

# Essenden PLC ("Essenden" or The "Company" and together with its subsidiary companies the "Group")

## Proposed Restructuring Plan

### Introduction

Essenden's bowling business is the second largest bowling operation in the UK with an approximate 20% share of the market and 37 sites. The bowling industry, including Essenden, has experienced a significant and prolonged period of like for like sales decline exacerbated by a very challenging trading environment during the recession of the last three years. This level of sales performance, along with the performance of a number of loss-making sites, some of which were newly acquired or opened prior to 2009, has put pressure on the cashflow of the Group.

From October 2009, with a new management team appointed, a long term strategic turnaround for the bowling business was commenced. The Directors quickly identified the need to exit from certain loss-making sites and new site commitments. Two site commitments (Widnes and St Helens) and one loss-making site (Preston) have been successfully exited to date.

Over the past 18 months, radical steps have been taken to restructure the business. A turnaround plan has been implemented against a period of industry wide sales decline with much operational success. A more efficient corporate structure for the business, a revitalised Board of Directors and a total management overhaul was implemented resulting in headcount reductions at both site level and support office. In total, six senior operational managers were changed. A significant number of new contracts were also renegotiated on better terms. Trials of new ancillary products to broaden the product offering and make it more attractive to a wider customer base have taken place. By the close of the financial year 2010 annualised operational savings of £4.0m had been achieved and a more modern product put in place in the better performing sites.

However, in 2011, there has been a like for like sales decline of 8.8% for the 26 weeks to July 3rd 2011. The Directors continue to make efforts to address this trend and turn around the business. A further £1.1m of potential annualised cost reductions have been identified. Other measures including site disposals and reduced capital expenditure have been made to alleviate the pressures on working capital. Further operational initiatives to improve the customer service proposition and improve the efficiency of the call centre and website were introduced against a challenging consumer backdrop.

In the Company's announcement of 31 March 2011, The Board of Directors of Essenden announced that it had "retained advisers to investigate a range of restructuring options for the trading subsidiary ("Tenpin Limited"), and the intent of the Board was to implement such a restructuring as soon as practicable".

The Board of Directors believes that there are limited further operational actions or cost savings that can be achieved without affecting the overall product offering to customers and thereby impairing further the performance of the whole Group. Therefore, having taken professional advice and having reviewed its entire site portfolio, the Directors believe that to give the Group a viable future it is necessary to propose a Company Voluntary Agreement ("CVA") in respect of 5 of its 37 bowling sites. Such a step would reduce the significant cash drain on the business from those 5 sites, assist in preventing a likely bank covenant breach in September 2011 and facilitate discussions to extend the Group's revolving credit facility beyond June 2012 (its current maturity date).

Without implementation of the CVA, Tenpin Limited, and potentially other members of the Group are likely to be placed into administration or liquidation. It is estimated that the Group will be in breach under its Group facilities agreement with such a breach constituting an event of default and the cash position of the Group will be under further pressure which may in turn limit the Group's ability to renegotiate and extend

its banking facilities beyond the current maturity date of June 2012. A CVA is therefore necessary to ensure a viable future for the Group and all its stakeholders.

## Highlights of the Proposal

- The directors of Tenpin Limited, supported by the Board of Directors of Essenden have proposed the terms of the CVA in order to restore the viability of the Group's business model and remove the cash drain associated with 5 of its sites (the "CVA Proposal").
- A Company Voluntary Arrangement is a formal procedure under the Insolvency Act 1986 which enables a company to agree with its unsecured creditors a composition in satisfaction of its debts or a scheme of arrangement of its affairs which can determine how its debts should be paid and in what proportions.
- The CVA Proposal will enable the Group to carry out a fundamental restructuring of its property portfolio which the Board believes must be carried out as part of the Group's turnaround plan.
- The Directors of Essenden believe that the CVA Proposal demonstrably gives the landlords of the compromised bowling sites a far greater estimated return than would be the case if Tenpin Limited, is placed in administration.
- If voted in favour (and not successfully challenged), the CVA proposal will, in brief:
  - Compromise the claims of the landlords of 5 bowling sites of which Tenpin Limited, is the tenant and enable closure of those sites by 29 February 2012.
  - Enable the landlords of those compromised to share in a total aggregate fund of approx £972,000 and for Tenpin Limited to continue to pay rates on the Compromised Sites whilst unoccupied or until March 2016.
  - Compromise certain guarantees given by Georgica Ltd, in respect of 2 bowling sites of which Tenpin Limited is the tenant.
  - Enable the compromised landlords to share in a fund of £325,000 in the event that Essenden achieves £5.0m of EBITDA in 2013
- The detailed terms of the proposal, including details of the creditor and shareholder meetings, are contained in the CVA itself. It is intended that the CVA will be sent out to all creditors and shareholders of Tenpin Limited today.
- To become effective, the CVA requires the approval of over 75% by value of Tenpin Limited's creditors present in person or by proxy and voting at a meeting on the resolution to approve the relevant company voluntary arrangement. A company voluntary arrangement also requires the approval of more than 50% in value of each company's members.
- Additionally, the Company's bankers (as lender and secured creditor under the Group's facilities agreement) has agreed that the CVA will not breach the Group's facilities agreement.
- If the requisite voting majorities are not achieved at the relevant meetings or, if the CVA is approved but is subject to a successful challenge during the statutorily prescribed challenge period, it is likely that Tenpin Limited, and potentially other members of the Group will be placed into administration or liquidation.
- Essenden also announces that it has exchanged and completed on the sale of three freehold properties in its portfolio (current and former Rileys Snooker Clubs at Grays, Peterborough and

Sheffield) that were owned by Georgica Holdings Limited. In addition unconditional contracts have been exchanged in respect of the disposal of a fourth site at Reading and this transaction is due to complete on 15<sup>th</sup> August 2011. The net cash proceeds from these 4 disposals are in aggregate approximately £1.425m and they have a net book value of approximately £1.05m in the Group's latest accounts. For the 53 week period ended 2 January 2011, these 4 properties generated rentals of £88,000. The proceeds will be utilised to pay down the Group facilities agreement. Negotiations are ongoing with regards to the disposal of the final freehold site at Lewisham.

- Finally, Essenden announces that it has reached a bilateral arrangement with the landlord, of a new site commitment at Halifax terminating the Group's occupation of the site and releasing the Group from any obligations or liabilities thereunder.

Nick Basing, CEO of Essenden, commented:

***"Against a very challenging backdrop, the new team have implemented radical change. However, the current trading climate and legacy issues have combined to leave us with no choice but to exit a number of sites to ensure the viability of the Group. Following this action, Essenden will be on a firmer footing."***

**[4] August 2011**

#### **Outline Timetable of likely events:**

Directors submit CVA Proposal to the CVA creditors and members	4 August 2011
Latest date for return of Proxy Forms for the purposes of voting at the Creditors' Meetings	26 August 2011
CVA Creditors' and Members' meetings	30 August 2011
Anticipated date for chairman of CVA Creditors' and members' meetings to file reports with the Court under section 4(6) of the Insolvency Act	31 August 2011
Earliest anticipated First Effective Date of the CVA	31 August 2011
Earliest Implementation Date of the CVA (representing the end of the Challenge Period)	29 September 2011
Latest anticipated CVA Termination Date (this date may be earlier depending on the circumstances at the relevant time, including the status of any Disputed Claims)	30 August 2014

Enquiries:

Essenden Plc  
Nick Basing  
Richard Darwin

Tel: 020 8879 3932

Strand Hanson Limited  
Stuart Faulkner  
David Altberg

Tel: 020 7409 3494

College Hill  
Matthew Smallwood

Tel: 020 7457 2020