

ESSENDEN PLC

("Essenden" or the "Company")

Preliminary results for the 53 week period ended 2nd January 2011

Progress in a difficult transition to create a modern entertainment company

Return to Profitability

Essenden plc, a leading UK operator of 37 Tenpin bowling centres with 1.1m sq. ft. of space, today announces final results for the 53 week period ended 2nd January 2011

Highlights

- . Low cost business model implemented
 - Cost base re-engineered
 - £4m of annualised savings and key supply agreements retendered
 - Up to date site management structure put in place
 - focus shifted to front-line customer service
 - 50 management redundancies
 - Plc overhead reduced, Board slimmed down
- . Turnaround from loss to profitability
 - Profit before tax of £93,000 (2009: loss £11.9m)
- . New initiatives gaining traction
 - Costa Coffee rolled out into 11 sites
 - New laser game and Karaoke offer improving customer experience
 - Machine estate in growth in 2010
 - Upgraded website
- . Next generation of family entertainment centre to be designed and launched in second half
- . Advisers engaged to investigate restructuring for loss-making sites
- . Outlook remains challenging

Nick Basing, Chief Executive, said:

"We have made some good progress having had to take bold steps to turn the business round. This is in a sector that has been challenged for a number of years. I expect the outlook for the economic environment to remain difficult and uncertain in the coming months.

Our sole aim is to focus the business on the good assets and additional opportunities, and in doing so return Essenden to growth."

31 March 2011

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Chairman's Statement

I am pleased to present Essenden's results for the 53 week period ended 2nd January 2011. Essenden is a leading operator of bowling based family entertainment in the UK, with 37 leisure retail sites that operate under the "Tenpin" brand.

The past year has been a year of transition for the business as the new management team led by CEO, Nick Basing, continued to implement its three year turnaround plan for the business. As expected, the impact of delivering these changes together with a number of external events which caused difficult trading conditions for all bowling operators, has had an impact on the year's results. The business generated EBITDA of £4.0m, down £1.1m versus the previous year (2009: £5.1m). However, the group returned to profitability with a profit before tax of £93,000 (2009: loss £11.9m). Sales reduced from £58.1m to £56.6m.

The management team has acted swiftly to restructure the business, reducing the annualised cost base by approximately £4m. The board of Essenden (the "Board") believes that much of the benefit of these cost reductions will be felt in the 2011 financial year. Further changes have been undertaken to strengthen the operations, introduce new product trials and improve business performance through the development of an appropriate infrastructure. The Board believes that there remains considerable work to re-establish the business and these changes are being executed against a backdrop of challenging market conditions. However, I remain confident that once fully implemented these changes will, in the medium term, transform Essenden into a modern leisure business with a solid platform for growth.

Rory Macnamara

31 March 2011

Chief Executive's Report

I am pleased to present my second report as CEO of Essenden, covering my first full year of leading the business. The past year has been a year of significant transition where we have implemented a number of bold steps which we believe has started the turnaround within the business.

Review

I outlined in my review of the business last year that Essenden required a complete overhaul to begin to deliver improved sales and profitability. With this in mind, in the past year we have implemented the following significant changes:

- Reduced plc overhead
- Strengthened the senior management team
- Changed the operating structure and systems
- Re-launched marketing, sales and distribution systems to further drive demand
- Re-engineered the cost base with approximately £4m of cost savings (on an annualised basis)
- Exited from two new site commitments and from one loss making site
- Re-negotiated contracts with our key suppliers, including Leisurelink and Quibica
- Introduced revitalised product trials within the Food and Beverage and the Quasar category
- Introduced new products to the service offering, including karaoke (Sing Dizzy) and Coffee (Costa)

Significant savings have been made on the plc overhead with the business moving from its former King Street offices in Central London to a lower cost location outside London. The plc Board has been reduced with four departures and the other plc costs associated with Essenden have been reduced to reflect the current size and scope of the Company.

The new senior team has been significantly changed with five new senior executives brought in and six senior executives replaced. These newly recruited executives bring their experience of other leisure sectors to the business with the aim of establishing a relevant and innovative entertainment business. The Tenpin Support Centre has been relocated to Cranfield Business Park, a more appropriate location for the business.

To introduce a more appropriate operating structure for the business, a complete restructuring of the site management was implemented in the second half of the year. This has resulted in a reduction of overheads and ensures our managers operate closer to the customers. This, in addition to cost saving measures identified with supplier contracts, operating costs and overheads, has reduced the cost base by approximately £4m on an annualised basis, and the Board believes that the business will gain the full year benefit of these savings during the forthcoming financial year.

As we focus our resources on strong profitable locations, we have successfully negotiated a surrender of the lease commitments at St Helens and Widnes and at the end of the year, the landlord took up an option for Tenpin to surrender the lease at Preston. The group - principally through its main trading subsidiary, Tenpin Limited - has a number of loss-making sites as well as having a commitment on a new site that the group does not now intend to develop. These represent a cash and profit drain on the business and the Board have resolved to take action to either reduce rental payments and other operating costs on these sites or remove these obligations completely. The Board have retained advisers to investigate a range of restructuring options for the trading subsidiary, and the intent of the Board is to implement such a restructuring as soon as practicable.

During the year, we tested a new food and beverage concept at our sites in Stoke, Croydon and Fountain Park. The concept, branded Beach Road Café Bar, introduced a more up-to-date look and feel and a range of improvements to the quality of our food products. We also rolled out Costa Coffee licensed outlets in 11 of our sites with plans to extend further and this is proving to be an important component of our service offer. A new version of our laser game product has been introduced called "Sector 7", that significantly improves the customer experience and is proving popular and profitable in its trial site in Coventry. We have identified a number of additional sites where the Sector 7 concept can be adopted. During the year we trialled karaoke at

our Cambridge site, through a new concept called Sing Dizzy and this product aimed at appealing to the female market, has proved to be a popular addition to our range of entertainment offerings. After adopting some learnings from the trial, we will use the concept in other sites where appropriate.

We remain focused on improving the customer experience and are basing all our development initiatives on detailed customer insight studies. In the sites, we have rolled out an improved customer service initiative and to measure performance using net promoter score, we have increased our mystery customer programme from monthly to weekly visits with improving results.

The next stage in our development of our customer priorities will be to combine these product trials into one site, marking the next chapter in the company. This will incorporate the developments of our bowling product which will include new game formats and an easy to use customer experience, including an upgrade to the existing Audio Visual system. We also have plans for an upgraded family/children's play concept that will be developed in this project along with improved external signage and an updated look and feel to the site. We aim to have opened this next generation 'Entertainment Centre' concept during the second half of the year and this will form an important step in our future growth plans.

Key to all the changes that we have introduced is the ability to drive demand when required through various distribution channels. We are investing in an updated website that provides a simpler booking process for customers. There are currently over one million customers on the database and using this CRM system, we are able to communicate with existing customers through relevant media channels to drive demand at peak and off-peak times. We remain the only Company in our sector to have an outsourced modern call centre and this forms a key component of our distribution strategy.

These changes are imperative given the pressures caused by falling disposable incomes, high levels of unemployment and aggressive leisure competitor pricing on our two core customer groups, value conscious families and 18-30 year olds.

People

During the year Kaye Collins, Margaret Mountford, Peter Haspel and Peter Smith (Company Secretary) all resigned from the Board. I would like to thank them for their service to the Company.

My colleagues at our 37 units and in the support office are the lifeblood of our vision. The changes that we are implementing to the business have had an effect on many of them over the past year. The Board is hugely grateful for their continued efforts and support over this difficult year as we continue our journey to create a modern entertainment business relevant to tomorrow's customers.

Outlook

The UK bowling based entertainment sector has seen only modest investment or industry innovation over the past few years and in some regions, supply still exceeds demand, and therefore is experiencing a challenging operating environment. The VAT increase in January 2011 is the latest in a number of challenges for the sector to overcome.

With the full effects of the austerity measures yet to be felt, I expect the general economic environment to remain uncertain and challenging for leisure consumer businesses in the coming year. In an industry already under pressure, this headwind adds an extra challenge in turning round the business. Our focus is to develop our business building on the good assets that we own and operate. We are continuing to implement a step by step plan to realise value for shareholders and are in the middle of the difficult and sometimes painful tasks that the Board believes are required to turn this business around. When this recovery plan has fully been implemented and bedded in, then the Board believes that the business has the potential to return to a sound and profitable footing.

Nick Basing

Business Review

Operating Review

	Group	
	2010	2009
	£000	£000
Continuing operations:		
Revenue	56,572	58,094
EBITDA	4,015	5,054
Profit/(Loss) before tax	93	(11,860)
Tax	(349)	2,904
Loss after tax from continuing operations	(256)	(8,956)
Profit before tax, one-offs, impairments and provisions (i)	122	281

(i) Profit / (loss) before tax, one-offs, impairments and provisions represents operating profit before one-off items together with net interest excluding loan note interest and notional interest on provisions.

Group result

Group EBITDA for the 53 week period ended 2nd January 2011 ("2010") was down £1.1m at £4.0m. The £1.5m decline in revenue in 2010 represented a 5.3% decline in like for like sales (2009: -8%). This was offset by cost of sales, staff, operating cost and overhead reductions from continued cost saving initiatives of £0.5m. Group profit before tax, one-offs, impairments and provisions decreased by £0.2m from a profit of £0.3m in the 52 weeks to 27th December 2009 ("2009") to a profit of £0.1m in 2010. The loss before tax improved by £12.0m to a profit of £0.1m in 2010. Loss after tax improved by £8.7m to a loss of (£0.3m).

Outlook

The directors note that the group - principally through its main trading subsidiary, Tenpin Limited - has a number of loss-making sites as well as having a commitment on a new site that the group does not now intend to develop. These represent a cash and profit drain on the business and the directors have resolved to take action to either reduce rental payments and other operating costs on these sites or remove these obligations completely. The Board have retained advisers to investigate a range of restructuring options for the trading subsidiary, and the intent of the Board is to implement such a restructuring as soon as practicable.

Consolidated income statement
For the 53 week period ended 2nd January 2011

	Notes	53 weeks to 2 nd January 2011 £000	52 weeks to 27th December 2009 £000
Continuing operations:			
Revenue		56,572	58,094
Cost of sales		(22,714)	(22,800)
Gross profit		33,858	35,294
Administrative expenses:			
(Loss) / profit on disposal of properties	2	(146)	386
Impairment		(1,917)	(1,962)
Other administrative expenses		(30,310)	(43,878)
Total administrative expenses		(32,373)	(45,454)
Operating profit/(loss)		1,485	(10,160)
Interest payable and similar charges		(2,064)	(1,741)
Interest receivable		672	41
Finance costs, net		(1,392)	(1,700)
Profit/(Loss) before taxation	3	93	(11,860)
Taxation		(349)	2,904
Loss for the financial period attributable to the equity holders of the company		(256)	(8,956)

**Earnings per share attributable to the equity holders
of the company during the period**

Basic earnings per share	(1.2)p	(42.5)p
Diluted earnings per share	(1.2)p	(42.5)p

**Balance sheet
at 2nd January 2011**

	Notes	2 nd January 2011 £000	27 th December 2009 £000
Assets			
Non-current assets			
Goodwill	4	14,989	15,661
Intangible assets	4	261	677
Investment property	5	1,355	1,576
Property, plant and equipment	6	26,644	28,817
Deferred tax asset		5,939	6,288
		49,188	53,019
Current assets			
Inventories		1,148	1,736
Trade and other receivables		4,492	5,650
Cash and cash equivalents		1,170	1,568
		6,810	8,954
Liabilities			
Current liabilities			
Financial liabilities		(4,181)	(4,952)
Trade and other payables		(5,549)	(6,482)
Provisions	8	(1,787)	(2,173)
		(11,517)	(13,607)
Net current liabilities		(4,707)	(4,653)
Non-current liabilities			
Financial liabilities		(20,248)	(20,254)
Other non-current liabilities		(973)	(1,075)
Provisions	8	(9,683)	(13,227)
		(30,904)	(34,556)
Net assets		13,577	13,810
Equity			
Share capital		214	214
Share premium		-	-
Other reserves		81,118	81,095
Profit and loss account		(67,755)	(67,499)
Total equity		13,577	13,810

Cash flow statement
For the 53 week period ended 2nd January 2011

Group	Notes	53 weeks to 2nd January 2011 £000	52 weeks to 27th December 2009 £000
Cash flows from operating activities			
Cash generated from operations	7	3,153	203
Interest received		-	43
Interest paid		(637)	(683)
Net cash from / (used in) operating activities		2,516	(437)
Cash flows from investing activities			
Costs associated with sale of investment properties		(6)	979
Proceeds from sale of property, plant and equipment		-	1,776
Purchase of property, plant and equipment		(1,849)	(1,042)
Purchase of software		(36)	(406)
Net cash (used in) /from investing activities		(1,891)	1,307
Cash flows from financing activities			
Finance lease principal payments		(95)	(87)
Receipts from borrowings		-	5,329
Repayment of borrowings		(928)	(6,875)
Purchase of treasury shares		-	(55)
Net cash used in financing activities		(1,023)	(1,688)
Net decrease in cash and cash equivalents		(398)	(818)
Cash and cash equivalents – beginning of period		1,568	2,386
Cash and cash equivalents – end of period		1,170	1,568

Statement of changes in equity
For the 53 week period ended 2nd January 2011

Group	Share capital £000	Share premium £000	Other Reserves £000	Retained earnings £000	Total equity £000
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)
Total comprehensive loss for the period	-	-	-	(8,956)	(8,956)
Balance at 27th December 2009	214	-	81,095	(67,499)	13,810
Total comprehensive loss for the period	-	-	-	(256)	(256)
Share scheme reserve	-	-	23	-	23
Balance at 2nd January 2011	214	-	81,118	(67,755)	13,577

The group's other reserves at 2nd January 2011 comprise a special capital reserve of £49,000; a capital redemption reserve of £140,000; a merger reserve in Essenden which arose in 2009 on the transaction with Georgica of £(1,283,000); a group merger reserve which arose in 2009 on the reverse takeover of Essenden of £24,631,000; a group merger reserve which arose on the takeover of Allied Leisure PLC by Georgica in 2000 of £56,882,000, and a reserve arising on consolidation from the acquisition of the 50% of the Megabowl joint venture not previously owned in 2003 of £676,000 and a share scheme reserve of £23,000 (created in 2010).

Essenden PLC

Preliminary results for the 53 week period ended 2nd January 2011

The preliminary results incorporate the results of Essenden and all its subsidiary undertakings (together "the group"), for the 53 week period from 28th December 2009 to 2nd January 2011.

The directors do not recommend the payment of a dividend for the period to 2nd January 2011 (2009: nil).

The following financial information does not amount to full financial statements within the meaning of Section 434 of Companies Act 2006. The financial information has been extracted from the Group's Annual Report and financial statements for the 53 week period ended 2nd January 2011 on which an unqualified report has been made by the Company's auditors.

Financial statements for the 52 week period ended 27 December 2009 have been delivered to the Registrar of Companies; the report of the auditors on those accounts was unqualified and did not contain a statement under Section 498 of the Companies Act 2006. The statutory accounts for the 53 week period ended 2nd January 2011 will be delivered following the Company's Annual General Meeting.

Copies of the Annual Report and Accounts will be posted to shareholders shortly and will be available from the Company's registered office at 3rd Floor, 2-4 St. Georges Road, Wimbledon, London, SW19 4DP.

Notes

1 Segment reporting

Segmental information is presented in respect of the group's business segments. Strategic decisions are made by the Essenden board based on information presented in respect of these segments.

The group comprises the following segments:

Tenpin (Bowls) - Tenpin a leading tenpin bowling operator in the UK with an approximate 20% share of the UK market. All revenue is derived from activities conducted in the UK.

Central – this comprises 5 properties held as investment properties together with central management, being company secretarial the board, head office assets and costs.

The segment results for the 53 week period ended 2nd January 2011 and for the 52 week period ended 27th December 2009 that are used by the board for strategic decision making, and a reconciliation of those results to the reported loss in the consolidated income statement, and the segment assets are as follows:

	Tenpin £000	Central £000	Total Group £000
For the 53 week period ended 2nd January 2011:			
Segment revenue – external	56,572	-	56,572
EBITDA	4,258	(243)	4,015
Segment assets as at 2nd January 2011	54,072	1,926	55,998
Reconciliation of EBITDA to reported operating loss:			
EBITDA	4,258	(243)	4,015
Depreciation of intangible and tangible fixed assets	(3,054)	(33)	(3,087)
Impairment of intangible and tangible fixed assets	(1,917)	-	(1,917)
Investment property revaluation	-	(221)	(221)
Profit on disposal	(146)	-	(146)
One-off costs	(706)	(434)	(1,140)
Onerous lease provision movement	3,903	78	3,981
Operating profit/(loss)	2,338	(853)	1,485
For the 52 week period ended 27th December 2009:			
Segment revenue - external	58,094	-	58,094
EBITDA	6,222	(1,168)	5,054
Segment assets as at 27th December 2009	56,735	5,238	61,973
Reconciliation of EBITDA to reported operating loss:			
EBITDA	6,222	(1,168)	5,054
Depreciation of intangible and tangible fixed assets	(3,864)	(67)	(3,931)
Impairment of intangible and tangible fixed assets	(1,652)	(310)	(1,962)
Investment property revaluation	-	(1,000)	(1,000)
Profit on disposal	-	386	386
One-off costs	(528)	(1,160)	(1,688)
Onerous lease provision movement	(6,486)	(533)	(7,019)
Operating loss	(6,308)	(3,852)	(10,160)

All assets have been allocated to segments. There are no inter-segmental transactions.

2 (Loss)/ Profit on disposal properties

Profit and loss on disposal of properties comprises:

	53 week period ended 2nd January 2011 £000	52 week period ended 27th December 2009 £000
Closure of Preston and costs associated with investment properties	(146)	-
Sale of Leigh Rileys	-	386
	(146)	386

The landlord has triggered an option for Tenpin to surrender the lease at its site in Preston which will be closed in April 2011. £146k represents the anticipated costs of closure. During March 2009 the group sold one of the investment properties it owns. Sale proceeds of £1.0m were received in cash for the site in Leigh, and a profit of £0.4m was generated.

3 Profit / (Loss) before Taxation

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

	53 week period ended 2nd January 2011 £000	52 week period ended 27th December 2009 £000
Staff costs	15,079	14,922
Consumables charged to cost of sales	4,782	4,701
Depreciation of property, plant and equipment	2,665	3,514
Depreciation and amortisation of intangible assets	422	417
Impairment:		
- property, plant and equipment	1,216	1,952
- goodwill	672	-
- intangible assets	30	10
Total impairment	1,918	1,962
Onerous lease provisions	(3,981)	7,019
Rental income from investment properties	116	157
Valuation loss on investment properties	221	1,000
Operating lease rentals payable - property	11,072	11,257
Repairs on property, plant and equipment	845	1,028
Auditors' remuneration:		
Audit of group and company financial statements	36	35
Audit of subsidiary financial statements	41	40
Tax compliance	30	15
Transaction due diligence	-	138
Consulting services	-	82

4 Goodwill and intangible assets

Group	Goodwill £000	Software £000	Total £000
Cost			
At 28th December 2008	44,560	2,497	47,057
Additions	-	406	406
Disposals	-	-	-
At 27th December 2009	44,560	2,903	47,463
Additions	-	36	36
Disposals	-	-	-
At 2nd January 2011	44,560	2,939	47,499
Amortisation and impairment losses			
At 28th December 2008	28,899	1,799	30,698
Charge for the period - amortisation	-	417	417
Impairment losses	-	10	10
At 27th December 2009	28,899	2,226	31,125
Charge for the period - amortisation	-	422	422
Impairment losses	672	30	702
At 2nd January 2011	29,571	2,678	32,249
Net book value			
At 2nd January 2011	14,989	261	15,250
At 27th December 2009	15,661	677	16,338
At 28th December 2008	15,661	698	16,359

The amortisation and impairment charges are recognised in administrative expenses in the income statement.

Impairment loss

Goodwill has been allocated to cash generating units and is summarised as follows:

	2 nd January 2011 £000	27th December 2009 £000
Goodwill at the period end	14,989	15,661
Impairment of goodwill recorded in the period	672	-

The recoverable amount of each cash generating unit (each of the 37 bowls has been treated as a cash generating unit) has been calculated as the higher of its value in use and its fair value less cost to sell. The calculations of value in use are based on pre-tax cash flow projections from the financial budgets approved by the board covering a two year period. Cash flows beyond this two year period are extrapolated over the life of the lease relating to that site, extended by 15 years for short leasehold premises in England and Wales where the provisions of the Landlord and Tenants Act apply and the company has the right and expects to extend the lease on expiry, or over 50 years for a long leasehold or freehold site.

The key features of this calculation are shown below:

	2nd January 2011	27th December 2009
Period on which management approved forecasts are based	2 years	2 years
Growth rate applied beyond approved forecast period	2%	2%
Pre-tax discount rate	14.4%	13.3%

The budgets which underlie the calculations are compiled on a site by site basis, with gross margin, staff cost, property cost and other operating profit assumptions being based on past performance and known factors specific to that site which are expected by management to affect future performance, to reflect the operating circumstances and risks relevant to each part of the business. They also include an allocation of central overheads which are allocated evenly across the sites. 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. This pre-tax discount rate has been benchmarked against the discount rates applied by other companies in the leisure sector.

The key assumption to which the calculation is sensitive remains the future trading performance expected of each bowl, which has a more significant effect on the quantum of goodwill and tangible fixed asset impairment than the discount or growth rates assumed. If the sales in the budgets which underlie the calculations are reduced by 5%, reducing the cash flows of the bowls by the sales reduction converting to cash at 79% (the average conversion achieved by Tenpin), the indicated impairment charge increases by £nil (2009: £1.0m). If the pre-tax discount rate applied in the calculations is increased by 1%, the onerous lease provision will move by £61K and the indicated impairment charge increases by £nil (2009: £nil).

At the year end, the goodwill associated with two sites was reassessed where trading no longer supported the carrying value and an impairment was recognised.

For the calculation of fair value less cost to sell, management have assumed that each Tenpin business could be sold for a multiple of 5 x EBITDA (2009: 5 x EBITDA).

5 Investment property

As at 2nd January 2011 the group held the freehold property interest in 5 cue sports clubs leased to Rileys Limited, a former group company. Although being marketed for sale, the remaining interests continue to be classified as investment properties as there is not a strong market for them.

	2nd January 2011 £000	27th December 2009 £000
Investment properties brought forward	1,576	3,169
Transfers from current assets held for resale	-	-
Disposals	-	(593)
Revaluation	(221)	(1,000)
Investment properties carried forward	1,355	1,576

A revaluation to fair value was performed as at 2nd January 2011 and a loss on revaluation of £221,000 was recorded (2009: a loss of £1,000,000). The valuation was made by the directors based on the valuation methodology performed by the group's property advisors retained to sell the properties, Davis Coffey Lyons, and based on expected future sales proceeds. The rental income received from these properties in the period and included in administrative expenses in the income statement was £116,000 (2009: £157,000).

6 Property, plant and equipment

Group	Long leasehold premises £000	Short leasehold premises £000	Fixtures, fittings and equipment £000	Total £000
Cost				
At 28th December 2008	6,025	24,955	40,143	71,123
Additions	-	602	368	970
Disposals	-	-	(75)	(75)
At 27th December 2009	6,025	25,557	40,436	72,018
Additions	10	706	992	1,708
At 2nd January 2011	6,035	26,263	41,428	73,726
Depreciation and impairment				
At 28th December 2008	2,750	13,732	21,302	37,784
Charge for the period	145	360	3,009	3,514
Disposals	-	-	(49)	(49)
Impairment charge	-	408	2,189	2,597
Impairment credit	-	(645)	-	(645)
At 27th December 2009	2,895	13,855	26,451	43,201
Charge for the period	126	455	2,084	2,665
Impairment charge	-	850	366	1,216
At 2nd January 2011	3,021	15,160	28,901	47,082
Net book value				
At 2nd January 2011	3,014	11,103	12,527	26,644
At 27th December 2009	3,130	11,702	13,985	28,817
At 28th December 2008	3,275	11,223	18,841	33,339

Bank borrowings are secured on property, plant and equipment for the value of £4.2m (2009: £5.2m).

Properties held under finance leases had a property net book value of £2.9m (2009: £3.1m) and the finance lease depreciation charged in the period was £76,000 (2009: £76,000).

Impairment has been assessed on a consistent basis with impairment of goodwill, using the approach and assumptions detailed in note 4. An impairment charge of £1.2m was recorded in the period (2009: a charge of £2.6m and reversal of £0.6m).

7 Cash generated from operations

	53 weeks to 2 nd January 2011	52 weeks to 27th December 2009
Cash flows from operating activities	£000	£000
Loss for the period	(256)	(8,956)
Adjustments for:		
Tax	349	(2,904)
Interest income	-	(41)
Interest expense and finance charges	1,392	1,741
Impairment of property, plant and equipment	1,216	1,952
Impairment of goodwill	672	-
Impairment of intangible assets	30	10
Depreciation and amortisation of intangible assets	422	417
Depreciation	2,665	3,514
Revaluation of investment properties	221	1,000
(Loss) / profit on disposal	140	(386)
Changes in working capital:		
Decrease in inventories	588	19
Decrease in trade and other receivables	1,254	440
(Decrease) in trade and other payables	(1,114)	(3,622)
(Decrease)/increase in provisions	(4,426)	7,019
Cash generated from operations	3,153	203

8 Provisions

The group's onerous lease provisions are as follows:

	Total £000
At 28 th December 2008	8,018
Provided in the period	8,910
Utilised in the period	(1,409)
Released unused in the period	(482)
Notional interest on unwinding of discount	363
At 27th December 2009 - current	2,173
At 27th December 2009 – non-current	13,227
Provided in the period	1,166
Utilised in the period	(3,318)
Released unused in the period	(2,275)
Notional interest on unwinding of discount	497
At 2nd January 2011 - current	1,787
At 2nd January 2011 – non-current	9,683

The provision for onerous contracts comprises provision for the onerous element of the property leases on certain trading units, covering the expected period of the onerous commitment. The assumptions underlying the onerous lease provisions are consistent with the assumptions used for impairment. As the provision is based on the future budgeted trading performance of the bowling centres subject to the onerous leases the amount and timing of the related cash outflows is sensitive to future variances in EBITDA from those budgets.

The provision is expected to unwind as follows:

	Total
	£000
Onerous lease provisions	
Between one and two years	3,507
Between two and five years	3,146
After five years	3,030
	9,683
Within one year	1,787
	11,470

9 Detailed operating review (unaudited)

Essenden is the holding company for the tenpin bowling operations of Tenpin Limited and a portfolio of 5 investment properties held for sale for redevelopment. The principal activity of the group comprises the operation of 37 tenpin bowling centres through Tenpin Limited (36 centres) and Tenpin (Sunderland) Limited (1 centre), together the second largest tenpin bowling operation in the UK with an approximate 20% share of the market. All of note 9 is unaudited supplementary information.

	2010	2009
	£000	£000
Revenue	56,572	58,094
Cost of sales	(22,714)	(22,800)
Operating costs	(14,896)	(15,024)
Rent	(10,727)	(10,771)
Contribution	8,235	9,499
Operating overheads	(3,620)	(3,414)
Plc overheads	(600)	(1,031)
EBITDA	4,015	5,054
Depreciation of intangible assets	(422)	(417)
Depreciation of property, plant & equipment	(2,665)	(3,514)
Operating profit before one-off items	928	1,123
One-off gains/ (costs):		
Profit on disposal	(146)	386
One-off costs	(1,140)	(1,688)
Operating profit/ (loss) before impairments and provisions	(358)	(179)
Investment property revaluation	(221)	(1,000)
Goodwill impairment	(672)	-
Intangible asset impairment	(30)	(10)
Property, plant & equipment impairment	(1,215)	(1,952)
Onerous lease provision provided	(1,166)	(8,910)
Onerous lease provision released	5,147	1,891
Operating profit/(loss)	1,485	(10,160)
Net interest excluding loan note interest and notional interest on provisions	(806)	(842)
Essenden loan note interest	(89)	(495)
Notional interest - onerous lease provisions	(497)	(363)
Profit/(Loss) before tax	93	(11,860)
Tax	(349)	2,904
Profit/(Loss) after tax from continuing operations	(256)	(8,956)
Profit/ (loss) before tax, one-offs, impairments and provisions	122	281
Profit/ (loss) before tax, impairments and provisions	(1,164)	(1,021)

(i) EBITDA represents earnings before interest, tax, depreciation, impairment, non recurring items and net movement on provisions.

(ii) Profit/ (loss) before tax, one-offs, impairments and provisions represents operating profit before one-off items together with net interest excluding loan note interest and notional interest on provisions.

(iii) Profit/ (loss) before tax, impairments and provisions represents operating profit/ (loss) before impairments and provisions together with net interest excluding loan note interest and notional interest on provisions.

Group performance:

Turnover decreased by £1.5m from £58.1m in the 52 weeks ending 27th December 2009 to £56.6m in the 53 weeks ending 2nd January 2011, a 5.3% decline on a like for like basis.

Contribution decreased by £1.3m (13.3%) from £9.5m in the 52 weeks ending 27th December 2009 to £8.2m in the 53 weeks ending 2nd January 2011, the contribution margin decreased by 1.8% points from 16.4% to 14.6%. Underlying business contribution decreased by £1.3m due to lower contribution from sales (£1.5m) being offset by cost savings in staff costs, repairs and property costs.

EBITDA decreased by £1.1m (20.6%) from £5.1m in the 52 weeks ending 27th December 2009 to £4.0m in the 53 weeks ending 2nd January 2011, with EBITDA margin down 1.6% points to 7.1%. This decrease was attributable to the contribution decrease of £1.3m being offset by a decrease in overheads from cost savings.

Operating loss decreased by £11.7m, from a loss of £(10.2)m in the 52 weeks ending 27th December 2009 to a profit of £1.5m in the 53 weeks ending 2nd January 2011. The increase in operating profit was attributable to a reduction in onerous lease provision charges, net of utilisation and releases, of £11.0m, a reduction of £0.8m in the depreciation charge, a £0.5m reduction in one off costs due to the lower restructuring costs incurred in 2010 versus 2009 and £0.8m decrease in investment property revaluation, less the EBITDA decrease of £1.1m. There is also a negative movement of £0.5m on profit and loss on disposal due to the profit of £0.4m in 2009 for the sale of Leigh compared to the £0.1m accrued cost of disposal of Preston in 2010.

Group profit / (loss) before tax decreased by £12.0m, from a loss of £(11.9m) in the 52 weeks ending 27th December 2009 to a profit of £0.1m in the 53 weeks ending 2nd January 2011. In addition to the reduction in operating loss there was a £0.4m decrease in the Essenden loan note interest from £0.5m to £0.1m due to the movement of the expected redemption date to March 2015, this was partially offset by a £0.1m increase in the notional interest (being the unwinding of the discount recorded in respect of onerous lease provisions). The Group profit before tax, one-off costs, impairments and provisions (comprising the operating profit before one-off items less net interest excluding notional interest) has decreased by £0.2m to £0.1m in the 53 weeks ending 2nd January 2011.

Group deferred tax has declined by £3.3m from £2.9m credit in the 52 weeks ending 27th December 2009 to £0.3m debit in the 53 weeks ending 2nd January 2011; loss after tax has declined from (£9.0m) in the 52 weeks ending 27th December 2009 to (£0.3m), in the 53 weeks ending 2nd January 2011, a reduction of £8.7m.

Property matters:

One of the bowls has a lease of a very short term nature, with a break clause on 4 months notice. This bowl currently contributes £0.1m from annual sales of £0.9m. The landlord has taken up an option for Tenpin to surrender the lease on Preston in April 2011. The bowl lost £0.2m on sales of £1.3m in the 53 weeks ending 2nd January 2011.

Asset realisation programme

No investment properties were sold in the period (2009: one property sold for £1.0m, 2008: two properties sold for £2.3m). The remaining 5 properties are still being marketed. Three of the properties earn income from leasing the sites to Rileys Snooker Clubs.

Principal risks and uncertainties:

Listed below are the principal risks and uncertainties which have been identified by management as facing the group. Additional risks and uncertainties which are not currently known or are deemed immaterial may also have a material impact on the group.

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.
- The group relies on key suppliers for certain requirements of the business. In the event that a key supplier ceased to trade or was otherwise unable to continue to supply the group it is possible that an adequate alternative source of supply may not be identified in the short term, with a consequent adverse impact on the operation of the business.
- Approximately 21% of the group's turnover is from bar sales, principally of alcoholic beverages. These sales could be adversely affected by changes in licensing requirements, or by increased concerns about the effect of alcohol on health or of drinking and driving.
- Approximately 19% of the group's turnover is generated from amusement and gaming machines. The loss of the related licences, or a further reduction in the popular appeal of amusement and gaming machines among the target consumers could adversely affect sales.
- Possible regulatory threats to the profitability of the business include UK or EU employment legislation, such as minimum wage increases and the working time regulations; competition, consumer protection and environmental laws; and further implementation of the Disability Discrimination Act.
- 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.
- Tenpin's properties are subject to periodic rent reviews and renegotiation of rents when leases are renewed; this may have an adverse effect on profits and rents may increase to the extent that individual businesses become unprofitable.
- A number of UK fiscal factors affect the business such as duty on alcoholic drinks, VAT and other business and corporation taxes. Changes in legislation which affect any of these factors could adversely impact the results of the business.
- The group depends on the continued contribution of key management, and the loss of a significant member of the management team could adversely affect the business.
- The business may face increased competition, especially from consolidation in the bowling sector which might lead to a competitor with greater financial resources or a more aggressive pricing policy, which could adversely affect financial performance.

Risks relating to financing -

- The continued availability of the group's senior debt finance is dependent on continued covenant compliance.
- Any rise in base lending rates has an adverse impact on financing costs.

Five year record

	53 weeks to 2nd January 2011 £m	52 weeks to 27th December 2009 £m	52 weeks to 28th December 2008 £m	52 weeks to 30th December 2007 £m	52 weeks to 31st December 2006 £m
Sales	56.6	58.1	62.8	65.7	125.6
Cost of sales	(22.7)	(22.8)	(25.9)	(26.8)	(56.2)
Gross profit	33.9	35.3	36.9	38.9	69.4
Administrative expenses	(32.3)	(45.9)	(83.9)	(42.1)	(63.8)
Profit/(Loss) on disposal	(0.1)	0.4	3.4	26.3	9.1
(Loss)/ profit before finance charges	1.5	(10.2)	(43.6)	23.1	14.7
Finance charges	(1.4)	(1.7)	(0.9)	(15.9)	(10.7)
(Loss)/ profit before taxation	0.1	(11.9)	(44.5)	7.2	4.0
Taxation	(0.4)	2.9	5.4	1.4	(2.3)
Discontinued operations	-	-	-	(19.0)	2.4
(Loss)/ profit after taxation	(0.3)	(9.0)	(39.1)	(10.4)	4.1

Note: The figures for 2006 have been presented as published in the 2006 annual report, without the reclassification of the operations of Rileys Limited to discontinued operations.

Capitalisation table

	As at 2nd January 2011 £m	As at 27th December 2009 £m
Debt (excluding cash and overdraft):		
Essenden shareholder loan notes	17.7	17.6
Senior term loan facilities	1.7	2.7
Senior revolving credit facility	2.5	2.5
Gross debt (excluding cash and overdraft)	21.9	22.8
Debt issue costs	(0.1)	(0.3)
Net debt (excluding cash and overdraft)	21.8	22.5
Shareholders' funds	13.6	13.4
Total capitalisation	35.4	35.9

Reconciliation to statutory net debt and to adjusted net debt

Net debt (excluding cash and overdraft)	21.8	22.5
Net cash	(1.1)	(1.6)
Statutory net debt	20.7	20.9
Exclude Essenden shareholder loan notes	(17.7)	(17.6)
Exclude debt issue costs	0.1	0.3
Adjusted net debt	3.1	3.6

10 Availability of Annual Report and Financial Statements

Copies of the Company's full Annual Report and Financial Statements are expected to be posted to shareholders in due course and, once posted, will also be made available to download from the Company's website at www.essenden.com.

The Annual Report and Financial Statements will also be made available for inspection at the Company's registered office during normal business hours on any weekday. Essenden Plc is registered in England and Wales with registered number 06838368. The registered office is at 2-4 St George's Road, Wimbledon, London SW19 4DP.