

# *ESSENDEN PLC* *(“Essenden” or the “Company”)*

Interim results for the 26 week period ended 27th June 2010

*Significant progress made.*

**Essenden plc operates 38 bowling centres in the UK**

## **Highlights**

### **Results**

- Like for like sales -2% compared to -11% at the half year in 2009 and -8% at the year end despite snow in January leading to temporary site closures
- Profit before tax up 20% to £1.2 million ( 2009: £1.0 million)
- Net debt £1.1 million lower since year end at £2.5 million ( £3.6 million at December 2009)

### **Operational:**

- Improvement in like for like sales driven by:
  - 2.5% growth in footfall
  - Higher frequency of visit amongst families
  - Focus on the food offer
  - Return of machine growth after a long period of decline
- Costs reducing:
  - Annualised plc costs lower by £0.4 million
  - £1.5 million of annualised cost savings identified to be accrued from the beginning of the second half of 2010
  - Further £2.0 million reduction in cost base identified and to be implemented by the year end
- Overhaul of management structure with 4 new Executives having joined to drive further development and 15 General Managers having been replaced
- Developments
  - Sing Dizzy, the karaoke concept, introduced in Cambridge. Second site to be installed in second half of 2010
  - Introduced three Costa Coffee outlets with a plan to roll out a further three before the year end
  - New food concept to be trialled in three sites in second half of 2010
  - Quasar to be relaunched
  - Revamped soft play concept to be trialled
- Current trading remains challenging, but there has been a recovery in recent weeks

**Nick Basing, Chief Executive, said:**

***“We are off to a good start in turning Essenden round. There has been a top to bottom overhaul of the structure of the business. We will invest in new ideas, serve customers better and operate at a lower sustained cost base. This is not a quick fix. We are creating the platform to deliver better quality profits next year.”***

14 September 2010

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## CEO's statement

For the 26 week period ended 27th June 2010

Following the launch of our "Winning Way" turnaround plan and the arrival of the new Executive Team in the first quarter of 2010, significant progress has been made in effecting strategic changes required to make a sustainable difference to business performance.

The actions implemented during the period have resulted in a marked improvement in sales performance, with like for like sales of -2% compared to -11% for the same six month period in 2009 and -8% for the full year to December 2009. The improved sales trend is primarily due to a growth in footfall which has grown by 2.5% over the period, along with higher frequency of visits and an improved measure of customer loyalty. In addition, there has been a focus on the food offer that has led to significant growth in sales from this area. The improved sales trend was achieved during a difficult trading period that included the prolonged spell of unprecedented wintery weather at the beginning of the period causing many sites to close, the VAT increase and the World Cup commencing at the end of the period. Pre tax profit was £1.2m (2009: £1.0m). Net Debt fell from £3.6m at the year end to £2.5m (2009: £4.0m).

Across our business we have implemented significant operational change and introduced a new Senior Management Team and structure that is closer to the customer. In the Senior Management team, five Executives have been replaced and we have been able to attract some talented individuals to drive further development, recognising the potential of the sector and the business.

Additionally there has been significant streamlining of plc costs to bring it in line with our low cost approach. The head office lease at King Street, a major cost burden for the Group, has been assigned and we have moved to a more appropriate office in Wimbledon. As a result of these changes, the Essenden overhead has been reduced by an annualised £0.4m.

All aspects of the business have been reviewed with an initial £1.5m of operational cost savings having been identified, the benefit of which will accrue from the beginning of the second half. A second stage of the cost savings exercise will be implemented by the year end that will provide a further £2.0m of planned cost benefit. All major supply contracts have been reviewed and renegotiated on improved terms, including an extension of the machines contract with Inspired Gaming. Machine revenue is now in growth at the half year after a long period of decline, driven by a combination of increased footfall and new machines.

Significant progress has been made in the period to revitalise our centres. Sing Dizzy, a karaoke concept, was introduced in Cambridge in June 2010, meeting our expectations. We have identified the second site which we anticipate will be installed during the second half of the year. A new food concept, Beach Road Café Bar, has been developed and will be trialled in three sites during the second half of the year; we will relaunch Quasar, the combat simulation activity which operates in fifteen centres and will introduce a new soft play area in Feltham as a trial. All these developments are designed to modernise and extend the broad appeal of our centres and to attract new customer visits and additional revenue lines. We also intend to refresh our ecommerce strategy of which the first step will be to redesign our website to incorporate more functionality and to facilitate a better, more user-friendly, booking system.

I am urgently implementing the plan that was put to the Board at the start of the year to transform Essenden into a company with a portfolio of modern leisure retail attractions. We now have a new platform with experienced and incentivised management, a more efficient cost base and importantly, re-energised employees to drive the business forward. We have also been able to negotiate exits from two new site commitments, St Helens and Widnes, enabling us to preserve capital and save on long-term rental obligations.

Current trading has proved to be challenging at the start of the second half of the year with the World Cup and an extended period of extreme warm weather impacting trade before some recovery during recent weeks. During the second half, we anticipate further progress in attracting customers and in securing an efficient operating business. However, due to some inherited problems, some aspects of the turnaround will take time to effect. Moving towards 2011, whilst confident that the bold actions we have and are taking are critical steps towards restoration of shareholder value, I am also mindful of the turbulent nature of the economy and the increasing pressures on consumer's disposable income.

Nick Basing  
CEO

Consolidated Income Statement  
for the 26 week period ended 27th June 2010

	Notes	Unaudited 26 weeks to 27th June 2010 £000	Unaudited 26 weeks to 28th June 2009 £000	52 weeks to 27th December 2009 £000
<b>Continuing operations:</b>				
<b>Revenue</b>		<b>28,993</b>	29,581	58,094
Cost of sales		(11,618)	(11,373)	(22,800)
<b>Gross profit</b>		<b>17,375</b>	18,208	35,294
Administrative expenses:				
Profit on disposal		-	387	386
Other administrative expenses		(15,128)	(16,864)	(45,840)
<b>Operating profit/(loss)</b>		<b>2,247</b>	1,731	(10,160)
Interest payable and similar charges		(1,037)	(772)	(1,741)
Interest receivable		-	44	41
<b>Profit/(loss) before taxation</b>		<b>1,210</b>	1,003	(11,860)
Taxation		(340)	(508)	2,904
<b>Profit/(loss) for the period</b>		<b>870</b>	495	(8,956)
<b>Earnings per share</b>				
Basic earnings per share	3	<b>4.1p</b>	2.4p	(42.5)p
Diluted earnings per share	3	<b>4.1p</b>	2.4p	(42.5)p

Consolidated Statement of Comprehensive Income  
for the 26 week period ended 27th June 2010

	Notes	Unaudited 26 weeks to 27th June 2010 £000	Unaudited 26 weeks to 28th June 2009 £000	52 weeks to 27th December 2009 £000
<b>Profit/(Loss) for the financial period</b>		<b>870</b>	495	(8,956)
Other comprehensive income, net of tax		-	-	-
<b>Total comprehensive profit/(loss) for the financial period</b>		<b>870</b>	495	(8,956)

Consolidated Balance Sheet  
as at 27th June 2010

	Unaudited 27th June 2010 £000	Unaudited 28th June 2009 £000	27th December 2009 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	15,661	15,661	15,661
Intangible assets	502	792	677
Investment property	1,576	2,576	1,576
Property, plant and equipment	27,897	31,994	28,817
Deferred tax asset	5,948	2,876	6,288
	<b>51,584</b>	<b>53,899</b>	<b>53,019</b>
<b>Current assets</b>			
Inventories	1,580	1,809	1,736
Trade and other receivables	3,944	4,023	5,650
Cash and cash equivalents	2,248	1,411	1,568
	<b>7,772</b>	<b>7,243</b>	<b>8,954</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Financial liabilities	(683)	(2,490)	(4,952)
Trade and other payables	(4,860)	(3,876)	(6,482)
Provisions	(686)	(742)	(2,173)
	<b>(6,229)</b>	<b>(7,108)</b>	<b>(13,607)</b>
<b>Net current assets/(liabilities)</b>	<b>1,543</b>	<b>135</b>	<b>(4,653)</b>
<b>Non-current liabilities</b>			
Financial liabilities	(24,608)	(22,435)	(20,254)
Other non-current liabilities	(1,025)	(1,097)	(1,075)
Provisions	(12,814)	(7,241)	(13,227)
	<b>(38,447)</b>	<b>(30,773)</b>	<b>(34,556)</b>
<b>Net assets</b>	<b>14,680</b>	<b>23,261</b>	<b>13,810</b>
<b>Equity</b>			
Share capital	214	214	214
Other reserves	81,095	81,040	81,095
Retained deficit	(66,629)	(57,993)	(67,499)
<b>Total equity</b>	<b>14,680</b>	<b>23,261</b>	<b>13,810</b>

Consolidated Cash Flow Statement  
for the 26 week period ended 27th June 2010

Notes	Unaudited 26 weeks to 27th June 2010 £000	Unaudited 26 weeks to 28th June 2009 £000	52 weeks to 27th December 2009 £000	
<b>Cash flows from operating activities</b>				
Cash (used in)/generated from operations	4	1,938	(1,091)	203
Interest received		-	45	43
Interest paid		(277)	(515)	(683)
Net cash (used in)/from operating activities		<b>1,661</b>	(1,561)	(437)
<b>Cash flows from investing activities</b>				
Proceeds from sale of investment properties		-	-	979
Proceeds from sale of property, plant and equipment		-	2,744	1,776
Purchase of property, plant and equipment		(531)	(534)	(1,042)
Purchase of software		(36)	(265)	(406)
Net cash from/(used in) investing activities		<b>(567)</b>	1,945	1,307
<b>Cash flows from financing activities</b>				
Finance lease principal payments		(43)	(35)	(87)
Receipts from borrowings		2,500	2,878	5,329
Repayment of borrowings		(2,871)	(4,147)	(6,875)
Purchase of treasury shares		-	(55)	(55)
Net cash (used in)/from financing activities		<b>(414)</b>	(1,359)	(1,688)
<b>Net (decrease)/increase in cash, cash equivalents and bank overdrafts</b>				
		<b>680</b>	(975)	(818)
Cash, cash equivalents and bank overdrafts – beginning of period		1,568	2,386	2,386
<b>Cash, cash equivalents and bank overdrafts – end of period</b>		<b>2,248</b>	1,411	1,568

Consolidated statement of changes in equity  
for the 26 week period ended 27th June 2010

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
<b>Unaudited 26 weeks to 27th June 2010</b>					
Balance at 27th December 2009	214	-	81,095	(67,499)	13,810
Profit for the period	-	-	-	870	870
<b>Balance at 27th June 2010</b>	<b>214</b>	<b>-</b>	<b>81,095</b>	<b>(66,629)</b>	<b>14,680</b>
<b>Unaudited 26 weeks to 28th June 2009</b>					
Balance at 29th December 2008	6,140	34,841	57,724	(58,488)	40,217
Reverse acquisition of Essenden (see note 2)	(5,926)	(34,841)	23,316	-	(17,451)
Profit for the period	-	-	-	495	495
<b>Balance at 28th June 2009</b>	<b>214</b>	<b>-</b>	<b>81,040</b>	<b>(57,993)</b>	<b>23,261</b>
<b>52 weeks to 27th December 2009</b>					
Balance at 28th December 2008	6,140	34,841	57,724	(58,488)	40,217
Purchase of treasury shares	(23)	-	23	(55)	(55)
Business combination	(6,117)	(34,841)	23,613	-	(17,345)
Issue of ordinary shares related to business combination	214	-	-	-	214
Transaction costs of share issuance	-	-	(265)	-	(265)
Loss for the period	-	-	-	(8,956)	(8,956)
Balance at 27th December 2009	214	-	81,095	(67,499)	13,810

## Notes (continued)

### 1 Basis of preparation

The financial information in this report has been prepared under the historical cost convention, as modified by the revaluation of derivative instruments to fair value through the income statement, and incorporates the consolidated results of Essenden plc (“Essenden” or the “Company”) and all its subsidiaries (together “the Group”) for the 26 week period ended 27th June 2010. The group reconstruction which completed on 22nd May 2009 with the acquisition of Georgica (which was subsequently reregistered as a private limited company) by Essenden was accounted for as a reverse acquisition in accordance with IFRS 3, ‘Business combinations’. Accordingly, the comparative financial information in this report is presented on the basis that it represented the continuation of Georgica’s consolidated financial information modified only as required to recognise Essenden’s capital structure, as the legal head of the group, and to include it as part of the group.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements of Essenden for the 52 week period to 27th December 2009, which have been prepared in accordance with IFRSs as adopted by the European Union.

The financial information for the 26 week period ended 27th June 2010 is unaudited and has not been reviewed by the company’s auditors. It does not constitute statutory financial statements within the meaning of Section 435 of the Companies Act 2006. The financial information of the Essenden group for the 52 week period to 27th December 2009 has been extracted from the financial statements for that period which were approved by the board of directors on 9th March 2010 and have been filed with the Registrar of Companies. The report of the auditors on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 to 502 of the Companies Act 2006.

The accounting policies applied by Essenden in this report are consistent with those of the financial statements of the Essenden Group for the 52 week period to 27th December 2009, as described in those financial statements.

This report was approved by the directors on 13 September 2010.

## Notes (continued)

### 2 Business combinations

Essenden, a newly incorporated company, was established as the owner of 100% of the issued share capital of Georgica by means of a scheme of arrangement under Part 26 of the Companies Act 2006. Essenden issued five ordinary shares and one Essenden loan note to each Georgica ordinary shareholder on 22nd May 2009 as consideration for five Georgica shares. Immediately following this exchange, the newly issued Essenden shares were consolidated on a five-for-one basis.

The transaction was accounted for as a reverse acquisition in accordance with IFRS 3, 'Business combinations'. Accordingly, the consolidated financial statements of Essenden represented a continuation of the financial statements of Georgica and the business combination is accounted for as the acquisition of Essenden. The assets and liabilities of Georgica (the deemed "acquirer") were recognised and measured in the consolidated financial statements at their pre-combination carrying amounts, whilst the assets, liabilities and contingent liabilities of Essenden were fair valued as at 22nd May 2009.

The Essenden loan notes are £1 principal amount, zero coupon, perpetual notes which are freely transferable and are listed on PLUS-quoted. They are fully repayable at par on the occurrence of certain specified events, including a change of control of Essenden, an insolvency event or a change in operating activity. They are recognised on the balance sheet at their fair value within financial liabilities due after more than one year, as there is no fixed redemption date and no current obligation to make any redemptions within one year.

### 3 Earnings per share

Basic earnings per share for each period is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. Earnings per share is based on the capital structure of Essenden, amended to reflect changes in the capital structure of Georgica (e.g. for the conversion of convertible shares or the potentially dilutive effect of shares held by the Georgica Share Incentive Plan Limited) during the relevant period as though they were changes in the capital structure of Essenden.

Details of the earnings and weighted average number of ordinary shares used in each calculation are set out below.

	<b>Unaudited 26 weeks to 27th June 2010 £000</b>	Unaudited 26 weeks to 28th June 2009 £000	52 weeks to 27th December 2009 £000
Earnings attributable to ordinary shareholders	<b>870</b>	495	(8,956)
Weighted average number of ordinary shares:		<b>Number of shares</b>	
For basic earnings per share	<b>21,424,740</b>	20,738,955	21,078,729
Effect of shares held by the Georgica Share Incentive Plan	-	27,526	13,269
For diluted earnings per share	<b>21,424,720</b>	20,766,481	21,091,998
		<b>Pence per share</b>	
Basic earnings per share	<b>4.1p</b>	2.4p	(42.5)p
Diluted earnings per share	<b>4.1p</b>	2.4p	(42.5)p

## Notes (continued)

### 4 Cash flows from operating activities

Reconciliation of profit/(loss) for the period to cash (used in)/generated from operations:

	Unaudited 26 weeks to 27th June 2010 £000	Unaudited 26 weeks to 28th June 2009 £000	52 weeks to 27th December 2009 £000
<b>Profit/(loss) for the period</b>	<b>870</b>	<b>495</b>	<b>(8,956)</b>
<i>Adjustments for:</i>			
Tax	<b>340</b>	508	(2,904)
Interest income	-	(44)	(41)
Interest expense and finance charges	<b>1,037</b>	772	1,741
Impairment of property, plant and equipment	-	-	1,952
Impairment of intangible assets	-	-	10
Depreciation and amortisation of intangible assets	<b>219</b>	171	417
Depreciation	<b>1,488</b>	1,832	3,514
Revaluation of investment properties	-	-	1,000
Profit on disposal	-	(387)	(386)
<i>Changes in working capital:</i>			
(Increase)/decrease in inventories	<b>156</b>	(54)	19
Decrease/(increase) in trade and other receivables	<b>1,712</b>	732	440
Decrease in payables	<b>(1,728)</b>	(4,677)	(3,622)
(Decrease)/increase in provisions	<b>(2,156)</b>	(439)	7,019
<b>Cash (used in)/generated from operations</b>	<b>1,938</b>	<b>(1,091)</b>	<b>203</b>

## Notes (continued)

### 5 Operating review

This analysis has been adjusted from the information shown in the unaudited consolidated income statement with additional information to explain more clearly the results of the group. As explained in note 1 "Basis of preparation" the financial information for the 26 week period ended 27th June 2010 is for the Essenden Group. The comparative information is for the Georgica Group to 22nd May 2009, and for the Essenden Group for the period from 23rd May 2009 to 28th June 2009.

#### Overview

Essenden is the holding company for the tenpin bowling operations of Tenpin Limited and a portfolio of 5 properties held for sale for redevelopment. Tenpin is a bowling operator in the UK with an approximate 20% share of the UK tenpin bowling market.

#### Results of operations

The table below demonstrates the Group's performance for the 26 week period to 27th June 2010, compared with the 26 week period to 28th June 2009.

	Total	
	2010	2009
	£000	£000
<b>Continuing operations:</b>		
<b>Revenue</b>	<b>28,993</b>	<b>29,581</b>
Cost of sales	(11,618)	(11,373)
Operating costs	(7,536)	(7,358)
Rent	(5,387)	(5,303)
<b>Contribution</b>	<b>4,452</b>	<b>5,547</b>
Operating Overheads	(1,786)	(1,638)
Plc Overheads	(390)	(566)
<b>EBITDA</b>	<b>2,276</b>	<b>3,343</b>
Depreciation of intangible assets	(219)	(171)
Depreciation of property, plant & equipment	(1,488)	(1,832)
<b>Operating profit/(loss) before one-off items</b>	<b>569</b>	<b>1,340</b>
One-off gains/ (costs):		
Profit on disposal	-	387
One-off costs	(295)	(434)
<b>Operating profit/ (loss) before impairments and provisions</b>	<b>274</b>	<b>1,293</b>
Onerous lease provision released	1,973	438
<b>Operating profit/(loss)</b>	<b>2,247</b>	<b>1,731</b>
Net interest excluding loan note interest and notional interest on provisions	(352)	(326)
Essenden loan note interest	(429)	-
Notional interest - onerous lease provisions	(256)	(402)
<b>Profit/(loss) before tax</b>	<b>1,210</b>	<b>1,003</b>
Tax	(340)	(508)
<b>Profit/(loss) after tax from continuing operations</b>	<b>870</b>	<b>495</b>

#### Footnotes :

<sup>1</sup> EBITDA represents earnings before interest, tax, depreciation, impairment, non recurring items and net movement on provisions.

## Notes (continued)

<sup>2</sup> The non recurring items and net movement on provisions in the 26 weeks ended 27th June 2010 principally comprises £1.9m from the utilisation of onerous lease provisions, the largest being £1.0m for St Helens since the agreement for lease was determined in June 2010 (2009 principally comprises £0.7m from the utilisation of the onerous lease provisions and £0.3m for the creation of a new onerous lease provision for one of the investment properties). One-offs include £0.3m of cost associated with the restructuring at the end of 2009. (2009 – includes the profit on disposal of a development property at Leigh of £0.4m and legal and professional costs associated with corporate transactions and the asset disposal programme (£0.4m)).

<sup>3</sup> Net interest includes a £0.3m (2009 - £0.4m) charge for the notional interest on the unwinding of the discount on onerous lease provisions.

### Group Performance

**Turnover:** Turnover for the half year period decreased by £0.6m (2.0%) from £29.6m in H1 2009 to £29.0m in H1 2010. All 38 centres in the estate were open in the comparable 6 month period in 2009.

**Contribution:** Contribution decreased by £1.0m (19.7%) from £5.5m in H1 2009 to £4.5m in H1 2010, and contribution margin decreased by 3.4% points from 18.8% to 15.4%. The reduction in Contribution was due to £0.7m from reduced sales and sales mix movements and £0.3m from investment in marketing and other operating costs.

**Group EBITDA:** EBITDA decreased by £1.0m from £3.3m in H1 2009 to £2.3m in H1 2010, with EBITDA margin down 3.4% points to 7.9%.

**Group Operating profit:** Operating profit increased by £0.5m (30%) in H1 2010, from £1.7m in H1 2009 to £2.2m, £1.0m of this is due to the release of the onerous lease provision for St Helens due to the agreement for lease being determined at the end of June 2010.

### Property matters:

#### Tenpin

No new bowling centres were opened or acquired in the half year. The Agreement for Lease between Grantmaster Ltd and Tenpin Ltd, dated 28 July 2006, for a proposed unit at Westpoint, St Helens was determined on the 28 June 2010. Tenpin Ltd paid £0.2m plus fees to exit this lease.

There has been a planning application submitted by the landlords of the Preston Tenpin for a Waitrose store that will be determined August 2010 by the local council.

Two of the investment property tenants have been put into liquidation (Peterborough and Reading). Peterborough suffered an arson attack and there are plans to demolish the building.

The King Street offices previously occupied by Georgica and Essenden was assigned to Eishken 1989 partnership in May 2010 with a reverse premium transaction of £0.2m, a replacement office has been leased in Wimbledon.

## Notes (continued)

### 5 Operating review (continued)

#### Asset realisation programme

The remaining 5 Riley's properties owned by the Group are either going through the planning process or are being marketed for sale but there were no disposals during the period.

#### Risk factors:

Summarised below are the principal risks and uncertainties which have been identified by management as facing the Group. A more detailed assessment of principal risks and uncertainties is set out in the Operating review of the annual financial statements of Essenden for the 52 week period to 27th December 2009.

#### Risks relating to operations:

- Tenpin's 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 activities and may also be affected by changing consumer preferences.
- The business is subject to seasonal demand variations. Warm weather adversely impacts revenues as does unusual weather conditions such as heavy snow, icy conditions or high winds that discourage people from venturing out. Major sporting events also affect the results of Tenpin. Events such as the Football World Cup can adversely affect revenues as supporters visit venues with large screens dedicated to the sport. School holidays are beneficial for the bowling business, which is also affected by the timing of bank holidays.
- Following the sale or sale and lease back of all of Tenpin's freehold and long leasehold properties, there is a relatively high rental charge and so a relatively high fixed cost element to the business which means that financial performance is relatively sensitive to changes in turnover.

#### Risks relating to financing:

The continued availability of the Group's senior debt finance, as is customary, is dependent on continued covenant compliance.

#### Interim Accounts :

These Interim Accounts are available for download at the Company's website [www.essenden.com](http://www.essenden.com)