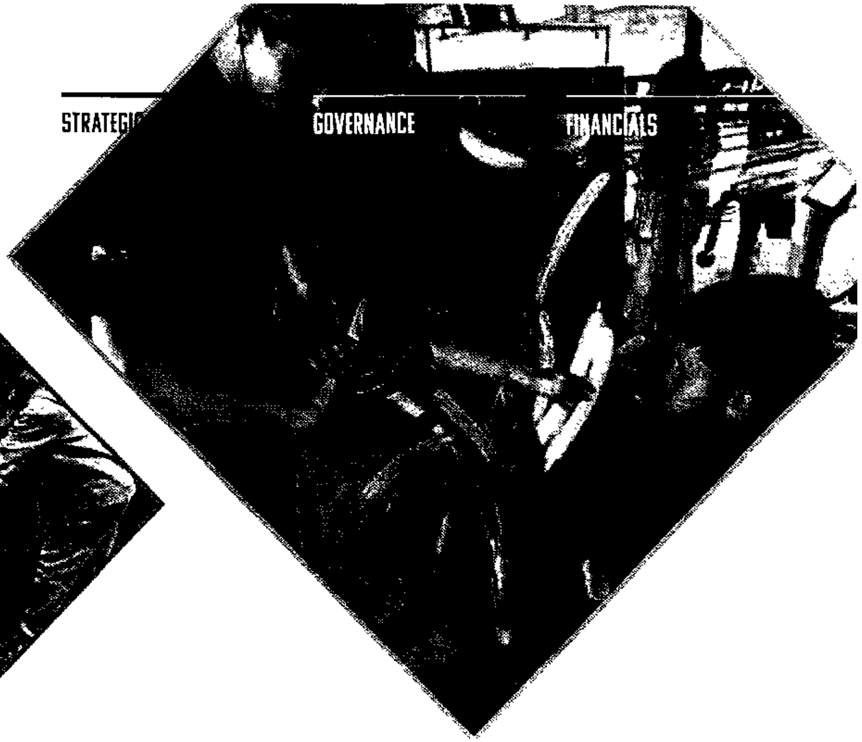
8.2M

Year	Footfall
2022	**8.2m**
2021	4.5m
2020	2.6m
2019	5.8m
2018	5.3m

Definition and how we performed
Footfall is the measure of the number of unique bowling sessions played. This is a crucial measure of overall customer demand and is carefully managed by centre to ensure that bowling capacity and footfall are balanced to optimise revenues. Total footfall was over eight million customers in 2022, over two million more than the previous Group record.

1 2 3 4 A B
Target and link to strategy:
Due to our fixed bowling asset base, driving higher footfall allows us to better utilise our assets, driving revenue. Higher footfall subsequently drives ancillary spend.

STRIKING THE RIGHT BALANCE



OUR APPROACH

The Group is committed to balancing our environmental, social and governance impacts to demonstrate our responsible business approach for all stakeholders.

The Board regularly reviews the Group's ESG performance and sets out in this section our goals and performance during the year.

In FY22 the Board established an ESG Committee chaired by Sangita Shah, an independent Non-Executive Director with considerable experience in the field. The Committee seeks to review and deploy best practice in guiding the Group's Focus and Goals.

OUR FOCUS

1. ENVIRONMENTAL

We have developed our strategy to deliver Net Zero for scopes 1 and 2 emissions by 2030 and our Task Force on Climate Related Financial Disclosures "TCFD" section sets out the strategy for the Group to deal with the key risks identified. Principal focus areas are direct energy usage; food and drink supply chain; waste management; and our building footprint.

2. SOCIAL

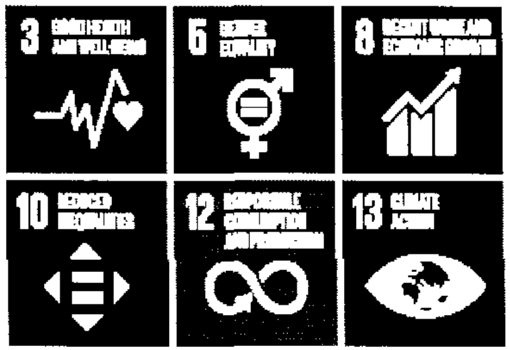
We are committed to taking care of our people, providing safe and fun working environments. We are committed to fair pay and recruitment, embracing diversity and inclusion throughout the Group.

3. GOVERNANCE

Our Board decision making focuses on the long-term needs of our shareholders. We have clear and robust policies in place to meet and exceed our obligations under the Corporate Governance Code and we rigorously review our practices to ensure we treat stakeholders with respect and dignity.

OUR GOALS

We fully endorse the UN Sustainable Development Goals ('SDGs') and use its framework to guide our policy and decision making. We consider the following goals to be where the Group can have most impact and have highlighted in this section where relevant.



1. ENVIRONMENTAL

SECR REQUIREMENTS

SCOPE BREAKDOWN (LOCATION-BASED)

	Previous Year (2021)	Current Year (2022)	Var. %	Previous Year (2021)	Current Year (2022)	Var. %
Scope 1: Operation of Facilities	–	–	–	–	560.5	–
Scope 1: Combustion	1,201,837	2,662,918	121.6%	220.9	489.1	121.4%
Total Scope 1	**1,201,837**	**2,662,918**	**121.6%**	**220.9**	**1,049.6**	**375.1%**
Scope 2: Purchased Energy	10,472,520	16,197,022	54.7%	2,223.6	3,132.2	40.9%
Total Scope 2	**10,472,520**	**16,197,022**	**54.7%**	**2,223.6**	**3,132.2**	**40.9%**
Scope 3: Indirect Energy Use	427,860	722,157	68.8%	102.9	179.6	74.5%
Total Scope 3	**427,860**	**722,157**	**68.8%**	**102.9**	**179.6**	**74.5%**
Total	**12,102,217**	**19,582,097**	**61.8%**	**2,547.4**	**4,361.4**	**71.2%**

GREENHOUSE GAS EMISSIONS INTENSITY RATIOS

	Previous Year (2021)	Current Year (2022)	Year on Year Variance
Number of Centres	46	48	4.3%
Intensity Ratio (tCO_2e/Centre)	55.38	90.86	64.1%

INTENSITY RATIO REVIEW (LOCATION-BASED)

	2020	Previous Year (2021)	Current Year (2022)
Intensity Ratio	44.7	55.38	102.67
Difference	–	10.68	47.29
Variance %	–	23.9%	85.4%

DUAL REPORTING METHODOLOGY

	Location-Based	Market-Based (Supplier Specific)	Var. %
Scope 1: Operation of Facilities	560.5	560.5	0%
Scope 1: Combustion	489.1	489.1	0%
Total Scope 1	**1,049.6**	**1,049.6**	**0%**
Scope 2: Purchased Energy	3,132.2	96.6	(96.9%)
Total Scope 2	**3,132.2**	**96.6**	**(96.9%)**
Scope 3: Indirect Energy Use	179.6	179.6	0%
Total Scope 3	**179.6**	**179.6**	**0%**
Total	**4,361.4**	**1,325.8**	**(69.6%)**

SECR NOTES & EXCLUSIONS

Notes

- Our methodology has been based on the principles of the Greenhouse Gas Protocol, taking account of the 2015 amendment which sets out a 'dual reporting' methodology for the reporting of Scope 2 emissions. In the 'Total Footprint' summary above, purchased electricity is reported on a location-based method.
- We have reported on all the measured emissions sources required in The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, except where stated.
- The period of our report is 27/12/2021-01/01/2023.
- This includes limited emissions under Scope 1 and 2 (gas & fuel used in transport; purchased electricity), except where stated, and limited emissions under Scope 3 (fuel used in personal/hire cars for business purposes).
- Energy use and emissions figures relate to our UK operations (including offshore energy and emissions) only, except where stated.
- Conversion factors for UK electricity (location-based methodology), gas and other emissions are those published by the Department for Environment, Food and Rural Affairs for 2022-23.
- Conversion factors for renewable electricity (market-based methodology) are published at https://energy.drax.com/support/fuel-mix-disclosure/
- F-Gas consumption now included within scope 1 reporting.
- Electricity and Gas has been pro-rated to cover the 27/12/2021-01/01/2023 period to match the financial year.

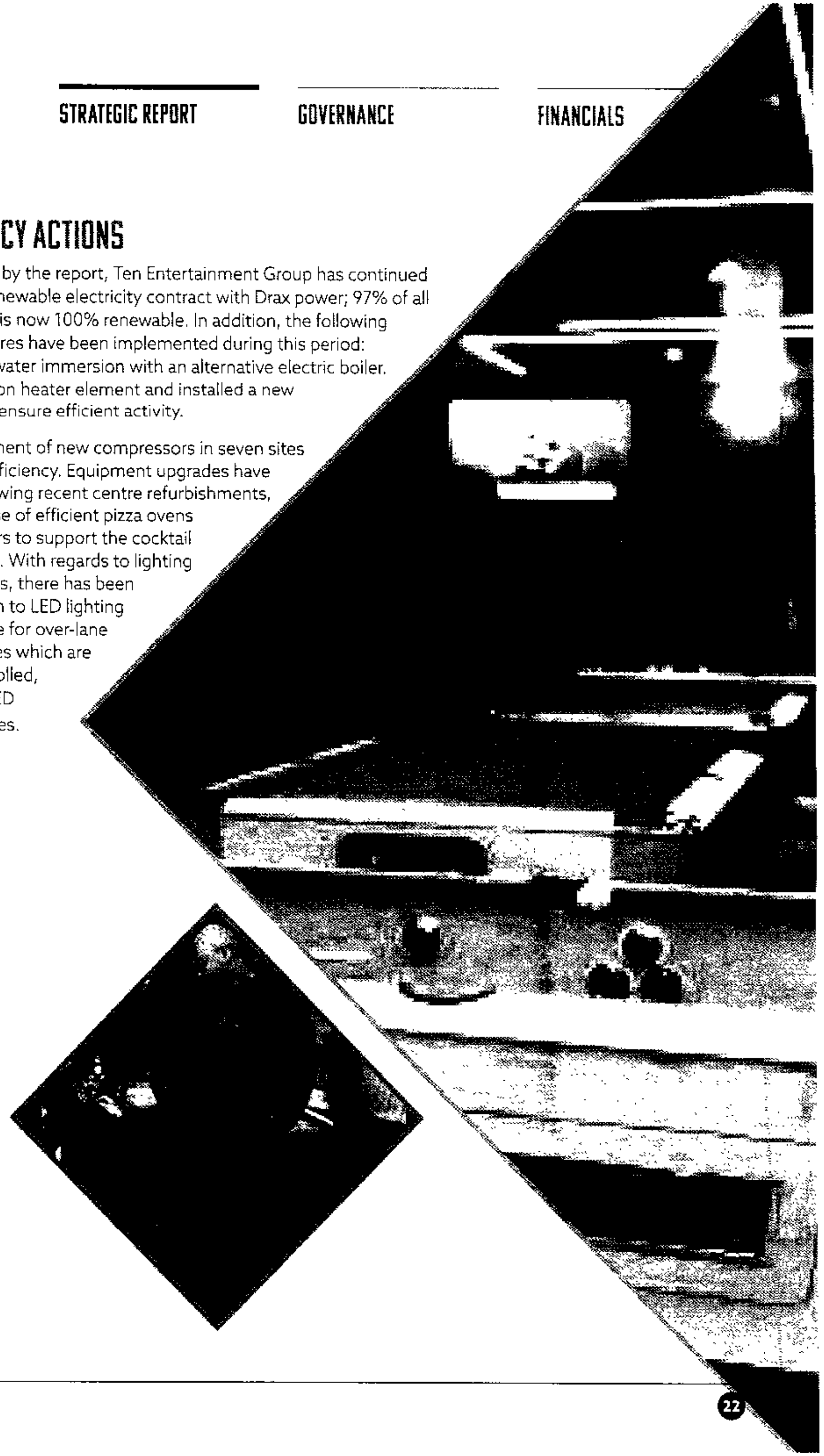
Exclusions

- There are no known exclusions.

ENERGY EFFICIENCY ACTIONS

In the period covered by the report, Ten Entertainment Group has continued to procure a 100% renewable electricity contract with Drax power; 97% of all purchased electricity is now 100% renewable. In addition, the following energy-saving measures have been implemented during this period: Replaced a gas fired water immersion with an alternative electric boiler. Replaced an immersion heater element and installed a new unvented cylinder to ensure efficient activity.

A continued replacement of new compressors in seven sites to improve current efficiency. Equipment upgrades have also been made following recent centre refurbishments, including the purchase of efficient pizza ovens and crushed ice flakers to support the cocktail machine installations. With regards to lighting controls and upgrades, there has been a continued transition to LED lighting from fluorescent tube for over-lane lighting in nine centres which are also computer-controlled, and front of house LED lighting in four centres.



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ('TCFD')

CLIMATE-RELATED DISCLOSURES

In accordance with the LSE Listing Rule 9.8.6R(8) we present our 2022 TCFD compliance statement and confirm that we have made climate-related financial disclosurs for the year ended 1 January 2023. Disclosure of the actual and potential impacts of climate-related risks and opportunities on an organisation is fundamental to understanding how the business strategy may be influenced. Climate-related issues can affect several important aspects of an organisation's financial performance and position, both now and in the future.

The Task Force provides recommendations for climate-related financial disclosures structured around four thematic areas:

1. Governance
2. Strategy
3. Risk Management
4. Metrics & Targets

The four overarching recommendations are supported by 11 specific recommended disclosures focusing on assessing climate-related risks and opportunities. Ten Entertainment Group and its Board recognise the importance of adopting the TCFD recommendations and reports climate-related information consistent with this framework to ensure high-quality and decision-useful disclosures. This enables users to understand the impact of climate change on our Group and the wider community and environment.

GOVERNANCE

The governance disclosure considers an organisation's governance around climate-related risks and opportunities.

The strategic oversight of climate change is owned by the Board.

The Group's day-to-day governance of climate change is overseen by the ESG committee which was established in 2022. Sangita Shah, an independent Non-Executive Director of the Group was recruited to the Board with significant experience of delivering against a sustainability and governance agenda and is Chair of the Committee. Two other independent Non-Executive Directors and an Executive Director (the CFO and Company Secretary) are also members of the Committee.

Climate change is covered within the remit of the ESG Committee under four working themes:

1. Operational carbon
2. Value chain
3. Climate change and business strategy
4. Engagement and accountability

The ESG Committee reports on its activities to the Board.

BOARD OVERSIGHT

The Group considers climate change to be a significant board-level strategic issue.

Overall responsibility for climate-related risks and opportunities sits with the Board. As part of our activities to address risk, climate change is a standing Board agenda item included within the Sustainability update. Climate-related financial issues form part of Sustainability, which the Board will review and take action as required on risk management policies and business planning.

The Board has undertaken carbon literacy training in the last 12 months to enhance its understanding in this area and has had active discussions throughout 2022 to identify its risks and opportunities and to formulate a sustainability strategy.

MANAGEMENT'S ROLE

At management level, the climate change agenda is managed as part of the delivery of our sustainability strategy which is a core pillar of our overall business strategy. As part of this, our actions in relation to climate change are driven by our Net Zero strategy (formulated in 2022 and currently being finalised). This sets out clear goals, metrics and targets to operationalise our approach.

Each year we will incorporate a detailed review of climate-related issues and performance as part of our planning cycle to assess progress and actions and to ensure that our 'net zero' programme is fit for purpose in delivering for the business and all of its stakeholders.

We retain a specialist consultant on an ongoing basis who provides any specific technical advice that is required in relation to climate-related risk, in respect of mitigation, adaption and transition.

NEXT STEPS

We are committed to transparency in our governance approach and the Board's oversight of climate-related risks and opportunities. Management are committed to developing and executing our strategy on an ongoing basis in line with the TCFD recommendations. We will continue to engage at all levels of the business to consider how we can integrate best practice into our internal governance structure and processes.

STRATEGY

The strategy disclosure looks at the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

We acknowledge that climate-related risks and opportunities have an impact on our business. We are therefore implementing a clear strategy to respond to that. Our focus is on:

- Mitigation of our impact, by reducing our emissions
- Managing any transition or physical risks in relation to adaptation.

We have made considerable progress in 2022 in reviewing the business risks and formulating an action plan to reduce our climate-related impacts. We are currently finalising our Net Zero strategy, providing a clear framework of how we manage our climate-related risks and opportunities.

EMISSIONS REDUCTION STRATEGY

As part of our Net Zero strategy, we are adopting six key principles to guide our approach:

1. Make sustainability central to everything we do with a sustainability mindset throughout the business
2. Take proactive action by implementing changes to our business to reduce our impact on the environment
3. Engage with and report to our key stakeholders
4. Become efficient by design (including buildings)
5. Renew our approach and use technology where required to address the sustainability challenge
6. Rebalance our impact (through carbon offsetting) where other actions taken are not sufficient

We have three headline commitments in relation to emissions reduction:

- We will align our strategy with the latest climate science as guided by the Science Based Targets initiative (SBTi)
- We intend to become Net Zero for our scope 1 and 2 emissions by 2030
- We intend for our scope 3 emissions to align to Net Zero by 2050 (as this is the date for UK society set by the Government) and we believe that this will provide us the right framework for managing our transition to Net Zero and support our reputation by aligning with best practice.

These are reinforced by resource level targets, which are further detailed in the metrics and targets section.

Our most significant climate-related risks and opportunities identified from our process are below, along with the key actions we are taking.

Customer [illegible]		
Top risks	**Top opportunities**	**Key actions**
Changing low carbon consumer behaviours towards sustainable food and drink alternatives	Development of supply chain standards	Full carbon neutral menu
Changing low carbon product policy regarding carbon labelling	Development of products with lower lifecycle emissions	Engagement to set standards around carbon reduction in the supply chain
	Offsetting and insetting (collaborative investment to reduce our supply chain emissions)	Confirming our commitment to Net Zero by 2050

Physical		
Top risks	**Top opportunities**	**Key actions**
Changes in rainfall patterns; increased flood risk and changing customer demand during peak times as seasons shift	Investment in climate resilient buildings/reducing operating costs	Review climate risk for every site, identify opportunities for renewables and flood risk
Increasing temperatures and droughts resulting in potentially decreased demand for indoor activities and increased need for cooling		Create an environment where we maximise yield in favourable conditions and manage variable costs such as operating and labour costs to a minimum during low footfall periods
		Net Zero buildings target, whole life approach

Top risks	**Top opportunities**	**Key actions**
Changing consumer behaviour	Supporting consumers in their transition with a sustainable leisure offering	Adoption of our Net Zero strategy, confirming our commitment to Net Zero
Attractiveness to stakeholders as investors demand action on climate change	Our action on climate change increases attractiveness to investors and customers	Recycling and waste reduction initiatives

Whilst all organisations will have a significant impact from the costs of the transition to Net Zero (both directly and indirectly) we believe that we can control or mitigate costs well through our Net Zero strategy.

With regards to the three scenarios that we consider in this risk assessment, these are summarised as follows:

Description	Smooth transition to <2°C	Disruptive transition to <2°C	No acceleration of action >3°C
Overview	Transition to a carbon-neutral economy starts early and the increase in global temperatures stays well below 2°C, in line with the Paris Agreement.	Global climate goal of keeping temperatures well below 2°C is met but the transition is delayed and must be more severe to compensate for the late start.	Where no policy action beyond that which has already been announced is delivered, resulting in above 3°C of warming. Therefore, the transition is insufficient for the world to meet its climate goal.
Outcomes of our analysis	We experience a high level of impact from transition risks in this scenario, with higher levels of policy and legislation impacting the business in the short to medium term. The physical risks are least extreme which mitigates medium to long-term challenges in our supply chain.	Physical risks under this scenario are higher than the smooth transition as there are significant differences in the impact on the environment, impacting our supply chain more severely. The transition risks are high and disruptive and are likely to have a material impact because of the pace and nature of the interventions required.	Whilst we experience much more limited transition risks in this scenario, the physical risks are much more severe. This has significant impacts on our supply chain in the medium to long term as the world will have to adjust to much more significant change and environmental damage from the impacts of the global temperature rise and the consequent effects on our climate.
Assumptions	There is early and decisive action to reduce global emissions in a gradual way, with clearly signposted government policies implemented relatively smoothly.	To compensate for the delayed start a deeper adjustment is required, as evidenced in a steeper increase in global carbon prices in a late attempt to meet the climate target. Under this scenario, physical risks rise more quickly than in the early policy action scenario and transition risks are severe.	This scenario tests the organisation's resilience to both chronic changes in weather (e.g. rising sea levels), as well as more frequent and extreme weather events (e.g. flash floods). Therefore, under this scenario, there are limited transition risks, but physical risks are significant.

RISK MANAGEMENT

The risk management disclosure looks at the processes used to identify, assess and manage climate-related risks.

IDENTIFYING AND ASSESSING RISK

Each business area is responsible for identifying and managing current and emerging risks, including regulatory risks in an annual review. Risks are reported to the management team and senior executives and principal risks are recorded and regularly reviewed by the Board.

We use the We Mean Business Coalition Risk and Opportunity Taxonomy to ensure that all potential climate risk areas are considered; not all are relevant to Ten Entertainment Group, but the reasons for those deemed so are detailed in our Climate Resilience Risk and Opportunity Register.

Non climate-related business risks are scored Red, Amber or Green ('RAG') based on a multiplier of likelihood of occurrence, the potential financial impact and the control environment in place to mitigate the risk. Climate-related risks have been RAG scored based on the likelihood of occurrence and the significance of impact in both unmitigated and mitigated circumstances. The Board is currently assessing the feasibility of integrating climate risk identification and assessment into the same scoring methodology as the other business risks. This will help the Board to determine their relative significance and help in the decision-making process. In order to do this an assessment of the financial impact of each risk needs to be made.

Current and emerging risks are identified with consideration to the short term, 5 years. Looking longer-term we have also undertaken scenario analysis for the identified climate-related risks for the short term (5 years), medium term (5-15 years) and long term (15+ years) under three different climate transition scenarios.

Our business risk taxonomy includes seven risk categories which climate related risks are categorised into upon identification: Business Interruption, Commercial Sensitivity, Financial Loss, Regulatory Risk, Reputational Risk, Strategic and Cyber Risk.

Principal risks are assessed for risk appetite in line with the overall Business Risk methodology which has five classifications: Averse, Minimalist, Cautious, Open and Hungry.

The overarching risk appetite is guided by the principle that the Board will not allow a risk tolerance to adversely impact in any of four key areas: the four core strategic priorities; the Group's financial returns; business reputation; and breach of regulations.

MANAGING RISK

The Board are responsible for making risk management decisions based on the below information.

1. *TEG determine materiality based on the of likelihood of occurrence, the potential financial impact and the control environment in place to mitigate the risk. Climate risks are yet to have the financial impact assessment completed but currently have a RAG rating based on likelihood of occurrence and significance of impact under the current mitigations in place as described in Disclosure A.*
2. *The top five risks are then analysed for future change based on three climate scenarios (detailed in the table to the right), over short (5 years), medium (5-15 years) and long (15+ years) term and given a RAG rating for each scenario and timescale.*
3. *If the risk is deemed a Principal Risk in the context of other business risks, the risk appetite for each risk can then be assessed using TEG's existing classifications and principles as detailed under Disclosure A.*
4. *Depending on the determination in the above steps the decision to take actions to mitigate further, transfer, accept or control the risk is made.*

INTEGRATING RISK

Climate-related risks have, to date, been assessed as a project, separate to the overall risk management structure but with a view to subsequent integration. The following steps need to be undertaken to align the process for identifying, assessing and managing climate-related risks:

1. Assess the financial impact of the identified climate risks – Responsibility: Within each business area.
2. Integrate the RAG rating assessment of the climate risks into the overall risk management structure, based on a multiplier of likelihood of occurrence, the potential financial impact and the control environment in place to mitigate the risk – Responsibility: Within each business area.
3. Determine if any climate risks are Principal Risks in the context of other business risks, and if so determine the Risk Appetite and Tolerance for them – Responsibility: Board.
4. Agree the further actions to be taken for each risk: mitigate further, transfer, accept or control the risk – Responsibility: Board
5. Agree any further mitigation actions to be taken and the responsibility for these – Responsibility: ESG Committee.
6. Ensure the regular annual review of climate-related risks is completed by relevant business areas alongside the other business risks that they are responsible for identifying, managing and monitoring, so that the integration of climate risk becomes business as usual.

METRICS AND TARGETS

The metrics and targets disclosure looks at the metrics and targets used to assess and manage relevant climate-related risks and opportunities.

METRICS USED

Our operational management of climate-related risk is measured through the below metrics.

- Energy efficiency (kWh per m² building floor area) to measure the effectiveness of our energy conservation
- Renewables/PPA (% renewables/% self-generated) to measure our transition to renewable energy
- Waste targets (% recycled/landfill avoidance) to measure the effectiveness of our approach to waste management
- Food and drink menu (kgCO_2e per cover) to measure the effectiveness of our decarbonisation of our menu (39% of our carbon footprint)
- Supply chain engagement targets (% of suppliers engaged) to measure the engagement of our supply chain in managing our climate risks/opportunities

GREENHOUSE GAS EMISSIONS

Emissions data in respect of the 2022 reporting period, based on operational control, are disclosed as follows:

Scope/Category	[illegible]	[illegible]	[illegible]	[illegible]
Combustion - Buildings	1,034.20	7.28%	1,034.20	6.00%
Combustion - Vehicles	15.4	0.11%	15.4	0.09%
Scope 1	**1,049.60**	**7.39%**	**1,049.60**	**6.09%**
Electricity	96.6	0.68%	3,132.20	18.17%
Scope 2	**96.6**	**0.68%**	**3,132.20**	**18.17%**
Purchased goods and services	7,115.60	50.09%	7,115.60	41.27%
Capital goods	2,475.40	17.43%	2,475.40	14.36%
Fuel and energy -related activities	1,577.80	11.11%	1,577.80	9.15%
Waste generated in operations	422	2.97%	422	2.45%
Business travel	1,468.10	10.34%	1,468.10	8.52%
Scope 3	**13,058.90**	**91.94%**	**13,058.90**	**75.75%**
Total	**14,205.10**	**100.00%**	**17,240.70**	**100.00%**

(Location) refers to location-based reporting; (Market) refers to market-based reporting. Both definitions are in line with the Greenhouse Gas Protocol. All stated variances are of our location-based emissions.

GREENHOUSE GAS EMISSIONS INTENSITY RATIO:

	Previous Year (2020-21)	Current Year (2021-22)	Year on Year Variance
Total (tCO_2e)	6,445.8	14,205.3	+120.4%
Intensity Ratio (tCO_2e/Customers)	0.00144	0.00174	+20.7%

Emission reporting notes

- Our methodology has been based on the principals of the Greenhouse Gas Protocol, taking account of the 2015 amendment which sets out a 'dual reporting' methodology for the reporting of scope 2 emissions. In the 'Total Footprint' summary above, purchased electricity is reported on a market based method.
- We have reported on all material emissions within our Operational Control as defined within the Greenhouse Gas Protocol.
- The period of our report is 27/12/21-01/01/23.
- This report includes emissions under scope 1 and 2, except where stated, and includes emissions from scope 3 sources relating to business travel, purchased good and services, capital goods, employee commuting, fuel- and energy-related activities, water and waste.
- All material emissions have been included within this disclosure.
- Conversion factors for UK electricity (location-based methodology), gas and other emissions are those published by the Department for Environment, Food and Rural Affairs for 2022-23.
- Conversion factors for UK electricity (market-based methodology) are published on the fuel mix disclosures on each supplier's website.

Statement of exclusions

There are no known exclusions.

Energy efficiency action

Energy efficiency improvements are a core focus for the Group to reduce its climate impact.

During 2022 the Group completed its programme of installation of energy-efficient pinsetters. This project has reduced energy consumption per centre (on an underlying steady volume basis) by 8%.

The Group's focus is now on the installation of energy-efficient LED lighting throughout its centres. This programme is aligned to the refurbishment and new build programme

During 2022 the Group has replaced over 20% of the estate's heating and cooling systems with more modern and energy-efficient systems, with particular focus on reducing the gas boilers within the Group.

OUR TARGETS

Our Net Zero strategy will work towards the below targets:

1. We intend to become Net Zero for our scope 1 and 2 emissions by 2030
2. We intend for our scope 3 emissions to align to Net Zero by 2050

NEXT STEPS

We will continue to drive forward to deliver significant carbon reductions. We are on track for all of the decarbonisation targets (shown above) and will continue to reduce our impact on the environment across all three emission scopes in line with climate science.

Our dedicated team of over 1,700 people has contributed enormously to the success of FY22. It has been extremely welcome to have a full year uninterrupted by Covid-19 closures and this has meant we have been able to focus on performance-based rewards, helping our people to share in the Group's success.

We have invested heavily in our processes and policies to ensure that they represent best practice in the industry to support and protect our teams. Our fully digital training and on-boarding tools continue to develop and evolve, giving our workforce everything they need to be successful.

We were delighted to welcome the members of the Harlow team to our business under a TUPE transfer, and we rapidly assimilated those team members into more effective ways of working, giving them access to better pay, more benefits and a clearer career development pathway.

Communication is key to managing a fast-moving multi-site business, and we are very pleased to continue to be at the forefront of Yapster's development. This gives our teams all the tools they need to understand what is going on in the business and allows them to communicate at all levels.

During FY22 we were acutely aware of the impact of the cost-of-living crisis, particularly on our hourly paid colleagues. We brought forward our increase in hourly pay by six months, making the increase in October 2022 rather than April 2023. This helped 87% of our workforce to manage an otherwise difficult winter. We also continued our performance-based rewards, and in 2022 have paid out over £2.0m in bonus payments to help our teams share in the Group's success.

Our people are at the heart of everything we do and our success is dependent on them. As our growth continues, the happiness and wellbeing of our employees is key. We will continue to focus on employee engagement, to enhance our culture and deliver our long-term goals.

We had our Company-wide Tenpin Cup football tournament. This was the first opportunity for colleagues across the estate to get together since we reopened post Covid-19. Every centre in the estate was represented, with hundreds of players getting together at Star City Goals for a day of competition which culminated in the team from Camberley and Bexleyheath winning the ladies' tournament and Leeds winning the men's. Alongside the friendly rivalry on the day, our colleagues raised over £1,200 for Macmillan Cancer Support.

Towards the end of 2022, we launched our Menopause Policy. This was supported by a menopause awareness video and a menopause support group. This is a drop-in session for those experiencing menopause and want to share their story, get advice from others or for colleagues who want to find out more about the menopause and how to support their team members. We believe that supporting those facing very real mental and physical challenges at this time in their lives is crucial to being a responsible and caring employer.

To augment existing support systems and benefits, we added free counselling from the Licensed Trade Charity for all our employees. This is in addition to our Employee Assistance Programme, a full range of mind and body benefits via Medicash and even more via Tenpin Treats. The vast array of discounts offered by Tenpin Treats has been especially helpful during the current cost-of-living crisis.

The Group is passionate about internal personal development. With a Chief Executive Officer who started on the shop floor more than 30 years ago and has progressed through the business to the very highest level, this is a company that passionately believes in developing its internal talent. Our Operations Director has been with the business for over 15 years, starting as a centre manager, and the regional management team has over 80 years of combined Tenpin experience. Building a programme for the leaders of the future is fundamental to the Group's success.

A new management induction process was launched to ensure new managers are fully trained and supported through this crucial period of employment. Part of this process is weekly check-ins with their nominated Regional Trainer, to ensure the new manager feels fully supported and has the best chance of success. In addition, we launched a team member induction to support our hourly paid team members.

One of our real headline successes in 2022 was our Training Champions programme. The Training Champions are long-term team members or Unit Supervisors who are multi-skilled and passionate about training. They take responsibility for team member onboarding and induction at site level, re-training of team when required, keep a focus on the customer journey and have regular check-ins with the team. We have an ongoing support process for our Training Champions to support and develop them further, thus improving the skills of our team and delivering a better customer experience.

We designed a leadership programme for General Managers. The programme will be launched in January 2023 and will run over the course of 12 months with a range of activities to achieve a blended approach. We have created two further management development programmes to support more junior managers to progress within the business. These programmes are extensive and designed to deliver competent, motivated managers who love to run our businesses.

We continue to build a pipeline of strong junior managers making sure that we are building the leadership of the future.

Diversity and inclusion is central to operating our business. As a leisure business that welcomes over 8 million customers each year, it is important that our centre teams represent the communities that they serve. Tenpin is a welcoming and inclusive environment for everyone.

The Group's policy on diversity is that no individual should be discriminated against on the grounds of race, colour, ethnicity, nationality, religious belief, political affiliation, sexual orientation, gender, gender identity, age or disability.

The Board recognises the benefits of diversity, including gender diversity across the organisation. Board appointments are made on merit while ensuring that there is an appropriate balance of skills and experience available to lead the business. The Board currently consists of 42.8% (three) female and 57.2% (four) male Board members while the total Group headcount is split as below:

	Female	Male	Total
Board	3	4	7
Exec + Direct Reports	19	16	35
Managers	125	113	238
Staff	854	608	1,462
Total	1,001	741	1,742

As at 8 March 2023

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

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

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

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

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

We believe that our provision of affordable entertainment that crosses the generations and brings family and friends together has a positive influence on the communities that we serve. Our centres are fun for all ages to enjoy and we strive to ensure that our customers have a safe environment in which to socialise with friends and family.

In the summer of 2022 we were invited to Downing Street to help support the government in making summer holiday activities affordable and accessible to all. The result was that throughout the summer holidays we entertained our junior customers for £5 for a game of bowling and a burger and fries. That was a price accessible to a very broad range of the UK population. Throughout the year, bowling at Tenpin is an affordable experience with an average realised price per game of only £5.13 representing genuine value for money.

Our centres provide drink and food as part of the experience, and we understand the focus on diet and wellbeing. We are passionate about our food and strive to always provide the best quality food to our customers. We are focused on making progressive changes going forward to meet changing customer expectations, including continuing to review our meat-free offering. We continue to work with our suppliers to reduce the amount of sugar and salt in the products we use and ensure all our products are from sustainable sources and that we have a range of healthier options available. We communicate regularly with regulatory bodies, local councils and our suppliers to ensure that we have an appropriate mix of gaming machines in terms of content and quality and age appropriateness.

The Group supported Rays of Sunshine, MIND and Macmillan in 2022. Our annual Tenpin Relay raised over £1,100, which was split between Rays of Sunshine and MIND. We also raised over £1,300 for Macmillan Cancer Support at our annual football tournament. Money was also raised for various other charities including Children in Need, Lions Clubs and Tommy's Charity by individual team members at a local level.

In 2023, we will be creating a charity committee and raising money for Macmillan Cancer Support. Macmillan provides physical, financial and emotional support and we believe this practical support is vital to coping with cancer at a fundamental level. We will focus on the following:

Awareness

We will raise awareness within our teams to drive fundraising activity both locally and centrally. We will do this via the charity committee and our internal communications platform.

Events

We will continue to support established annual events, such as our Tenpin Relay and Football tournament, both of which are very popular. We will also encourage individual and local fundraising events whether for Macmillan or other charities.

The health and safety of everyone who enters our centres is of upmost importance to the Board. Our colleagues and suppliers deserve to work in an environment that ensures they return home at the end of the day healthy and our customers expect to have fun in centres that maintain the highest standards in safety.

The Group has a Health and Safety Committee that meets on a regular basis, with business sections represented, to ensure consistency across the Group. This Committee is supported by independent health and safety experts, who are on top of all the latest requirements.

The Committee then reports into the Board, with any issues or improvements required being discussed during Board meetings, where health and safety is a standing agenda item.

3. GOVERNANCE

BOARD DECISION MAKING

In compliance with Section 172 of the Companies Act 2006 ('s.172'), the Board of Directors, both individually and together, act in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its stakeholders. The Board has designated Julie Sneddon, Senior Independent Non-Executive Director, as a key point of engagement with the workforce. See stakeholder engagement on page 32.

RESPECT AND DIGNITY

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

We have a zero tolerance approach to modern slavery of any kind and are committed to acting ethically and with integrity in all our business dealings and relationships. Full details of both our Human Rights policy and latest Modern Slavery statement can be found at www.tegplc.co.uk

We operate an independent whistleblowing hotline, with modern anonymous digital as well as telephone access. There were no whistleblowing incidents reported in 2022.

INFORMATION SECURITY

The Group and the Board take information security matters very seriously. The Board is updated at each meeting on information security and has conducted a detailed information review during 2022. There have been no significant information security or data breaches during 2022 or the previous three years.

The Group is vigilant in its approach to threat management and uses internal processes and outside agencies to ensure that its threat awareness and protection is up to date. We treat our customers' data with respect and do not share or sell information to third parties other than those agencies we use to help us with our communications strategy. During 2022 we significantly upweighted our website cookies policy and continue to develop and monitor our IT security.

FAIR TAX POLICY

The Group is committed to fair and transparent tax practices, and compliance with all applicable tax laws, rules and regulations, without exception. The Group aims to achieve an optimal tax position for the Group, which does not mean the lowest tax result possible in the short term, but rather the optimal tax result, considering sustainability and continuity of the positions taken over the longer term. The Group does not (and will not) enter into artificial arrangements in order to avoid taxation or to defeat the stated purpose of the tax legislation, nor does it (nor will it) undertake aggressive tax planning. The Group's tax policy is available on the Ten Entertainment Group plc website.

NON-FINANCIAL INFORMATION STATEMENT

We comply with the Non-Financial Reporting requirements contained in sections 414C (11) of the Companies Act 2006. The below table, and information it refers to, is intended to help stakeholders understand our position on key non-financial matters and navigate to where further detail can be found in this report.

Requirement	Policies	Additional information
Environment	Environment statement and Health and Safety policy	Environmental and greenhouse gas emission disclosures on pages 21 to 26 and health & safety on page 56
Employees	Diversity, gender pay gap, Health & Wellbeing Strategy	See pages 27 to 28 of Environmental, Social and Governance
Human rights	Slavery and Human Trafficking statement, Whistleblowing policy, Data Protection policy	Slavery and Human Trafficking statement on page 29, whistleblowing on page 56, Data Protection policy on page 56
Principal risks	Risk Register	Risk Management and Internal Control statement on page 55, Principal risks on pages 41 to 42
Business model		Our business model and strategy are described on pages 10 and 12 to 16
Non-financial key performance indicators		Our non-financial KPIs are explained on page 18 to 19
Anti-corruption and anti-bribery	Bribery Act policy and audit services	Page 56 for Internal and External Audit services and Bribery and Anti-Corruption policy

PRINCIPAL BOARD DECISIONS

The Board believes that balancing the interests of stakeholders with our corporate purpose and the desire to maintain high standards of ethical conduct is embedded in the way we do business.

As required by section 172 of the UK Companies Act 2006, the Directors have acted to promote the success of the Group for the benefit of its stakeholders. In meeting this responsibility during the year, the Directors have had regard, amongst other matters, to:

- the likely consequences of any decisions in the long term
- the interests of the Group's employees
- the need to foster the Group's key relationships
- the impact of operations on the community and environment
- the Group's reputation for high standards of business conduct
- the need to act fairly and responsibly
- the current economic and political climate

"THE BOARD WORKS TO EMBED HIGH STANDARDS OF ETHICAL CONDUCT IN THE WAY WE DO BUSINESS. WE CONSISTENTLY ENGAGE WITH OUR STAKEHOLDERS TO ENSURE WE MEET THEIR NEEDS."

JULIE SNEDDON,
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

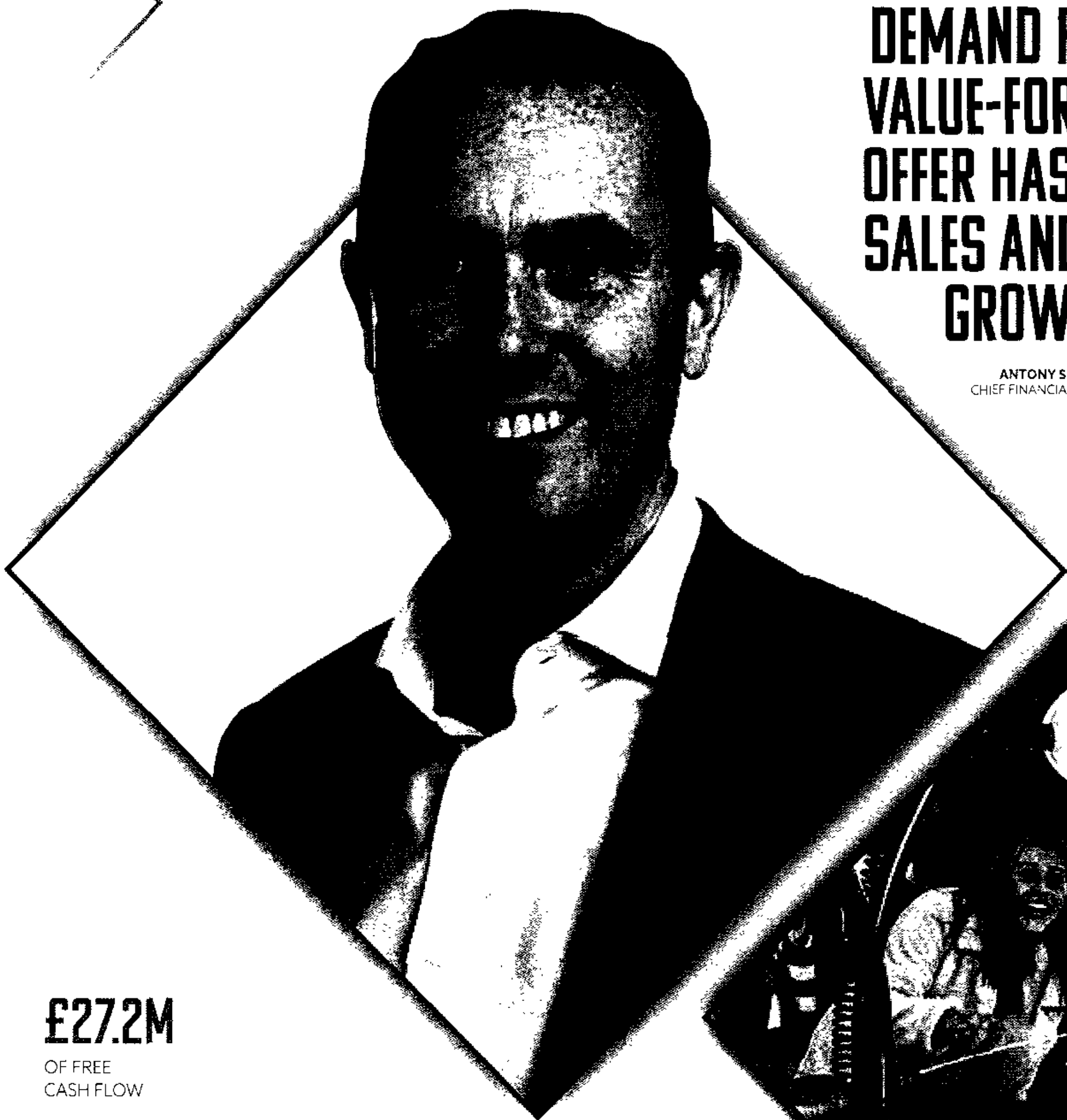
Decision	Stakeholder considerations	Impact on long-term sustainability
Acceleration of our pipeline and investment – Despite the ongoing economic uncertainty, the Board has remained committed to investing in the refurbishment of our centres and expanding our estate, investing over £20m in FY22	**Investors** – The Board considered that the value created from successfully improving and expanding our estate will maximise shareholder returns with the proven model of growth delivering return on investment of over 30%. **Our Customers** – The Board wanted to continue to develop exciting and diverse entertainment centres for our customers to enjoy and concluded that well-invested centres are the best way to continue to enjoy growth in footfall. **Our Environment** – Investment in our centres includes key energy-saving initiatives such as new pinsetters, low-energy lighting, efficient heating and cooling systems and modern insulation. **Our Suppliers** – The Group has a track record of growth when it invests in the business which is to the benefit of our key suppliers and partners. We commit to long-term relationships with our business partners and when we grow our centres we maintain our commitment to them.	A decision to continue investing in the estate despite economic uncertainty means that 11 centres were refurbished in 2022 alongside two new centres added to the estate. Continued growth in the business has increased profitability and cashflow, thereby freeing up further funds for investment and growth in the future. Despite the investment of over £20m of strategic capital expenditure, the Group ended the year with nil bank debt and over £10m of available cash. The Board plans to continue with self-funded and sustainable investment in a more profitable business.
Reinstatement of dividend – The Board took the decision to reinstate a dividend in September in response to a sustained return to strong trading	**Investors** – The Board aims to maximise total shareholder returns with a balance of reinvestment in the business and returning a dividend to shareholders to generate consistent returns on investment. Returning a proportion of profit to shareholders also ensures a disciplined approach to capital allocation for investment. **Our Customers** – The Board determined that the payment of a dividend would not impact the ability to invest in the estate or continuing to provide great customer experience. **Our People** – The Board determined that reinstatement of a dividend was affordable and posed no risk to the long-term future of the business, thereby maintaining job security. In addition, the Group has increased the bonuses payable to team members as part of a strategy to ensure that all stakeholders share in the Group's success.	The paying of a dividend provides the market with a strong indicator of long-term financial viability. This instils confidence and makes the shares a more attractive investment proposition for potential investors, increasing the price and value for the existing shareholders.
Maintaining prices at 2019 levels – The Group has chosen to remain committed to holding bowling prices at 2019 levels in spite of high inflation being seen in the economy. The average realised price of a game of bowling in FY22 was £5.13 which is slightly lower than in FY19.	**Our Customers** – The Group understands that customers are being faced with price inflation and has taken the decision to improve our value proposition by remaining an affordable entertainment venue for friends and families to socialise. This helps maintain and grow footfall. **Investors** – The Board believes that by maintaining our value proposition and focusing on driving footfall to generate revenue growth, the Group will be in a better position to weather the economic headwinds, protecting the value for shareholders. **Our Suppliers** – Keeping our base value proposition and driving footfall results in greater ancillary revenue, driving volume for our suppliers. We work hard with our suppliers to keep costs down, giving them the opportunity to also benefit from the increased footfall. **Our Colleagues** – Ensuring our centres are busy with customers results in the ability to continue to ensure that shifts are well staffed to ensure that we have sufficent people to welcome and entertain our customers. During 2022 our colleague numbers grew to a record 1,700 as a result of the footfall growth.	Customers come to our centres because they want value-for-money entertainment. As our primary assets are fixed, the Group is focused on maximising the utilisation of our assets and maximising our capacity and sales density. The Board believes that by maintaining value and customer goodwill, they are more likely to have repeat visits, improving the use of our asset base.
Bringing forward hourly pay ahead of National Minimum Wage ('NMW') increases – almost 90% of colleagues are paid on an hourly rate that is linked to the National Minimum Wage. This usually increases every year in April, but growing inflationary pressures led the Board to conclude that the 2023 increase should be brought forward by six months to October 2022. The Board will continue to monitor pay rates to ensure that they are adequate to support our people.	**Our Shareholders** – The Board manages the business for long-term sustainable profit growth and it was deemed that staff retention, morale and customer service are all enhanced by ensuring that our people are well supported financially through difficult times. **Our Customers** – In order to continue to provide a high-quality customer experience we need to ensure that our people are motivated to deliver the best possible customer service. **Our Colleagues** – The Board appreciates that cost-of-living challenges are affecting all our team members and made the decision to pull forward projected 70p NMW increases to October. When the Government decided that the April 2023 increase would actually be 92p, the Board agreed to increase to this level from December 2022 to help our team members navigate their own cost increases.	We are better able to recruit and retain people and provide a great service to our customers. As a result, we continue to enjoy footfall and sales growth that is sufficient to pay for the increased cost base.

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

The below sets out who we consider to be our key stakeholders, what their interests are, some key engagement areas in 2022, and examples of how our stakeholders' interests influence the way we do business.

	OUR INVESTORS	OUR PEOPLE	OUR CUSTOMERS	OUR SUPPLIERS & PARTNERS	OUR ENVIRONMENT
	Our investors are the shareholders who have invested their capital into a business that delivers consistent returns through a proven strategy for growth.	**Our employees are the dedicated people who create the fun, entertaining environments, to ensure our customers have a great time and that our business thrives.**	**Customers are at the heart of what we do. We offer social entertainment for a wide range of ages and groups looking for a variety of entertainment activities at great value for money in a safe environment.**	**Our strategic partners help us provide the latest in bowling and gaming technology, as well as developing our food and drink offering. We work closely with our partners to keep our entertainment experience fresh and relevant.**	**The wider community and environment are impacted by the business decisions we take and we work to integrate into the communities in which we operate.**
WHY WE ENGAGE	We meet regularly with current and prospective shareholders to assist them in understanding the business so they can make informed decisions, and so that we can understand what they expect from us.	Great customer experiences start with great employees. We engage regularly with our team, to understand their opinions and to train and develop their skills. We aim to provide a consistent and open culture across the Group, to attract and retain great talent, aligning these with the purpose, values and strategy set by the Board.	We listen to our customers' feedback so we can continually improve their experiences in our centres. We are continually developing our products, to remain relevant and to appeal to more customers.	We have strong relationships with our suppliers to ensure that our objectives are aligned in delivering a great service to our customers at great value for money. We work with suppliers to develop innovations in gaming and customer experience.	Our business can have a wider impact beyond our direct stakeholders, and we want to ensure that we are having a positive impact on local communities and minimising any environmental impacts.
HOW WE ENGAGE	We communicate with our shareholders by: - Annual General Meeting - Investor roadshows for results announcements - Hybrid of face-to-face and virtual - Majority of investors prefer video calls - Full content of updates on website - Committee Chairs for specialist areas	We engaged with our employees through: - Yapster our mobile messaging app - Access to discounts through Tenpin Treats - 'Talent Talk' appraisals - Succession and development planning - Epic Ideas programme to improve service - Confidential tools to escalate concerns - Workforce engagement at Board level - Clear reward and incentive programme	We connected with our customers through: - Social media with >220k followers - Targeted emails to highlight discounts - Regular feedback to assure high standards - Meet and greet at the entrance - Smooth integrated booking process - Competitions and prizes - Bespoke loyalty and rewards app	We work with our partners by: - Creating long-term partnerships - Sharing plans to provide security of supply - Setting clear ethical trading stance - Making timely payments and acting fairly - Meeting regularly to align expectations - Acting in partnership to resolve problems - Working together to drive innovation	We support our community by: - Engagement with local interest groups - 100% of purchased energy is renewable - Investment in energy-saving technologies - Charitable partnerships - Customer waste recycling engagement - Local pricing approach - Formation of an ESG Committee
	92% OF THE SHARE REGISTER MET WITH MANAGEMENT DURING 2022	**53%** OF MANAGEMENT ARE FEMALE	**>1M** CONTACTABLE CUSTOMERS IN DATABASE	**>400** SUPPLIERS PAID IN FY22	**2030** PLAN TO DELIVER NET ZERO FOR SCOPE 1 AND 2 EMISSIONS
	Link to strategy: **2, 3, 4**	**Link to strategy:** **1, 2, 3**	**Link to strategy:** **2, 3**	**Link to strategy:** **1, 2, 3, 4**	**Link to strategy:** **1, 3, 4**

FINANCIAL REVIEW



"STRONG CUSTOMER DEMAND FOR OUR VALUE-FOR-MONEY OFFER HAS DRIVEN SALES AND PROFIT GROWTH."

ANTONY SMITH
CHIEF FINANCIAL OFFICER

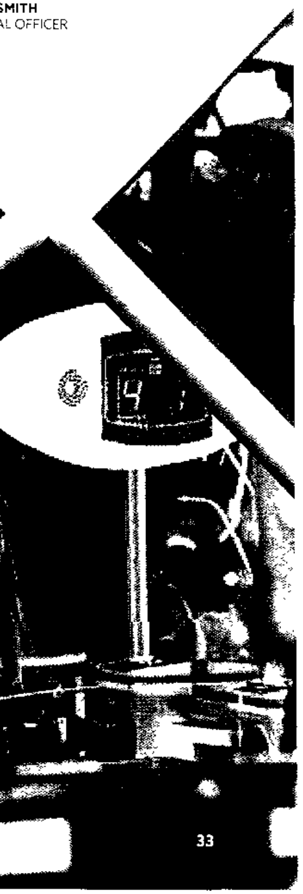
SALES GROWTH DELIVERING RECORD LEVELS OF PROFITABILITY AND CASHFLOW

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

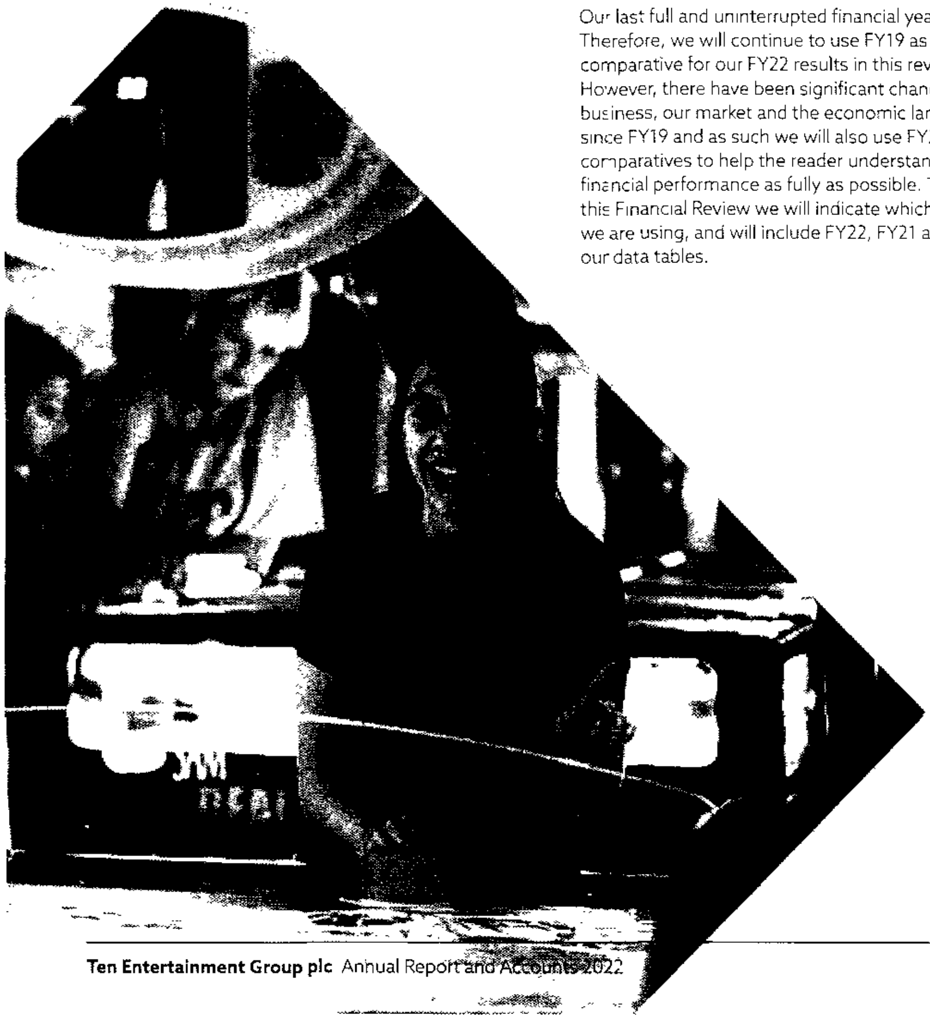
£26.1M
GROUP ADJUSTED PROFIT BEFORE TAX

29.3P
ADJUSTED EARNINGS PER SHARE

£27.2M
OF FREE CASH FLOW



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



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

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

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

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

2 These are non-IFRS measures used by the Group in understanding its underlying earnings. Group adjusted EBITDA after rental costs consists of earnings before interest, taxation, depreciation, amortisation costs, rental costs, exceptional items, impairment reversal, loss on Joint venture and profit or loss on disposal of assets. Group adjusted profit before tax is defined as profit before exceptional items, impairment reversal and tax. Adjusted basic earnings per share represent earnings per share based on adjusted profit after tax. Like-for-like sales are a measure of growth of sales adjusted for new or divested sites and adjusting for a comparable time period particularly in relation to whether a centre was forced to close due to Covid-19 regulations.

SALES PERFORMANCE

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

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

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

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

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

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

GROSS MARGIN

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

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

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

OPERATING COSTS

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

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

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

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

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

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

CENTRAL COSTS

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

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

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

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

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

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

GROUP ADJUSTED EBITDA AFTER RENTAL COSTS

Group adjusted EBITDA after rental costs is a measure used internally as it considers the cash impact of the rent paid to landlords to ensure that centres are producing the appropriate cash flow to make an adequate level of return. This measure is broadly equivalent to the old IAS 17 basis of recording rental costs.

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

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

DEPRECIATION, AMORTISATION AND CAPITAL EXPENDITURE

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

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

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

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

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

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

FINANCE COSTS AND BANKING ARRANGEMENTS

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

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

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

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

GROUP ADJUSTED PROFIT BEFORE TAX

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

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

IMPAIRMENT AND EXCEPTIONAL ITEMS

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

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

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

PROFIT AFTER TAX

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

DIVIDENDS

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

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

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

BALANCE SHEET

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

NET DEBT ANALYSIS

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

TRADING CASH FLOW

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

1 The movement in working capital is the balance from the "Changes in working capital" section of Note 19 in the notes to the financial statements.

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

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

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

ACCOUNTING STANDARDS AND USE OF NON-GAAP MEASURES

The Group has prepared its consolidated financial statements based on UK-adopted International Accounting Standards with the requirements of the Companies Act 2006, for the 53 weeks ended 1 January 2023 (FY22). The basis for preparation is outlined in the accounting policies to the financial statements on page 85.

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 93.

NOTE ON ALTERNATIVE PERFORMANCE MEASURES

The Group uses a number of alternative profit measures ('APM's) in the disclosure of its results. It should be noted that due to the disrupted nature of 2020 and 2021, the Group has used 2019 as a baseline comparator for some performance measures in order to be able to compare the business against a pre-Covid-19 trading period.

Adjusted Gross Margin	This measurement is the total sales less directly attributable costs of sales such as cost of goods sold, transaction costs and licence costs for leased amusement machines. Management do not consider it helpful to include labour costs in the gross margin because although these costs do vary to some extent with volume, the relationship is not linear and as such, any swings in volume are likely to create artificial fluctuations in the margin rate. Site labour costs are therefore included in operating expenses. The reconciliation to gross margin is included in Note 2 to the financial statements.
Group adjusted EBITDA	This measurement is earnings before interest, taxation, depreciation, amortisation, exceptional items, loss on Joint venture, impairment and profit or loss on disposal of assets. This has been done to show the underlying trading performance of the Group which these other costs or income can distort. The reconciliation to operating profit is included in Note 2 to the financial statements.
Group adjusted EBITDA after rental costs	This is earnings before interest, taxation, depreciation, amortisation, exceptional items, loss on Joint venture, impairment and profit or loss on disposal of assets, less a deduction for the cash cost of rent. This measure is to reflect the underlying earnings after the transition to IFRS 16 Leases. The reconciliation to operating profit is included in Note 2.
EBITDA operating margin	This is the Group adjusted EBITDA after rental costs divided by sales, expressed as a percentage.
Cost of goods sold and gross margin	The cost of sales as reflected in the statement of comprehensive income consists of direct bar, food, vending, amusements, gaming machine related costs, PDQ machine costs and staff costs. Cost of goods sold excludes staff costs but security and machine licence costs incurred by the centres are included. Deducting cost of goods sold from revenue gives the gross margin. This is how cost of goods sold and gross margin are reported by the business monthly and at centre level as labour costs are judged as material and thus reported separately with operating costs. The reconciliation is included in Note 2.
Operating profit/(loss) before exceptional items	This is operating profit/(loss) before exceptional items and impairment reversal/(charge).
Group adjusted profit/(loss) before tax	This consists of the profit before tax adjusted for items judged as exceptional and relating to impairment reversal/(charge).
Adjusted underlying profit after tax and adjusted earnings per share	This consists of the profit after tax adjusted for exceptional items and impairment reversal/(charge) and is used to determine the adjusted earnings per share. The reconciliation of this number to profit after tax is included under Note 8 to the financial statements.

Exceptional items	These are those significant cost or income items which management judges to be one-off in nature and are not expected to continue to be incurred as part of the regular trading performance of the business. The separate reporting of these per Note 5 helps to provide a better indication of underlying performance.
Like-for-like sales	These are a measure of growth of sales adjusted for new or divested sites over a comparable trading period.
Bank net debt	This is bank borrowings less cash and cash equivalents as per the statement of financial position.
Free cash flow	This is cash generated from operations less maintenance capital, advances to suppliers for capital projects, finance lease payments, taxation payments or receipts, advance payments to capital suppliers, loans to Joint ventures and non-cash share-based payments. This is reconciled in Note 2.

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

It should be noted that like-for-like sales refer to sales in centres that were open and trading in both comparative periods. The measure excludes new centres that were not in place in the prior year, but also excludes periods where existing centres were in an enforced closure period in the current period due to Covid-19 restrictions.

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

GRAHAM BLACKWELL
CHIEF EXECUTIVE OFFICER

21 MARCH 2023

ANTONY SMITH
CHIEF FINANCIAL OFFICER

21 MARCH 2023

OUR APPROACH TO RISK MANAGEMENT

The risk appetite of the Group is considered in light of the principal risks and their impact on the ability of the Group to meet its strategic priorities.

The Board recognises the importance of a strong risk management culture from the top. An agreed risk appetite and risk management approach cascades down the Group to the teams in our centres. This ensures shared attitudes, values and standards that shape behaviours within our agreed risk framework.

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

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

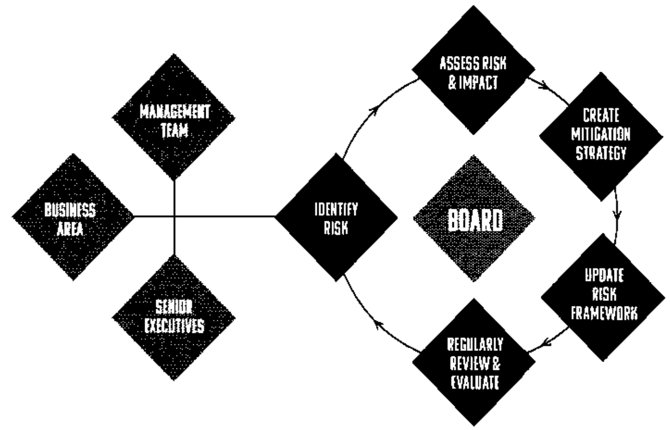
- **Operating model** – The business seeks to generate returns in line with an open risk appetite but with strong risk management capability to curb any unnecessary risk in pursing the four strategic priorities.
- **Financial returns and position** – The Group aims to deliver sustainable earnings while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

The Group recognises that the effective management of risk is key in achieving its strategic objectives and has continued to identify and assess risks that could impact sustainable growth in the year under review.

The Board is responsible for the Company's risk management and internal control systems which have been in place for the year under review and up to the date of approval of the Annual Report and Financial Statements.

Current and emerging risks are identified by business area, with each area responsible for managing that risk, implementing appropriate controls and mitigating actions in the short term and monitoring the longer-term impacts and reporting on it to the management team and senior Executives. Each risk has been rated on a multiplier basis assessed by the likelihood of occurrence, the potential financial impact and the control environment in place to mitigate the risk. Principal risks are recorded in the Group's risk register and regularly reviewed, evaluated and reported on to the Board.

The approach to understanding the risk exposure of the Group involves reviewing each area of the business annually and using the methodology to assist in measuring, documenting and monitoring its risks within all areas of its operations. This approach to risk management helps ensure that risk management and mitigation is considered at all levels of the business.



The environment in which we operate is constantly evolving; new risks arise and the potential likelihood and impact of known risks may change. The risks included in this section represent a snapshot of what the Board believes are the principal risks and not an exhaustive list of all risks the Group faces.

The full annual review process of the effectiveness of the Company's risk management and internal control systems captures changes in these risks and also changes in the direction of travel of any given risk. The Directors have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model and future strategy. Thus the Board confirms that:

- There is an ongoing process for identifying, evaluating and managing the principal risks faced by the Group.
- There is a process for identifying emerging risks and considering appropriate mitigating actions.
- Systems were in place for the year 2022 and up to the date of approval of this Report and financial statements.
- Risks and processes and mitigating actions are regularly reviewed by the Board.
- Systems accord with guidance to Audit Committees issued by the Financial Reporting Council dated April 2016.

INTERNAL CONTROL

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness The below summarises the Group's system:

BOARD

- Collective responsibility for internal control.
- Approval of key policies and procedures.
- Control framework setting out responsibilities.
- Monitors performance.

SENIOR MANAGEMENT TEAM

- Responsible for operating within the control framework.
- Reviews and monitors compliance with policies and procedures.
- Recommends changes to controls/policies where needed.
- Monitors performance.

AUDIT COMMITTEE

- Oversees effectiveness of internal control process.
- Receives reports from external auditor.
- Approves independent internal audit programme.
- Receives reports generated through the internal audit programme.

INTERNAL AUDIT

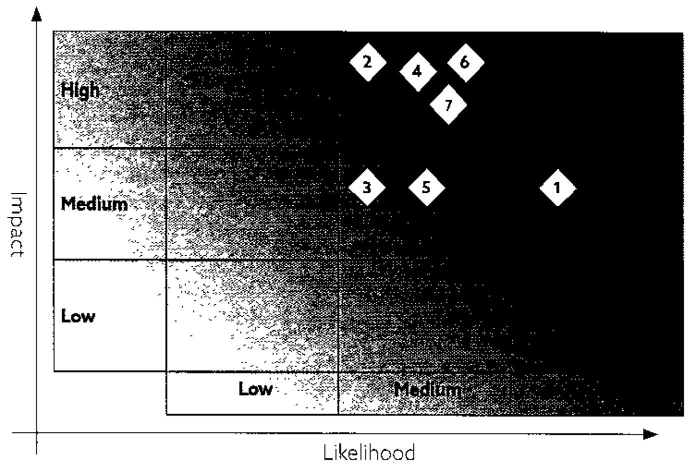
- Provides assurance to the Audit Committee through independent reviews of agreed risk areas.

Controls and process in preparing the Annual Report and Financial Statements

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

- Management regularly monitors and considers developments in accounting regulations and best practice in financial reporting and, where appropriate, reflects developments in the consolidated financial statements. The external auditor also keeps the Audit Committee appraised of these developments.
- The Audit Committee and the Board review the draft consolidated financial statements. The Audit Committee receives reports from management and the external auditor on significant judgements, changes in accounting policies, changes in accounting estimates and other pertinent matters relating to the consolidated financial statements, and provides robust and independent challenge to management where appropriate.
- The full-year financial statements are subject to external audit and the half-year financial statements for 2022 were reviewed by the external auditor.

RISK HEAT MAP



1 Economic climate ◂▸
2 Operational ◂▸
3 Regulatory changes ◂▸
4 Business interruption ◂▸
5 Major supplier failure ◂▸
6 Operational – allergens ◂▸
7 Climate risk ▴

RISK KEY:
Increased risk ▴
No change ◂▸
Decreased risk ▾

PRINCIPAL RISKS

The business faces a number of risks on an ongoing basis. The Board confirms that it has carried out a robust assessment of the principal risks facing the Group, including emerging risks, and those that would threaten its business model, future performance, solvency or liquidity.

STRATEGIC PRIORITIES:

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

RISK KEY:

High	◆	Increased risk	▲
Medium	◆	No change	◀▶
Low	◆	Decreased risk	▼

ECONOMIC CLIMATE

Likelihood: ◆ Potential impact: ◆ Change: ◀▶

Link to strategy: 1, 2, 3, 4

Nature of risk

- ◇ Change in economic conditions, in particular recession or political uncertainty
- ◇ Increases in interest rates and inflation
- ◇ Significant increases in utility costs
- ◇ A decrease in consumer disposable income and consequent reduction in cosumer spending
- ◇ A prolonged period of uncertainty due to the war in Ukraine

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

Strategic context

TEG's Tenpin bowling business is based exclusively in the UK and so is exposed to UK economic conditions and consumer confidence

As a leisure activity, bowling may be affected by the general level of consumer spending on leisure and the potential longer-term impacts on the economy of the war in Ukraine.

Mitigation

The Board believes that, as a relatively low frequency and low cost activity, bowling is well positioned to withstand an economic downturn.

The Group continually reviews its product offer, its value proposition, and the quality of its estate to improve the customer experience. In particular the Board strives to keep prices competitive and deliver value-for-money to its customers.

Inflation has a relatively low impact on bowling as the equipment is in place and therefore the activity has a low incremental cost of sale.

The business has a long-term contract with its electricity prices set until October 2024.

OPERATIONAL

Likelihood: ◆ Potential impact: ◆ Change: ◀▶

Link to strategy: 1, 2, 3

Nature of risk

- ◇ Deterioration of assets over time
- ◇ Ageing of the estate
- ◇ Loss of key personnel

> Impact on sales, costs and customer experience.

Strategic context

The Group's centres have high footfall and high usage, in particular at peak times. There is a risk that without the right level of ongoing investment the quality of the customer experience declines, impacting the customer experience and likelihood of return visits.

Mitigation

The Group generates cash from its operating activities and ensures enough cash is prioritised for an ongoing maintenance and refurbishment programme.

The Group has an ongoing investment programme to ensure that centres are modern, safe and welcoming environments for our customers.

The Group has a management development programme in place to provide a pipeline of future Centre Managers, familiar with the Tenpin business model.

REGULATORY CHANGES

Likelihood: ◆ Potential impact: ◆ Change: ◀▶

Link to strategy: 1, 2, 3, 4

Nature of risk

New, changed or reinterpreted laws and regulations adversely impact the business.

Failure of the business to obtain or retain required regulatory approvals or licences.

> Impact on sales, costs and reputation.

Strategic context

The regulatory environment is continually evolving. Introduction and development of regulations around GDPR, changes to sentencing tariffs and calculations and constant updates to legislation around competition, bribery, climate and carbon reporting and sustainability, modern slavery, money laundering, consumer protection and taxation.

The Group operates licensed premises for the sale of food, alcohol and gaming.

All these impact our strategic objectives and could result in brand and reputational loss, along with litigation, revocation of licences, inability to acquire sites or build sites and fines leading to financial loss.

Mitigation

The Group has a high level of training and support to ensure it meets the very highest standards for licensed premises.

Health & Safety meetings are held by senior management monthly to understand incidents and to ensure compliance with or to update policies.

The digital ecosystem is constantly reviewed and evolved to ensure full compliance with the GDPR regulatory environment.

Policies and procedures are in place to protect customer data.

Where required external specialist advice is used to assess, scope and plan our responses to changes in legislation or changes and developments to our business that are impacted by the legislative framework.

BUSINESS INTERRUPTION

Likelihood: ◆ Potential impact: ◆ Change: ◀▶

Link to strategy: 1, 2, 3, 4

Nature of risk

- Risk of cyber-attack/terrorism
- Failure or unavailability of operational and/or IT infrastructure
- Supply chain risks for unavailability of product

> Impact on sales, costs and reputation.

Strategic context

A major incident could impact the Group's ability to keep trading.

Supply chains providing food and drink for sale to customers are essential to continue to provide a good customer experience.

Bookings are generally placed online and the digital infrastructure is essential to providing the bowling experience for our customers.

Mitigation

Strong Cyber-security systems are in placeto ensure that customer data is protected and systems can continue to operate.

Regular IT security tests are carried out to ensure that breaches are protected against and business interruption insurance is in place to mitigate any financial losses.

Sites have the ability to operate on a standalone basis should the IT network be compromised.

Supply chains are protected through stockholding and backup suppliers in place

Our call centre can operate to replace online bookings in the even of a website failure.

MAJOR SUPPLIER FAILURE

Likelihood: ◆ Potential impact: ◆ Change: ◀▶

Link to strategy: 1, 2, 3, 4

Nature of risk

Sudden failure of key supplier or significant reduction in access to key products supplied to the Group.

> Impact on sales, costs and customer experience.

> Increased risk to utility suppliers due to ongoing supply and price pressures.

Strategic context

The Group has a number of key suppliers that provide its bowling equipment, gaming machines, food and beverage products and its electricity and gas.

Sudden failure of these suppliers or limited access to the products they supply, could impact the Group's ability to offer its customers the level of experience they expect.

Mitigation

Regular meetings are held between the Chief Executive Officer and the Group's key suppliers to discuss both operational issues and future growth plans. The Group works with market-leading suppliers in these fields.

The Group maintains Service Level Agreements ('SLAs') with its food and beverage suppliers and, whilst failure may lead to short-term disruption, alternative suppliers could be introduced at short notice.

Long-term contracts are held with these suppliers to maintain the best prices possible. This has been particularly important with the electricity prices fixed until 2024 at 2021 prices.

OPERATIONAL – ALLERGENS

Likelihood: ◆ Potential impact: ◆ Change: ◀▶

Link to strategy: 1, 2, 3, 4

Nature of risk

Incidents related to allergies to food products offered, especially when there are changes to the menu.

> Impact on sales, costs and reputation.

Strategic context

There have been a number of high-profile incidents in the leisure industry related to allergens in food products. The incidents have arisen due to inadequate awareness, communication and display of allergen items included in menus.

Mitigation

The Health & Safety adviser reviews all menus and menu changes for allergen-related products and wording included on the menus to reflect these items before they are released.

Allergen awareness is part of the training programme and online allergen lists and information are provided for public access on all centres' websites.

CLIMATE RISK

Likelihood: ◆ Potential impact: ◆ Change: ▲

Link to strategy: 1, 2, 3, 4

Nature of risk

Significant changes to the climate such as drought, flood, heatwaves, excessive snow and ice as well as the introduction of new climate regulations.

> Impact on sales, costs and reputation.

Strategic context

Significant changes to the climate such as:

- Long periods of hot, dry weather could directly lead to reduced footfall at centres and higher costs of cooling and indirectly to food shortages and cost increases
- Flooding can lead to damage at centres
- Long periods of cold weather including snow and ice could impact access to the centres as well as the cost of heating

Significant changes to climate related regulations will lead to:

- increased costs of compliance
- potential reputational risk for non-compliance
- financial cost of fines for non-compliance

Mitigation

The business has engaged with a third-party consultant to assist with the understanding of the associated climate risks, its strategy and objectives and ensuring compliance with regulations and disclosure requirements.

Insurance policies are maintained to manage the business interruption risk from flooding or access restrictions.

VIABILITY STATEMENT

As explained on page 10 in the business model and on pages 12 to 16, the strategy revolves around the four key pillars, being:

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

The successful delivery of these pillars will drive the business forward and ensure it is a viable entity. The development and review of the strategic plan is thus an important process and a key task of the Board.

The Board meets annually to discuss the strategy of the Group, and this year met in June to discuss and agree the plan for the next three years. The strategy day included:

- an investor and competitor landscape overview from the joint brokers, Liberum LLP;
- a review of the expansion of the key pillars into four critical areas and the actions for growth in each of the pillars;
- an overview of the strategy and expansion plans by Houdini's;
- a presentation, by an external consultant, of the Group's customer data and how marketing intelligence can focus this; and
- a review of the three-year financials driven by the planned developments and growth opportunities discussed in the above.

After the approval of the Strategic Plan, this then formed the base for the detailed review of FY23 and the development of the FY23 budget that was approved by the Board in November.

GOING CONCERN

In assessing the going concern position of the Group and Company for the Annual Report and the financial statements for the year ended 1 January 2023, the Group has considered a base case scenario and a severe but plausible downside scenario. In modelling these scenarios, the Group has considered its liquidity, cash balances, refinancing position, business activities and its principal risks.

BASE CASE

The Group's bank financing facility expires in April 2024 and the intention is to renew this in 2023. As the renewal has not happened at the time of the signing of this Annual Report, the performance beyond the current expiry date in 2024 has been reflected in the base case. The Group is cash positive, the RCF remains undrawn throughout the period with all covenants being passed.

The base case consists of the Group's FY23 budget plus the 2024 forecast from its Strategic Plan. This case was prepared with the following key assumptions reflected:

- Like-for-like sales growth versus FY22
- Labour inflation and the increases from the National Living Wage are included
- Cost inflation is reflected in the operating and administrative costs
- Site acquisitions and new builds are reflected in the trade and in the cashflows
- Increased levels of capital spend are reflected in the cashflows to maintain and refurbish the sites
- The Group pays out a final and interim dividend

DOWNSIDE CASE

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

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

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

Taking the above and the principal risks faced by the Group into consideration, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future, a period of at least 12 months from the date of this report. Accordingly, the Group continues to adopt the going concern basis in preparing these Financial Statements.

VIABILITY STATEMENT

In accordance with the 2018 UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a three-year period to 31 December 2025. The Directors believe this period to be appropriate because:

- the Group's strategic planning encompasses this period;
- senior management are remunerated via its share performance scheme over this period; and
- it is typically a reasonable period over which the impact of key risks can be assessed for a business of this size in the leisure sector.

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

- The Group's current financial performance from sales growth and cost management to its flow through to Group adjusted profit before tax, Group Adjusted EBITDA, cash flow, liquidity bank net cash/(debt) and covenant results.
- The availability of its current banking facilities and the covenants in place.
- The business model, in particular, the strategy towards expansion.
- A robust assessment of the impact, likelihood and management of principal risks facing the Group, including consideration of those risks that could threaten its business model, future performance, solvency, liquidity or sustainability. The assessment of viability has specifically considered risks that could threaten the Group's day-to-day operations and longer-term existence.

The assessment considered how risks could affect the business now and how they may develop with the financial analysis and forecasts showing financial position, performance, cash flow and covenant requirements, over the next three-year period

THE GROUP'S BASE CASE

The base case model reflects a robust consideration of the principal risks and uncertainties that could impact the future performance of the Group and the achievement of its strategic objectives, as discussed on pages 41-42 of this Annual Report. The base case viability scenario takes into account all of the principal risks and uncertainties facing the Group across the three-year period in order to assess the Group's ability to withstand multiple challenges.

The base case forecast starts with the FY23 and FY24 period that is the same as that built for the going concern analysis as described on page 43. The process undertaken considers the Group's adjusted EBITDA, capital spend, cash flows, liquidity, bank covenants and other key financial metrics over the projected period. The forecast expands from FY24 into FY25, with the following assumptions:

- mid-range single-digit like-for-like sales growth, plus growth for the acquisition of sites and returns from refurbishment plans;
- no significant change in gross margin percentage with employee numbers, maintenance and other operating costs, which being variable, are flexed in line with sales. High single-digit inflationary increases are made throughout these costs lines in FY23, due to the current economic environment but this decreases to lower single-digit increases for FY24 and FY25;
- fixed costs, in particular rent are kept at levels based on contractual increases, with fixed labour such as those included in central and support, including mid-single-digit inflationary increases;
- maintenance capital expenditure levels follow the trajectory of revenue while investment and expansionary capital levels are discretionary and follow the levels of cash generation; and
- the dividend policy reflects payments each year with steady growth.

The Group is profitable, improves its liquidity and does not use any bank financing over the three-year period in this base case.

VIABILITY ASSESSMENT

Although the base case viability scenario reflects the Board's best estimate of the future prospects of the Group the Board has also tested the potential impact of a range of downside assumptions, by quantifying the financial impact and overlaying this on the detailed financial forecasts in place. The downside scenario is summarised as follows:

- **Like-for-like sales decline** – The scenario is based on the sales projections not being as expected in the base case, instead a worst case scenario of the going concern base case for FY23 with -10% like-for-like decline per annum for FY24 and FY25. Returns from all refurbishments and returns from the new centres in 2024 and 2025 are removed.
- **Inflationary cost pressures** – Increasing inflationary pressures on all costs beyond what is reflected in the base case. All cost lines are increased by a further 10% from the base case, in each year as it is plausible that the economic deterioration and cost-of-living crisis could stretch on longer than expected. The energy costs are uplifted by 300% for the last quarter of 2024 when the current energy contract expires, and for the whole of 2025 assuming energy prices have not normalised by then.

The mitigating actions taken in this downside scenario include halting all refurbishment spend plans from the second half of 2023 until the end of 2025 and halting all new site spend and dividend payments for 2024 and 2025, all of which are under the Group's discretion. With these mitigating actions, the Group remains liquid, does not need to draw on its banking facility and passes all covenant calculations.

While the assumptions we have applied in this scenario are plausible, they do not represent the Board's view of the likely outturn. However, the results of the scenario help to inform the Directors' assessment of the viability of the Group.

VIABILITY STATEMENT

The Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due, retain sufficient available cash and not breach any covenants under any drawn facilities over the remaining term of the current facilities.

The viability statement was approved by the Board and signed on its behalf by:

ANTONY SMITH
CHIEF FINANCIAL OFFICER

21 MARCH 2023

"A CLEAR FOCUS ON SUSTAINABLE GROWTH IN OUR SOCIAL ENTERTAINMENT CENTRES"

ADAM BELLAMY
CHAIRMAN

DEAR SHAREHOLDERS

The financial year has been very successful for the Group despite the extremely challenging external political and economic backdrop. There has been a tight labour market, inflationary pressures, rising energy costs, increasing interest rates, global supply chain disruption and the war in Ukraine. All of these factors make the Board's governance and oversight more important than ever to ensure the long-term stability of the business.

The Board and management have focused on delivering excellence in entertainment for our customers and profitable and sustainable growth for shareholders. We have delivered an exceptional financial performance, with record sales and profit. Bank debt has been reduced to nil, with no outstanding liabilities from the pandemic closures. The Group has reinstated payment of the dividend while expanding the estate, investing in the existing centres and delivering value to all stakeholders. I would like to thank my Board colleagues, the Executives, and all of the team at Ten Entertainment Group for their commitment and support over the year.

I was pleased to welcome Sangita Shah to the Board in November as an independent Non-Executive Director. Sangita brings a wealth of experience in both executive and non-executive senior leadership roles and as a board member of the Quoted Companies Alliance, specialising in ESG policy and diversity. She has been appointed Chair of our newly formed ESG Committee and her experience will provide excellent support as we progress towards Net Zero.

KEY GOVERNANCE DEVELOPMENTS DURING THE REPORTING PERIOD

The Board adopted the UK Corporate Governance Code 2018 (the 'Code') in FY21 as it applies to smaller companies (i.e. those below the FTSE 350).

At the beginning of the year, as detailed in last year's Annual Report, the Board was not fully compliant with Provision 11 of the Code, with only 40% of Directors excluding the Chairman being Non-Executive Directors whom the Board considers to be independent.

We continuously review our Governance and compliance and in 2022 have taken further steps to strengthen our compliance with the Code.

- Appointment of a fourth independent Non-Executive Director to ensure that more than half of the Board are independent
- Undertaking a Board effectiveness review to ensure that the Board is operating well, with an appropriate balance of contributions

The appointment of an additional independent Non-Executive Director means that the Board was compliant with Provision 11 from 1st November onwards. The Board considers that it has complied fully in 2022 with all other provisions of the Code.

ACTIVITIES IN 2022

The Board met eight times in 2022 and the key focus areas involved:

- Annual review of the Group's strategic plan.
- Capital investment and allocation strategy, including new centres and the refurbishment of existing centres.
- Key commercial operations of the group. This includes areas such as pricing policy, sales density improvement and the development of our digital strategy.
- Cash management and repayment of the CLBILS loan facility.
- Development of our ESG strategy and formation of an ESG sub-committee of the Board, which will help develop our route map to Net Zero.
- The Group's dividend policy and decision to reinstate the dividend during 2022.
- Board oversight and review of the independence of all Non-Executive Directors. The appointment of an additional independent Non-Executive Director during 2022.

BOARD ACTIVITY IN 2023

In 2023, the Board has met three times with the focus on understanding the underlying business performance and releasing investment capital without compromising the security of our long-term liquidity.

The ongoing economic landscape means that performance continues to be closely monitored to ensure that the Group is well placed to react to a downturn in performance. Plans are in place to manage costs, investment and capital allocation to ensure that the Group retains a strong balance sheet and cash position.

The Board is increasing its focus on execution of its strategy to deliver Net Zero.

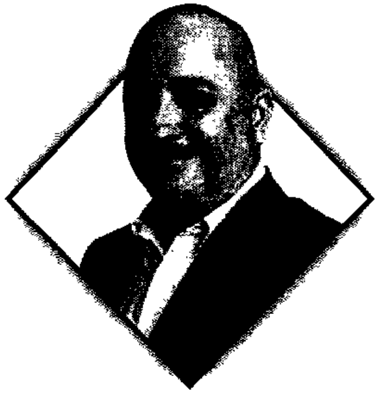
ADAM BELLAMY
CHAIRMAN
21 MARCH 2023

N R

ADAM BELLAMY
INDEPENDENT
NON-EXECUTIVE CHAIRMAN

Appointed to the Board November 2018

Adam is a highly experienced finance professional who has worked in a wide range of consumer-facing growth businesses. He is currently a non-executive director at Loungers plc, In The Style Group plc and Gymfinity Kids Limited. He is also chair of the audit committee at Loungers and In The Style. Adam was previously Chief Financial Officer and then a non-executive director at Pure Gym Limited, prior to which he was Finance Director at Atmosphere Bars & Clubs Limited and finance director at D&D London Limited. Earlier in his career, he held various finance positions at Whitbread, House of Fraser and Granada Group.



GRAHAM BLACKWELL
CHIEF EXECUTIVE OFFICER

Appointed to the Board March 2017

Graham has over 30 years' experience in the bowling industry. He has served on the Ten Entertainment Board since the IPO in 2017. He was appointed Chief Executive Officer in September 2020 to steer the business through the pandemic and lead the strategy for recovery.

Graham's experience of operating bowling centres is second to none, having run bowling centres himself and served as Operations Director and Chief Commercial Officer all within our business.

Graham has been a long-standing member o the Tenpin Bowling Proprietors' Association ('TBPA') and is widely regarded in the UK as a leading expert in the industry.

E

ANTONY SMITH
CHIEF FINANCIAL OFFICER

Appointed to the Board April 2019

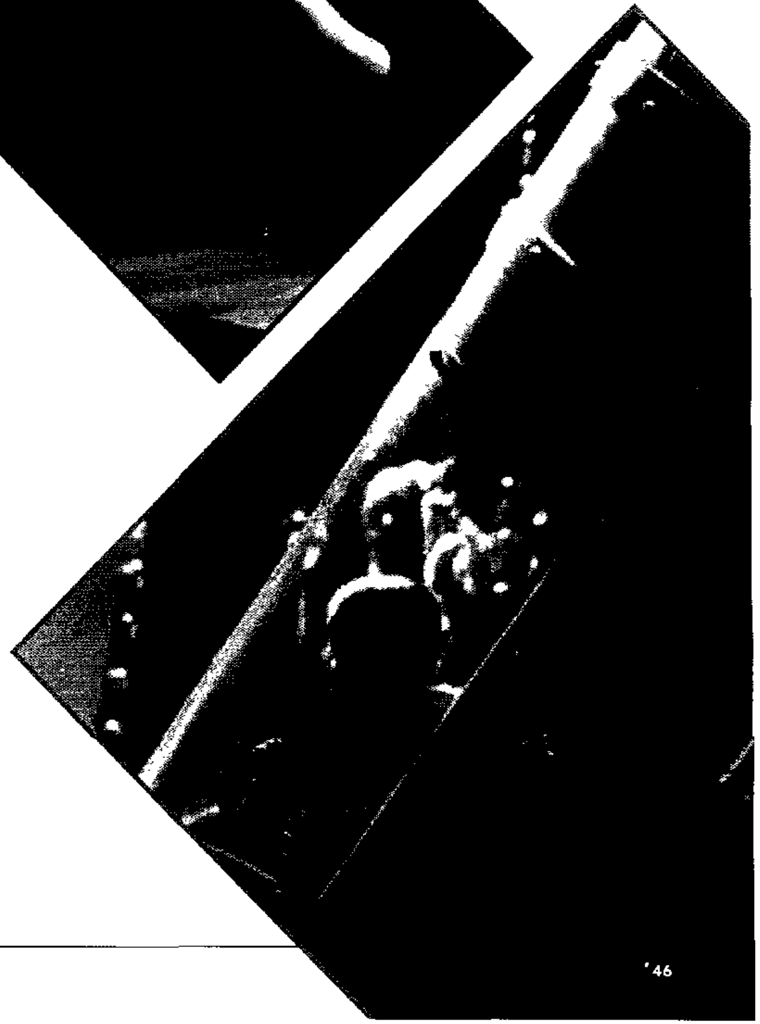
Antony is a member of the Chartered Institute of Management Accountants ('CIMA'). He qualified in industry working across a variety of sectors in roles spanning Financial Control, Strategic Management and Reporting and Planning.

He was Finance Director of Wickes, the DIY retailer, overseeing a strategic transformation programme to refurbish the retail estate and grow the online sales of the business.

Prior to his six years at Wickes, Antony spent ten years at RHM plc and Premier Foods plc as Director of Finance for Hovis and latterly in a central role overseeing a significant refinancing programme.

Committee membership key:

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- E ESG Committee
- ● Chair



Committee membership key:

(A) Audit Committee
(N) Nomination Committee
(R) Remuneration Committee
(E) ESG Committee
● Chair

(A)(N)(R)(E)

JULIE SNEDDON
SENIOR INDEPENDENT
NON-EXECUTIVE DIRECTOR

Appointed to the Board March 2017

Julie has over 20 years' experience in senior executive roles with the Walt Disney Company, including most recently as Executive Vice President of Disney Stores Worldwide which carried responsibility for over 330 stores across North America, Europe and Japan.

Julie has led multiple strategic business development and organisation transformation change initiatives for Disney with a focus on retail, brand development and digital transformation.

(A)(N)(R)(E)

LAURA MAY
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Appointed to the Board May 2021

Laura is a fellow of the Institute of Chartered Accountants in England and Wales and qualified with Deloitte before gaining considerable financial leadership experience across a range of industries.

Laura is currently Director of Treasury at Pure Gym, the UK's largest gym operator, where she has worked for the past nine years and has played a key role in their substantial growth. Her financial expertise and experience in the consumer leisure sector are invaluable in helping TEG deliver its growth strategy.

(A)(N)(R)(E)

SANGITA SHAH
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Appointed to the Board November 2022

Sangita is non-exec Chair of AIM traded Kinovo plc and RA plc, Senior Independent Director of Inspired plc and Forward Industries Inc (Nasdaq). She is a board member of the Quoted Companies Alliance (QCA) and serves on a number of private boards as an investor.

Sangita has extensive experience in corporate finance, journalism and senior consultancy. She has held a number of senior roles within blue chip organisations, including Unilever, Mars, Ernst & Young and KPMG, was a former board director of Swindon Town FC and a past President of the Chartered Institute of Journalists. She has consulted to a number of organisations that include HM Cabinet Office, HSBC and other blue chip companies.

(N)

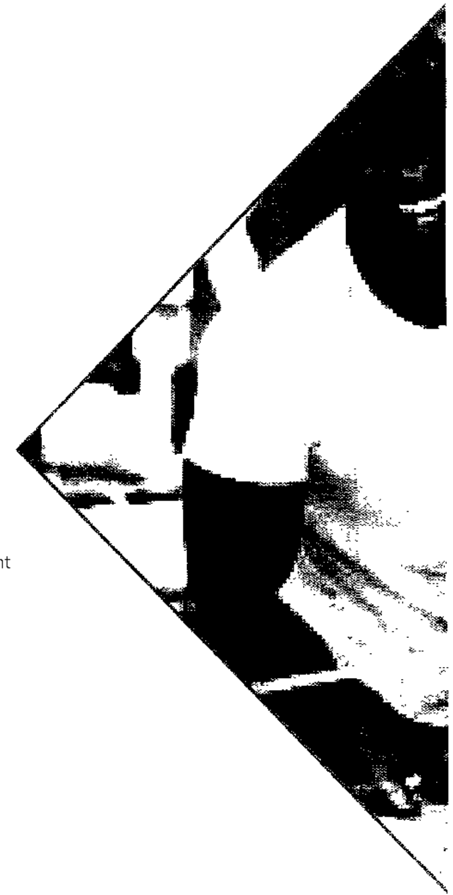
CHRISTOPHER MILLS
NON-EXECUTIVE DIRECTOR

Appointed to the Board March 2017

Christopher is a director and the sole shareholder of Harwood Capital Management Limited which is a designated corporate member and the controller of Harwood. Harwood Capital Management Group was formed in 2011 by Christopher on his acquisition of Harwood from J O Hambro Capital Management Group Limited.

He is also the Chief Executive Officer and director of NASCIT (a UK-listed investment trust), and a director and investment manager of Oryx.

Christopher has a long and successful investing track record and is a non-executive director of a number of both public and private companies.



BOARD GOVERNANCE

GOVERNANCE STRUCTURE

The Company's governance structure is designed such that the Board focuses on providing experienced leadership to the Group.

The Board sets the Group's strategy, monitors performance and ensures that appropriate financial and human resources are in place for the Company to meet its objectives.

The Board is also responsible for taking the lead in setting and embedding the Company's culture, value and standards, and for ensuring that appropriate systems, procedures and controls are in place to support the effective assessment and management of risk and the safeguarding of shareholder interests.

The Board operates in accordance with the Company's Articles of Association ('Articles') and has established Audit, Remuneration, Nomination and ESG Committees to assist it in discharging its responsibilities.

Each Committee has its own written terms of reference. Certain matters are specifically reserved for decision by the Board and documented in a written schedule.

BOARD DECISION MAKING

As part of its decision making, the Board considers the interests of all of its stakeholders and evaluates the consequences of its decisions in the long term.

Each year, the Board reviews the strategic plan in detail to ensure that it remains appropriate

The Directors review and approve the Business Plan and Budget for the forthcoming year in detail. The Board considers a wide range of information on behalf of stakeholder groups, such as environmental impact, community assessment, employee and shareholder feedback to ensure that the plans can be executed effectively.

To help reduce risk as part of decision making, the Audit and Risk Committee reviews all risks that the Company faces, which are not limited to those disclosed as principal risks in this report.

BOARD MEETINGS AND PROCESS

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

Key matters discussed included financial security and liquidity which focused on maximising returns for shareholders, including the decisions to repay the £14.0m CLBILS facility; recommencing the dividend programme including approving the payment of the first interim dividend since the pandemic; approving new sites to the pipeline; approving the new ESG Committee; reviewing the pricing structure and proposals keeping in mind inflation and the Group's current strong footfall; as well as strategic planning for the future into 2023 and beyond.

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

The Board has met on a further three occasions to date in FY23, with key matters discussed including the approval of the 2022 Annual Report and Financial Statements; a review of the first quarter of trading; and the first ESG Committee meeting.

The Board intends to meet formally at least six times a year, with ad hoc meetings called as and when circumstances require it.

The Board has approved an annual calendar of agenda items, with relevant matters scheduled for consideration at the appropriate point in the regulatory and financial cycle.

In addition, the Board will meet at least once a year to discuss strategy, including a full strategic review of the business operations and the development of the Group's strategic plan.

The schedule of matters reserved for the Board includes:

Strategy and management
- Leadership of the Company, setting values and standards
- Developing, approving and overseeing the strategic aims and objectives
- Oversight of Group operations and performance

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

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

Structure and capital
- Major changes to corporate structure, including acquisitions and disposals
- Major changes to capital structure, including approval of Group treasury policy and arrangements

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

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

Financial reporting and controls
- Approval of annual and half-year financial statements
- Approval of dividend policy, including recommendation of final dividend
- Approval of significant changes in accounting policy

Committees
- Nomination Committee
- Audit Committee
- Remuneration Committee
- ESG Committee

All Directors are expected to attend all meetings of the Board and any Committees of which they are members, and to devote sufficient time to fulfil their duties as Directors.

Each Non-Executive Director has committed to the Company that they are able to allocate sufficient time to the Company to discharge their responsibilities effectively. This has been demonstrated by the 100% attendance record of the Board.

Any additional board appointments Non-Executive Directors are contemplating are discussed with the Chairman in advance, including the likely time commitment and whether these could in any way constitute a conflict of interest. These matters are formally reviewed by the Board on an annual basis.

As stated in the Articles of Association and per the Code, all members of the Board will be offering themselves for re-election at the Company's Annual General Meeting ('AGM') on 4 May 2023.

KEY BOARD ROLES, RESPONSIBILITIES AND COMMITTEES

BOARD MEMBERSHIP

The Board currently comprises the Chairman, the Chief Executive Officer, the Chief Financial Officer, a Senior Independent Director and three Non-Executive Directors. The names and biographical details of the serving Directors and the offices held by them can be found on pages 46 to 47. We believe that the Board is of sufficient size that the requirements of the business and good governance can be met and normal succession challenges managed, but is not so large as to be unwieldy.

Chairman

The role of the Chairman is:

- providing leadership to and ensuring the effectiveness of the Board;
- ensuring that agendas emphasise strategic, rather than routine, issues, and that the Directors receive accurate and clear information well ahead of when a decision is required;
- promoting a culture of openness and constructive debate, and facilitating an effective contribution by the Non-Executive Directors;
- arranging informal meetings of the Directors, including meetings of the Non-Executive Directors;
- ensuring effective communication by the Group with its shareholders;
- arranging for the Chairs of the Committees to be available to answer questions at the AGM and for all Directors to attend; and
- taking the lead in providing a properly constructed, full, formal and tailored induction programme and ongoing development for new Directors.

Chief Executive Officer

The role of the Chief Executive Officer is:

- leading the development of the Group's strategic direction and objectives;
- identifying and executing acquisitions and disposals and leading geographic diversification initiatives;
- reviewing the Group's organisational structure and recommending changes as appropriate;
- identifying and executing new business opportunities;
- overseeing risk management and internal control;
- managing the Group's risk profile, including the health and safety performance of the Group;
- implementing the decisions of the Board and its Committees;
- building and maintaining an effective Group leadership team; and
- ensuring the Chairman and the Board are alerted to forthcoming complex, contentious or sensitive issues affecting the Group.

Chief Financial Officer and Company Secretary

The role of the Chief Financial Officer is:

- overseeing the strategic planning cycle to plan capital allocation and investment decision making;
- ensuring the business is adequately funded to meet its needs and obligations;
- communicating with current and potential investors;
- providing business information, KPIs and insight into running and improving the business;
- key relationship management with critical professional partners;
- keeping accurate financial records and controls;
- providing IT and property operational support to the business.

The role of the Company Secretary is:

- keeping accurate records of Board meetings and decisions;
- providing legal and compliance expertise;
- ensuring compliance with relevant regulations and codes.

Senior Independent Director ('SID')

The role of the SID is:

- meeting regularly with the independent Non-Executive Directors;
- providing a sounding board for the Chairman and acting as an intermediary for other Directors;
- being available to shareholders if they have concerns which contact through the normal channels of Chairman or Chief Executive Officer has failed to address or would be inappropriate; and
- holding annual meetings with Non-Executive Directors without the Chairman present.

Non-Executive Directors

The role of the Non-Executive Director is:

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

Committee Chairs

The role of the Chairs of the Board Committees are:

- providing leadership to their respective Committees;
- ensuring all members have an input into the Committee agenda;
- engaging stakeholders to provide diverse input into Committee matters;
- ensuring the Committees are advised with the appropriate external expertise and input to discharge their responsibilities;
- delivering the remit of the Committee terms of reference;
- reporting to the Board on Committee progress and matters; and
- recommending actions and decisions to the Board for approval.

BOARD INDEPENDENCE

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

EXECUTIVE DIRECTORS

Graham Blackwell
Chief Executive Officer

Antony Smith
Chief Financial Officer

INDEPENDENT DIRECTORS

Adam Bellamy
Non-Executive Chairman

Julie Sneddon
Senior Independent Director

Laura May
Non-Executive Director

Sangita Shah
Non-Executive Director

DIRECTOR

Christopher Mills
Non-Executive Director

Nomination Committee

Chair	Members
Adam Bellamy	Julie Sneddon; Laura May; Sangita Shah (from 1 November); Christopher Mills

The Nomination Committee oversees the recruitment of the Directors and senior management, and advises on matters relating to the Board's membership and Committee appointments, including reviewing succession plans. The Nomination Committee also regularly reviews and monitors the overall skills and experience of the Board.

The Nomination Committee met twice during the year and will normally meet at least twice annually.

2022 SUMMARY

The principal focus of the Committee during the year was to select another Non-Executive Director to join and chair the ESG Committee as the Group continues to develop its Sustainability Strategy.

Audit Committee

Chair	Members
Laura May	Julie Sneddon; Sangita Shah (from 1 November)

The Audit Committee assists the Board in discharging its responsibilities for the integrity of the financial statements, reviewing the internal control environment and risk management systems, managing the relationship with the external auditors and monitoring the effectiveness and objectivity of the external and internal auditors.

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

2022 SUMMARY

In the first half of the year, the Committee's main focus was on the approval of the FY21 Annual Report published in March 2022, including a review of the two significant risk areas being going concern and impairment. It was agreed that there was no material uncertainty that would cast doubt on the Group continuing as a going concern and that due to the significant improvement in trade, there was an impairment reversal. In the second half of the year, the Committee approved the Interim Statement published in September 2022, approved the 2022 internal audit reviews and 2023 programme, reviewed the Principal Risks and Uncertainties and approved the latest 'Risk Appetite Statement'.

Remuneration Committee

Chair	Members
Julie Sneddon	Adam Bellamy; Laura May; Sangita Shah (from 1 November)

The Remuneration Committee determines the terms and conditions of employment, remuneration and rewards of the Executive Directors, the Chairman and the leadership teams. The Remuneration Committee aims to offer an appropriate balance of fixed and performance-related, immediate and deferred remuneration, but without overpaying or creating the risk of rewards for failure. The Remuneration Committee met four times during the year and will normally meet at least twice annually.

2022 SUMMARY

The Committee focused on approving the achievement of the 2021 Annual Bonus Plan as explained in further detail under the Remuneration report and approving the 2022 Annual Bonus Plan including the setting of new challenging financial and strategic targets for the Executive Directors.

The vesting of long-term incentive awards in FY22 were approved where achieved and the granting of new long-term incentive awards for FY22 were awarded in March 2022.

ESG Committee

Chair	Members
Sangita Shah	Antony Smith; Julie Sneddon; Laura May

The ESG Committee oversees the development of the Group's sustainability strategy. The Committee brings a selection of Non-Executive Directors and Executive Directors to ensure that it is delivering against its sustainability agenda to consider the wellbeing of its people and suppliers, the wider community and to minimise its impact on the environment.

The Committee was newly established as a Board Committee in 2022, building on and consolidating several workstreams already in place in the Group.

2022 SUMMARY

Work on the Group's sustainability strategy has been ongoing throughout the year with support from external experts. The resulting strategy has been reviewed and ratified by the ESG Committee, with a clear plan to deliver Net Zero by 2030 for Scopes 1&2 emissions.

The Committee has also incorporated the existing charitable activities and has reviewed the corporate governance processes and policies.

FY22 MEETING ATTENDANCE

Director	Independence	Main Board	Audit Committee	Nomination Committee	Remuneration Committee
Graham Blackwell	Exec	8/8			
Antony Smith	Exec	8/8			
Adam Bellamy (Chair)	I	8/8		2/2	4/4
Julie Sneddon (SID)	I	8/8	3/3	2/2	4/4
Laura May	I	8/8	3/3	2/2	4/4
Sangita Shah[1]	I	1/1			
Christopher Mills	NI	8/8		3/3	

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

1 Sangita Shah was appointed to the Board as an Independent Non-Executive Director with effect from 1 November 2022.

BOARD EFFECTIVENESS

The Chairman, with the support of the Company Secretary, reviews the formal and tailored induction programme developed for any new Directors joining the Board, and that the development and ongoing training needs of individual Directors and the Board as a whole are reviewed and agreed at least annually. The Company Secretary will ensure that the Board is briefed on forthcoming legal and regulatory developments, as well as developments in corporate governance best practice.

The Board will focus on the following key areas to ensure its effectiveness.

- **Recruitment:** A formal, rigorous and transparent procedure for the appointment of new Directors to the Board, overseen by the Nomination Committee. For each appointment, the Board will develop an objective brief, summarising the role and the skills and experience required and use an appropriate executive search firm with proven expertise in the relevant field. Before confirming an appointment, the Board will check whether the preferred individual can commit to the time expected by the appointment.
- **Tools and training:** All newly appointed Directors will have a tailored, formal induction process on joining the Board, including the opportunity to meet major shareholders. The aim is to ensure that they understand the Company and its business model, strategy, drivers of value in the business and key risks, and that they understand the legal and regulatory environment in which the Company operates. Directors are expected to update and refresh their skills and knowledge on an ongoing basis, and to continue to build their familiarity with the Company and its business throughout their tenure.
- **Quality information provision:** Board meetings are informed by detailed information provided in advance of the meetings to allow time for review and scrutiny. This information is prepared by experts both within and external to the business and checked for quality and accuracy by senior members of the leadership team. Where appropriate, information is presented to the Board by the appropriate experts in the field. All Board meetings are fully minuted to ensure that there is a clear record of the discussions that have taken place to inform the decision, making process.
- **Clear decision making:** the Board has clearly demarcated responsibilities for decision making and uses a delegated authority framework to ensure that all levels of the business are clear on the scope of their authority. Decisions at Board level are made using analysis provided by the Excutive Management and the rationale and decisions are clearly documented in the Board minutes.
- **Conflicts of interest:** Directors have a statutory duty to avoid actual or potential conflicts of interest. Any Director who becomes aware that he or she is in a situation which does or could create a conflict of interest, or has an interest in an existing or proposed transaction in which the Company also has an interest, is required to notify the Board in writing as soon as possible. The interests of new Directors are reviewed during the recruitment process and authorised (if appropriate) by the Board at the time of their appointment. No Director had a material interest in any contract of significance in relation to the Company's business at any time during the year or to the date of this report.

RELATIONSHIP AND COMMUNICATION WITH SHAREHOLDERS

We maintain a dialogue with shareholders throughout the year as part of an ongoing investor relations programme. The Chief Executive Officer and the Chief Financial Officer routinely engage with analysts, institutional and retail shareholders and potential investors. Results and presentations are clearly posted on our corporate website to ensure broad access to all potential or existing investors.

Our aim is to ensure that there are strong relationships through which we can understand our investors' views on material issues. The Board is regularly updated in Investor Relations matters, particularly where there are issues of concern, and the Company's brokers provide independent feedback from investors.

All brokers' research notes are circulated to the Board to help maintain an understanding of market perceptions of the Company. The Chairman and Senior Independent Director are always happy to make themselves available for investor discussions as required.

The AGM is an opportunity to communicate with all shareholders. The Chairs of all Board Committees attend the AGM and are available to answer questions. An explanatory circular containing the notice of meeting is sent to shareholders at least 23 days beforehand, with separate votes being offered on each substantive issue. To encourage shareholders to participate in the AGM process, the Company will offer electronic proxy voting through both our registrar's website and, for CREST members, the CREST service. Voting will be conducted by way of a poll and the results will be announced through the Regulatory News Service and made available on the Company's website.

ADAM BELLAMY
CHAIR

Number of meetings held in the year:

Meetings and attendance

Member	Meetings	Attendance
Adam Bellamy (Chair)	2	◆◆
Laura May	2	◆◆
Christopher Mills	2	◆◆
Sangita Shah (joined 1 November 2022)	–	
Julie Sneddon	2	◆◆

ANNUAL STATEMENT BY THE NOMINATION COMMITTEE CHAIR

I am pleased to present my report of the Committee for a year where there has been stability in the Board which has been further strengthened with the appointment of a new independent Non-Executive Director. This appointment enhances the overall Board independence. With little change in Board membership, the Committee was able to focus on internal succession planning, Board effectiveness and to consider the best way to enhance the Board's focus on sustainability and the wider ESG agenda. The Committee decided to address this challenge with the recruitment of a new Non-Executive Board member who could bring a skill set in this area. We were pleased to welcome Sangita Shah to the Board in November 2022 and she was appointed Chair of the newly formed ESG Committee.

COMMITTEE ACTIVITY

The Committee carried out a wide-ranging search to recruit an additional Non-Executive Director. This was a planned appointment to bring a majority of Independent Non-Executives to the Board and to help the Board set up an ESG Committee. Sangita Shah joined the Group on 1 November 2022 as a Non-Executive Director whom the Board considers to be independent. Sangita is a member of the Chartered Institute of Management Accountants and a fellow of the Chartered Institute of Journalists. She is a Board member of the Quoted Companies Alliance, specialising in ESG policy and diversity and inclusion, with great experience developing sustainability strategies that will help evolve our progress towards Net Zero.

Other key activities carried out in the year by the Committee consisted of the annual reviews of Board succession and of the Board's effectiveness over the past year.

Nomination Committee activities at the meetings held during the year ending 1 January 2023	February	October
Appointments		
Interviews and appointment of Non-Executive Director		◆
Board effectiveness review		
Review of the effectiveness of the full Board	◆	
Review of reporting requirements for the year		◆
Succession planning		
Executive and senior management team structure		◆
Succession planning	◆	

BOARD SUCCESSION

We actively manage our Board succession plan, to ensure that our Board has an appropriate and diverse range of skills to enable us to deliver our strategy for the benefit of all of our stakeholders. We are a small and cohesive Board, and take care to ensure that all new members of our Board are aligned to our culture and share our values, whatever their skills and background. Our Board induction process, undertaken by all new members upon appointment, is an important way to get our new Board members up to speed and valued by our new Non-Executive Directors.

We have a formal plan for how Board membership should develop which aims to balance continuity of service with a regular refreshment of skills and experience needed to deliver our evolving strategy. We regularly review the balance of skills on the Board as a whole, taking account of the future needs of the business, and the knowledge, experience, length of service and performance of the Directors.

BOARD AND DIRECTOR EFFECTIVENESS

Each Director receives a formal evaluation of their performance during the year, which is conducted by the Chairman. In addition, the CEO discusses with the Non-Executive Directors the performance of individuals of the Executive team and any changes that he proposes to make to this team. Whilst this activity does not take place formally within the meetings of the Nomination Committee, it does form part of its work in overseeing Executive team development and succession process, and the pipeline of talent available for succession to the Board.

The performance of our Board and the Committees is evaluated by the Nomination Committee. A confidential Board Effectiveness Review Questionnaire was completed and from the results, it was concluded that the Board is functioning well with a strong team dynamic, the appropriate composition, has a breadth and depth of complementary skills and experience, and that there is a strong trust between the Non-Executive Directors and the Executive Directors in the running of the Group.

DIVERSITY

We fully support diversity as an important contribution to good quality decision making and innovative thinking. Diversity has many dimensions, and we particularly value diversity of thought, which in turn is assisted by diversity of background and experience, as well as of gender and ethnicity. We already have on our Board a diversity of gender, skills, ethnicity, experience, personality, and cognitive approach. Site-based teams are diverse with an even split of males and females in management positions. We continue to review how we can further broaden our approach, encouraging diversity and inclusion throughout the Board and the business.

CULTURE AND VALUES

Preservation of our culture as a social entertainment business has always been a priority, which stems from the values instilled by the Board. Our culture is brought to life through our shared values and business principles which the Board monitors through Board reports and agenda items, engagement with employees, and visits to centres. Our culture and values are an important part of what we look for in new candidates to join our Board, so that they may promote and engage with the development of these aspects throughout the business. It's important that they are aligned with our values, so that they can be role models for all our employees and stakeholders.

TENURE AND RE-ELECTION OF DIRECTORS

The Nomination Committee considers the length of service of Board members at least annually. The tenure of the Directors at the date of this report is set out below:

Member	Appointment	Current term	Next renewal	Board role
Adam Bellamy	1 November 2018	4 years	Annually at AGM	Chairman and Nomination Chair
Graham Blackwell	15 March 2017	6 years	Annually at AGM	CEO
Antony Smith	1 April 2019	3 years	Annually at AGM	CFO and Secretary
Julie Sneddon	22 March 2017	6 years	Annually at AGM	Remuneration Chair and Senior Independent Director
Laura May	6 May 2021	1 year	Annually at AGM	Audit Chair
Sangita Shah	1 November 2022	-	Annually at AGM	ESG Chair
Christopher Mills	15 March 2017	6 years	Annually at AGM	Non-Executive Director

In accordance with the UK Corporate Governance Code, all continuing Directors will seek re-election at the 2023 AGM, and as now required by the Listing Rules, the Non-Executives will be subject to an additional vote by shareholders independent of Harwood Capital LLP.

Approved by the Board on 21 March 2023

ADAM BELLAMY
CHAIR OF THE NOMINATION COMMITTEE
21 MARCH 2023

LAURA MAY
CHAIR

Number of meetings held in the year:

Meetings and attendance

Member	Meetings	Attendance
Adam Bellamy*		
Laura May (Chair)	3	◆◆◆
Graham Blackwell*		
Christopher Mills*		
Sangita Shah (joined 1 November 2022)	–	
Antony Smith*		
Julie Sneddon	3	◆◆◆

* Invitation only

ANNUAL STATEMENT BY THE AUDIT COMMITTEE CHAIR

I am pleased to present my report as Audit Committee Chair for the year ended 1 January 2023 and the activities that have been carried out by the Committee during a year where there has been economic challenges and political uncertainty, but from out of which the business has seen record performances.

I congratulate the Executive Directors on a fantastic set of results for 2022, especially on the backdrop of a year plagued by industry-wide international supply disruption, the continuing uncertainty brought about by the war in Ukraine followed on by more national issues as soaring inflation and interest rates, an energy crisis and a constantly changing political landscape. Through all this, the Group has produced record sales and profit levels, paid off its bank debt, reintroduced the dividend programme, including paying a 3p interim dividend and declaring a 7p final dividend, all while remaining focused on good internal controls and risk management.

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

A risk mapping exercise was carried out in the year to help identify areas where further controls or mitigating actions were required, as part of the Committee's focus on the risk management process. The Group's risk appetite was reviewed again in light of the economic challenges as well as the Group's strong performance to ensure that the business was taking advantage of opportunities to help deliver on the strategy.

The principal risks and uncertainties of the Group were reviewed in line with its appetite and considered acceptable.

The operational internal audit team carried out at least four audits during the year for each site. The internal audit team also carried out a delegation of authority review to ensure transactions, invoices, employment contracts, supplier agreements and property leases were being appropriately approved. An external third party was also used to carry out a cyber security review to ensure that all appropriate controls such as firewalls, patches, upgrades, two-factor authentication and training programmes are in place to protect the business from the increasing risk of cyber breaches.

The Committee, on behalf of the Board, has completed a review of the Group's going concern position and long-term viability statement and approved the liquidity review using a base case and a severe but plausible downside scenario. The Committee is satisfied that the Group has adequate resources to continue in operation for the foreseeable future.

Regulators and shareholders continue to focus on the content and quality of narrative disclosures in the annual report on environmental, social and governance matters, particularly climate change. The Board has reviewed the expanded disclosures around TCFD as reflected in the annual report.

The below is a summary of the key matters reviewed by the Committee during the period:

Audit Committee activities at the meetings held during the year ending 1 January 2023	March	September	November
Financial statements and new accounting standards			
Review of the 2022 interim announcement and the Financial Statements and Annual Report for 2021	◆	◆	
Review of significant accounting policies and estimates in the year, in particular the impairment release	◆	◆	
Going concern and viability statement assessment	◆	◆	
Fair, balanced and understandable assessment			◆
Annual review of the tax strategy and approving the treasury policy			◆
Risk management and internal control			
Risk register, risk mapping, risk appetite, principal risks and uncertainties assessment	◆		◆
Review of internal audit function, requirements and internal audit reports	◆	◆	◆
Annual evaluation of the Committee's effectiveness			◆
External auditors			
External audit engagement, plan, budget and independence review			◆
Review of interim and full-year audit reports and findings	◆	◆	
Assessment of external audit effectiveness	◆		◆

AUDIT COMMITTEE MEMBERSHIP

The Chief Executive Officer, Chief Financial Officer, Christopher Mills as a non-independent Non-Executive Director and Adam Bellamy as Chairman of the Board usually attend meetings by invitation. In addition, representatives of PwC for external audit matters attend by invitation.

The Board considers that I have recent and relevant financial experience to chair the Committee, by virtue of my professional qualification and my financial expertise and experience in the consumer leisure sector. Members of the Committee can also demonstrate a breadth of experience across the retail and leisure sector through their current and previous roles – please see the Directors' biographies on pages 46-47.

SIGNIFICANT ACCOUNTING ISSUES AND JUDGEMENTS RELATING TO THE FINANCIAL STATEMENTS

Within its terms of reference, the Committee monitors the integrity of the annual and interim reports, including a review of the significant financial reporting issues and judgements contained in them. The Audit Committee's review of the Annual Report for the period ended 1 January 2023 and the 2022 interim financial statements focused on the following areas of significance:

- Reviewing the impairment assessments of the values of property, plant and equipment, right-of-use assets and goodwill for the Group. This included the factors considered in determining the cash flows, spend on solar projects as part of climate risk and the rate used to discount those cash flows which resulted in an impairment reversal in the period. Further detail of the impairment assessments can be found in Notes 10 and 13 to the financial statements.
- Reviewing the going concern and long-term viability statement assessments including agreeing the base case and severe but plausible downside scenarios used to determine the Group's liquidity.
- The Committee also considered a paper prepared by the external auditors, which included significant reporting and accounting matters.

The Audit Committee, following confirmations from management and the external auditors, satisfied itself as to the reasonableness and consistency of these assumptions when compared to prior years.

REVIEW OF NARRATIVE REPORTING

Last year, the Committee reviewed the enhancements made to the financial review disclosures and other parts of the annual report to address the findings of the Financial Reporting Council ('FRC') in a letter around alternative performance measures ('APMs'). This year, the APMs used were considered appropriate and there has been focus on the TCFD reporting. A third party consultant was engaged to help management review and assess existing climate change risks and to identify areas of development, specifically to cover the physical climate risk to our supply chain, a more robust analysis against climate scenarios and a quantitative assessment of the impact of climate change, together with a set of appropriate metrics.

FAIR, BALANCED, UNDERSTANDABLE AND COMPREHENSIVE REPORTING

At the request of the Board, the Committee also considered whether the Annual Report and financial statements as a whole are 'fair, balanced and understandable'. Factors considered included:

- Does the narrative of the Business Review and Financial Review fairly reflect the performance of the Group over the period reported on?
- Are the narrative sections consistent with each other, and with the financial statements?
- Is the connection between strategy and remuneration clearly described?
- Can readers easily identify key events that happened during the year?
- Is the language and tone of voice used commensurate with the spirit of 'fair, balanced and understandable'?
- Are the APMs used by the Group appropriate and described in sufficient detail to reconcile to statutory disclosures?

Committee members received the draft Annual Report and Accounts in advance and had the opportunity to make comments in advance of the formal meeting at which the report was tabled for approval.

Following its review, the Committee confirmed to the Board that in its view the 2022 Annual Report was 'fair, balanced and understandable' and provided the information necessary for our shareholders to assess the Company's position, performance, business model and strategy.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for setting the Group's risk appetite and ensuring that there is an effective risk management framework to maintain appropriate levels of risk. The Board has, however, delegated responsibility for review of the risk management methodology and effectiveness of internal control to the Audit Committee.

The Group's system of internal control comprises entity-wide, high-level controls, functional controls over business processes and individual site-level controls. Policies and procedures, including clearly defined levels of delegated authority, have been communicated across the Group. Internal controls have been implemented in respect of the key operational and financial processes which exist within the business. These policies are designed to ensure the accuracy and reliability of financial reporting and govern the preparation of the financial statements. The Board is ultimately responsible for the Group's system of internal controls and risk management and discharges its duties in this area by:

- holding regular Board meetings to consider the matters reserved for its consideration;
- receiving regular management reports which provide an assessment of key risks and controls;
- scheduling annual Board reviews of strategy;
- ensuring there is a clear organisational structure with defined responsibilities and levels of authority;
- ensuring there are documented policies and procedures in place; and
- reviewing regular reports containing detailed information regarding financial performance, rolling forecasts, actual and forecast covenant compliance and financial and non-financial KPIs.

The process by which the Audit Committee has monitored and reviewed the effectiveness of the system of internal controls and risk management during the year has included:

- reviews of the Group's risk mapping, the Risk Appetite statement and risk register;
- reviewing emerging risks which in this year included the impact of delays in deliveries on a nationwide basis;
- reviewing climate risks part of the TCFD reporting during the year;
- reviewing the system of financial and accounting controls, and considering the view of the external auditor in relation to the effectiveness of such controls;
- receiving regular reports and updates on incidents and risks throughout the Company; and
- reporting to the Board on the risk and control culture within the Group

The Audit Committee has not identified, nor been made aware of, any significant failings or weaknesses in the risk management and internal control systems and is satisfied that the systems continue to work effectively. The Audit Committee also confirms that it has complied with the provisions of the Competition and Markets Authority's Order for the financial year under review and that it will continue to challenge management to further improve risk identification, evaluation and management processes across the Group.

INTERNAL AUDITORS

BDO UK LLP ('BDO') were appointed to support our internal audit function at the end of FY17, when they commenced their first review. Their audit reviews are supplementary to the operational loss prevention and process audits, which are completed by three internal team members with each centre visited to perform process audits at least once per quarter. The Committee has discussed and concluded that the best option for the Group is to continue to blend the use of BDO for the more complex internal reviews while using the internal team for reviews which their skills encompass.

The results from these audits are discussed with the Chief Financial Officer and presented to the Audit Committee. The Committee will review the effectiveness of the outsourced and internal resources on an ongoing basis and has concluded that the internal audit function has been effective during the year. During FY22, the BDO review that covered the Group's approach to fraud risk, laws and regulations was completed and reported in March 2022, with the findings and recommendations being implemented during 2022. A cyber security review was carried out by a specialist third party penetration testing company. The results of this review were reported to the Board in February 2023, with the findings and recommendations to be carried out in 2023.

HEALTH & SAFETY AND INCIDENT MANAGEMENT

The Company operates an incident management policy at site level, recording incidents relating to health & safety, accidents, criminal activity, food standards, pest control and others. These incidents are sent out to senior management for review and the Chief Financial Officer escalates any significant incidents to the Audit Committee as necessary. Health & Safety meetings are held by senior management monthly to understand incidents and to ensure compliance with or to update policies. These are attended by a risk adviser from our insurance brokers to provide the Company with a professional level of advice.

WHISTLEBLOWING

The Company has established procedures for employees to raise concerns, in confidence, relating to matters of financial reporting, financial control or other matters. The whistleblowing policy is applicable for all employees, who are made aware of the policy on joining the Company and are reminded of its availability through online portals and posters. The Whistleblowing facility is provided on Yapster, where employees can raise concerns confidentially using our dedicated communications app, offering people more access to reporting incidents of concern. The reports can only be accessed, collated and sent on by a third party company. They email a link to the report monthly, for review by the Chief Executive Officer who will report on to the Board. No incidents were reported during FY22.

BRIBERY, FRAUD AND ANTI-CORRUPTION

The Group has procedures in place to ensure compliance with the Bribery Act 2011 and other relevant legislation, including a bribery policy that has been reviewed and signed up to by all employees. Executive Board members with authority to place significant contract orders have received anti-bribery training and all Board Directors acknowledge any conflicts of interest as part of each Board meeting held. The Group also reviewed supplier terms and conditions for Bribery Act and tax evasion clauses, and all payments to third parties must be supported by a valid invoice and segregated duties are in place in the finance team for approval and payment. Formal procedures are implemented for signing off gifts and hospitality accepted by employees.

CYBER SECURITY AND DATA PROTECTION

Cyber and data security remains one of the most important risk areas, being one of the Board's principal risks, as outlined in the 'Risks and Uncertainties' section on pages 41-42 of this Annual Report. The resource and capability of the Information Security function was increased during the year, and the programme to improve our controls and practices in this area has continued. This has included improved network segmentation, penetration testing and a thorough review and reinforcement of our IT business continuity plans. Given the continuing external risks, this area was subject to an internal audit by a third party cyber security specialist review in 2022, and cyber security remains a standing agenda item at all Committee meetings. The Committee was satisfied that there is an acceptable level of risk management in place.

EXTERNAL AUDITORS

The report and financial statements were audited by PricewaterhouseCoopers LLP ('PwC') who were appointed in 2017 after the IPO, since then no audit tender has been carried out. The PwC partner, Craig Skelton, attends all Committee meetings and thus attended the meetings in March, September and November 2022. The Committee Chair also met privately with the auditors before each meeting and the rest of the Committee have the opportunity to do so if they wish.

The Audit Committee has reviewed the independence, objectivity and effectiveness of the external auditors and considers that PwC continues to possess the skills and experience required to fulfil their duties effectively and efficiently. The Audit Committee's review of the effectiveness of PwC as the external auditors is based on:

- discussions with the senior finance team around the level of understanding demonstrated by the audit team;
- the robustness of the audit around challenge to management and findings on areas that required judgement;
- the quality of audit work, reporting and advice given to the Audit Committee; and
- reports published by the FRC.

The conclusion was that the audit had been effective and carried out with the necessary objectivity and challenges to demonstrate independence and that no significant issues had been highlighted; this was endorsed by the Committee.

It is the Committee's responsibility to make recommendations to the Board in relation to the appointment, reappointment and removal of the external auditors, and to agree the audit fee. In November 2022, the external auditors presented their strategy for the 2022 audit to the Committee. The Committee reviewed and agreed with the external auditor's assessment of risk. The Committee also reviewed and agreed the audit approach and the approach to assessing materiality for the Group. The fee proposed by PwC for the statutory audit of the Group and Company financial statements and the audit of Group subsidiaries pursuant to legislation was reviewed and agreed.

Considering the review of the 2022 audit and the proposed plan and fee, the Committee agreed that PwC be reappointed as auditor for the 2022 audit for the fee proposed. A resolution by the Directors to agree their remuneration and to reappoint PwC as auditor for the 2023 audit will be put to shareholders at the AGM.

The Committee is aware that the use of audit firms for non-audit work is a sensitive issue for investors and corporate governance analysts, as it could potentially give rise to a conflict of interest and jeopardise the independence of the audit process. Following the issue of the EU Audit Directive in June 2016, we review any non-audit work to ensure fees for non-audit services provided by the statutory auditors in any year do not exceed 70% of the average fees for the Group statutory audit in the years and that they do not perform any non-audit services, including the majority of tax work, internal audit, corporate finance, involvement in management activities or the provision of financial information. The external auditors may not be engaged to provide any non-audit services without the agreement of the Audit Committee Chair either. We believe that this approach is still relevant and safeguards auditor independence and objectivity effectively.

PwC have confirmed that in their professional judgement they are independent within the meaning of regulatory and professional requirements, and that the objectivity of the audit engagement partner and audit staff is not impaired.

During the period, we paid PricewaterhouseCoopers LLP £40,000 for their review of the interim financial statements (considered to be a non-audit service). No other non-audit services were provided by the external auditor. Fees paid to PricewaterhouseCoopers LLP for audit work were £310,000

Our auditors rotation policy is that we will tender the audit at least once every ten years and we will change auditor at least every 20 years. We will invite at least one firm outside the 'Big Four' to participate in any audit tender process. This is in line with the current EU Audit Directive. The latest date for the next tender will therefore be for the 2027 audit, but may occur sooner at the Committee's discretion. The Committee concurs that a competitive tender is in the best interests of shareholders.

ANNUAL EVALUATION

The Committee continues to improve the risk, control and governance infrastructures, and will continue to work with the management team and the Board to ensure processes operate effectively to support the delivery of the Group's strategy. There has been one change to the composition of the Committee with Sangita Shah joining as a member. As a whole, the Board has confirmed it believes the members have the competence that is relevant to the sector in which the Group operates, and the Chair of the Committee has the relevant financial experience to run the Audit Committee.

LAURA MAY
CHAIR OF THE AUDIT COMMITTEE
21 MARCH 2023

JULIE SNEDDON
CHAIR

Number of meetings held in the year: [illegible]

Meetings and attendance

Member	Meetings	Attendance
Julie Sneddon (chair)	4	◆◆◆◆
Adam Bellamy	4	◆◆◆◆
Laura May	4	◆◆◆◆
Christopher Mills	4	◆◆◆◆
Sangita Shah (joined 1 November 2022)	0	–

COMMITTEE ACTIVITIES

Remuneration policy

The Remuneration Committee met on four occasions in FY22 and has met twice since the year end. The activities completed by the Committee in 2022 were as follows:

	February	March	May	November
Bonuses, awards and vesting review				
Review of FY21 performance and bonus outturn	◆	◆		
Approval of Directors' bonus KPIs/targets for FY22 and FY22 fixed pay	◆	◆		
Proposed 2022 LTIP performance targets	◆	◆		
Review of FY22 bonus performance and FY23 fixed pay				◆
Share plan awards and vestings			◆	
Remuneration policy and operation review				
Review of Policy and operation of Policy		◆		
Governance and reporting				
Review of Directors' Remuneration Report (including to ensure compliance with the Remuneration Reporting Regulations)		◆		
Review of expected FCA Board diversity requirements			◆	

ANNUAL STATEMENT BY THE REMUNERATION COMMITTEE CHAIR

I am pleased to present this Remuneration Report after the delivery of a record year led by our Executive Directors with the support and hard work of all of Ten Entertainment's employees. Despite disruption and uncertainty from the wider economic environment and emerging from an incredibly difficult two years as a result of the Covid-19 pandemic, the business generated record sales growth, profitability and free cashflow.

The Executive Directors also made excellent strategic progress during the year, increasing the number of sites, completing numerous refurbishments and capital programmes and expanding the scope of our digital strategy. All of this has helped drive the business forward and delivered an outstanding set of results as well as positioning the business for further growth and allowing us to reintroduce the dividend programme (3p interim dividend paid and 7p final dividend declared). This is the context within which the Committee has considered remuneration outcomes for FY22 and the approach for FY23.

I held discussions with a number of shareholders in April 2022, in advance of the AGM, to discuss the Remuneration Report and the Committee's approach to the FY21 Annual Bonus Plan pay-out. These discussions were very helpful both in enabling me to explain our approach to remuneration both for FY21 and more generally to receive insightful feedback from shareholders. As the Committee prepares for the triennial vote on our Directors' Remuneration Policy at our 2024 AGM and reviews the current Policy, I will reach out to investors again to seek their feedback on our proposals.

REMUNERATION OUTCOMES FOR FY22

A high proportion of the Executive Directors' remuneration is in performance-related variable pay, to incentivise and reward strong performance and align Director interests with those of our shareholders. Due to the outstanding performance of the Group over the last year, this has resulted in a higher variable pay-out.

Annual Bonus Plan

The bonus plan was based on 70% of the pay-out relating to financial metrics and 30% paid out on strategic objectives. The outstanding financial performance of the Group has resulted in the maximum Group Adjusted Profit Before Tax and Free Cashflow metrics being achieved.

The Committee has assessed exceptional achievement across our demanding strategic objectives resulting in a total of 30% of bonus available under this element.

Further details about the targets set for the annual bonus and performance against them can be found on page 64 of this report.

As a result, the formulaic outcome of the bonus is 100% of maximum for both our CEO (£310,000) and CFO (£260,000).

The bonus will be paid in cash with 25% of the bonus in excess of target being paid in shares and held for a minimum of two years, ensuring the Executive Directors with LTIP vestings continue to build their shareholding in the business, aligning them to long-term performance and shareholders' interests.

Vesting of 2020 Long Term Incentive Awards

As explained in our 2020 Remuneration Report, our long-term incentive grants for FY20 were delayed due to the difficulty in forecasting and setting targets as a result of the Covid-19 pandemic. Award levels were unchanged from the prior year at 150% of salary and although our share price was impacted by the pandemic in the early part of 2020, awards were not made until 30 November 2020 with no scale back considered necessary with our share price being within 20% of the grant price for the prior year's award. The Committee has reviewed again the share price at which the LTIP grants were made and remains comfortable that there are no 'windfall gains' that require the Committee to consider a scale back of the vesting level.

The 2020 LTIP award is based on EPS targets (50%), relative TSR (50%) and a share price underpin which must be achieved for any part of the award to vest. The maximum EPS target has been reached and this part of the award is expected to vest in full. The TSR and share price underpin elements are not tested until the third anniversary of grant in November 2023. Based on our current analysis, it is anticipated that the TSR element will also vest in full. Actual vesting will be disclosed in the 2023 Remuneration Report.

2022 ISSUE OF LONG-TERM INCENTIVE AWARDS

Long-term incentive awards were granted for FY22 in March 2022 with award levels unchanged from FY21 at 150% of salary and the performance conditions continuing to be based 50% on adjusted EPS and 50% on relative TSR. The targets were disclosed in our 2021 Remuneration Report and can be found on page 66 of this Report.

OPERATION OF POLICY FOR FY23

Base salary and fees

The Committee has considered carefully the salaries and overall remuneration packages of the Executive Directors in the context of salary increases for FY23. Our CEO and CFO have worked as a hugely successful team, navigating through the Covid-19 pandemic and cost of living crisis, delivering tremendous growth for shareholders. The Committee is focused on ensuring they are rewarded fairly and appropriately and incentivised to deliver further growth and returns for shareholders.

The Committee understands that with the cost of living crisis, there is a concern about increasing levels of executive remuneration. We believe our approach is moderate and reasonable and has noted as part of its deliberations, the approach that the business has taken over the wider workforce salary increases. The approach of the management team, supported by the Board, has been to look after the most vulnerable lower paid workers. All salaried employees have been awarded a salary increase of £2,300. This provides an average increase of 5.8% and up to 10% for our lowest paid employees. Our approach to salary increases also takes into account the fact that our more senior employees, who will have received a lower percentage of salary increase, will receive an annual bonus payment for FY22, which is aligned to the outturn of the Executive Directors.

In setting the CEO and CFO salary increases, the Committee, in consultation with the Executive Directors, has determined that both Executives will receive a salary increase of £2,300 this year to mirror the salaried workforce approach.

The Non-Executive Directors' fees have not changed since the Group was listed on the stock exchange in 2017, and the planned 3% increase in 2020 was delayed due to the Covid-19 pandemic. The fees are set by the Chairman of the Board, CEO, and CFO, and the Chairman's fee is agreed upon by the Remuneration Committee. The Chairman fee and the Non-Executive Director fees will increase by £2,300 in line with the Executive Directors and salaried workforce, which on average is a 1.8% increase

Annual Bonus Plan

Maximum bonus opportunity will remain at 100% of salary and will continue to be based 70% on financial metrics and 30% on strategic objectives.

The financial metrics will continue to be based on Group Adjusted Profit Before Tax ('PBT') and Free Cashflow, focusing the Executive Directors on the overall profitability and cash generation of the Group.

The 30% of the bonus determined by strategic milestones will focus on estate development, refurbishment plans and achievement of ESG targets.

Further details of the strategic objectives and the financial targets, as well as performance against them will be set out in the FY23 Remuneration Report.

Long Term Incentive Plan

Maximum bonus opportunity will remain at 150% of salary and will be based 50% on relative TSR and 50% on EPS. The targets are set out in the Annual Report on Remuneration.

CONCLUSION

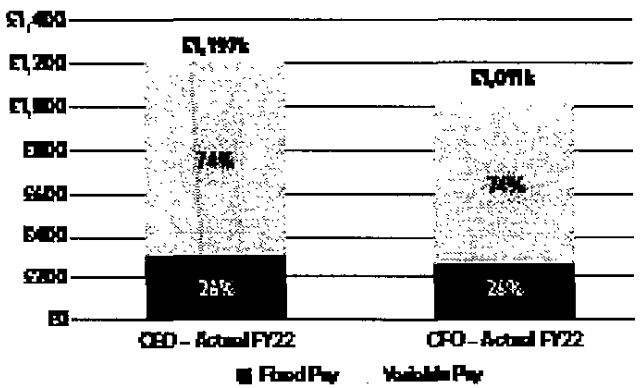
The Committee is delighted with business performance for FY22 and believes that the remuneration outcomes for the Executive Directors are clearly aligned to this. Noting that the 2020 LTIP award is not due to vest until November 2023 and that the vesting level is dependent on TSR to that date and a share price underpin, it is comfortable that the formulaic outcome of the incentives based on performance to 1 January 2023 appropriately reflect Group performance as well as individual contribution and that no discretion to adjust is necessary.

The Committee is comfortable that the policy has operated as intended and that no change is required to the policy.

I very much hope that you will support the shareholder resolution on my Annual Statement and the Annual Report on Remuneration at our forthcoming Annual General Meeting on 4 May 2023. In the meantime, should you have any questions, I am contactable via the Company Secretary.

JULIE SNEDDON
CHAIR OF THE REMUNERATION COMMITTEE
21 MARCH 2023

Actual Remuneration 2022



2022 ANNUAL BONUS OUTCOME

Metric	Weighting	Outcome (of element)	Payout % of total award
Group Adjusted EBITDA	70%	100%	70%
Strategic objectives	30%	100%	30%

2020 LTIP OUTCOME

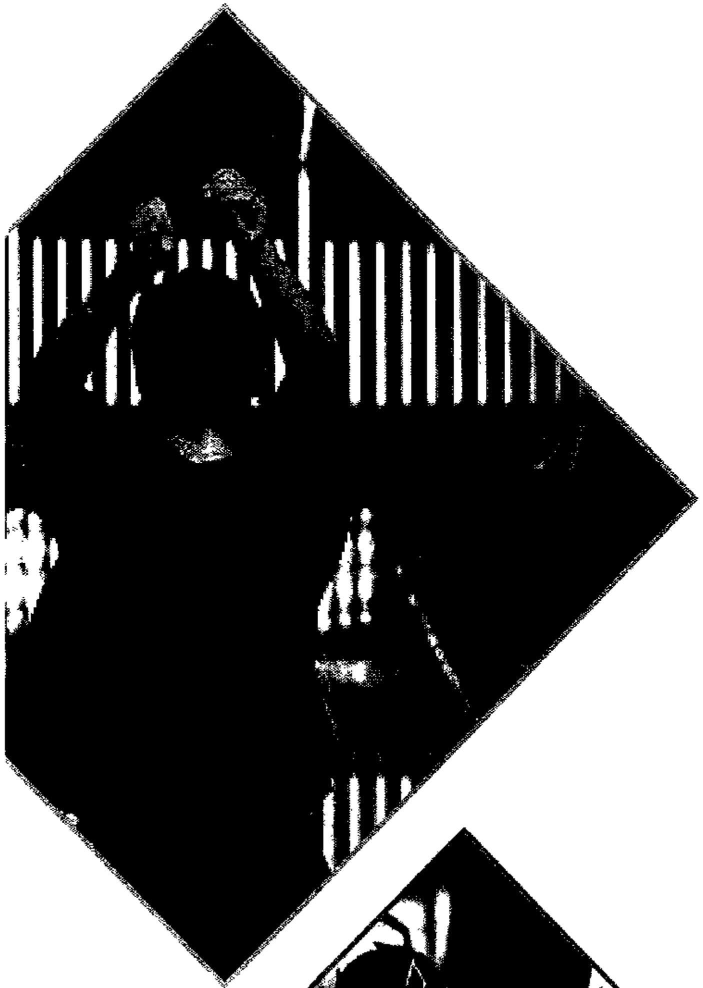
Metric	Weighting	Outcome (of element)	Payout % of total award
EPS	50%	100%	50%
Relative TSR	50%	100%	50% estimated vesting*
Share price underpin**			

* Performance period runs from date of grant for TSR and ends 30 November 2023. This is the estimated payout based on the performance at 31 January 2023.

** No award or part of an award may vest unless the average share price of the Company calculated over a three-month period ending on the vesting date exceeds the share price on the date of grant.

REMUNERATION FOR FY23

Policy element	G Blackwell (CEO)	A Smith (CFO)
Base salary for FY23 (£2,300 increase)	£312,300	£262,300
Pension	3% of base salary	3% of base salary
Annual bonus maximum opportunity	100% of base salary	100% of base salary
Annual bonus metrics	70% financial metrics – split equally between achievement of Group Adjusted Profit Before Tax and Free Cash Flow 30% strategic objectives – split equally between set targets. The Committee retains discretion to adjust the bonus that is payable if it considers the formulaic outcome (for both the financial and non-financial element) is not appropriate in the context of the underlying performance of the Company, investor experience or employee reward outcome.	
Amount paid for threshold performance	20% of maximum	20% of maximum
Amount paid for target performance	50% of maximum	50% of maximum
Payment of bonus in shares	25% of annual bonus in excess of target (after tax) is paid in Company shares that are held for two years and remain subject to clawback.	
LTIP Award	150% of base salary	150% of base salary
LTIP metrics	50% relative TSR and 50% EPS targets. The Committee retains discretion to adjust the LTIP vesting if it considers the formulaic outcome not appropriate.	
Payment for threshold performance	25% of maximum	25% of maximum
Performance & post-vesting holding periods	3 years and 2 years respectively	3 years and 2 years respectively
Shareholding requirement	200% of base salary to be met within 5 years from FY21. Post employment 100% of salary for 1 year.	
Shareholding as % of salary at FY22 year-end	66%	84%



This part of the Directors' Remuneration Report sets out the Remuneration Policy for the Company Directors and has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Companies (Miscellaneous Reporting) Regulations 2018 and the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 (the 'Regulations').

POLICY SUMMARY

The Remuneration Committee determines the Policy for the Executive Directors and the Chairman for the current and future years. The Committee considers that a successful policy needs to be sufficiently flexible to take account of changes in both the business environment and remuneration best practice. The policy is designed to provide remuneration packages that will:

- align the interests of the Executive Directors and senior management with those of shareholders;
- provide competitive remuneration that will both motivate and retain the Group's current key employees and attract high-quality individuals to join the Group;
- encourage and support a high-performance culture;
- reward delivery of the Group's business plan and key strategic goals;
- set appropriate performance conditions in line with the agreed risk profile of the business; and
- whilst the Committee does not consult directly with employees on Executive Directors' remuneration, the Committee does receive updates regarding remuneration for employees across the Group. This is considered when determining the remuneration for the Directors

Consistent with the remuneration strategy, the Remuneration Committee agreed a remuneration policy for the Executive Directors and Senior Managers whereby:

- salaries will be set at competitive, but not excessive, levels compared to peers and other companies of an equivalent size and complexity, and are commensurate to the individual's performance and responsibility;
- performance-related pay, based on stretching targets, forms a significant part of remuneration packages and offers the potential for competitive levels of total pay if targets are delivered; and
- there is an appropriate balance between short and longer-term performance targets linked to delivery of the Group's strategic plan.

The Remuneration Committee oversees the implementation of this policy and seeks to ensure that the Executive Directors are fairly rewarded for the Group's performance over both the short and long term, and that it continues to support and reward the Executive Directors to achieve the business strategy both operationally and over the longer term.

The Policy is reviewed annually by the Committee, to ensure that changes are not required prior to the triennial shareholder vote. When the Committee determines that changes are required it will formulate proposals as appropriate and depending on the change required to consult with its shareholders about the amendments. Shareholder feedback is then taken into consideration in finalising the Policy changes.

The Policy and its implementation are consistent with the six factors set out in Provision 40 of the Code:

- Clarity - our Policy is well understood by Management and has been clearly explained to our shareholders;
- Simplicity - the Committee is mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. Our policy is set out clearly and we have avoided the use of complex incentive structures, and pension policy is aligned throughout the organisation;
- Risk - our Remuneration Policy is designed to ensure that inappropriate risk-taking is discouraged through the use of long-term performance measurement, holding periods, shareholding requirements and malus and clawback provisions;
- Predictability - our incentive plans are subject to individual caps on maximum bonus opportunity and LTIP award levels and include discretion if incentive outcomes are not appropriate;
- Proportionality - there is a clear link between individual awards, delivery of strategy and our long-term performance. In addition, the significant role played by incentive/'at-risk' pay and the presence of malus and clawback provisions ensures that poor performance is not rewarded; and
- Alignment to culture - our executive pay policies and operation of policy are fully aligned to Ten Entertainment's culture, including through the use of metrics in the incentive plans which align to the Company strategy.

ENGAGING WITH SHAREHOLDERS

The Committee welcomes dialogue with shareholders and seeks the views of its major investors and investor bodies when considering significant changes to the Directors' Remuneration Policy and its operation. Any views and feedback from our shareholders is considered by the Committee as part of its annual review of Policy and operation. The Committee also considers shareholder feedback received in relation to the Directors' Remuneration Report each year following the AGM. Detail about specific engagement with shareholders in determining the Policy and its operation from year to year is set out in the Annual Statement and the Annual Report on Remuneration.

REMUNERATION OF EXECUTIVE DIRECTORS

The following table summarises each element of the Executive Directors' remuneration package, the Policy for how these are operated and their link to the Company's strategy.

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Base salary	Reflects the value of the individual and their role. Takes account of experience, skills and personal contribution to Group strategy. Set at a level to facilitate recruitment and retention of suitably experienced executives.	Base salaries will be reviewed annually. The Remuneration Committee will consider the performance of the Group and the individual, the Executive Director's experience and changes in responsibility or scope of the role, as well as pay practices in relevant comparators of a broadly similar size and complexity (with due account taken of both market capitalisation and turnover).	There is no prescribed annual increase. The Committee is guided by the wider workforce increases, but may also need to recognise increases in certain circumstances, such as assumed additional responsibility, or an increase in the scope or size of the role.	Takes into account the performance and personal contribution of the individual and performance of the Company.
Annual bonus plan	Rewards performance against specific near-term goals which are consistent with the strategic direction of the business. Acquisition of shares with bonus facilitates share ownership and aligns the interests of executives and shareholders. Clawback and acquisition of shares discourage excessive risk-taking and encourage a long-term view.	Performance is assessed by the Committee over a one-year period against the audited results of the Company, where relevant. 25% of any bonus in excess of target is paid in the Company's shares and has a two-year holding period which continues post cessation of employment (with Committee discretion in exceptional circumstances to vary). The Committee retains discretion to adjust the bonus that is payable if it considers the formulaic outcome (for both the financial and non-financial element) is not appropriate in the context of the underlying performance of the Company, investor experience or employee reward outcome. Clawback and malus may be applied to all of the bonus (cash and share element), in the event of: (i) material misstatement of the Company's financial statements; (ii) an error in the computation of a bonus amount; (iii) termination of service for gross misconduct; (iv) reputational damage, corporate failure; or (v) failure of risk management.	A bonus of up to a maximum of 100% of salary can be awarded depending on the achievement of financial and strategic targets. Not more than 20% of the maximum bonus opportunity will be paid for threshold performance and 50% of maximum for target performance	The Committee will select the most appropriate metrics for the annual bonus to support the business strategy. The majority of the annual bonus will be based on financial metrics. Financial metrics are scaled with a threshold and maximum target achievement which is set by the Committee at the beginning of the year, taking into account the Group's budget, economic environment and business outlook. In relation to non-financial individual/strategic targets, the structure of the target will vary based on the nature of the target set and it will not always be practicable to set targets using a graduated scale. Vesting may therefore take place in full if specific criteria are met in full.

REMUNERATION OF EXECUTIVE DIRECTORS continued

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Long-term incentive awards	Aims to incentivise and reward long-term, sustainable growth and returns to shareholders. Facilitates share ownership thereby providing alignment with shareholders.	The LTIP awards are structured as nil-cost options, granted annually with awards vesting on the third anniversary of award subject to achievement of performance conditions measured over three years. Vested awards granted from 2021 are subject to a holding period of two years (subject to the right to sell sufficient shares to cover tax charges arising on vesting) which continues post cessation of employment (the Committee has discretion to vary this in exceptional circumstances). The Committee retains discretion to adjust the level of vesting under the LTIP if it considers the formulaic outcome is not appropriate in the context of the underlying performance of the Company, investor experience or employee reward outcome. Clawback may be applied, in the event of: (i) material misstatement of the Company's financial statements; (ii) an error in the computation of a bonus amount; (iii) termination of service for gross misconduct; (iv) reputational damage; (v) corporate failure; or (vi) failure of risk management.	The normal award level is 150% of base salary but a maximum opportunity of 200% of salary can be approved by the Committee in exceptional circumstances. 25% of the award vests for threshold performance.	The Committee will select the most appropriate financial metrics to support the Company's medium to long-term strategy.
Benefits	To remain competitive in the marketplace, and to ensure minimal disruption to the business.	The Executive Directors are entitled to receive benefits which include, but are not limited to, family private health cover, death in service life assurance and reimbursement of travel expenses for any business-related travel, including any tax thereon grossed up, where appropriate.	There is no prescribed maximum. The value of the benefit is determined by the cost to the Company.	Not performance-related.
Pension	To facilitate retirement planning.	Payment is made either into a pension scheme, or paid as cash to the individual in lieu.	Maximum contribution is the same as the workforce, currently 3% of salary per annum.	Not performance-related.
Policy for Chairman and Non-Executive Directors' fees				
Chairman and Non-Executive Directors' fees	To pay appropriately for high-quality and experienced Chairman and Directors.	The Chairman and Non-Executive Directors are paid a basic annual fee. Supplemental fees may be paid for additional responsibilities and activities, including but not limited to, a multi-Committee Chairman and the Senior Independent Director. The Chairman's fee is inclusive of all of his responsibilities.	There is no prescribed maximum fee or maximum increase. Fees are set at a level to reflect the amount of time and level of involvement required in order to carry out their duties as members of the Board and its Committees. There may be a need to recognise increases in certain circumstances, such as assumed additional responsibility (for example, taking on the Chairmanship of a Committee or a temporary role or increase in time commitment or responsibility) or an increase in the scope or size of the role. Reasonable expenses incurred by the Non-Executive Directors in carrying out their duties will be reimbursed, including any tax thereon grossed up, where appropriate.	Not performance-related.

PERFORMANCE METRICS

Performance metrics for the annual bonus and LTIP are reviewed and set annually by the Committee and are aligned to the Group's strategy. Stretching targets are set taking into account internal plans and external market expectations for the Company, economic and business outlook. Achievement of the threshold target results in lower levels of rewards and the maximum target reflects significant out-performance.

POLICY ON REMUNERATION FOR EMPLOYEES

The remuneration policy for all employees is determined in line with best practice and aims to ensure that the Company is able to attract and retain the best people. This principle is followed in the development of our Directors' Remuneration Policy. The key difference between the Policy and the wider Group's policy is that the Executive Directors' packages (and the senior management team to a lesser extent) are weighted more to variable pay for those employees identified as having the greatest potential to influence Group-level performance.

COMMITTEE DISCRETIONS IN RESPECT OF ANNUAL BONUS PLAN AND LTIP POLICY

The Committee will operate the Annual Bonus Plan and LTIP according to the rules of each respective plan and consistent with normal market practice and the Listing Rules of the London Stock Exchange, including flexibility in a number of aspects as detailed below but always within the shareholder approved Policy (albeit with quantum and performance targets restricted to the descriptions detailed above):

- When to make awards and payments
- How to determine the size of an award, a payment, or when and how much of an award should vest
- How to deal with a change of control or restructuring of the Group
- Whether a Director is a 'good' or a 'bad' leaver for incentive plan purposes and whether and what proportion of awards vest at the time of leaving or at the original vesting date(s)
- How and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or for special dividends)
- What the weighting, measures and targets should be for the Annual Bonus Plan and LTIP from year to year

The Committee also retains the discretion within the Policy to adjust targets and/or set different measures and alter weightings for the Annual Bonus Plan, and for the LTIP if events happen that cause it to determine that the metrics are unable to fulfil their originally intended purpose, provided the new metrics are not materially less difficult to satisfy. Any adjustments will be fully disclosed in the following year's Annual Report on Remuneration.

The Committee also has the discretion to amend the Policy for minor or administrative matters where it would, in the opinion of the Committee, be disproportionate to seek shareholder approval.

All historic awards that were granted under any current or previous share schemes operated by the Company, but remain outstanding, detailed on page 66, remain eligible to vest based on their original award terms.

SHAREHOLDING REQUIREMENTS

To provide alignment between shareholders and Directors, the Executive Directors are required to build up a holding of shares in the Company of 200% of salary over a period of five years.

The post-cessation of employment shareholding policy requires the Executive Directors to retain shares from FY21 and future annual bonus and LTIP awards equal to 100% of salary for one year post cessation. Annual bonus and LTIP holding periods also continue post cessation of employment. In exceptional circumstances the Committee has the discretion to adjust these requirements.

SERVICE AGREEMENTS AND PAYMENTS FOR LOSS OF OFFICE OF EXECUTIVE DIRECTORS

Each of the Executive Directors has entered into a service agreement with the Company. The policy is that each Executive Director's service agreement should be of indefinite duration, subject to termination by the Company or the individual on six months' notice. The service agreements of all Executive Directors comply with this policy. The contracts contain a payment in lieu of notice clause which is limited to base salary only and there is no loss of office payment due. These service contracts are available for inspection at the Group's registered office.

Any share-based entitlements granted to an Executive Director under the Company's share plans will be determined based on the relevant plan rules. The default treatment under the LTIP is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, ill-health, disability, redundancy, retirement or other circumstances, at the discretion of the Committee 'good leaver' status may be applied. For good leavers, awards from 2021 will normally vest on the original vesting date, subject to the satisfaction of the relevant performance conditions tested at the end of the performance period and reduced pro-rata to reflect the proportion of the three-year period actually served (and awards granted prior to 2021 will normally vest on cessation with Committee discretion to vest at the normal time). However, the Committee has discretion in exceptional circumstances to determine that awards vest at an earlier date and/or to disapply time pro-rating. Except in exceptional circumstances, the post-vesting holding period continues to apply post cessation of employment. On a change of control, LTIP awards will vest with performance being determined at that time and awards will be pro-rated to the date of the change of control. The Committee retains discretion to reduce the proration including to zero.

Pro-rata bonus may be paid to 'good leavers' for the period of active service based on performance tested at the usual time. In all cases, performance targets would apply.

Annual bonus shares are owned from the day of acquisition, and are not forfeited on cessation of employment. The holding period (except in exceptional circumstances) continues post cessation and clawback applies

Legal fees, or a contribution towards them, in connection with any settlement agreement and other reasonable relevant costs associated with termination including outplacement consultancy fees may be paid if this is considered appropriate. The Company may also make a statutory payment and a payment to settle any claim or potential claim in relation to the termination of employment.

RECRUITMENT POLICY

The remuneration package for a new Executive Director (including those promoted internally) would be set in accordance with the terms of the Company's prevailing approved Remuneration Policy at the time of appointment, with annual bonus maximum opportunity of 100% of salary and LTIP award level maximum 200% of salary.

The Committee may, in exceptional circumstances, grant an award under a different structure in order to facilitate the buyout of outstanding awards held by an individual on recruitment. Any buyout award would be limited to what the Committee considers to be a fair estimate of the value of awards foregone when leaving the former employer and will be structured, to the extent possible, to take into account other key terms (such as vesting schedule, delivery vehicle and performance targets) of the awards which are being replaced.

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue. For external and internal appointments, the Committee may agree that the Company will meet certain relocation and other incidental expenses as appropriate.

EXTERNAL BOARD APPOINTMENTS

Where Board approval is given for an Executive Director to accept an outside non-executive directorship, the individual is entitled to retain any fees received.

CHAIRMAN AND NON-EXECUTIVE DIRECTORS

The Non-Executive Directors are engaged for fixed terms. The Chairman has a notice period of three months and the Non-Executive Directors have a notice period of one month. These appointments are subject to the Company's Articles of Association. All Directors submit themselves for re-election at the Annual General Meeting in accordance with the UK Corporate Governance Code.

STATEMENT OF CONDITIONS ELSEWHERE IN THE GROUP

The Committee considers pay and employment conditions across the Company when reviewing the remuneration of the Executive Directors and other senior employees. In particular, the Committee considers the range of base pay increases across the Group when reviewing Executive Director salary increases.

The Committee supports the Board's initiative to implement a robust framework for employee engagement and regular communication, and is building its understanding of pay and benefits at all team member levels in the Group. During 2022, engagement with our employees has continued as a focus on their health and wellbeing. The Committee does not currently engage with employees to explain the alignment of Executive remuneration to the wider workforce but will consider this during 2023 now the Group has returned to more normal trading levels. The Committee did not consult with employees in determining this Policy. The Company does not use remuneration comparison measurements except to refer to market pay data where relevant.

STATEMENT OF SHAREHOLDER VOTING AT THE AGM

The following table shows the results of the votes cast by proxy on the Directors' Remuneration Report at the Annual General Meeting held on 4 May 2022 and the Directors' Remuneration Policy at the Annual General Meeting held on 5 May 2021:

Company	Approval of Directors' Remuneration Report: Total number of votes	% of votes cast	Approval of Directors' Remuneration Policy: Total number of votes	% of votes cast
For	51,974,834	83.08%	51,884,293	82.77%
Against	10,584,787	16.92%	10,800,270	17.23%
Total votes cast	**62,559,621**		**62,684,563**	
Withheld	—		1,138	

ENGAGEMENT WITH SHAREHOLDERS

As noted in the "Annual Statement by the Remuneration Committee Chair", the Chair engaged with shareholders in April 2022 regarding the Remuneration Report and the Committee's approach to determining the FY21 Annual Bonus Plan pay-out. With the triennial shareholder vote on the Remuneration Policy due at the 2024 AGM, the Chair will be engaging again with shareholders during 2024 to seek their feedback on any proposed changes to the Remuneration Policy and operation of policy for FY24.

DETERMINING EXECUTIVE DIRECTOR REMUNERATION

The Committee considers the appropriateness of the Executive Directors' remuneration, not only in the context of overall business performance and environmental, governance and social matters, but also in the context of wider workforce pay conditions (taking into account workforce policies and practices as well as the ratio of CEO pay to all-employee pay) and the external market including peer reviews, to ensure that it is fair and appropriate for the role, experience of the individual, responsibilities and performance delivered. Further, the Committee is comfortable, in reviewing the remuneration for 2022, that as explained in the Remuneration Committee Chair's Annual Statement, there has been an appropriate link between reward and performance and that the Policy has operated as intended.

SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED)

The table below sets out the single total figure of remuneration and breakdown for each Director in respect of FY22 and FY21.

	Salary/Fees		Benefits		Pension		Total fixed pay		Bonus		LTIP[1]		Total variable pay		Total	
	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
Graham Blackwell	**310**	310	—	—	**9**	9	**319**	319	**310**	279	**568**	157	**878**	436	**1,197**	755
Antony Smith	**260**	260	**5**	1	**10**	10	**275**	271	**260**	234	**476**	170	**736**	404	**1,011**	675
Adam Bellamy	**110**	93	—	—	—	—	**110**	93	—	—	—	—	—	—	**110**	93
Julie Sneddon	**50**	50	—	—	—	—	**50**	50	—	—	—	—	—	—	**50**	50
Laura May	**50**	33	—	—	—	—	**50**	33	—	—	—	—	—	—	**50**	33
Sangita Shah	**8**	—	—	—	—	—	**8**	—	—	—	—	—	—	—	**8**	—
Christopher Mills	**50**	50	—	—	—	—	**50**	50	—	—	—	—	—	—	**50**	50
Total	**838**	796	**5**	1	**19**	19	**862**	816	**570**	513	**1,044**	327	**1,614**	840	**2,476**	1,656

1 The LTIP awards that vested in 2021 vested at a share price of £2.55 and a total value of £157k for the CEO and £170k for the CFO and is reflected in the table. This was higher than the estimated vesting level and three-month average vesting share price disclosed in the prior year's report. For 2022, the share price on the date of grant of the 2020 LTIP award that will vest in 2023 was £1.99 compared to a share price assumed for the vesting value of £2.43 being the three-month average share price to 1 January 2023 and reflecting a share price increase of £0.44. This is an estimate of the vesting value, with actual performance of the TSR element being determined in November 2023.

Neither of the two Executive Directors serve on the Board as Executive or Non-Executive Directors of listed or non-listed external companies not related to the Group, nor have they received remuneration for work from other companies not related to the Group.

ANNUAL BONUS FY22

The FY22 bonus structure provided for a maximum opportunity at 100% of salary and continued to be weighted based on 70% on financial metrics and 30% on strategic objectives. The performance payment ranges were set taking into account the level of stretch in the targets set and are summarised as follows:

Objective	Threshold	Target	Maximum
Group Adjusted Profit Before Tax	7.0%	17.5%	35%
Free cash flow	7.0%	17.5%	35%
Financial metrics	**14.0%**	**35.0%**	**70.0%**
Estate management & development	3.0%	7.5%	15%
Development of bespoke app			7.5%
ESG strategy creation and TCFD reporting			7.5%
Strategic objectives	**6.0%**	**15.0%**	**30.0%**
Total bonus pay-out	**20.0%**	**50.0%**	**100.0%**

Financial metrics

The two financial metrics chosen which combine equally to the 70% pay-out weighting were set and achieved as follows:

	Threshold	Target	Maximum	Actual	Opportunity payable
Group Adjusted PBT	£14.4m	£18.4m	£22.4m	£26.1m	35% maximum
Free cash flow	£16.8m	£21.8m	£24.8m	£27.2m	35% maximum
Bonus pay out %	**14.0%**	**35.0%**	**70.0%**		**70% maximum**

CEO and CFO strategic objectives

Performance against the strategic objectives is set out below:

Strategic objectives	Threshold	Target	Maximum	Scoring	Opportunity payable
Estate Management & Development	**11**	**13**	**15**	**15**	**15% of maximum**
Development of bespoke App			**See below**	**Achieved**	**7.5% of maximum**
ESG strategy creation and TCFD reporting			**See below**	**Achieved**	**7.5% of maximum**
Bonus pay-out %	**6%**	**15%**	**30%**		**30% of maximum**

Estate Management & Development – The Committee determined that it is appropriate to review and score the elements of the bonus relating to estate management and development together, taking into account that the elements competed with each other for capital expenditure and management resources.

The Committee also considered the Executive achievement based on ongoing discussions with the Board throughout the year concerning the agreed imperative of project delivery quality on all refurbishments and new sites, and delays outside of the Executive team's control with site acquisitions and new builds in the pipeline (such as planning permissions and licensing consents for Crewe and Milton Keynes). These delays would have meant that 15 new sites/refurbishment projects would have been completed and hence maximum bonus pay-out be awarded. In respect of site acquisitions and new builds, the Committee noted the site acquisition at Harlow and subsequent opening in record time and the new-build opening at Walsall. In addition, the business completed a number of significant capital projects, including the development and installation of new scoring systems and synthetic lane overlays, all delivered in tandem with the full refurbishment programme.

Development of bespoke App – Development and delivery of the Tenpin App was a key digital strategic priority for the business in 2022 as was set as a strategic objective. The target would either be achieved or not and being a key priority, was given maximum pay-out. This objective was achieved and the 7.5% pay-out was awarded.

ESG strategy creation and TCFD reporting – Management was required to develop and deliver to the Board, a fully developed ESG strategy including the development and setting up of systems and processes to ensure information gathering and measurement for forward-looking target setting and disclosure. The target would either be achieved or not and being a significant new requirement, was given maximum pay-out. This objective was achieved and the 7.5% pay-out was awarded.

FY22 Annual Bonus achievement

				Payable as:	
Director	**Basic**	**Achievement**	**Bonus**	**In cash**	**In shares**
Graham Blackwell	£310,000	100%	£310,000	£271,250	£38,750
Antony Smith	£260,000	100%	£260,000	£227,500	£32,500
	£570,000		**£570,000**	**£498,750**	**£71,250**

The Remuneration Policy provides that 25% of the bonus paid over target will be paid in shares subject to a two-year holding period.

LTIPS GRANTED IN 2022

On 30 March 2022 the Executive Directors were granted LTIP of 150% of salary each as summarised:

Director	Position	Number of shares subject to award	Share price on date of grant	Face value of awards granted	Percentage vesting at threshold performance	Performance period
Graham Blackwell	Chief Executive Officer	178,161	261p	£465,000	25%	3 years to FY24 for EPS
Antony Smith	Chief Financial Officer	149,425	261p	£390,000	25%	3 years from date of grant for TSR
Total awards granted		**327,586**				

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

(1) EPS CONDITION

The earnings per share ('EPS') condition will be calculated on the results for the year to 29 December 2024 ('FY24') and will apply to 50% of the total number of share awards granted. The proportion of the awards vesting for the EPS proportion will be based on the following adjusted EPS targets in FY24:

FY24 EPS	Percentage of award that vests
Less than 20.50p	0%
20.50p	12.5%
20.50p–23.50p	12.5%–50%
More than 23.50p	50%

Straight-line vesting in between threshold and maximum.

(2) TSR CONDITION

The total shareholder return ('TSR') of the Company will be measured over the period from the date of grant to the third anniversary of the date of grant relative to a comparator group of companies (set out in the following table) and this will apply to the remaining 50% of the award.

Young & Co.'s Brewery	Restaurant Group	Loungers
Marston's	Hollywood Bowl	Everyman Media
Fuller Smith & Turner	The Gym Group	City Pub Group
The Fulham Shore		

The extent to which the award will vest in accordance with the TSR condition is tabled as follows:

TSR performance against Comparator Group Companies	Percentage of award that vests
Below Median	0%
Median	12.5%
Between Median and Median plus 10% per annum	Between 12.5% and 50% on a straight-line basis
Median plus 10% per annum and above	50%

To the extent that any performance condition is not met, the relevant part of the award will lapse. There is no retesting of performance. Furthermore, the Committee has the discretion to adjust the level of vesting if in all the circumstances it does not consider it to be appropriate.

PERFORMANCE SHARE PLAN ('PSP') (AUDITED)

LTIP awards are granted as nil-cost options. The below table reflects the outstanding Executive Directors' interests in LTIPs.

	Date of award	Vesting date	Awards as at 26 December 2021	Awarded	Exercised	Lapsed in year*	Awards as at 1 January 2022	Grant price	Face value of 2022 awards
Antony Smith	17/05/2019	17/05/2022	133,333	–	(66,667)	(66,666)	–	–	–
	30/11/2020	30/11/2023	195,489	–	–	–	195,489	£1.99	£389,023
	15/10/2021	14/10/2024	144,981	–	–	–	144,981	£2.74	£397,248
	30/03/2022	30/03/2025	–	149,425	–	–	149,425	£2.61	£390,000
Graham Blackwell	17/05/2019	17/05/2022	123,333	–	(61,667)	(61,666)	–	–	–
	30/11/2020	30/11/2023	233,083	–	–	–	233,083	£1.99	£463,835
	15/10/2021	14/10/2024	172,862	–	–	–	172,862	£2.74	£473,642
	30/03/2022	30/03/2025	–	178,161	–	–	178,161	£2.61	£465,000

* These awards lapsed following review of the relevant performance conditions by the Committee in 2022.

FINAL VESTING OUTCOME FOR LTIPS GRANTED IN 2019

The 2019 LTIPs vested on 17 May 2022. As reflected in the FY21 Annual Report, the EPS targets were not achieved but the TSR target was expected to be achieved, and the expected value based on expected vesting was estimated and reported at £69k for the CEO and £74k for the CFO. On 18 May 2022, Graham Blackwell and Antony Smith's options vested. The TSR element, which was 50% of the total award, vested in full as set out below. The underpin for these awards which required the average three-month share price to vesting to exceed the share price on grant of £2.25 was achieved with an average share price to vesting of £2.51.

	Date of award	Vesting date	Performance measure	Awards as at 26 December 2021	Performance targets	Actual performance	Number of awards vesting	Actual share price on vesting	Value of award
Graham Blackwell	17/05/2019	17/05/2022	EPS	61,666	25.7p to 27.3p	2.7p	No vesting	–	–
			TSR	61,667	Median to upper quartile*	Above upper quartile	61,667	£2.55	£157,251
Antony Smith	17/05/2019	17/05/2022	EPS	66,666	25.7p to 27.3p	2.7p	No vesting	–	–
			TSR	66,667	Median to upper quartile*	Above upper quartile	66,667	£2.55	£170,001

* The peer group set out below applies to the 2019 LTIP award. A new peer group has been used for awards from 2020 going forward.

Britvic	Goals Soccer	Pets at Home
Cineworld	Hollywood Bowl Group	Photo-me
Easy Hotels	Pendragon	Revolution Bars
Fuller Smith & Turner	The Gym Group	STV Group

LTIPS GRANTED IN 2020 WITH PERFORMANCE PERIOD ENDING IN FY22

On 30 November 2020, LTIP awards were granted to Graham Blackwell and Antony Smith. The awards were all granted at a face value of 150% of salary based on a share price of £1.99. The vesting of awards is conditional upon the achievement of two performance conditions, being EPS which applies to 50% of the award and is measured over three financial years to FY22 and TSR which applies to the other 50% measured to the third anniversary of the date of grant.

(1) EPS CONDITION

The proportion of the awards vesting for the EPS proportion are based on the following adjusted EPS targets in FY22:

2020 scheme EPS target in FY22	Percentage of award that vests
Less than 17.0p	0%
17.0p	12.5%
17.0p-23.0p	12.5%-50%
More than 23.0p	50%

The maximum target for adjusted EPS was set at 23.0p. The actual performance was an adjusted EPS of 29.3p (audited); therefore the whole EPS part of the award will vest.

(2) TSR CONDITION

The TSR will be calculated against the following comparator group of companies over the last 30 days of the performance period to determine if the performance condition has been met.

Young & Co.'s Brewery	Restaurant Group	Loungers
Marston's	Hollywood Bowl	Everyman Media
Fuller Smith & Turner	The Gym Group	City Pub Group
The Fulham Shore		

The extent to which the award will vest in accordance with the TSR condition is tabled as follows:

TSR performance against Comparator Group Companies	Percentage of award that vests
Below Median	0%
Median	12.5%
Between Median and Median plus 10% per annum	Between 12.5% and 50% on a straight-line basis
Median plus 10% per annum and above	50%

Based on an assessment of the Company TSR performance against the comparator group to 31 January 2023, 100% of the award is expected to vest. Actual vesting will be determined at the end of the performance period and will be set out in the 2023 Remuneration Report.

The below table summarises the 2020 scheme awards, performance measures, targets and performance and the expected value of the awards as explained before. For awards to vest the average share price for the three months prior to vesting must exceed the share price on the date of grant of £1.99.

	Date of award	Vesting date	Performance measure	Awards as at 1 January 2023	Performance targets	Actual performance	Number of awards vesting	Three-month average share price	Value of Award
Graham Blackwell	30/11/2020	30/11/2023	EPS	116,541	As per above	29.3p	116,541	£2.43	£283,195
			TSR	116,542	As per above	100%	116,542	£2.43	£283,197
Antony Smith	30/11/2020	30/11/2023	EPS	97,744	As per above	29.3p	97,744	£2.43	£237,518
			TSR	97,745	As per above	100%	97,745	£2.43	£237,520

PERFORMANCE CONDITIONS FOR FY21 LTIP AWARD

The performance conditions for the LTIP awards granted on 15 October 2021 are set out below.

EPS CONDITION

The award is based on 50% of adjusted earnings per share ('EPS') targets as set out below and measured in FY23:

2021 scheme	Percentage of award that vests
Less than 17.5p	0%
17.5p	12.5%
17.5p-20.5p	12.5%-50%
More than 20.5p	50%

Straight-line vesting in between threshold and maximum.

TSR CONDITION

The other 50% of the award is based on relative TSR which will be calculated against the same comparator group set out for the 2020 award for the one month ending on the third anniversary of the date of grant. The extent to which the award would vest in accordance with the TSR condition is tabled as follows:

TSR performance against Comparator Group Companies	Percentage of award that vests
Below Median	0%
Median	12.5%
Between Median and Median plus 10% per annum	Between 12.5% and 50% on a straight-line basis
Median plus 10% per annum and above	50%

The TSR peer group is the same group that applies to the FY20 and FY22 awards as set out above.

OPERATION OF REMUNERATION POLICY IN 2023

EXECUTIVE DIRECTORS' SALARIES

Chief Executive Officer: £312,300

Chief Financial Officer: £262,300

The salaries were increased by £2,300 for 2023.

NON-EXECUTIVE DIRECTORS' FEES

The fees for the Non-Executive Chairman and Non-Executive Directors have been increased for 2023 by £2,300.

	2023	2022
Non-Executive Chairman	£112,300	£110,000
Non-Executive Directors	£52,300	£50,000
Senior Independent Director	£5,000	£5,000

BENEFITS AND PENSION

Benefits remain in line with those provided in FY22.

ANNUAL BONUS PLAN

The Executive Directors' maximum annual bonus opportunity remains at 100% of salary and continues to be based 70% on financial metrics and 30% on strategic objectives. The Remuneration Committee considers that the detailed performance targets for the FY23 annual bonus plan are commercially sensitive and that disclosing the specific targets in advance would not be in shareholder interests. The set targets, the actual performance achieved, and the awards made will be disclosed in the FY23 Remuneration Report so that shareholders can fully assess the basis for any payouts under the annual bonus plan. A high level review of the metrics is summarised below:

- Financial metrics – the two financial metrics set are Group Adjusted Profit Before Tax and Free Cashflow as per prior year. Both measures have equal weighting.
- Strategic objectives – Strategic objectives have been set in respect of Estate Management & Development and achievement of ESG targets.

PERFORMANCE SHARE AWARDS

It is the Committee's intention to grant the Executive Directors performance share awards at the same level as FY22, 150% of salary, although award levels will be confirmed at the time of grant taking into account the prevailing share price. Awards will continue to be based as to 50% on EPS and 50% TSR.

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

2023 scheme	Percentage of award that vests
Less than 36.0p	0%
36.0p	12.5%
36.0p to 42.0p	12.5%–50%
More than 42.0p	50%

TSR CONDITION

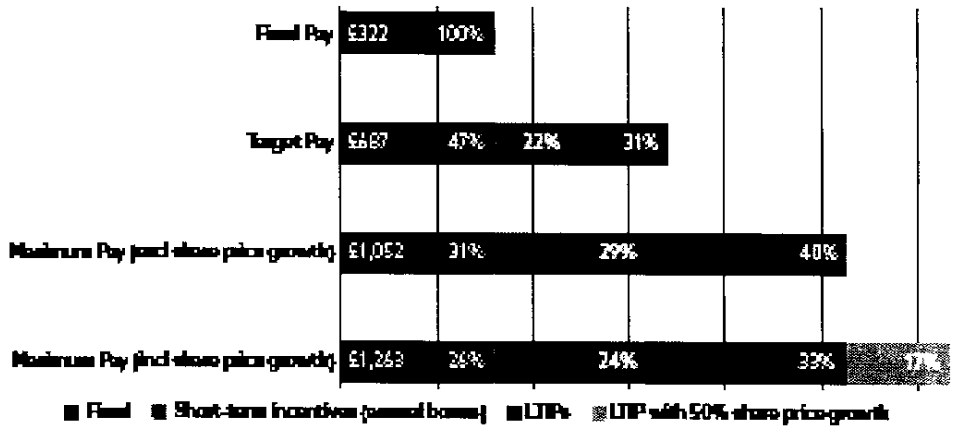
The other 50% of the award is based on relative TSR which will be calculated against the same comparator group set out for the 2022 award for the one month ending on the third anniversary of the date of grant. The extent to which the award would vest in accordance with the TSR condition is tabled as follows:

TSR performance against Comparator Group Companies	Percentage of award that vests
Below Median	0%
Median	12.5%
Between Median and Median plus 10% per annum	Between 12.5% and 50% on a straight-line basis
Median plus 10% per annum and above	50%

PAYMENT UNDER DIFFERENT PERFORMANCE SCENARIOS

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

CEO – £000



	Fixed	Short-term incentives (annual bonus)	LTIPs	LTIPs with 50% share price growth
Fixed pay	£322			
Target pay	£687	22%	31%	
Maximum pay (excl share price growth)	£1,052	29%	40%	
Maximum pay (incl share price growth)	£1,263	24%	33%	17%

CFO - £000

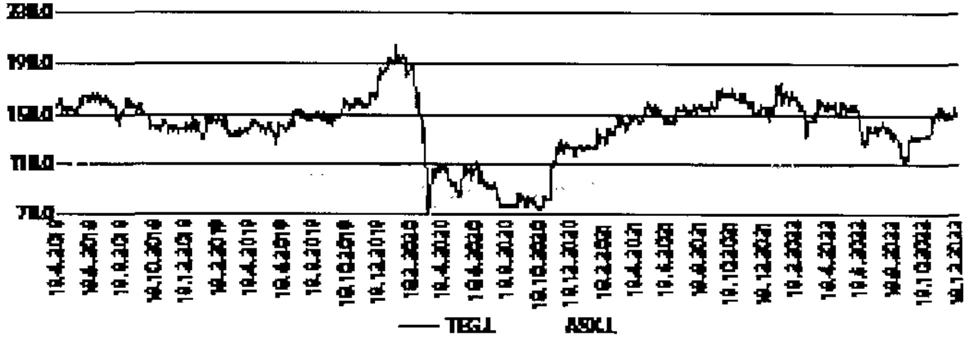
	Fixed	Short-term incentives (annual bonus)	LTIPs	LTIPs with 50% share price growth
Fixed pay	£277			
Target pay	£534	22%	31%	
Maximum pay (excl share price growth)	£890	29%	40%	
Maximum pay (incl share price growth)	£1,067	24%	33%	17%

- **Fixed pay** - consists of salary, benefits and pension contributions
- **Target pay** - is fixed pay plus 50% of annual bonus (50% of salary) and 50% of LTIP award (75% of salary)
- **Maximum pay** - is fixed remuneration, 100% annual bonus (100% of salary) and 100% of the LTIP award (150% of salary for the CEO and CFO) with 50% of share price growth for the LTIP award also illustrated

COMPARISON OF OVERALL PERFORMANCE

The below table reflects the performance of an investment in £100 in the Group against the same investment in the FTSE All Share on a monthly basis since the date of listing in April 2017 until the financial year ended on 1 January 2023. The FTSE All Share has been chosen as the comparator index as the Company has been a constituent of the index since listing.

TEG Share Price performance versus FTSE All Share



CHIEF EXECUTIVE OFFICER HISTORIC REMUNERATION

The table below sets out the total remuneration delivered to the Chief Executive Officer since the Company listed.

Year	Chief Executive Officer single figure of total remuneration £000	Annual bonus payout against maximum opportunity %	Long-term incentive vesting rates against maximum opportunity %
2022	1,197	100%	100%
2021*	755	90%	50%
2020	371	0%	21.9%
2019	349	9%	N/A
2018	330	0%	N/A
2017	206	0%	N/A

* The 2021 amount has changed from £668k to £755k as the actual value of the LTIPs that vested was £87k higher, with the full 50% of the TSR condition vesting.

2022 LTIP vesting is based on the full 50% for the EPS condition vesting and assumptions on likely vesting of TSR element. Actual vesting percentage will be set out in the 2023 Remuneration Report.

CHIEF EXECUTIVE OFFICER TO EMPLOYEE RATIOS

Year	25th percentile	50th percentile	75th percentile
2022	91	65	63
2021	52	38	36
2020	58	31	20

Total UK employee pay and benefits figures used to calculate the 2022 CEO pay ratio is set out in the table below:

£000	CEO	25th percentile	50th percentile	75th percentile
Salary	310	13	18	18
Total pay	1,197	13	18	19

The table above sets out the CEO pay ratio for 2020 to 2022. The ratios have been calculated in accordance with Option A, as this is the most accurate method of calculation. The CEO pay is per the single total figure of remuneration for 2022. The pay for the CEO is compared to the pay of our UK employees at the 25th, 50th and 75th percentile, calculated based on full-time equivalent base pay data as at 1 January 2023. As ratios could be unduly impacted by joiners and leavers who may not participate in all remuneration arrangements in the year of joining and leaving, the Committee has excluded any employee not employed throughout the whole financial year. Employees on maternity are included pro-rata for their FTE salary, benefits and short-term incentives.

No other calculation adjustments or assumptions have been made. There is an increase in the ratio at the 50th and 75th percentiles from 2021 to 2022 because the CEO has received an annual bonus as have other eligible employees, and an estimated LTIP vesting that is higher than in 2021 with the CEO's variable pay potential being higher than other eligible employees reflecting his role in the business and balance between fixed and variable pay. The Remuneration Committee is satisfied the median pay ratio is consistent with the pay, reward and progression policies of the Company's employees.

The relative importance of remuneration in relation to other significant uses of the Group's cash is set out below:

	% change	1 January 2023 £000	26 December 2021 £000
Total staff costs	57.0%	**28,588**	18,208
Dividends paid	100%	**2,055**	–

PERCENTAGE CHANGE IN DIRECTORS' REMUNERATION

	Average percentage change 2021-2022			Average percentage change 2020-2021			Average percentage change 2019-2020		
	Salary	**Benefits**	**Annual Bonus**	Salary	Benefits	Annual Bonus	Salary	Benefits	Annual Bonus
Adam Bellamy[1]	**17.9%**	**0.0%**	**0.0%**	82.4%	0.0%	0.0%	1.7%	0.0%	0.0%
Graham Blackwell	**0.0%**	**0.0%**	**11.1%**	41.6%	0.0%	100.0%	20.9%	100.0%	(100.0%)
Antony Smith	**0.0%**	**351.0%**	**11.1%**	22.1%	0.0%	100.0%	34.9%	111.7%	(100.0%)
Julie Sneddon	**0.0%**	**0.0%**	**0.0%**	4.2%	0.0%	0.0%	(3.3%)	0.0%	0.0%
Laura May[2]	**50.0%**	**0.0%**	**0.0%**	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sangita Shah[3]	**100.0%**	**0.0%**	**0.0%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Christopher Mills	**0.0%**	**0.0%**	**0.0%**	4.2%	0.0%	0.0%	(3.3%)	0.0%	0.0%
Average employees	**29.0%**	**54.2%**	**31.8%**	22.9%	17.2%	100.0%	(5.5%)	(15.0%)	(100.0%)

1 Adam Bellamy was appointed as Chairman on 6 May 2021 and a full year at his new fee reflects the increase
2 Laura May was appointed on 6 May 2021 and a full year reflects the increase.
3 Sangita Shah was appointed on 1 November 2022 and no prior year reflects the increase.

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

There were no Director resignations in the year and there have been no payments to past Directors for loss of office.

STATEMENT OF DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS AS AT 1 JANUARY 2023 (AUDITED)

The number of shares of the Company in which Directors, and their connected persons, had a beneficial interest and details of long-term incentive interests as at 1 January 2023 are set out in the table below:

Director	Shares held at 1 January 2023	Unvested LTIP interests with performance conditions
Graham Blackwell	80,225	584,106
Antony Smith	86,180	489,895
Christopher Mills[1]	10,796,727	–
Julie Sneddon	80,000	–
Adam Bellamy	40,000	–
Laura May	–	–
Sangita Shah	–	–

1 The number of ordinary shares shown as held by Christopher Mills includes ordinary shares held by certain funds of which Harwood Capital LLP is the discretionary fund manager

Christopher Mills disposed of 14,227 shares in January 2023, but there have been no further changes in these holdings since then until the date this report has been approved.

SHAREHOLDING REQUIREMENT

The Executive Directors are required to build up a shareholding equivalent to 200% of base salary over five years from the later of date of appointment and the approval of the new policy. The shareholding requirement has not yet been met by either Executive Director but will increase in FY23 as 25% of the FY22 annual bonus in excess of target is paid out in shares along with the 2020 LTIP award of shares

Director	Number of shares held at 1 January 2023	Shares held as a % of salary[1]
Graham Blackwell	**80,225**	66
Antony Smith	**86,180**	84

1. Calculated on basis of three-month average share price to 1 January 2023, using salaries at 1 January 2023.

ADVISERS TO THE REMUNERATION COMMITTEE

Korn Ferry have continued to provide independent advice to the Remuneration Committee, providing advice to the Committee as required. Korn Ferry does not provide any other services to the Company, and the Committee is comfortable that its advice is independent and objective. Fees incurred in respect of advice provided to the Committee by Korn Ferry during the year amounted to £12,226.

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

JULIE SNEDDON
CHAIR OF THE REMUNERATION COMMITTEE
22 MARCH 2023

The Directors have pleasure in presenting their report and the audited financial statements for the Group for the 53 weeks ended 1 January 2023.

Ten Entertainment Group plc (the 'Company' or the 'parent company') is a public limited company. The consolidated financial statements of the Company for the 53-week period ended 1 January 2023 comprise the Company and its subsidiaries (together referred to as the 'Group').

Additional information which is incorporated by reference into this Directors' Report, including information required in accordance with the Companies Act 2006 and the Listing Rule 9.8.4R of the UK Financial Conduct Authority's Listing Rules, and which includes information on future business developments, can be located as follows:

- the Group's Strategic Report is set out on pages 2 to 44;
- future business developments on page 4 and pages 5 to 8;
- the Chairman's statement on page 4;
- the Chief Executive Officer's statement on pages 5 to 8;
- a description of the business structure, model and strategy on pages 10 to 16;
- the key performance indicators on pages 18 to 19;
- the discussion of risk management, uncertainties and the longer-term viability statement on pages 39 to 44;
- the Financial Review on pages 33 to 38;
- the ESG Report on pages 20 to 29, including details of greenhouse gas emissions;
- details of long-term incentive schemes included in the Remuneration Report on pages 57 to 71; and
- the Statement of Directors' responsibilities on page 75

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

Details of the Group's policy on addressing financial risks and details about financial instruments are shown in Note 23 to the Group financial statements on pages 103 to 104. The sections of the Annual Report dealing with corporate governance, the reports of the Nomination Committee and Audit Committee and the Directors' Remuneration Report set out on pages 52 to 71 inclusive are hereby incorporated by reference into this Directors' Report. The Directors' remuneration is tabled by Director by category on page 64. For the purposes of compliance with the Disclosure Guidance and Transparency Rules ('DTR') 4.1.5R(2) and DTR 4.1.8R, the required content of the 'Management Report' can be found in the Strategic Report and Directors' Report, including the sections of the financial statements and Annual Report incorporated by reference.

STAKEHOLDER ENGAGEMENT

Details of how the Directors have engaged with employees and other stakeholders, and had regard to the interests of employees and the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year, are set out in the statement regarding s172(1) of the Companies Act 2006 on pages 30 to 32.

DIRECTORS

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

Directors	
Graham Blackwell	
Antony Smith	
Adam Bellamy	
Laura May	
Christopher Mills	
Julie Sneddon	
Sangita Shah	Joined 1 November 2022

The roles and biographies of the Directors as at the date of this report are set out on page 46 to 47. The appointment and replacement of Directors is governed by the Articles of the Company, the UK Corporate Governance Code, the Companies Act 2006 and related legislation. Subject to the Articles of Association, the Companies Act 2006 and any directions given by special resolution, the business of the Company is managed by the Board, which may exercise all the powers of the Company.

DIRECTORS' INTERESTS

The number of ordinary shares of the Company in which the Directors were beneficially interested as at 1 January 2023 are set out in the Directors' Remuneration Report on page 70.

Other than these ordinary shares acquired, there have not been any changes in the interests of the Directors, including share options and awards, in the share capital of the Company between the year end and 21 March 2023. None of the Directors have a beneficial interest in the shares of any subsidiary. In line with the Companies Act 2006, the Board has clear procedures for Directors to formally disclose any actual or potential conflicts to the whole Board for authorisation as necessary. All new conflicts are required to be disclosed as and when they arise. There is an annual review of conflicts disclosed and authorisations given. The register of Directors' conflicts is maintained by the Company Secretary.

DIRECTORS' INDEMNITIES

The Company's Articles provide, subject to the provisions of UK legislation, an indemnity for Directors and officers of the Company and the Group in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers.

The Directors are all covered by a Directors' and Officers' liability insurance policy maintained by the Company with a qualifying third-party indemnity insurance company which was in force during the financial year and also at the date of approval of the financial statements.

RESULTS AND DIVIDEND

The results for the year are set out in the consolidated statement of comprehensive income on page 81 and discussed in greater detail in the Financial Review on pages 33 to 38. The Directors recommend the payment of a final ordinary dividend of 7p per ordinary share (2021: Did not recommend).

AMENDMENT TO THE COMPANY'S ARTICLES OF ASSOCIATION

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

SHARE CAPITAL

As at 1 January 2023, the Company's authorised share capital was £684,961 (2021: £683,678) divided into a single class of 68,496,118 (2021: 68,367,784) ordinary shares of 1p each. Details of the Company's share capital, including changes during the year being the allotment of shares after the exercise of share options in May 2022, are set out in Note 16 to the financial statements.

All issued ordinary shares are fully paid up. The ordinary shares are listed on the London Stock Exchange and can be held in certificated or uncertificated form. Holders of ordinary shares are entitled to attend and speak at general meetings of the Company; to appoint one or more proxies and, if they are corporations, corporate representatives who are entitled to attend general meetings and to exercise voting rights. On a show of hands at a general meeting of the Company, every holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote, unless the proxy is appointed by more than one shareholder and has been instructed by one or more shareholders to vote for the resolution and by one or more shareholders to vote against the resolution, in which case the proxy has one vote for and one vote against. This reflects the position in the Shareholders' Rights Regulations 2009 which amended the Companies Act 2006. On a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. None of the ordinary shares carry any special voting rights with regard to control of the Company.

The Articles specify deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. The relevant proxy votes are counted and the number for, against or withheld in relation to each resolution are announced at the AGM and published on the Company's website after the meeting.

There are no restrictions on the transfer of ordinary shares in the Company other than certain restrictions that may be imposed from time to time by the Articles, law or regulation and pursuant to the Listing Rules whereby certain Directors, officers and employees require approval to deal in ordinary shares of the Company. The Group is not aware of any other agreements between holders of securities that may result in restrictions on the transfer of ordinary shares.

AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES

Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Act. Any shares which have been bought back may be held as treasury shares or cancelled immediately upon completion of the purchase.

Immediately prior to, but conditional upon Admission, the Company was generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act) of its shares provided that in doing so it could not purchase more than 3,418,389 shares in aggregate, pays not less than 1p (excluding expenses) per share and pays a price per share that is not more (excluding expenses) per share than the higher of:

- 105% of the average of the middle market quotations for a share as derived from the London Stock Exchange Daily Official List for the five business days immediately before the day on which it purchases that share; and
- The amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange trading services SETS.

This authority shall expire at the conclusion of the next AGM of the Company or within 15 months from the date of passing of the resolution (whichever is the earlier), but the Company may, if it agrees to purchase shares under this authority before it expires, complete the purchase wholly or partly after this authority expires. The Company has not repurchased any of its ordinary shares under this authority.

EMPLOYMENT POLICIES

The Group is committed to the principle of equal opportunity in employment. The Group recruits and selects applicants for employment based solely on a person's qualifications and suitability for the position, whilst bearing in mind equality and diversity. It is the Group's policy to recruit the most capable person available for each position. The Group recognises the need to treat all employees honestly and fairly. The Group is committed to ensuring that its employees feel respected and valued and are able to fulfil their potential and recognises that the success of the business relies on their skill and dedication.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, efforts are made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should as far as possible be identical with that of other employees.

The Group attaches importance to good communications and relations with employees. Information that is or may be relevant to employees in the performance of their duties is circulated to them on a regular basis, or immediately if it requires their immediate attention. There is regular consultation with employees through meetings or other lines of communication, so that their views are known and can be taken into account in making decisions on matters that will or may affect them. Employee participation in their bowling venue's performance is encouraged through various bonus and incentive schemes, and there is regular communication with all employees on the performance of their bowling venue or central function and on the financial and economic factors affecting the overall performance of the Group.

For more information on the Company's employment practices, please see pages 27 to 28, and for the policy on remuneration and loss of office payments, please see pages 60 to 63.

SUBSTANTIAL SHAREHOLDINGS

As at 1 January 2023, the Company had been notified, in accordance with the FCA's Disclosure Guidance and Transparency Rules, of the following holdings of voting rights attaching to the Company's shares:

Shareholder	Number of shares	% of total voting rights as at 1 January 2023
North Atlantic Smaller Companies Investment Trust plc*	10,000,000	14.60%
Gresham House Asset Management	8,386,648	12.24%
Slater Investments	8,320,053	12.15%
Fidelity International	6,832,144	9.97%
Fidelity Management & Research	6,818,911	9.96%
BlackRock, Inc.	6,233,812	9.10%
Otus Capital Management	5,814,287	8.49%
Chelverton Asset Management	2,650,000	3.87%
Allianz Global Investors	2,568,345	3.75%

* These are funds managed by Harwood Capital LLP.

There have been no further notifications of any changes to these interests between 1 January 2023 and 21 March 2023.

AGM

The notice convening the AGM to be held on 4 May 2023 at 6 Stratton Street, London, W1J 8LD, is contained in a separate shareholder circular. Full details of all resolutions to be proposed are provided in that document. The Directors consider that all of the resolutions set out in the Notice of AGM are in the best interests of the Company and its shareholders as a whole. The Directors will be voting in favour of them and unanimously recommend that shareholders vote in favour of each of them.

SIGNIFICANT AGREEMENTS AND CHANGE OF CONTROL PROVISIONS

The Group judges that the only significant agreements in relation to its business are its Group banking arrangements with the Royal Bank of Scotland plc and gaming machines contracts with Bandai Namco Europe Limited.

The Group's gaming machines contracts do not terminate on a change of control. The Group does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Group's Performance Share Plan may cause options and awards granted to Directors to vest on a change of control.

The Group's banking arrangements do contain change of control provisions which, if triggered, could limit future utilisations, require the repayment of existing utilisations or lead to a renegotiation of terms.

RELATIONSHIP AGREEMENT

In accordance with the disclosures required by LR 9.8.4 sub-paragraph (14), the Group is required to make a statement about any agreements entered in accordance with LR 9.2.2A. On 12 April 2017, the Company, the Harwood Shareholders, Harwood (as the discretionary investment manager of the Harwood Shareholders), and Numis (as Sole Sponsor and Financial Adviser) entered into a relationship agreement, the principal purpose of which is to ensure that the Company is capable of carrying on business independently at all times.

Under the terms of the relationship agreement, the Harwood Shareholders each undertake (and undertake to procure that each of their associates shall procure insofar as they are able to do so) that:

- any transaction, arrangement or contract entered into between the Harwood Shareholders (or any of the Harwood Shareholders' associates or their nominees) and the Company will be conducted on an arm's length basis and normal commercial terms; and
- amongst other things, neither the Harwood Shareholders nor any of their associates or nominees: (i) will take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules; or (ii) will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

Harwood, as the discretionary investment manager of Oryx and Harwood Capital Nominees, has also undertaken to procure that Oryx and Harwood Capital Nominees will comply with the undertakings listed above.

The relationship agreement will continue in effect until the earlier of the aggregate voting rights of the Harwood Shareholders (whether held directly or indirectly through the Harwood Shareholders' associates and/or their nominees) are less than 10% or the shares are no longer admitted to the premium listing segment of the Official List and to trading on the Main Market of the London Stock Exchange.

The Company confirms that it has complied with its obligations under the Relationship Agreement during the financial year under review, and that so far as it is aware, all other parties to that agreement have complied with it.

POLITICAL DONATIONS

The Company made no political donations in the year.

KEY PERFORMANCE INDICATORS ('KPIS')

Details of the Group's KPIs can be found on pages 18 to 19.

INDEPENDENT AUDITORS

PwC have signified their willingness to continue in office as auditors to the Company, and the Group is satisfied that PwC are independent and there are adequate safeguards in place to safeguard their objectivity.

DIRECTORS' STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

Having made the requisite enquiries, the Directors in office at the date of these financial statements and Annual Report have each confirmed that, so far as they are aware, there is no relevant audit information of which the Group's and Company's auditors are unaware and each Director has taken all the steps he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

GOING CONCERN

The financial statements are prepared on a going concern basis, which the Directors believe to be appropriate based on the review carried out and explained in the Long Term Viability Statement on pages 43 to 44.

CAUTIONARY STATEMENT

These financial statements and Annual Report contain forward-looking statements. These forward-looking statements are not guarantees of future performance; rather, they are based on current views and assumptions as at the date of these financial statements and Annual Report and are made by the Directors in good faith based on the information available to them at the time of their approval of this report. These statements should be treated with caution due to the inherent risks and uncertainties underlying any such forward-looking information. The Group undertakes no obligation to update these forward-looking statements.

By order of the Board

ANTONY SMITH
COMPANY SECRETARY
21 MARCH 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and the Company financial statements in accordance with UK-adopted international accounting standards. Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

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

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

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

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' CONFIRMATIONS

The Directors consider that the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy. Each of the Directors, whose names and functions are listed in the Corporate Governance Report, confirm that, to the best of their knowledge:

- the Group and Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities and financial position of the Group and Company, and of the profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

By order of the Board

GRAHAM BLACKWELL
CHIEF EXECUTIVE OFFICER
21 MARCH 2023

Report on the audit of the financial statements

Opinion

In our opinion, Ten Entertainment Group plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 1 January 2023 and of the Group's profit and the Group's and Company's cash flows for the 53 week period then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2022 (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 1 January 2023; the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the period then ended; the Statement of Accounting Policies; and the notes to the financial statements.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 5, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Context

Ten Entertainment Group plc operates under one main component, Tenpin Limited, which is a UK based company There are thirteen other UK based subsidiaries, of which two are small trading entities, two are holding entities and the remaining are dormant entities.

Overview

Audit scope

- We performed a full scope audit over Tenpin Limited, Quattroleisure Limited and the Company, whilst performing audit procedures over specific balances within certain other statutory entities based on their overall size and values of their specific financial statement line items. Our audit scoping gave us coverage of 97% of Group's revenue and 96% of Group's adjusted profit before tax.

Key audit matters

- Goodwill and site asset impairment (Group)
- Carrying value of investments (Company)

Materiality

- Overall Group materiality: £1,280,000 (2021: £652,000) based on 5% of the Group's adjusted profit before tax.
- Overall Company materiality: £398,000 (2021: £438,000) based on 1% of the total assets.
- Performance materiality: £960,000 (2021: £489,000) (Group) and £298,500 (2021: £328,500) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

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

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

Carrying value of investments (Company) is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Goodwill and site asset impairment (Group) Refer to notes 10, 13 and 14 of the financial statements At 1 January 2023 the Group had goodwill of £29.7m (2021: £29.4m) and site assets comprising right of use assets of £171.7m (2021: £167.3m) and property, plant and equipment of £57.2m (2021: £39.5m). The Group operates in the leisure market and is exposed to fluctuations in consumer discretionary spending as well as the wider economy. As required by accounting standards, as at 1 January 2023, management performed an impairment assessment for goodwill and at the same time identified indicators of an impairment reversal for site assets and as a result undertook a full assessment to determine the recoverable amount for site assets. Management considers each site to be a cash-generating unit (CGU) and performed the impairment assessment using discounted cash flows. We focussed on this area as the determination of whether an impairment charge was necessary involved significant estimates about the future results of each site and the weighted average cost of capital used to discount these forecasts. Management's impairment assessment also takes into account the impact of climate change. Goodwill is not allocated to individual CGUs as management considers that the synergies arising from each acquisition benefit the Group as a whole rather than individual sites and management monitors goodwill in aggregate for internal purposes. Therefore, for goodwill impairment testing, the CGUs are aggregated into a single group.	We obtained management's models for determining the recoverable amount as at 1 January 2023 and checked the mathematical accuracy and integrity. We agreed management's forecast to the latest Board approved strategic plan. We considered a number of external market forecasts and analyst reports assessing UK economic and industry growth as this is a key driver of revenue and EBITDA growth. We evaluated the key assumptions within the forecasts. We have also reviewed the cost assumptions for reasonableness by comparing with current market data available. Where management's assumptions varied from these forecasts, we appraised the rationale, primarily due to the specific nature of the bowling industry. We also challenged the extent to which the impact of climate change risk identified by management in its TCFD scenario analysis and the Group's net zero commitment were consistent with the assumptions within the impairment assessment. We also performed sensitivity analysis to ascertain whether downward adjustments to the forecast assumptions would result in a material impairment. We assessed the historical accuracy of the forecasts used in the Group's impairment model by considering actual performance against prior year forecasts and budgets, to evaluate management's forecasting capabilities. We also reviewed the performance of the Group since year-end by comparing it with management's budgets. We used our internal experts to determine a weighted average cost of capital for the Group and concluded that the cost of capital determined by management was within a reasonable range. We checked that the long term growth rate is in line with current expectations for UK long term growth. We have also re-performed the sensitivity analysis disclosed within the financial statements and agree with the figures presented.

Key audit matter	How our audit addressed the key audit matter
Management's assessment of the site portfolio as detailed above is used to form the basis of the goodwill impairment review and is therefore subject to the same assumptions as the site impairment review above.	We evaluated the appropriateness of allocating goodwill to a single group of CGUs. We considered the rationale for the acquisitions, level of integration with the rest of the Group and the nature of synergies derived. We also confirmed this is the way in which management monitors goodwill by reviewing management's internal reporting. We were satisfied that synergies benefited the Group as a whole and therefore the allocation of goodwill to a single group of CGUs was appropriate. We considered the net asset value of the Group's assets compared to its market capitalisation which gives an indication of the overall value of the Group. The market capitalisation was in excess of the net asset value. We recalculated the impairment reversal ensuring that the computation was in line with the accounting standards. We reviewed the disclosures given in notes 10, 13 and 14 for completeness and consistency.
Carrying value of investments (Company) Refer to note 12 of the financial statements. The Company holds investments in subsidiaries amounting to £38.9m at 1 January 2023 (2021: £38.9m). Investments in subsidiaries are accounted for at cost less provision for impairment in the Company balance sheet. Investments are tested for impairment if impairment indicators exist. If such indicators exist, the recoverable amounts of investments in subsidiaries are estimated in order to determine the extent of the impairment loss, if any. Any such impairment loss is recognised in the profit and loss account. The impairment assessment was identified as a key audit matter given the size of the underlying investment carrying values in the Company accounts at 1 January 2023. The assessment requires the application of management judgement, particularly in determining whether any impairment indicators have arisen that trigger the need for an impairment assessment and in assessing whether the carrying value of each investment can be supported by its recoverable amount.	We evaluated management's assessment of whether any indicators of impairment existed by comparing the carrying values of investments in subsidiaries to the net assets of the underlying subsidiaries at 1 January 2023 and noted that the carrying values of the investments were recoverable based on the net assets of the subsidiaries. We have also compared the Group's market capitalisation as at 1 January 2023 to the carrying value of assets, and noted significant notional headroom of £194m. Based on the procedures performed, we concur with management that there are no indicators of impairment in respect of investment in subsidiaries.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Ten Entertainment Group plc operates across the UK under one main component, Tenpin Limited, which contributes 95% of the Group's revenue and 87% of the Group's adjusted profit before tax. Tenpin Limited is a UK company. There are thirteen other UK based subsidiaries, of which two are small trading entities, two are holding entities and the remaining are dormant entities.

We performed a full scope audit over Tenpin Limited, Quattroleisure Limited and the Company, whilst performing audit procedures over specific balances within certain other statutory entities based on their overall size and values of their specific financial statement line items. All audit work was performed by the Group engagement team.

Our audit scoping gave us coverage of 97% of Group's revenue and 96% of Group's adjusted profit before tax.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process management's risk assessment of the impact of climate change. Management has sought advice from external climate change experts.

In addition to enquiries with management, we also reviewed the presentations to management from their expert which set out their assessment of climate change risk to the Group and the impact, if any, on the financial statements and impairment testing.

In responding to the risk identified, we specifically considered how climate change risk would impact the assumptions made in the forecasts prepared by management used in their assessment of the carrying value of goodwill and site assets.

Our procedures in relation to the assessment of the carrying value of goodwill and site assets are described in the key audit matters section above.

We also considered the consistency of the disclosures in relation to climate change within the Annual Report with the financial statements and our knowledge obtained from our audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	£1,280,000 (2021: £652,000).	£398,000 (2021: £438,000).
How we determined it	5% of the Group's adjusted profit before tax.	1% of the total assets
Rationale for benchmark applied	Profit before tax is a primary measure used by shareholders in assessing the performance of the Group and is a generally accepted auditing benchmark. By adjusting the profit before tax for non recurring exceptional items, this provides us with a consistent year on year basis in line with a measure which users rely on for determining materiality based on trading performance.	Total assets is deemed an appropriate benchmark given this is a non-trading entity which predominantly holds investments in subsidiaries.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £68,000 and £1,200,000. Certain *components were audited to a local statutory audit materiality that was also less than our overall Group materiality.*

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (26 December 2021: 75%) of overall materiality, amounting to £960,000 (2021: £489,000) for the Group financial statements and £298,500 (2021: £328,500) for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £64,000 (Group audit) (2021: £32,600) and £19,900 (Company audit) (2021: £21,900) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Understanding of the mechanics and key inputs into management's detailed base case and severe but plausible downside case scenario models and holding discussions with management to obtain an understanding of the trading performance and future outlook for the business;
- Agreeing management's cash flow projections to the latest Board approved forecasts, assessing how the forecasts have been compiled and assessing the accuracy of management's forecasts;
- Evaluating the key assumptions within the forecasts;
- Considering the severe but plausible downside case scenario that management had applied and their likelihood *and whether more severe sensitivities could apply and the associated impact on available liquidity;*
- Assessing management's stress testing and whether this appropriately considered the principal risks facing the business and the likelihood of events arising that could erode liquidity within the forecast period;
- Assessing the performance of the Group since year-end and comparing it with the Board approved cash flow forecasts;
- *Obtaining and reviewing the banking agreements setting out the Group's covenants to understand the facilities* and financing arrangements in place and identify and confirm the applicable covenants; and
- Reviewing the disclosures within the financial statements and validating that it accurately described management's going concern considerations.

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Conclusions relating to going concern continued

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

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

Reporting on other information

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

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

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the period ended 1 January 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks,
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment law, health and safety regulations, GDPR and Listing Rules of the Financial Conduct Authority (FCA), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and the UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and potential management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with the Chief Financial Officer, Financial Controller, and the Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Assessment of matters reported on the Group's whistleblowing system and results of management's investigation of such matters;
- Identifying and testing the validity of journal entries, in particular any journal entries posted with unusual account combinations;
- Challenging assumptions made by management in its significant accounting estimates, in particular in relation to the assessment of the impairment of goodwill and site assets (see related key audit matter above)
- Reviewing disclosures for accounting estimates; and
- Reviewing minutes of Board meetings.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 12 April 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the years ended 31 December 2017 to 1 January 2023.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

CRAIG SKELTON (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF PRICEWATERHOUSECOOPERS LLP
Chartered Accountants and Statutory Auditors

London

21 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 53-WEEK PERIOD ENDED 1 JANUARY 2023

	Note	**53 weeks to 1 January 2023 £000**	52 weeks to 26 December 2021 £000
Revenue	1	**126,673**	67,521
Cost of sales		**(40,915)**	(22,511)
Gross profit		**85,758**	45,010
Administrative expenses		**(52,141)**	(35,949)
Exceptional income	5	**7,263**	238
Reversal of impairment	5	**631**	1,124
Operating profit		**41,511**	10,423
Loss on share of joint venture		**(310)**	–
Finance costs	4	**(7,206)**	(5,986)
Profit before taxation		**33,995**	4,437
Taxation	7	**(7,399)**	(432)
Profit and total comprehensive income for the period		**26,596**	4.005
Earnings per share			
Basic earnings per share	8	**38.86p**	5.86p
Diluted earnings per share	8	**38.57p**	5.84p

The accompanying statements of accounting policies and notes on pages 85 to 107 are an integral part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

AS AT 1 JANUARY 2023

	Note	Group 1 January 2023 £000	Group 26 December 2021 £000	Company 1 January 2023 £000	Company 26 December 2021 £000
Assets					
Non-current assets					
Goodwill	10	**29,740**	29,350	–	–
Intangible assets	10	**135**	279	–	–
Investments in joint venture	11	–	310	–	310
Investments	12	–	–	**38,915**	38,915
Property, plant and equipment	13	**57,198**	39,530	–	–
Right-of-use assets	14	**171,651**	167,324	–	–
Deferred tax asset	22	–	4,374	–	–
		258,724	241,167	**38,915**	39,225
Current assets					
Inventories	15	**1,493**	1,226	–	–
Trade and other receivables	16	**4,667**	5,426	**620**	209
Corporation tax receivable		**1,022**	10	–	–
Cash and cash equivalents	17	**10,086**	11,511	**298**	4,424
		17,268	18,173	**918**	4,633
Liabilities					
Current liabilities					
Bank borrowings and leases	20	**(10,448)**	(16,661)	–	–
Trade and other payables	21	**(15,164)**	(13,513)	**(1,221)**	(3,089)
		(25,612)	(30,174)	**(1,221)**	(3,089)
Net current liabilities		**(8,344)**	(12,001)	**(303)**	1,544
Non-current liabilities					
Bank borrowings and leases	20	**(189,954)**	(192,833)	–	–
Deferred tax liability	22	**(1,282)**	(2,270)	–	–
		(191,236)	(195,103)	–	–
Net assets		**59,144**	34,063	**38,612**	40,769
Equity					
Share capital	18	**685**	684	**685**	684
Share premium		**4,844**	4,844	**4,844**	4,844
Merger reserve		**6,171**	6,171	–	–
Share-based payment reserve		**1,037**	498	**1,037**	498
Retained earnings		**46,407**	21,866	**32,046**	34,743
Total equity		**59,144**	34,063	**38,612**	40,769

The accompanying statement of accounting policies and notes on pages 85 to 107 are an integral part of these financial statements. The Group has taken the s408 exemption to not show the Company income statement separately. The Company has reported a loss of £0.6m for the period. The financial statements on pages 81 to 107 were authorised for issue by the Board of Directors on 21 March 2023 and were signed on its behalf by:

GRAHAM BLACKWELL
CHIEF EXECUTIVE OFFICER

ANTONY SMITH
CHIEF FINANCIAL OFFICER

COMPANY NUMBER: 10672501

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

FOR THE 53-WEEK PERIOD ENDED 1 JANUARY 2023

Group	Note	**53 weeks to 1 January 2023 £000**	52 weeks to 26 December 2021 £000
Cash flows generated from operating activities			
Cash generated from operations	19	**61,963**	30,827
Corporation tax (paid)/received		**(5,024)**	2,292
Finance costs paid		**(7,013)**	(5,868)
Net cash generated from operating activities		**49,926**	27,251
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(23,366)**	(7,108)
Purchase of site by Tenpin Limited		**(454)**	–
Loan to Joint venture		**(1,203)**	–
Purchase of software		**(40)**	(24)
Net cash used in investing activities		**(25,063)**	(7,132)
Cash flows used in financing activities			
Lease principal payments		**(10,233)**	(10,002)
Dividends paid		**(2,055)**	–
Drawdown of bank borrowings		**–**	22,000
Repayment of bank borrowings		**(14,000)**	(28,000)
Net cash used in financing activities		**(26,288)**	(16,002)
Net (decrease)/increase in cash and cash equivalents		**(1,425)**	4,117
Cash and cash equivalents – beginning of period		**11,511**	7,394
Cash and cash equivalents – end of period	17	**10,086**	11,511

Company	Note	**53 weeks to 1 January 2023 £000**	52 weeks to 26 December 2021 £000
Cash flows used in operating activities			
Cash used in operations	19	**(4,126)**	(153)
Net cash used in operating activities		**(4,126)**	(153)
Cash flows generated from financing activities			
Dividends received		**2,055**	–
Dividends paid		**(2,055)**	–
Net cash generated from financing activities		**–**	–
Net decrease in cash and cash equivalents		**(4,126)**	(153)
Cash and cash equivalents – beginning of period		**4,424**	4,577
Cash and cash equivalents – end of period	17	**298**	4,424

The accompanying statement of accounting policies and notes on pages 85 to 107 are an integral part of these financial statements.

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

Group	Share capital £000	Share premium £000	Share-based payment reserve £000	Merger reserve £000	Retained earnings £000	Total equity £000
Balance at 27 December 2020	683	4,844	250	6,171	17,861	29,809
Share-based payment charge (note 26)	–	–	248	–	–	248
Issue of shares net of transaction costs	1	–	–	–	–	1
Profit for the period and total comprehensive income	–	–	–	–	4,005	4,005
Balance at 26 December 2021	684	4,844	498	6,171	21,866	34,063
Share-based payment charge (Note 26)	**–**	**–**	**539**	**–**	**–**	**539**
Issue of shares net of transaction costs	**1**	**–**	**–**	**–**	**–**	**1**
Dividends paid	**–**	**–**	**–**	**–**	**(2,055)**	**(2,055)**
Profit for the period and total comprehensive income	**–**	**–**	**–**	**–**	**26,596**	**26,596**
Balance at 1 January 2023	**685**	**4,844**	**1,037**	**6,171**	**46,407**	**59,144**

Company	Share capital £000	Share premium £000	Share-based payment reserve £000	Merger reserve £000	Retained earnings £000	Total equity £000
Balance at 27 December 2020	683	4,844	250	–	36,781	42,558
Share-based payment charge (note 26)	–	–	248	–	–	248
Issue of shares net of transaction costs	1	–	–	–	–	1
Loss for the period	–	–	–	–	(2,038)	(2,038)
Balance at 26 December 2021	684	4,844	498	–	34,743	40,769
Share-based payment charge (Note 26)	**–**	**–**	**539**	**–**	**–**	**539**
Issue of shares net of transaction costs	**1**	**–**	**–**	**–**	**–**	**1**
Dividends paid	**–**	**–**	**–**	**–**	**(2,055)**	**(2,055)**
Loss for the period	**–**	**–**	**–**	**–**	**(642)**	**(642)**
Balance at 1 January 2023	**685**	**4,844**	**1,037**	**–**	**32,046**	**38,612**

The accompanying statement of accounting policies and notes on pages 85 to 107 are an integral part of these financial statements.

Authorisation of consolidated financial statements and statement of compliance with IFRS

The consolidated financial statements for Ten Entertainment Group plc (the 'Company') for the 53-week period ended 1 January 2023 were authorised for issue by the Board of Directors on 21 March 2023, and the balance sheet was signed on the Board's behalf by Graham Blackwell and Antony Smith.

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group'). The Company is a public limited company, limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales. The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The principal accounting policies adopted by the Group and Company are set out below.

General information

The Company's ordinary shares are traded on the London Stock Exchange. The address of the registered office is Aragon House, University Way, Cranfield Technology Park, Cranfield, Bedford MK43 0EQ. The consolidated financial statements of the Group for the 53-week period ended 1 January 2023 comprise the Company and its subsidiaries (together referred to as the 'Group'). The principal activity of the Group comprises the operation of tenpin bowling centres.

Basis of preparation

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

The accounting policies which follow set out those policies which apply in preparing the financial statements for the 53 weeks ended 1 January 2023 and have been applied consistently, to all periods presented in these consolidated financial statements. The Group and the Company financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated. The financial statements are prepared using the historical cost basis. On publishing the Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements.

Changes in accounting policy and disclosures

At the date of authorisation of this financial information, certain new standards, amendments and interpretations to existing standards applicable to the Group have been published but are not yet effective, and have not been adopted early by the Group. These are explained below:

Standard/interpretation	Content	Date applicable
IAS 1 Classification of liabilities as current or non-current	In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments are not expected to have a material impact on the Group.	1 January 2023
IAS 1 Presentation of financial statements and IFRS Practice Statement 2 making materiality judgements – disclosure of accounting policies	The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information".	1 January 2023
IAS 8 Definition of accounting estimates	The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are, "monetary amounts in financial statements that are subject to measurement uncertainty".	1 January 2023
IAS 12 Deferred tax related to assets and liabilities arising from a single transaction	The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability.	1 January 2023
IFRS 17 Insurance contracts	In May 2017, the IASB issued IFRS 17 Insurance Contracts ('IFRS 17'), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts ('IFRS 4') that was issued in 2005.	1 January 2023
Lease Liability in a Sale and Leaseback Amendments to IFRS 16	In September 2022 the IASB amended IFRS 16 to add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require a seller/lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.	1 January 2024

Changes in accounting policy and disclosures continued

Standard/interpretation	Content	Date applicable
Non-current Liabilities with Covenants Amendments to IAS 1	In October 2022, the IASB issued amendments to: a) improve the current liabilities with covenants. The IASB made the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement (liabilities with covenants; and b) respond to stakeholders' concerns about the outcomes of applying the amendments in Classification of Liabilities as Current or Non-current issued in 2020. The 2020 amendments were criticised because: (i) they could result in an entity classifying a liability as current even if, at the end of the reporting period (reporting date), the entity has no contractual obligation to settle the liability at that date or within twelve months; (ii) they took no account of the design of covenants negotiated to reflect an entity's required financial position or performance at specified dates, such as when a loan arrangement specifies different covenants at different dates to reflect the expected effects of seasonality or the entity's future performance; and (iii) they were unclear about how an entity would assess, at the reporting date, whether it would have complied with covenants that are not based on an entity's financial position or performance (non-financial covenants) and covenants based on cumulative financial performance or cash flows for a period extending beyond the reporting period (financial performance covenants).	1 January 2024

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

Basis of consolidation

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

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

Going concern

In assessing the going concern position of the Group and Company for the Annual Report and the financial statements for the year ended 1 January 2023, the Group has considered a base case scenario and a severe but plausible downside scenario. In modelling these scenarios, the Group has considered its liquidity, cash balances, refinancing position, business activities and its principal risks.

Base case

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

- Like-for-like sales growth versus FY22
- Labour inflation and the increases from the National Living Wage are included
- Cost inflation is reflected in the operating and administrative costs
- Site acquisitions and new builds are reflected in the trade and in the cashflows
- Increased levels of capital spend are reflected in the cashflows to maintain and refurbish the sites
- The Group pays out a final and interim dividend

Downside case

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

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

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

Taking the above and the principal risks faced by the Group into consideration, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future, a period of at least 12 months from the date of this report. Accordingly, the Group continues to adopt the going concern basis in preparing these Financial Statements.

Use of judgements and estimates

The preparation of financial statements requires the use of accounting estimates and requires management to exercise judgement in the process of applying the Group's accounting policies.

Accounting estimates are based on historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily available from other sources.

Actual results may differ from these estimates and the estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods. The following assets and liabilities or areas have been affected by these estimates and judgements:

Judgement: Joint ventures

Where the Group collaborates with other entities on contracts and agreements, a judgement is made of the nature of the relationship that arises from those contracts and agreements and the level of control that each party can exercise over the transactions that arise. Where there is joint control (as described by IFRS 11), the arrangement is classified as a joint arrangement and accounted for using the equity method (for joint ventures). The Group's joint ventures are disclosed in Note 11.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised losses arising on transactions between the Group and its joint ventures are eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group funds its joint ventures through loans from Tenpin Limited which are secured and incur interest at a market rate. The Directors review the recoverability of investments and loans for impairment annually

Judgement: Non-GAAP performance measures

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

Group adjusted EBITDA - This measurement is earnings before interest, taxation, depreciation, amortisation, exceptional items, impairment, loss on Joint venture and profit or loss on disposal of assets. This has been done to show the underlying trading performance of the Group which these other costs or income can distort. The reconciliation to operating profit is included in Note 2.

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

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

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

Operating profit before exceptional items - This is operating profit before exceptional items and impairment reversal.

Group adjusted profit before tax - This consists of the profit before tax adjusted for items judged as exceptional and relating to impairment reversals.

Adjusted underlying profit after tax and adjusted earnings per share - This consists of the profit after tax adjusted for exceptional items and impairment reversals and is used to determine the adjusted earnings per share. The reconciliation of this number to profit after tax is included under Note 8.

Exceptional items - These items are those significant cost or income items which management judges to be one-off in nature and are not excepted to continue to be incurred as part of the regular trading performance of the business. The separate reporting of these per Note 5 helps to provide a better indication of underlying performance.

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

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

Free cash flow - This is cash generated from operations less maintenance capital as reflected in the financial review, finance costs, finance lease payments, taxation payments or receipts, advance payments to capital suppliers, loans to Joint ventures and non-cash share-based payments. This is reconciled in note 2.

Maintenance capital, existing estate, estate expansion and freehold purchase outflow - As reconciled in note 2, cash used in investing activities consists of maintenance capital, spend on the existing estate, estate expansion and the purchase of a freehold, which totals the cash outflows from capital projects.

Estimate: Intangible assets, right-of-use assets and property, plant and equipment

These assets are affected by impairment assessments and estimates of value in use and residual value. The calculation of value in use is based on pre-tax cash flow projections from the financial forecast approved by the Board covering a three-year period. Cash flows beyond this three-year period are extrapolated over the life of the lease relating to that centre at the estimated long-term growth rate. The pre-tax discount rate applied to the cash flow projections approximates the Group's weighted average cost of capital, adjusted only to reflect the way in which the market would assess the specific risks associated with the estimated cash flows of the bowling businesses and to exclude any risks that are not relevant to estimated cash flows of the bowling businesses, or for which they have already been adjusted. The effect of varying the key assumptions in the goodwill and tangible property, plant and equipment impairment calculations is presented in Note 13.

Use of judgements and estimates continued

Estimate: Deferred tax

Estimation is required of temporary differences between the carrying amount of assets and liabilities and their tax base. Deferred tax liabilities are recognised for all taxable temporary differences but, where deductible temporary differences exist, management's judgement is required as to whether a deferred tax asset should be recognised based on the availability of future taxable profits. The deferred tax assets actually recoverable may differ from the amounts recognised if actual taxable profits differ from management's estimates. The sensitivity to this estimation is shown in Note 22 which reflects the amounts that could be recognised as deferred tax assets.

Estimate: Incremental borrowing rate

The calculation of lease liabilities requires the Group to determine an incremental borrowing rate ('IBR') to discount future minimum lease payments. Judgement is applied in determining the components of the IBR used for each lease, including the movement in risk-free rates, the Groups borrowing margin and any lease-specific adjustments. The applicable IBR for each lease varies between 2.1% and 6.4%, depending on its length of term. To determine the incremental borrowing rate, the Group where possible, uses recent third-party financing received by the Group as a starting point otherwise it has obtained borrowing rates from its lender for a range of maturity terms. The same approach has been used for modifications and new leases during the year where a borrowing rate range of between 6.11% and 6.43% has been used depending on the length of the lease extension. The IBR is a significant area of estimation, as the Group obtained a range of borrowing rates for differing terms to determine a range of rates for the modifications and new leases in the year. A 1% increase in all of these rates would decrease the value of the right-of-use asset on modification or addition of the new leases by £1.4m, while a 1% decrease in the rates would increase the value by £1.6m.

Leases

The Group assesses whether a contract is, or contains, a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee from the date at which the leased asset becomes available for use by the Group, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Lease liabilities are measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and variable lease payments that depend on an index or a rate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

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

- The lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate.
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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

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

Revenue

Revenue is accounted for by identifying the contract with a customer and the particular performance obligations in that contract. The Group's performance obligations represent the total amounts earned from customers from bowling, food, beverage, machines and amusements, together with any other goods and services delivered in the normal course of business, net of VAT. The transaction price is a fixed price set for the goods and services ordered by the customer and payment of the transaction price is due immediately upon the customer booking the goods or services at the centre or call centre, or on the website. The Group is not obliged to provide refunds or returns but all refunds are provided at 100% of the original transaction price paid for the goods or services by the customer. Revenue for food and drink is recognised when the performance obligation, being the transfer of the products to the buyer in exchange for consideration, is completed. Revenue arising from bowling is recognised when the performance obligation of the customer actually playing is completed. Deposits paid in advance are held on the balance sheet until that time and then recognised as income. Revenue for amusements and machines is recognised when the cash is collected from the amusement machine. The Group sells bundles whereby bowling is offered with food and drink at a discounted price versus if they were sold individually. In accordance with IFRS 15 Revenue from Contracts with Customers, the discount is allocated amongst the products in the bundle based on each product's standalone selling price as a proportion of the sum of the total standalone selling prices of all the products in the bundle. Given the nature of the Group's revenue streams, recognition of revenue is not considered to be a significant area of judgement.

Deferred income

Advance bookings paid for by customers are recognised as deposits and held on the balance sheets as deferred income until the customer redeems their booking which becomes 'paid and played'. It is then transferred from the balance sheet and recognised as revenue in the statement of comprehensive income.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. The Coronavirus Job Retention Scheme ('CJRS') grant is recognised against staff costs within administrative expenses and the local council Lockdown grants are recognised separately within administrative expenses in the Consolidated Income Statement.

The CJRS grant is recognised against cost of sales and staff costs within administrative expenses in the Consolidated Income Statement.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of the acquisition of a subsidiary or business combination over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is carried at cost less impairment, and is tested annually for impairment, or earlier if circumstances indicate that impairment may have occurred. Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost arising on acquisition is recognised immediately in the statement of comprehensive income.

Goodwill is not allocated to individual cash-generating units ('CGUs') as the Group considers that the synergies arising from each acquisition benefit the Group as a whole, rather than individual centres and monitors goodwill in aggregate for internal purposes. Therefore, for goodwill impairment testing, the CGUs are aggregated into a single group.

Software

Software costs are capitalised and amortised over their estimated useful lives of up to three years on a straight-line basis. All software has been purchased and generated externally.

Fair valued intangibles on acquisition

Customer lists

Customer lists are recognised at fair value on acquisition of subsidiaries and are amortised over the years from which their expected benefits are determined to be recognised in the income statement to nil over a five-year period with the rate of amortisation decreasing.

Favourable leases

Favourable leases are recognised at fair value on acquisition of subsidiaries and are amortised over the period of the lease on a straight-line basis.

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and any impairment in value with property, plant and equipment acquired in a business combination recognised at their fair value. Cost of assets includes acquisition costs net of VAT, as well as other directly attributable costs in bringing the asset into a working condition. Depreciation is calculated so as to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful economic life. The principal useful lives used for this purpose are as follows:

Fixed furnishings	The lower of the length of the lease or their estimated useful lives
Freehold land and buildings	40 years
Fixtures, fittings and equipment	Between 3 and 40 years
Amusement machines	4 years

Assets in the course of construction are not depreciated until they are brought into use. As required by IAS 16, property, plant and equipment's expected useful life and residual values are reviewed annually. Residual value is calculated based upon prices prevailing at the date of acquisition.

Impairment of non-financial assets

At each reporting date, all financial and non-financial assets are considered for evidence of impairment. If there is an indication of impairment, the Group carries out an impairment test by measuring the asset's recoverable amount, which is the higher of the fair value less costs to sell and the value in use. If this recoverable amount is below the carrying value, an impairment loss is recognised in the statement of comprehensive income and the asset is written down to the recoverable amount.

In assessing value in use, the estimated future cash flows arising from the use of the asset are discounted to their present value using a discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. Impairment of the Group's property, plant and equipment and right of use assets is assessed at the cash-generating unit ('CGU') level being a bowling centre, with goodwill allocated at Company level and impairment tested for goodwill at Company level. Impairment losses are charged to the statement of comprehensive income in the period in which they are identified and are allocated first to goodwill then to carrying amounts of other assets at the CGU level.

Reversals of impairment

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Property disposals

Disposals of properties and any resultant gain or loss on disposal are recognised in the statement of comprehensive income once all conditions of the sale contract become unconditional.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are related to the property leases and are depreciated on a straight-line basis over the lease term.

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Business combinations

The purchase of a company or bowling centre, being a group of inputs and processes capable of generating profits, is accounted for as a business combination. Business combinations are accounted for using the acquisition method of accounting. The consideration for a business combination is measured at fair value on the date of acquisition with the assets acquired and liabilities incurred measured at fair value on exchange. Goodwill is recognised as the surplus of the consideration over the fair value of the net assets acquired and is accounted for as per the accounting policy on goodwill. Transaction costs that the Group incurs in connection with business combinations are expensed as incurred. Management judgements are made in the measurement of fair values to the net assets acquired in a business combination, in particular the customer lists, inventories and property, plant and equipment acquired.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated as cost of purchase on a first in, first out basis based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal which is the same method used to fair value the inventory on a business combination. Provision is made for obsolete, slow-moving or defective items where appropriate.

Financial instruments

Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes party to the contractual rights and obligations of the instrument.

Initial recognition and subsequent measurement

Financial assets

All financial assets are initially recognised at fair value less transaction costs and then can be subsequently measured at amortised cost or fair value.

Trade and other receivables

Trade receivables are measured at fair value at initial recognition, do not carry any interest and are subsequently measured at amortised cost using the effective interest rate method. Other receivables are subsequently measured at amortised cost using the effective interest rate method and any interest income is recognised in profit and loss. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement. Allowances for doubtful debts are recognised based on management's expectation of losses, without regard to whether an impairment trigger has occurred or not (an 'expected credit loss' model under IFRS 9).

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits with an original maturity of three months or less and cash in transit, including transactions paid by credit card which are in transit and have yet to be remitted to the Group's bank account by the merchant providers. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Interest-bearing bank borrowings

Interest-bearing borrowings are recognised initially at fair value with attributable debt issue costs capitalised. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis.

Debt issue costs

Issue costs of debt such as bank arrangement fees and legal fees incurred in arranging debt are capitalised under non-current other receivables and are amortised in the statement of comprehensive income on an effective interest rate method.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently held at amortised cost using the effective interest rate method.

Derecognition of financial assets and financial liabilities

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership, and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Impairment

The Group recognises loss allowances for expected credit losses ('ECLs') on financial assets measured at amortised cost. These are always measured at an amount equal to 12 months ECL. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. When determining whether there is default or the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis, based on the Group's historical experience and informed credit assessment and forward-looking information. This same information is used to determine if financial instruments have low credit risk upon initial recognition. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Pension costs

The Group operates a defined contribution pension plan. The Group pays contributions to privately administered pension insurance plans on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as the result of a past event and it is both probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Where the Group expects to be reimbursed for an outflow of resources associated with a provision, for example under an insurance contract, the expected reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are calculated by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the unwinding of the discount over time is charged to finance costs in the statement of comprehensive income.

Tax

The tax charge comprises current tax payable and deferred tax. The current tax charge represents an estimate of the tax payable in respect of the Group's taxable profits and is based on an interpretation of existing tax laws.

As required by IAS 12 (revised), the Group provides deferred income tax using the balance sheet liability method on all temporary differences between the tax bases of assets and liabilities and their carrying values at the balance sheet date. Deferred income tax assets and liabilities so recognised are determined using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are based on the expected manner of realisation or settlement of the carrying amount of the assets or liabilities.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is not recognised in respect of the initial recognition of an asset or liability acquired in a transaction which is not a business combination and at the time of the transaction does not affect accounting or taxable profits.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Segment reporting

The Group's segments (distinguishable components of the Group that are engaged either in providing products or services) are its tenpin bowling operations and its central management. The Group wholly operates within the UK. The Group has identified the Board of Directors as the Chief Operating Decision Maker ('CODM').

Share capital

Ordinary shares are classified as equity. Share premium arises on the excess between the fair value of the shares issued and the par value of the shares issued and the existing shares issued have none. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, against share premium.

Share-based payments

Performance Share Plans ('PSPs') for the Executive Directors are accounted for in accordance with IFRS 2 Share-Based Payments. The value of the awards is measured at fair value at the date of the grant and recognised as an expense. The total amount expensed is determined by reference to the fair value of the awards granted, including any market performance conditions. The cost of the transactions is recognised together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant Directors become fully entitled to the award.

1 Segment reporting

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

The Group comprises the following segments:

Tenpin Limited – Tenpin Limited (including its subsidiaries Tenpin Five Limited and Quattroleisure Limited) is a leading tenpin bowling operator in the UK. All revenue is derived from activities conducted in the UK.

Central – comprises central management, including company secretarial work and the Board of Directors' and general head office assets and costs. The segment results for the 53-week period ended 1 January 2023 and 52-week period ended 26 December 2021 are used by the Board for strategic decision making, and a reconciliation of those results to the reported profit in the Consolidated Statement of Comprehensive Income, and the segment assets are as follows:

	Tenpin Limited £000	Central £000	Group £000
For the 53-week period ended 1 January 2023			
Segment revenue – external	**126,673**	–	**126,673**
Bowling	**55,729**	–	**55,729**
Food and drink	**35,327**	–	**35,327**
Machines and amusements	**30,475**	–	**30,475**
Other	**5,142**	–	**5,142**
Group Adjusted EBITDA after rental costs (Note 2)	**42,024**	**(2,394)**	**39,630**
Segment assets as at 1 January 2023	**271,213**	**4,779**	**275,992**
Segment liabilities as at 1 January 2023	**(211,485)**	**(5,363)**	**(216,848)**
Reconciliation of adjusted EBITDA to reported operating profit			
Group adjusted EBITDA after rental costs (Note 2)	**42,024**	**(2,394)**	**39,630**
Amortisation and depreciation of intangibles, property, plant and equipment and right-of-use assets	**(18,727)**	–	**(18,727)**
Loss on disposals of assets	**(271)**	–	**(271)**
Amortisation of fair value items	**(120)**	–	**(120)**
Net impairment reversal	**631**	–	**631**
Exceptional income (Note 5)	**7,263**	–	**7,263**
Add back rental cost	**13,105**	–	**13,105**
Operating profit	**43,905**	**(2,394)**	**41,511**
Loss on Joint venture	–	**(310)**	–
Finance costs (Note 4)	**(6,709)**	**(497)**	**(7,206)**
Profit before taxation	**37,196**	**(3,201)**	**33,995**

	Tenpin Limited £000	Central £000	Group £000
For the 52-week period ended 26 December 2021			
Segment revenue – external	67,521	–	67,521
Bowling	29,776	–	29,776
Food and drink	19,094	–	19,094
Machines and amusements	16,280	–	16,280
Other	2,371	–	2,371
Group Adjusted EBITDA after rental costs (Note 2)	16,654	(2,031)	14,623
Segment assets as at 26 December 2021	253,612	5,728	259,340
Segment liabilities as at 26 December 2021	(221,677)	(3,600)	(225,277)
Reconciliation of adjusted EBITDA to reported operating profit			
Group adjusted EBITDA after rental costs (Note 2)	16,654	(2,031)	14,623
Amortisation and depreciation of intangibles, property, plant and equipment and right-of-use assets	(17,426)	–	(17,426)
Loss on disposals of assets	(442)	–	(442)
Amortisation of fair value items	(130)	–	(130)
Impairment reversal	1,124	–	1,124
Exceptional income (Note 5)	238	–	238
Add back rental cost	12,436	–	12,436
Operating profit	12,454	(2,031)	10,423
Finance costs (Note 4)	(5,476)	(510)	(5,986)
Profit before taxation	6,978	(2,541)	4,437

All assets have been allocated to segments.

2 Alternative performance measures – non-GAAP measures

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

Group adjusted EBITDA – This measurement is earnings before interest, taxation, depreciation, amortisation, exceptional items, impairment, loss on Joint venture and profit or loss on disposal of assets.

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

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

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

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

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

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

Exceptional costs – These items are those significant cost or income items which management judges to be one-off in nature and are not expected to continue to be incurred as part of the regular trading performance of the business. The separate reporting of these per Note 5 helps to provide a better indication of underlying performance.

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

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

Free cash flow – This is cash generated from operations less maintenance capital as reflected in the finance review, finance costs, finance lease payments, taxation payments or receipts, advance payments to capital suppliers, loans to Joint ventures and non-cash share-based payments. This is reconciled below:

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

2 Alternative performance measures – non-GAAP measures continued

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

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

3 Staff costs and numbers

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

Staff costs included within costs of sales are £22,761k (2021: £13,072k). The balance of staff costs is recorded within administrative expenses. The 2021 staff costs are net of CJRS which amount to £3,507k with nil in 2022. Details of Directors' remuneration are set out in the Directors' Remuneration Report on page 64. No Directors have accrued any retirement benefits and Directors that resigned during the year received no compensation for loss of office. The highest paid Director for the 53-week period ended 1 January 2023 received remuneration of £1,197k (2021: £667k). The 2019 LTIP scheme vested in 2022 and 128,334 awards were exercised at a market value of £327k. All key management positions are held by Executive Directors of Ten Entertainment Group plc and, accordingly, no further disclosure of key management remuneration is deemed necessary.

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

Staff numbers – Group	**53 weeks to 1 January 2023 Number**	52 weeks to 26 December 2021 Number
Site staff	**1,449**	1,275
Administration	**65**	53
Unit management	**159**	157
	1,673	1,490

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

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

4 Finance costs

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

5 Profit before taxation

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

	53 weeks to 1 January 2023 £000	52 weeks to 26 December 2021 £000
Staff costs (Note 3)	**28,588**	18,208
Consumables charged to cost of sales	**3,086**	1,460
Depreciation of property, plant and equipment (Note 13)	**6,945**	6,130
Depreciation of right-of-use assets (Note 14)	**11,685**	11,166
Amortisation of software (Note 10)	**105**	131
Amortisation of fair valued intangibles on acquisition (Note 10)	**79**	90
Loss on disposal of assets	**271**	442
Net impairment reversal	**(631)**	(1,124)
Government grants received (excluding CJRS)	**–**	(1,354)
CJRS grants received	**–**	(3,507)
Loss on Joint venture (Note 11)	**310**	–
Variable lease rentals payable – property	**298**	61
Share-based payments (Note 26)	**539**	248
Repairs on property, plant and equipment	**3,289**	1,891
Exceptional items		
HMRC VAT claims received and provision for updated HMRC VAT guidance	**(7,263)**	(238)
Auditors' remuneration		
Fees payable to the Company's auditors for the Company and Consolidated financial statements	**70**	58
Audit of the Company's subsidiaries	**240**	135
Audit-related assurance services	**40**	37
	350	230

6 Results attributable to Ten Entertainment Group plc

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

7 Taxation

Recognised in the consolidated statement of comprehensive income:

	53 weeks to 1 January 2023 £000	52 weeks to 26 December 2021 £000
Current tax		
Tax on profits for the year	**4,013**	–
Deferred tax (Note 22)		
Origination and reversal of temporary differences	**3,386**	1,036
Effect of changes in tax rates	**–**	(248)
Adjustment in respect of prior years	**–**	(356)
Tax charge in statement of comprehensive income	**7,399**	432

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

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

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

8 Earnings per share

Basic earnings per share for each period is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. The total shares in issue at the end of the 53-week period were 68,496,118 (2021: 68,367,784).

The Company has 509,325 potentially issuable shares (2021: 274,005), all of which relate to share options issued to Directors of the Company. Diluted earnings per share amounts are calculated by dividing profit for the year and total comprehensive income attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year together with the dilutive number of ordinary shares.

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

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

Below is the calculation of the adjusted earnings per share

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

9 Business combination – Harlow

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

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

The following analyses the purchase consideration:

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

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

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

A deferred tax asset of £1k was recognised on the fair values of assets acquired versus their tax basis. As part of the due diligence, the sales and profit numbers prior to acquisition from the seller's management accounts were reviewed. As not all of the information was provided they are not disclosed here to provide a guide to potential full-year performance. Since the date of the business combination the site generated £620k of sales and made EBITDA of £82k which has been included in the statement of comprehensive income. The goodwill is made up of the expected benefits to arise from Tenpinisation of the site's operations and processes under the management of the Tenpin brand. None of the goodwill is expected to be deductible for tax purposes.

10 Goodwill and intangible assets

Group	Fair valued intangibles on acquisition £000	Goodwill £000	Software £000	Total £000
Cost				
At 27 December 2020	2,938	29,350	1,301	33,589
Additions	–	–	24	24
At 26 December 2021	2,938	29,350	1,325	33,613
Additions	**–**	**390**	**40**	**430**
Disposals	**–**	**–**	**(34)**	**(34)**
At 1 January 2023	**2,938**	**29,740**	**1,331**	**34,009**
Accumulated amortisation and impairment losses				
At 27 December 2020	2,677	–	1,086	3,763
Charge for the period – amortisation	90	–	131	221
At 26 December 2021	2,767	–	1,217	3,984
Charge for the period – amortisation	**79**	**–**	**105**	**184**
Disposals	**–**	**–**	**(34)**	**(34)**
At 1 January 2023	**2,846**	**–**	**1,288**	**4,134**
Net book value				
At 1 January 2023	**92**	**29,740**	**43**	**29,875**
At 26 December 2021	171	29,350	108	29,629
At 27 December 2020	261	29,350	215	29,826

Impairment testing is carried out at the cash-generating unit ('CGU') level on an annual basis. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each individual centre is considered to be a CGU. However, for the purposes of testing goodwill for impairment, it is acceptable under IAS 36 to group CGUs, in order to reflect the level at which goodwill is monitored by management. The whole Group is considered to be one group of CGUs, for the purposes of goodwill impairment testing, on the basis of the level at which goodwill is monitored by management and historical allocation of goodwill upon acquisition. The overall process for testing impairment follows the same methodology as detailed in Note 13 for property, plant and equipment. As part of the business combination accounting for the acquisition of Essenden Limited in 2015, the fair value of customer lists, rebate contracts and the Tenpin Limited website was recognised and have been fully amortised over the period for which the benefits were expected to be recognised. The remaining value is for the lease acquired at the Worcester centre which was significantly below market value and was fair valued and accounted for on acquisition in 2016 and is being amortised until the end of the lease. The amortisation charged on the above intangible assets is included in other administrative expenses in the statement of comprehensive income. Bank borrowings are secured on property, plant and equipment for the value of £25,000k (2021: £39,000k).

11 Investments in joint venture

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

Company	Country of incorporation	Ownership interest %	Principal activity
Houdini's Escape Room Experience Limited (Registered address: Aragon House, University Way, Cranfield Technology Park, MK43 0EQ)	UK	50%	Leisure

In December 2019, the Company entered into a Share Purchase Agreement and acquired 50% of the share capital of Houdini's Escape Room Experience Limited ('Houdini's') for £300k. The Company also entered into a joint venture agreement to determine the arrangements around the selection of Directors, dividend policy, premises use, provision of services, put and call option arrangements and deadlock procedures.

Tenpin Limited and Houdini's also entered into a £2,500k loan facility agreement whereby Houdini's can borrow money from Tenpin Limited over a three-year period to fund the building of escape rooms on their premises. £1,801k has been borrowed as at 1 January 2023. The loans will incur a market rate of interest and have been secured by a Debenture Agreement that the two parties entered into. As the purpose of the joint venture is to fund and build escape rooms there is a restriction in the agreement around the payment of dividends by Houdini's. Houdini's had 35 rooms open at the end of FY22, of which 25 are operated out of nine tenpin centres.

12 Investments

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

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

12 Investments continued

Group investments

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

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

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

Tenpin Five Limited and Tenpin One Limited are claiming exemption from the audit and the preparation of financial statements in accordance with Section 479A of the Companies Act 2006. A parent guarantee will be issued for the liabilities of these companies which only consist of intercompany loans with the parent company and thus the guarantee is not expected to be called upon.

13 Property, plant and equipment

Group	Land and buildings £000	Fixed furnishings £000	Amusement machines £000	Fixtures, fittings and equipment £000	Total £000
Cost					
At 27 December 2020	–	11,368	1,401	49,099	61,868
Additions	–	–	35	4,270	4,305
Disposals	–	(263)	–	(1,282)	(1,545)
At 26 December 2021	–	11,105	1,436	52,087	64,628
Additions	**5,000**	**1,142**	**459**	**18,259**	**24,860**
Disposals	**–**	**–**	**–**	**(2,186)**	**(2,186)**
At 1 January 2023	**5,000**	**12,247**	**1,895**	**68,160**	**87,302**
Accumulated depreciation and impairment					
At 27 December 2020	–	3,806	1,159	15,450	20,415
Charge for the period	–	1,016	101	5,013	6,130
Impairment reversal	–	–	–	(264)	(264)
Disposals - depreciation	–	(114)	–	(1,069)	(1,183)
At 26 December 2021	–	4,708	1,260	19,130	25,098
Charge for the period	**–**	**994**	**141**	**5,810**	**6,945**
Impairment reversal	**–**	**–**	**–**	**(175)**	**(175)**
Disposals	**–**	**–**	**–**	**(1,764)**	**(1,764)**
At 1 January 2023	**–**	**5,702**	**1,401**	**23,001**	**30,104**
Net book value					
At 1 January 2023	**5,000**	**6,545**	**494**	**45,159**	**57,198**
At 26 December 2021	–	6,397	176	32,957	39,530
At 27 December 2020	–	7,562	242	33,649	41,453

Property, plant and equipment and right-of-use assets are reviewed for impairment on an annual basis. The recoverable amount of each CGU (each of the 48 (2021: 46) centres open as at the period end has been treated as a CGU) has been calculated as the higher of its value in use and its fair value less cost to sell. The calculation of value in use is based on pre-tax cash flow projections from the financial forecasts approved by the Board covering a three-year period. Cash flows beyond this three-year period are extrapolated over the life of the lease relating to that centre.

13 Property, plant and equipment continued

The key assumptions of the value in use calculation are:

	1 January 2023	26 December 2021
Period on which management-approved forecasts are based	**3 years**	3 years
Long-term growth rate applied beyond approved forecast period	**2%**	2%
Pre-tax discount rate	**13.25%**	12.01%

The pre-tax discount rate applied to the cash flow projections approximates the Group's weighted average cost of capital ('WACC'), adjusted only to reflect the way in which the market would assess the specific risks associated with the estimated cash flows of the bowling businesses and to exclude any risks that are not relevant to estimated cash flows of the bowling businesses, or for which they have already been adjusted. This pre-tax discount rate has been benchmarked against the discount rates applied by other companies in the leisure sector. The future cash flows have also been adjusted to account for climate related risks, with outflows factored in for the purchase of solar panels to go up at sites to help achieve Net Zero targets. The impairment review this year has resulted in an impairment reversal of £1,087k against the £2,522k of impairment charged in 2020. The reversal has been allocated as £912k to right of use assets and £175k for property, plant and equipment in the same proportions that the impairments arose. The reversal has arisen due to the improved performance of the sites since reopening and thus the improvement of the short-term forecasts in the review compared to prior year, when the impairment resulted.

The key assumptions to which the calculation is sensitive remain the growth rate that is expected of each centre and the pre-tax discount rate. If the discount rate applied in the calculations is increased by 1%, there is no change to the impairment release but there would be an impairment charge of £116k (2021: £1,292k). If the long-term growth rate applied is changed to 1%, there is no change to the impairment release but there would be an impairment charge of £48k (2021: £701k). If the trading performance were to significantly reduce in line with the downside case in the going concern section for 2023, the impairment reversal would reduce by £747k and the impairment charge of £3,669k arises.

For the calculation of fair value less cost to sell, management has assumed that each Tenpin Limited business could be sold for a multiple of 5x EBITDA (2021: 5x EBITDA).

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

14 Right-of-use assets

Group	Property £000	Amusement machines and other £000	Total £000
Cost			
At 27 December 2020	163,514	10,823	174,337
Lease additions	–	442	442
Disposals	–	(166)	(166)
Modification of leases	20,067	–	20,067
At 26 December 2021	183,581	11,099	194,680
Lease additions	**9,547**	**1,768**	**11,315**
Disposals	**–**	**(383)**	**(383)**
Modification of leases	**3,793**	**–**	**3,793**
At 1 January 2023	**196,921**	**12,484**	**209,405**
Accumulated depreciation and impairment			
At 27 December 2020	10,720	6,472	17,192
Charge for the period	9,013	2,153	11,166
Impairment reversal	(860)	–	(860)
Disposals – depreciation	–	(142)	(142)
At 26 December 2021	18,873	8,483	27,356
Charge for the period	**9,786**	**1,899**	**11,685**
Impairment reversal	**(912)**	**–**	**(912)**
Disposals – depreciation	**–**	**(375)**	**(375)**
At 1 January 2023	**27,747**	**10,007**	**37,754**
Net book value			
At 1 January 2023	**169,174**	**2,477**	**171,651**
At 26 December 2021	164,708	2,616	167,324
At 27 December 2020	152,794	4,351	157,145

15 Inventories

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

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

16 Trade and other receivables

	Group		Company	
Current receivables	**1 January 2023 £000**	26 December 2021 £000	**1 January 2023 £000**	26 December 2021 £000
Trade receivables	**118**	374	**–**	–
Amounts owed by subsidiary undertakings (Note 24)	**–**	–	**611**	205
Accrued income	**107**	114	**–**	–
Advance payments to supplier	**1,372**	2,803	**–**	–
Other receivables	**1,453**	844	**–**	–
Prepayments	**1,617**	1,291	**9**	4
	4.667	5,426	**620**	209

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

17 Cash and cash equivalents

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

18 Share capital

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

As at 1 January 2023, the Company's authorised share capital was £684,961 (2021: £683,678) divided into a single class of 68,496,118 (2021: 68,367,784) ordinary shares of 1p each. All issued ordinary shares are fully paid up. The share capital of the Group is represented by the share capital of the Company, Ten Entertainment Group plc, which was incorporated on 15 March 2017. The shares confer on each holder the right to attend, speak and vote at all the meetings of the Company with one vote per ordinary share on a poll or written resolution.

19 Cash generated from operations

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

20 Bank borrowings and lease liabilities

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

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

	Group		Company	
Non-current liabilities	**1 January 2023 £000**	26 December 2021 £000	**1 January 2023 £000**	26 December 2021 £000
Bank loans	**–**	9,334	**–**	–
Leases - Machines/other	**1,560**	2,390	**–**	–
Leases - Property	**183,394**	181,108	**–**	–
	183,954	192,832	**–**	–

Bank borrowings are repayable as follows:

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

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

Available borrowings are as follows:

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

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

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

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

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

20 Bank borrowings and lease liabilities continued

Analysis of statutory net debt

Net cash/(debt) as analysed by the Group consists of cash and cash equivalents less bank loans and amounts to £10,086k (2021: (£2,489k)). Statutory net debt as analysed below includes leases.

	Cash and cash equivalents £000	Bank loans and overdrafts £000	Net cash excluding notes and leases £000	Leases £000	Statutory net debt £000
Balance at 27 December 2020	7,394	(20,000)	(12,606)	(185,146)	(197,752)
Changes from financing cash flows	4,117	6,000	10,117	10,006	20,123
Lease modifications in the year	–		–	(20,067)	(20,067)
Lease acquisitions	–	–	–	(455)	(455)
Balance at 26 December 2021	11,511	(14,000)	(2,489)	(195,662)	(198,151)
Changes from financing cash flows	**(1,425)**	**14,000**	**12,575**	**10,388**	**22,963**
Lease modifications in the year	**–**	**–**	**–**	**(3,793)**	**(3,793)**
Lease acquisitions	**–**	**–**	**–**	**(11,335)**	**(11,335)**
Balance at 1 January 2023	**10,086**	**–**	**10,086**	**(200,402)**	**(190,316)**

21 Trade and other payables and other non-current liabilities

	Group		Company	
Trade and other payables	**1 January 2023 £000**	26 December 2021 £000	**1 January 2023 £000**	26 December 2021 £000
Trade payables	**1,330**	2,381	**–**	–
Amounts owed to subsidiary undertakings (Note 24)	**–**	–	**827**	2,794
Social security and other taxes	**2,587**	3,327	**–**	–
Other payables	**4,567**	3,287	**–**	–
Accruals	**6,680**	4,518	**394**	295
	15,164	13,513	**1,221**	3,089

22 Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	1 January 2023 £000	26 December 2021 £000	**1 January 2023 £000**	26 December 2021 £000	**1 January 2023 £000**	26 December 2021 £000
Property, plant and equipment	**–**	–	**(5,435)**	(2,184)	**(5,435)**	(2,184)
Tax losses	**757**	764	**–**	–	**757**	764
Fair value on business combination	**–**	–	**(33)**	(86)	**(33)**	(86)
Other	**3,429**	3,610	**–**	–	**3,429**	3,610
Total	**4,186**	4,374	**(5,468)**	(2,270)	**(1,282)**	2,104

A deferred tax asset of £757k is recognised on taxable losses to the extent that there will be probable future taxable income against which the loss can be utilised. It is expected the Group will continue to be profitable and so a deferred tax asset has been provided for on the Group companies, losses generated in the year. The deferred tax asset of £3,429k recognised on the impairment loss was accounted for on adoption of IFRS 16 as the impairment is being utilised against future taxable profits generated by Tenpin Limited.

Movement in deferred tax during the 53-week period ended 1 January 2023:

	27 December 2021 £000	Recognised in income statement £000	Taxation paid £000	**1 January 2023 £000**
Property, plant and equipment	(2,184)	(3,251)	–	**(5,435)**
Tax losses	764	(7)	–	**757**
Fair value on business combination	(86)	53	–	**(33)**
Other	3,610	(181)	–	**3,429**
Total deferred tax	2,104	(3,386)	–	**(1,282)**
Current income tax	10	(4,013)	5,025	**1,022**
Total taxation	2,114	(7,399)	5,025	**(260)**

22 Deferred tax continued

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

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

The Group has carry-forward tax losses of an estimated £21,383k (2021: £21,383k) on which no deferred tax has been recognised. Of these, £12,202k (2021: £12,202k) are held by Essenden Limited, £8,728k (2021: £8,728k) are held by Georgica Limited and £452k (2021: £42k) are held by Indoor Bowling Acquisitions Limited. The losses in the Group companies have not been recognised as these are historic brought-forward losses and these companies are not currently generating profits for which these losses can be utilised. The potential deferred tax asset not recognised is £5,346k (2021: £5,346k). There are £3,851k (2021: £3,851k) of capital losses from disposals of the historic CVA sites on which no deferred tax asset has been recognised as Tenpin Limited is not expected to generate profit from the disposal of sites which these losses could be utilised against. The potential unrecognised deferred tax asset on this would amount to £962k (2021: £962k).

23 Financial instruments

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

Level 1: inputs are quoted prices in active markets.

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

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

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

The Group's principal financial instruments comprise bank loans, cash and short-term deposits and are held in Sterling. The purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial instruments, such as trade receivables, trade payables and leases that arise directly from its operations. All the Group's financial instruments are denominated in Pounds Sterling. The carrying value of all the Group's financial instruments approximates fair value, and they are classified as financial assets and financial liabilities measured at amortised cost.

The following tables show the fair value of financial assets and financial liabilities within the Group at the balance sheet date. The carrying value of all financial assets was materially equal to their fair value and hence there has been no impairment. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature. Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Financial instruments by category

	Financial assets	
Group	**1 January 2023 £000**	26 December 2021 £000
Financial assets – measured at amortised cost		
Trade and other receivables	**1,679**	1,332
Cash and cash equivalents	**10,086**	11,511
	11,765	12,843

	Financial liabilities at amortised cost	
Group	**1 January 2023 £000**	26 December 2021 £000
Financial liabilities – measured at amortised cost		
Borrowings excluding leases	–	13,831
Leases	**200,351**	195,662
Trade and other payables	**12,587**	10,187
	212,938	219,680

Maturity analysis of financial liabilities

	1 January 2023				26 December 2021			
Group	**Bank loans £000**	**Leases £000**	**Trade and other payables £000**	**Total £000**	Bank loans £000	Leases £000	Trade and other payables £000	Total £000
Within one year	–	**10,448**	**12,587**	**23,035**	4,497	12,164	10,187	26,848
Between one and two years	–	**8,113**	–	**8,113**	4,667	9,082	–	13,749
Between two and five years	–	**24,814**	–	**24,814**	4,667	23,986	–	28,653
After five years	–	**157,027**	–	**157,027**	–	150,430	–	150,430
	–	**200,402**	**12,587**	**212,989**	13,831	195,662	10,187	219,680

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE 53-WEEK PERIOD ENDED 1 JANUARY 2023

23 Financial instruments continued

Financial risk management

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Group holds no currency-denominated assets or liabilities, nor does it hold investments in shares of third-party companies that would pose a market risk.

Cash flow and fair value interest rate risk
The Group borrows in Sterling at floating rates of interest. The interest rate profile of the Group's financial liabilities gross of debt issue costs was as follows:

	1 January 2023 £000	26 December 2021 £000
Interest rate risk profile of financial liabilities		
Floating rate financial liabilities	–	14,000
Leases	200,402	195,662
	200,402	209,662

Cash flow interest rate risk derives from the Group's floating rate financial liabilities, being its bank debt and overdraft facility, which are linked to SONIA plus a margin of 1.80%. The Group has no fair value interest rate risk. In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, sustained changes in interest rates would have an impact on the Group's earnings. A 1% increase in the current interest rate charged on the bank loans would decrease earnings by £nil (2021: £0.1m).

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. In order to minimise this risk, the Group endeavours only to deal with companies which are demonstrably creditworthy. In addition, a significant proportion of revenue results from cash transactions. The aggregate financial exposure is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount of trade receivables. Management does not consider that there is any concentration of risk within either trade or other receivables.

As almost all of the Group's sales are for cash, the Group is exposed to minimal credit risk. The trade and other receivables mainly relate to rebate income or vouchers sold and are from companies with strong credit histories and good credit ratings. A balance of £0.5m has been made to provide for other receivables that may have an expected credit loss, and a further £0.1m provision made against a deposit with a landlord with whom rent negotiations are being carried out. The majority of prepayments are for service charges, business rates and insurances which are to companies with strong credit histories and for less than six months in advance, and thus pose a low risk of becoming impaired, and thus no provision has been made.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as is possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group's cash position and cash flow forecasts are reviewed by management on a daily basis, with the objective to ensure the Group has sufficient funds available to finance its business strategy. The current bank facilities consist of a £25.0m RCF and overdraft facility which was not drawn at the year end.

The risk is measured by comparing the bank debt in use to the total facility available which shows that £25.0m of the facility is still available for use. The Group also had £10.1m in cash reserves at the year end, available for use and which adds to the headroom buffer. The total risk would be if the entire facility were unavailable for use if the Group were to default on its banking agreement by not meeting its agreed covenants. The Consolidated Statement of Financial Position shows that the Group has a net current liability position. The facilities are available to the Group until April 2024, after being extended with the Royal Bank of Scotland plc during 2022.

Credit quality of financial assets

	1 January 2023 £000	26 December 2021 £000
Group		
Cash at bank and short-term bank deposits		
'A' rated	9,046	10,375
Other cash-related balances	1,040	1,136
Total cash and cash equivalents	10,086	11,511

Capital risk management
The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk. The Group paid the 2022 interim dividend of 3.0p, after reinstating the dividend policy, with a total of £2,055k paid in cash to shareholders in October 2022. A final dividend of 7.0p has been recommended for FY22. The Group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the Consolidated Statement of Financial Position.

	1 January 2023 £000	26 December 2021 £000
Total equity	59,144	34,063
Cash and cash equivalents (Note 17)	(10,086)	(11,511)
Capital	49,058	22,552
Total financing	49,058	22,552
Leases (Note 20)	200,402	195,662
Bank borrowings (Note 20)	–	14,000
Overall financing	249,460	232,214
Capital to overall financing ratio	19.7%	9.7%

24 Related party transactions

Transactions with key management personnel

The Executive and Non-Executive Directors are deemed to be key management personnel of the Company. It is the Board which has responsibility for planning, directing and controlling the activities of the Company. There were no material transactions or balances between the Company and its key management personnel or members of their close family. At the end of the period, key management personnel did not owe the Company any amounts. The compensation of key management personnel is summarised in Note 3 to the consolidated financial statements. The remuneration of the Directors of Ten Entertainment Group plc is set out in detail in the Directors' Remuneration Report, commencing on page 57 with a table of their remuneration for the period on page 64.

Transactions with other related parties

During the period the Group entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, and trading balances outstanding with related parties, are as follows:

	Sales from transactions with related party £000	Expenses from transactions with related party £000	Loans to related party £000	Amounts outstanding with related party £000
Related party				
27 December 2020	–	12	166	237
Houdini's Escape Room Experience Limited	233	–	421	899
Source BioScience	–	1	–	–
26 December 2021	233	1	421	899
Houdini's Escape Room Experience Limited	44	–	1,158	1,801
1 January 2023	**44**	**–**	**1,158**	**1,801**

Sales and purchases between related parties are made at normal market prices. Outstanding balances with Houdini's are partially secured and charged interest and are due at the end of 2024.

All intercompany transactions and balances have been eliminated on consolidation. The intercompany balances and transactions incurred by the Company relate to loans received to provide funding for the Company to pay its operating costs as a plc:

	1 January 2023 £000	26 December 2021 £000
Essenden Limited	**170**	(25)
Tenpin Limited	**441**	2,794
TEG Holdings Limited	**(827)**	(180)
	(216)	2,589

25 Commitments

The Group has committed to pay an additional £0.3m to a supplier for the purchase of equipment in 2023, being the remaining balance on spend it has already incurred and accounted for in these financial statements.

26 Performance Share Plan

The Company operates a Performance Share Plan ('PSP') for its Executive Directors. In accordance with IFRS 2 Share-based Payments, the value of the awards is measured at fair value at the date of the grant. The fair value is written off on a straight-line basis over the vesting period, based on management's estimate of the number of shares that will eventually vest. In accordance with the PSP scheme announced on 30 March 2022 ('the 2022 scheme'), the vesting of these awards is conditional upon the achievement of two performance conditions which will be measured following the announcement of results for the year to 29 December 2024 ('FY24').

The first performance condition applying to the awards will be based on earnings per share of the Company ('EPS') and will apply to 50% of the total number of share awards granted.

The second performance condition will be based on total shareholder return ('TSR') of the Company over the period from the date of grant to the announcement of results for FY24 relative to a comparator group of companies and will apply to the remaining 50% of share awards granted.

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

- an expected term for awards granted under the PSP as being three years from the date of grant on the basis that these are nil-cost awards, and therefore we assume that participants will exercise their options as soon as possible to benefit from full shareholder rights (e.g. voting and sale rights);
- the risk-free rate has been based on the implied yield of zero-coupon UK Government bonds ('UK Strips'), with a remaining term equal to the expected term;
- expected dividend yield is 3.59%; and
- the expected volatility is based on historical daily data over a term commensurate with the expected life of the awards.

The models and model inputs are as follows:

	EPS condition with 2-year holding period	TSR condition with 2-year holding period
Model used for valuation	Monte Carlo and Finnerty	Black Scholes and Finnerty
Share price at valuation date (£)	2.655	2.655
Exercise price (£)	£0.1	£0.1
Risk-free rate	1.47%	n/a
Expected dividend yield	3.59%	3.59%
Life of option	3 years	3 years
Expected volatility	47.69%	n/a
Fair value of one share (£)	1.78	1.54

During the period ended 1 January 2023, 327,586 (2021: 317,843) share awards were granted under the PSP, nil (2021: nil) share awards were forfeited, 128,332 (2021: 74,335) lapsed and 128,334 (2021: 20,814) were exercised. For the exercised awards, these were settled by the allotment of ordinary shares in the Company. For the year, the Company recognised a net charge of £539,333 (2021: £248,304). The schemes are equity-settled share-based payments and the remaining contractual life of the 2021 scheme share options at the period end is one year and ten months, while the 2020 scheme share options' remaining contractual life is ten months, and the 2019, 2018 and 2017 scheme share options have been exercised or lapsed.

26 Performance Share Plan continued

The following table splits the awards that were granted, exercised, lapsed and forfeited by the Executive Directors:

Director	Position	Number of share awards granted
Grants as at 31 December 2018		401,028
Granted in the year:		
Duncan Garrood	Chief Executive Officer	200,000
Antony Smith	Chief Financial Officer	133,333
Graham Blackwell	Chief Commercial Officer	123,333
Forfeited in the year due to resignation:		
None		–
Grants as at 29 December 2019		857,694
Granted in the year:		
Antony Smith	Chief Financial Officer	195,489
Graham Blackwell	Chief Executive Officer	233,083
Forfeited in the year due to resignation:		
Duncan Garrood	Chief Executive Officer	(311,940)
Exercised in the year:		
Graham Blackwell	Chief Executive Officer	(96,970)
Lapsed in the year:		
Graham Blackwell	Chief Executive Officer	(96,970)
Total as at 27 December 2020		780,386
Granted in the year:		
Antony Smith	Chief Financial Officer	144,981
Graham Blackwell	Chief Executive Officer	172,862
Exercised in the year:		
Graham Blackwell	Chief Executive Officer	(20,814)
Lapsed in the year:		
Graham Blackwell	Chief Executive Officer	(74,334)
Total as at 26 December 2021		1,003,081

Director	Position	Number of share awards granted
Granted in the year:		
Antony Smith	Chief Financial Officer	149,425
Graham Blackwell	Chief Executive Officer	178,161
Exercised in the year:		
Graham Blackwell	Chief Executive Officer	(61,667)
Antony Smith	Chief Financial Officer	(66,667)
Lapsed in the year:		
Antony Smith	Chief Financial Officer	(66,666)
Graham Blackwell	Chief Executive Officer	(61,666)
Total as at 1 January 2023		1,074,001
Split as:		
2020 scheme		428,572
2021 scheme		317,843
2022 scheme		**327,586**
Total as at 1 January 2023		**1,074,001**

As reflected in the Directors' Remuneration Report, of the 428,572 awards from the 2020 scheme that are exercisable in 2022, it is expected that 100% of the award will vest and at an average share price for the last three months of the 1 January 2023 financial year, giving a fair value of £1,044,429. In accordance with the PSP schemes outlined in the Group's Remuneration Policy, the vesting of these awards is conditional upon the achievement of an EPS target set at the time of grant, measured at the end of a three-year period ending 1 January 2023 for the 2020 scheme, 31 December 2023 for the 2021 scheme and 29 December 2024 for the 2022 scheme, and the Executive Directors' continued employment at the date of vesting. The awards will vest based on the following adjusted EPS targets:

Adjusted EPS in the final year of the performance period (pence)

2022 scheme	2021 scheme	2020 scheme	Vesting
20.50p	17.50p	17.00p	12.5%
20.50p – 23.50p	17.50p – 20.50p	17.00p – 23.00p	12.5% – 50%
More than 23.50p	More than 20.50p	More than 23.00p	50%

27 Dividends paid and proposed

The following dividends were declared and proposed:

	1 January 2023 £000	26 December 2021 £000
The following dividends were declared and paid by the Group:		
Interim dividend declared and paid by Directors for year ended 1 January 2023 – 3.0p, 26 December 2021 – nil	**2,055**	–
The below relates to final dividends proposed:		
Final dividend year ended 1 January 2023 – 7.0p per ordinary share, 26 December 2021 – nil per ordinary share	**4,795**	–

The Company received a dividend of £2,054,884 (2021: £nil) from its subsidiary TEG Holdings Limited. No dividends have been proposed before the date of approval of these financial statements.

28 Post-balance sheet events

At the time of signing the Annual Report and Financial Statements the Group had entered into a lease for a property in Milton Keynes in February 2023 with a right of use asset and lease liability value of £4,423k and a lease in Dundee from February 2023 with a right of use asset and lease liability value of £5,867k. No further leases had been agreed nor any new centre acquistions made.

Unaudited five-year record

	53 weeks to 1 January 2023 £000	52 weeks to 26 December 2021 £000	52 weeks to 27 December 2020 £000	52 weeks to 29 December 2019 £000	52 weeks to 29 December 2018 £000	52 weeks to 1 January 2017 £000
Sales	**126,673**	67,521	36,269	84,122	76,350	71,040
Cost of sales	**(40,915)**	(22,511)	(14,095)	(24,930)	(22,423)	(21,478)
Gross profit	**85,758**	45,010	22,174	59,192	53,927	49,562
Administrative and other (costs)/income	**(44,557)**	(34,587)	(38,025)	(46,609)	(42,565)	(39,640)
Operating profit/(loss)	**41,201**	10,423	(15,851)	12,583	11,362	9,922
Finance charges	**(7,206)**	(5,986)	(5,815)	(788)	(693)	(2,630)
Profit/(loss) before taxation	**33,995**	4,437	(21,666)	11,795	10,669	7,292
Taxation	**(7,399)**	(432)	3,919	(2,758)	(2,527)	(2,111)
Profit/(loss) after taxation	**26,596**	4,005	(17,747)	9,037	8,142	5,181

DIRECTORS, COMPANY SECRETARY AND ADVISERS

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Company Secretary:	Antony Smith
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Independent auditors:	**PricewaterhouseCoopers LLP** Chartered Accountants and Statutory Auditors 1 Embankment Place London, WC2N 6RH
Registrars:	**Computershare Investor Services Plc** 120 London Wall London, EC2Y 5ET
Brokers:	**Peel Hunt LLP** 100 Liverpool Street London, EC2M 2AT **Liberum Capital** Ropemaker Place, 12th Floor 25 Ropemaker Street London, EC2Y 9LY
Company number:	10672501
Country of registration:	England and Wales (United Kingdom)

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