Hollywood Bowl Group plc
("Hollywood Bowl", or the "Group")

Final Results for the Year Ended 30 September 2024

RECORD YEAR OF INVESTMENT IN THE PORTFOLIO AND CONTINUED INNOVATION OF THE CUSTOMER EXPERIENCE DRIVING RECORD REVENUE

Hollywood Bowl Group plc, the UK and Canada's largest ten-pin bowling operator, announces its audited results for the year ended 30 September 2024 ("FY2024").

Financial summary

	FY2024	FY2023	Movement vs FY2023
Revenues	**£230.4m**	£215.1m[4]	**+7.1%**
Group adjusted EBITDA[1]	**£87.6m**	£82.7m	**+5.9%**
Group adjusted EBITDA[1] pre-IFRS 16	**£67.7m**	£64.9m	**+4.3%**
Group profit before tax	**£42.8m**	£45.1m	**-5.2%**
Group adjusted profit before tax[2]	**£45.0m**	£47.5m	**-5.2%**
Group profit after tax	**£29.9m**	£34.2m	**-12.4%**
Group adjusted profit after tax[2]	**£32.3m**	£36.6m	**-11.8%**
Earnings per share	**17.42p**	19.92p	**-12.5%**
Adjusted earnings per share[2]	**18.82p**	21.37p	**-11.9%**
Free cash flow[3]	**£16.9m**	£29.5m	**-42.6%**
Net cash/(debt)	**£28.7m**	£52.5m	**-45.3%**
Total ordinary dividend per share	**12.06p**	11.81p	**+2.1%**

1 Group adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) is calculated as statutory operating profit plus depreciation, amortisation, impairment, loss on disposal of property, right-of-use assets, plant and equipment and software and any exceptional costs or income, and is also shown pre-IFRS 16 as well as adjusted for IFRS 16. These adjustments show the underlying trade of the overall business which these costs or income can distort. The reconciliation to operating profit is set out below in the CFO review.
2 Adjusted group profit before /after tax is calculated as group profit before/after tax, adding back acquisition fees of £0.9m (FY2023: £0.7m), the non-cash expense of £1.9m (FY2023: £2.0m) related to the fair value of the earn out consideration on the Teaquinn acquisition in May 2022 and deducting the £0.6m received in compensation for the closure of our Surrey Quays centre. Also, in FY2023 it included the removal of the reduced rate (TRR) of VAT benefit on bowling of £0.3m.
3 Free cash flow is defined as net cash flow pre-exceptional items, cost of acquisitions, debt facility repayment, RCF drawdowns, dividends and equity placing.
4 Group revenue in FY2023 includes £0.2m in respect of TRR of VAT.
5 Revenues in GBP based on an actual foreign exchange rate over the relevant period, unless otherwise stated.

Key highlights

A year of record revenue driven by strong customer demand and operational delivery

- Total revenue of £230.4m, up 7.1% (FY2023: £215.1m)
- +0.2% like-for-like (LFL) revenue growth compared to FY2023
  - UK total LFL: flat overall, with UK bowling centres LFL of +0.3%
  - Canada total LFL: +6.3%, with Canada bowling centres LFL of +5.9%, on a constant currency basis
- Group adjusted EBITDA (pre-IFRS) of £67.7m (FY2023: £64.9m) ahead of expectations
- Group adjusted profit before tax of £45.0m (FY2023: £47.5m); Group profit before tax decreased to £42.8m (FY2023: £45.1m) reflecting the £5.3m (FY2023: £2.2m) impairment relating to mini-golf centres in the year
- Group adjusted profit after tax of £32.3m (FY2023: £36.6m); Group profit after tax decreased to £29.9m (FY2023: £34.2m)
- In line with last year's updated capital allocation policy, proposed final ordinary dividend of 8.08 pence per share, bringing total ordinary dividend to 12.06 pence per share

Driving returns through record £50m investment in the quality of the estate and expanding the portfolio in the UK and Canada

- UK – 72 centres at period end
  - Ten centres refurbished with all trading in line with expectations including those on 2nd or 3rd refurbishment cycle
  - Four new centres added, including the acquisition of Lincoln Bowl and new centres in Dundee, Westwood Cross (Kent) and Colchester
  - Solar panels installed at three more centres in FY2024, bringing the total to 30 centres in the UK (42% of the estate)

- Canada – 13 centres at period end
  - Two refurbishments completed, leveraging expertise and practices from the UK, all performing in line with expectations and receiving positive customer feedback

    - Four new centres added including first custom-built development in Waterloo, Ontario

Continued innovation and investment into our customer offer, resulting in higher spend per game, customer satisfaction and dwell time

- Group average spend per game increased by 2.1% to £11.05 (2023: £10.82)
    - Investment in amusements offer and further expansion of contactless payment technology increasing amusement spend per game by 6.1%
    - 6.0% increase in diner spend per game and 0.6% in bar spend per game supported by at-lane drink ordering technology
- Achieved record UK net promoter score of 70% (FY2023: 64%) and value-for-money customer feedback scores up 4%pts compared to FY2023
- Further investment in quality of offer with Pins on Strings technology now in over 90% of UK estate and trial commenced in Canada
- Investment of £1.5m in new modern and flexible customer booking system rolled out in UK resulting in improved reliability and reduced costs; pilot commenced in Canada

Outlook

Strong liquidity position and resilience to inflationary pressures

- Net cash at year end of £28.7m following record levels of capital investment and expansion and the £25m RCF remains fully undrawn
- Over 70% of Group revenue not subject to cost of goods inflation
- Labour cost in the UK less than 20% of revenue at centre level
- Expected increase from NI changes expected to be c.£1.2m on an annualised basis from April 2025
- Well-placed to mitigate the increased costs while keeping bowling offer affordable for our customers with a family of four able to bowl for £26

Well-placed to continue executing against ambitious growth strategy

- High demand for competitive socialising and strong appeal of bowling as a family-friendly activity with Hollywood Bowl the lowest cost option of the major UK ten-pin bowling operators
- Group trading performance has started well in FY2025 and we remain positive about our future prospects
- Maintaining our well-invested estate with ten refurbishments planned across the UK and Canada in FY2025
- Expect to open at least four additional centres in the UK and two in Canada by the end of FY2025
- On track to meet target of 130 centres by 2035

Stephen Burns, Chief Executive Officer, commented:

"We are pleased to report another strong performance reflecting the ongoing demand for family friendly, affordable leisure. I am extremely grateful to my fantastic colleagues for their hard work and dedication each day to giving our customers the best possible experiences.

"Following a year of record levels of investment, our proven growth strategy continues to deliver strong returns. Bowling is unique in its ability to appeal to a wide demographic with anyone able to take part, and we are confident in the ongoing strong demand for fun and inclusive family-friendly experiences at an affordable price. The outlook remains positive as we continue to expand and innovate in the UK and seize the significant market opportunity in Canada."

Enquiries:

Hollywood Bowl Group PLC

Stephen Burns, Chief Executive Officer	Via Teneo
Laurence Keen, Chief Financial Officer	
Mat Hart, Chief Marketing and Technology Officer	

Teneo

Elizabeth Snow	hollywoodbowl@teneo.com
Laura Marshall	+44 (0)20 7353 4200

Chair's statement

Hollywood Bowl Group has had another successful year, delivering further revenue growth and making excellent strategic progress, enhancing the quality of our estate and expanding our footprint in the UK and Canada.

The successful execution of our growth strategy, underpinned by our customer-focused, value-for-money proposition, is strengthening our position as a market-leader in both the ten-pin bowling market and the wider competitive socialising market.

Group revenue grew by 7.1 per cent to £230.4m and 0.2 per cent on a LFL basis, as we achieved another year of record revenues, in line with expectations, against the very strong prior year comparative and previous two years of exceptional growth. Our continued focus on operational excellence and customer experience supported our growth in Group adjusted EBITDA to £87.6m and delivered profit after tax of £29.9m.

The strong performance in FY2024 is a testament to the continued dedication of our team members and proof of their hard work in delivering outstanding customer experiences, as demonstrated by our record customer satisfaction levels achieved during the year.

We made further progress in our ESG strategy and our collective efforts to embed a sustainable and responsible approach across all of our operations are a real source of pride.

FY2024 was a year of further investments supporting the Group's growth strategy, including the record ongoing investment into our existing assets and growing our estate, supported by our strong liquidity. We have invested more than £50m into the estate in the past year, maintaining the current centres, continuing to roll out Pins on Strings, opening and acquiring new centres as well as completing 12 refurbishments across the UK and Canada. We added eight centres to our estate during the year, bringing our total to 85, with 72 in the UK and 13 in Canada.

We have also continued to invest in technology to support our next stage of growth, and in July launched a new modern and flexible reservation platform. The system has been rolled out in the UK with excellent results including improved usability, reliability, speed and reduced operational costs. Already being piloted, we will be rolling this system out in our Canadian operations in FY2025.

Further growth in the UK
UK families continue to face cost of living challenges, and against that backdrop, delivering high-quality experiences that can be enjoyed for great value is even more important. Our resilience to inflationary pressures means that we have been able to keep our prices affordable, a family of four being able to enjoy a game of bowling with us for under £26. Our bowling prices in the UK rose by just 20 pence in FY2024, well below inflation, to an average of £7.15 for adults and £6.21 for children, and with food, drink and amusement price increases also kept low, meaning that, in real terms, it was cheaper than the previous year for our customers to enjoy an outing to Hollywood Bowl.

UK LFL performance was driven by increased spend per game in all areas of the business and an overall spend per game increase of 3.3 per cent. Game volumes declined marginally, primarily as a result of the difference in trading conditions compared to FY2023 when unseasonal weather conditions during key trading periods drove people indoors, compounded by the impact of a summer of major sporting events in FY2024.

We are constantly innovating and improving our customer experience, trialling new initiatives which, if successful, are introduced to our centres as part of our ongoing refurbishment programme. We completed ten UK centre refurbishments in the year, some of which are now entering their second or third-generation cycle. We continue to deliver impressive returns on investment for all generations of refurbishments as well as receiving excellent customer feedback.

We have continued to grow our UK estate, adding four centres during the year, including one acquisition, Lincoln Bowl, which has since been rebranded and refurbished and is trading in line with expectations.

Excellent progress in Canada
Our Canadian business continues to go from strength to strength. Since entering the market in May 2022, through the acquisition of Splitsville and its five centres, we have more than doubled the size of our estate to 13 centres. In FY2024, we added four new centres through the three acquisitions and opening of our first new, state-of-the-art development in Waterloo, Ontario.

The refurbishment programme is progressing well and we completed two during the year, leveraging our customer-led operating expertise, technology and brand experience from the UK. We continue to test and seek feedback when developing new ways to evolve the offer for customers in Canada, allowing us to attract a wider customer base. We have so far transferred four UK team members to Canada, demonstrating the importance we place on the sharing of knowledge between our UK and Canadian teams.

Splitsville is already the largest single branded operator in the territory and, as the market remains under-invested and highly fragmented, we are excited about the significant opportunity to grow and add value to the Splitsville business. We have a pipeline of acquisition opportunities and new development centres and by the end of FY2025, we expect to have tripled our original size.

Capital allocation policy
Given our financial position and cash balance at year end, the Board is pleased to declare a final ordinary dividend of 8.08 pence per share in line with our capital allocation policy of 55 per cent of adjusted profit after tax. Together with the interim dividend of 3.98 pence per share, this represents 2.1 per cent growth in the ordinary dividend compared to the prior year. Total shareholder returns for FY2024 will amount to £20.7m.

Social and environmental responsibility
We are progressing with our environmental and social agenda, with oversight from the Corporate Responsibility Committee which we established in FY2023. To support our wider pathway to achieving net zero, we installed more solar panels in our centres, with 42 per cent of our UK estate now fitted with nearly 15,000 solar panels, providing clean energy to our centres and reducing our reliance on bought-in energy and exposure to energy prices. We have also made progress with our waste recycling levels, our

responsible construction approach and our supplier engagement programme. Furthermore, we have also begun to introduce our sustainability strategy to our Canadian operations and have set targets for FY2025.

Our people are our most important asset and are critical to our customers receiving a consistently high-quality experience in our centres. We are proud to support all our team members through our industry-leading training and development programmes, as well as financially through comprehensive bonus and incentive schemes. We have made further progress through our updated employer brand which was relaunched last year, enabling us to attract the best talent but also to give our team members the opportunity to progress and develop their careers. Our UK operation has a low staff turnover rate compared to the wider hospitality sector, and we are delighted that 58 per cent of management appointments in FY2024 were filled by internal talent. The efforts of our people team were recognised once again, as the Group was named one of The UK's Best Big Companies to Work For.

We were pleased to continue to support the communities where we operate, including increasing the number of concessionary discount games played to over 1m and breaking our charity fundraising target for our partner Macmillan by raising £85,000.

Board changes
Nick Backhouse, who served as the Group's Senior Independent Director (SID), retired by rotation from the Board at the Annual General Meeting (AGM) in January 2024. Consequently, Rachel Addison, appointed to the Board in July 2023, has stepped up as SID and also taken on the position of Chair of the Audit Committee.

In line with the Group's succession planning, I too will be retiring by rotation from the Board after ten years as Non-Executive Chairman, Chair of the Nomination Committee and member of the Corporate Responsibility Committee at the AGM in January 2025.

Darren Shapland has been appointed as an independent Non-Executive Director and Chair Designate, as well as a member of the Nomination and Corporate Responsibility Committees, effective 1 December 2024. Darren brings extensive experience from his 40-year career in retail and consumer businesses and I am confident he is the right person to lead the Board as the Group enters its next stage of growth.

I am very proud of the Group's many achievements since I joined in 2014, up to and including its inclusion in the FTSE 250 in March 2024, and look forward to following the Group's continued growth.

Long-term growth
Our continued strong performance demonstrates the robust demand for fun, affordable, family-friendly leisure activities.

We remain resilient to inflationary pressures with over 70 per cent of Group revenue not subject to cost-of-goods inflation, enabling us to continue to meet this demand while reinforcing our reputation for delivering high-quality, great value-for-money experiences.

The new measures announced by the UK Government in the October Budget will disproportionately impact the hospitality industry as a result of the significantly increased employment costs for a sector powered by people. Even with these new changes, Hollywood Bowl remains well positioned for future growth and to mitigate the significantly increased labour costs while keeping our bowling offer affordable for our customers.

The Group has a successful, proven strategy focused on growing and improving the quality of the estate in the UK and Canada, and enhancing the customer experience. The highly cash generative nature of the business and strength of our balance sheet mean that we are well placed to pursue opportunities to invest in our future growth and meet our target of 130 centres by 2035, whilst continuing to make returns to shareholders.

I would like to take the opportunity in this, my final Annual Report as Chairman, to thank every team member and my fellow Board members, past and present, for ten memorable and exciting years. I also wish to thank the many and varying stakeholders for the support and contributions they have made over the past ten years. It has been a privilege to serve as the Group's Chairman.

Hollywood Bowl Group has a very promising future, and I wish it every success.

Peter Boddy
Non-Executive Chair
16 December 2024

Chief Executive Officer's review

Hollywood Bowl Group delivered another excellent performance in FY2024. The continued investment in the quality and expansion of the estate in the UK and Canada, as well as further innovation of the customer experience, led to impressive operational and financial performance.

Group revenue grew 7.1 per cent to £230.4m and 0.2 per cent on a LFL basis, with adjusted profit before tax of £45.0m, and adjusted profit after tax of £32.3m. Statutory profit before tax was £42.8m (FY2023: £45.1m) and profit after tax £29.9m (FY2023: £34.2m). This includes the impact of an impairment in the year of £5.3m (FY2023: £2.2m) in relation to the mini-golf centres.

Our continued growth has been achieved by executing our clear and consistent customer-led strategy to provide great value-for-money, family-friendly experiences in well-invested venues, and to grow the size of our estate.

The Group's robust financial position, characterised by a highly cash generative model and no bank debt drawn, underpins our ability to drive returns through investment in our growth strategy. The Group's capital investment in new centres, acquisitions and refurbishments in FY2024 was over £50m. The Group grew to 85 centres, opening four new centres in the UK and four in Canada, as well as completing ten UK and two Canada refurbishments in FY2024. Net cash at the end of FY2024 was £28.7m.

In the UK, we are the established market leader delivering a best-in-class experience while remaining the best value of the branded bowling operators. Our progress in Canada means we are now the largest branded bowling operator and, leveraging our Group expertise, we are enhancing the standard of experience for our customers.

None of this would be possible without our highly talented, enthusiastic and motivated teams. I thank them for the hard work that goes into providing our customers with an excellent customer experience each day as evidenced by the record UK customer satisfaction levels achieved during the year.

Outstanding UK performance
We delivered another outstanding result in the UK, particularly in the context of the two previous years of exceptional performances.

Our FY2024 performance demonstrates the robust demand for family-friendly, affordable leisure activities, as well as the success of our growth strategy. As a result of our customer-focused operating model, we grew average spend per game by 2.1 per cent to £11.05.

Total UK revenue grew 3.8 per cent year on year, with LFL revenue flat year on year, with growth of 0.3 per cent in the Hollywood Bowl centres offset by the decline seen in the Puttstars trial centres. Adjusted EBITDA on a pre-IFRS 16 basis in the UK increased to a record £62.3m and there is more detail on this in the Chief Financial Officer's review.

Value for money
UK families remain under pressure from cost-of-living challenges and we are proud that we can still offer a family of four a game of bowling for £26, even at peak times. Headline bowling prices have increased by a CAGR of just 2.6 per cent since 2021, well below inflation and National Living Wage increases. Our dynamic pricing allows us to offer even better value for customers at non-peak periods, helping to drive incremental volume alongside carefully controlled yield enhancement.

Our simplified food menu and the focus on speed, quality, consistency and value for money have supported a 2.4 per cent increase in bar and diner spend per game, with value-for-money scores also up compared to FY2023.

Our market-leading amusements continues to be key to our attractiveness to customers. In FY2024 we saw spend per game grow by 6.1 per cent with investment in new machines, as well as the use of seamless payment technology, being fundamental in this performance. Our play for prizes machines are a great way for our customers to play and win, which provides an unmatched value-for-money experience.

Refurbishments
Our rolling refurbishment programme remains on track. Ten UK centre refurbishments were completed during the year, some of which are on their second or third generation refurbishment, benefiting from the continuous learnings made over the last cycle of investment.

This constant innovation of our customer offer is a key driver of higher spend in our centres. In addition to introducing the latest digital signage and new brand environments, we are finding new opportunities to optimise our space that complement our core bowling offer and increase the yield per sq ft potential. This includes increasing the density and range of our amusements, as well as introducing new payment options, helping drive amusement SPG by more than 6 per cent. In some centres, where space allows, we have introduced extra full-size or compact-format bowling lanes, such as duck-pin and five-pin, as well as including mini-golf courses.

All of the completed refurbishments are trading in line with or above our expectations since the investment.

We have continued the roll out of Pins on Strings with eight installed in the year and a further four have been completed since the end of the financial year, meaning that all but two of our UK centres benefit from this cost-saving and experience-enhancing technology at the time of writing.

New centres
We added four centres in the UK during the year, taking our total UK estate to 72. We acquired Lincoln Bowl in the first half of the year, and opened three new centres in the second half, in Dundee, Westwood Cross (Kent) and Colchester. We are pleased with the performance of all the new centres, demonstrating the strength of our new centre pipeline and our ability to secure opportunities in prime locations in line with our strict investment criteria.

The highly anticipated Westward Cross centre, which saw a former department store transformed into an anchor leisure destination, set trading records in its opening weekend in August 2024 following a two-year development.

The success of our recent openings is also helping to evolve our framework of what creates a prime new centre location. This has been demonstrated by the new Merry Hill and Westward Cross centres which are both located in high-footfall shopping centre schemes and are trading ahead of expectations. It was disappointing to have to close our centre in Surrey Quays as part of a landlord redevelopment, but we have added capacity to our centre at London O2 as part of its refurbishment and are confident this will be appealing to those customers.

We have an exciting pipeline of new opportunities with a further four expected to open in FY2025 and we remain on track to meet our target of six new UK centres by FY2026.

Puttstars
In FY2020, we launched a mini-golf leisure brand called Puttstars, testing the concept in five centres. Whilst we have seen some good performance, it has become clear that bowling centres offer higher returns potential and will remain the Group's first choice when entering new locations.

The significant insights gained from the Puttstars centres have allowed us to evolve our mini-golf customer offer and optimise space returns through the addition of complementary duck-pin bowling and amusement activities in four of the five centres. To better reflect the extended offer, leverage the Hollywood Bowl brand association and marketing channels, and deliver greater operational efficiencies, these four Puttstars centres have now been rebranded as 'Putt and Play from Hollywood Bowl'. The fifth centre in York, which had Puttstars as a standalone offer above a Hollywood Bowl, was integrated into the Hollywood Bowl unit and operated as a combined single unit, from July 2024.

Investment in technology

We have invested significantly in our customers' digital journey over the last year, developing our own new, modern and flexible technology platform that we can further evolve and which will support our next stage of growth.

We successfully launched the system in July 2024, resulting in a more scalable, reliable and usable reservation system that integrates with our marketing and data platforms. We are delighted with the results so far. The booking experience has been significantly improved for our customers and team members, with increased usability, reliability, speed and an uptick in online conversion rates, as well as reduced operational costs.

We have direct control of the system, having developed the technology in-house, and therefore we can enhance functionality over time. Following the success of this launch in the UK, we are piloting the system in Canada and will make any locally relevant adjustments before beginning the roll out in FY2025.

Exciting Canada opportunity

Our business in Canada performed well, with total revenue increasing by 42.2 per cent to CAD 53.0m (£30.7m) and LFL revenue on a constant currency basis up by 6.3 per cent. Adjusted EBITDA on a pre-IFRS 16 basis increased by CAD 2.1m to CAD 9.5m (£5.4m).

Acquisitions and new centre developments

The Canadian market remains highly fragmented and underinvested, creating a significant opportunity for us to acquire existing businesses that fit our strict criteria or extend our geographic presence through new centre developments in well-populated urban areas that are currently under-served by family entertainment offers.

We added four new sites during the year, taking the total size of the estate to 13 centres and making the Group the single largest branded bowling operator in Canada.

We acquired two centres, Woodlawn Bowl in Ontario and Richmond Riverport (Lucky 9) in British Columbia, in the first half, and Stoked in Saskatchewan in June 2024, all of which are performing in line with expectations.

Woodlawn Bowl is a 36,000 sq ft centre acquired for CAD 4.7m (£2.8m). It offers 24 lanes of ten-pin and 8 lanes of five-pin bowling, a large amusements area and a bar and diner. Richmond Riverport was acquired for a total consideration of CAD 425k and included the assets and lease of a family entertainment centre featuring 34 ten-pin and 6 five-pin lanes, a large bar and diner, and a small amusements area.

Woodlawn Bowl and Richmond Riverport have had signage installed rebranding them to Splitsville and essential maintenance capital invested, prior to their full refurbishments which are due to be completed in FY2025.

The Saskatoon centre is a high-quality indoor entertainment complex operating as 'Stoked', a well-established brand in the local area. In addition to 15 bowling lanes, the centre offers multiple activities, including high ropes, zipline, go karting, arcade and a bar and dining area. The centre, which will remain under the management of its existing local team with support from the Splitsville team, provides us with the opportunity to trial an enhanced entertainment offer and other competitive socialising activities in the Canadian market.

We were delighted to open our first custom-built centre in Waterloo, Ontario, in July. Located in the heart of this tri-university city, benefitting from a large local student population, the 43,000 sq ft state-of-the-art Splitsville Waterloo is the first family entertainment bowling centre in the area. Offering 24 bowling lanes, an arcade, a bar and lounge, pool tables and sports games, it is well on its way to achieving its return targets. Given the infancy of the Splitsville brand, we expect new centres in Canada to take a little longer to get to maturity than in the UK.

As we continue to open new centres in Canada, we are leveraging our development expertise gained in the UK to ensure that future construction and refurbishment projects are delivered on budget and on time. We have exchanged on a further three new sites, two of which are in Alberta and one in Ottawa; at least two of these are expected to open in FY2025.

In addition to our organic growth pipeline, we continue to see opportunity to grow the estate through the acquisition of single-owned centres or small group-owned businesses.

Refurbishments

Our refurbishment programme has also progressed well, delivering strong returns and excellent customer feedback. We completed the refurbishment of two centres in FY2024, at Kingston and Glamorgan, introducing new signage, upgraded environments, new technologies and yield-enhancing space optimisations. We are confident these investments will hit our 25 per cent hurdle rate for refurbishments in Canada.

Leveraging our expertise

Our success to date demonstrates our ability to increase our market share, enhance the customer offer through refurbishments and innovation, and provide an industry-leading competitive socialising experience to a wide customer demographic. As we continue to learn more about our Canadian customers, we can do more to apply our insights alongside our proven UK operating model to this market.

This will be evident in a number of different ways. We have already begun sharing our best practice and knowledge, not least through a number of our UK team taking up a variety of operational roles in our Canada business. We are moving to align our technology and Group support functions, increasing our operational efficiency and further enhancing our returns in Canada.

Striker

Our Striker business continues to perform well and grow in line with increased investment into bowling centres. Revenues in FY2024 totalled CAD 7.7m (£4.5m), with a good order book for multiple installation and maintenance projects in FY2025.

Our ability to invest in bowling equipment and technology at cost has significantly reduced our capital expenditure and lead times for centre upgrades as we invest in the quality of the estate in Canada.

An industry-leading team
Our teams are at the heart of delivering an excellent customer experience and key to the Group's success.

We take great pride in our industry-leading, in-house training and development programme. For the third year running, we ranked among the UK's Best Big Companies to Work For. We also retained the top 3* ranking for our working practices at our Hemel Hempstead Group support office.

This year, we achieved record attendance on our management development programmes, and we were delighted that 58 per cent of internal management positions were achieved through internal appointments. These results explain why we have relatively low team member turnover rates compared to the wider leisure market and illustrate our record in home-growing talent.

For FY2024 we paid out over £1.0m in centre-level management bonuses and £0.6m to hourly rate team members measured against financial, environmental and customer satisfaction criteria.

Growing sustainably
Running and growing our business in a sustainable manner remains a key focus for the Group, and we are making good progress against our sustainability strategy and targets. We have recycled more waste than ever before, an achievement supported by behavioural programmes and the application of standard operating procedures. The rollout of solar panels in the UK continues with 30 centres benefiting from solar arrays at the year end, and two more currently in progress.

Discussions with landlords and identifying opportunities to increase the number of centres using renewable energy is a key priority as we continue to seek to reduce our centre level carbon footprint and reliance on purchased electricity. We are also installing more low-carbon materials and energy-efficient technologies in refurbishments and new centre builds.

Our centres continue to play an important social role in our local communities, and we were pleased to have beaten our targets for concessionary discount and school games played and for charity fundraising for our new charity partner, Macmillan.

We will be more closely aligning our Canadian operations with our UK sustainability strategy from FY2025, so that we can further improve our environmental and social performance.

Resilient to inflationary pressures
Our unrelenting focus on service and delivering value for our stakeholders, alongside managing costs, has continued and we have hedged our energy costs through FY2027. In addition, we are well insulated from inflationary pressures with over 70 per cent of our revenue not subject to cost-of-goods inflation. We also have relatively low exposure to National Living Wage increases compared to other leisure operators, given our labour cost in the UK is less than 20 per cent of revenue at centre level.

Update following UK Government Budget
The recent changes announced by the Government in the Budget to Employers' National Insurance contributions and threshold levels, coupled with ongoing wage increases will have a significant impact on the hospitality industry. It will be felt most keenly by smaller operators across the country for whom the increased costs will be unsustainable and therefore could be at risk of closure. There are likely to be further consequences following the Government changes with potential for higher inflation, and future job creation, and growth investment at risk.

While we are not immune from these changes, as a bowling business with an average customer frequency of around once a year, significant scale advantages, strong cost culture and a relatively low labour-to-revenue ratio of under 20 per cent in the UK, we are in a better position than many to mitigate the effect of increased costs.

The Employers National Insurance cost for an average UK hourly paid team member working 20 hours per week, on national living wage, will increase from just under £400 per annum, to £1,155 per annum. We expect the cost impact to be c. £1.2m on an annualised basis from when the changes are implemented in April 2025.

As a people-led business, our success hinges on having great people who deliver the best possible experience to our customers. We are working to mitigate the cost challenges presented by the Chancellor's recent budget, and our commitment to prioritising investment in attracting and retaining top talent won't change as a result of these new measures.

Outlook
The recent changes announced by the Chancellor to employers' National Insurance, coupled with ongoing wage increases, pose challenges for many businesses. We had expected the increase to wages, but the increased tax burden now falls heavily on labour-intensive sectors, like hospitality.

The competitive socialising market has evolved in recent years due to a strong consumer appetite to share unique and inclusive experiences, shaping how consumers spend their discretionary income. Whilst many new and different concepts have launched in recent years, we believe that bowling retains its unique position with its ability to appeal to a wide demographic with anyone able to take part.

In a growing market, and against the backdrop of upcoming inflationary pressures off the back of the new Government measures, customer service and great value for money will be a true point of differentiation. We are committed to supporting our teams to deliver outstanding customer service, whilst maintaining an affordable price point for our customers.

Our performance in FY2024 demonstrates our ability to execute our customer-led strategy and generate attractive returns through investment, supported by our strong balance sheet and highly cash generative business model.

We have ten refurbishments planned across the UK and Canada in FY2025 as we continue to prioritise maintaining our well-invested estate with further innovation of our customer offer, setting industry standards.

The Group is on track to reach our target of 130 centres by FY2035 and plan to open four new centres in the UK and at least two in Canada, in FY2025.

We are in an excellent position for future growth, with our strong UK and international pipeline, capital investment programme and our highly resilient business model. We remain confident in the outlook for the business as the market leader in competitive socialising in both the UK and Canada, and we are well positioned for another successful year ahead.

Stephen Burns

Chief Executive Officer

16 December 2024

Chief Financial Officer's review

Group financial results

	FY2024	FY2023	Movement FY2024 vs FY2023
Revenue	**£230.4m**	£215.1m[5]	+7.1%
Gross profit on cost of goods sold[1]	**£191.2m**	£177.6m	+4.5%
Gross profit margin on cost of goods sold[1]	**83.0%**	82.6%	+40bps
Administrative expenses[1]	**£137.7m**	£123.5m	+11.5%
Group adjusted EBITDA[2]	**£87.6m**	£82.7m	+5.9%
Group adjusted EBITDA[2] pre-IFRS 16	**£67.7m**	£64.9m	+4.3%
Group profit before tax	**£42.8m**	£45.1m	-5.2%
Group profit after tax	**£29.9m**	£34.2m	-12.4%
Group adjusted profit before tax[3]	**£45.0m**	£47.5m	-5.2%
Group adjusted profit after tax[3]	**£32.3m**	£36.6m	-11.8%
Free cash flow[4]	**£16.9m**	£29.5m	-42.6%
Total ordinary dividend per share	**12.06p**	11.81p	+2.1%

1 Gross profit on cost of goods sold is calculated as revenue less directly attributable cost of goods sold and excludes any payroll costs. This is how we report in the business monthly and at centre level, as labour costs are judged as material and thus reported separately within administrative expenses. Administrative expenses also includes a settlement payment from the landlord resulting from the closure of Hollywood Bowl Surrey Quays (£0.6m).

2 Group adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) is calculated as statutory operating profit plus depreciation, amortisation, impairment, loss on disposal of property, right-of-use assets, plant and equipment and software and any exceptional costs or income, and is also shown pre-IFRS 16 as well as adjusted for IFRS 16. These adjustments show the underlying trade of the overall business which these costs or income can distort. The reconciliation to operating profit is set out below.

3 Adjusted group profit before /after tax is calculated as group profit before/after tax, adding back acquisition fees of £0.9m (FY2023: £0.7m), the non-cash expense of £1.9m (FY2023: £2.0m) related to the fair value of the earn out consideration on the Teaquinn acquisition in May 2022 and deducting the £0.6m received in compensation for the closure of our Surrey Quays centre. Also, in FY2023 it included the removal of the reduced rate (TRR) of VAT benefit on bowling of £0.3m.

4 Free cash flow is defined as net cash flow pre-exceptional items, cost of acquisitions, debt facility repayment, RCF drawdowns, dividends and equity placing.

5 Group revenue in FY2023 includes £0.2m in respect of TRR of VAT.

6 Revenues in GBP based on an actual foreign exchange rate over the relevant period, unless otherwise stated.

Following the introduction of the lease accounting standard IFRS 16, the Group continues to maintain the reporting of Group adjusted EBITDA on a pre-IFRS 16 basis, as well as on an IFRS 16 basis. This is because the pre-IFRS 16 measure is consistent with the basis used for business decisions, a measure that investors use to consider the underlying business performance as well as being a measure contained within the group's available loan facility. For the purposes of this review, the commentary will clearly state when it is referring to figures on an IFRS 16 or pre-IFRS 16 basis.

All LFL revenue commentary excludes the impact of TRR of VAT on bowling. New centres in the UK and Canada are included in LFL revenue after they complete the calendar anniversary of their opening date. Closed centres are excluded for the full financial year in which they were closed.

Further details on the alternative performance measures used are at the end of this report.

Revenue

On the back of record revenues in FY2023, it was encouraging to continue to see revenue growth in both the UK and Canada. Total Group revenue for FY2024 was £230.4m, 7.1 per cent growth on FY2023.

UK centre LFL revenue growth was flat with spend per game growth of 3.3 per cent, taking LFL average spend per game to £11.19, and a 3.2 per cent decline in LFL game volumes. The LFL revenues, alongside the performance of the new UK centres, resulted in record UK revenues of £199.7m and growth of 3.8 per cent compared to the very strong underlying revenues in the prior year. Since FY2019 the UK business has seen 5.9 per cent compound annual revenue growth.

Canadian LFL revenue growth, when reviewing in Canadian Dollars (CAD) to allow for the disaggregation of the foreign currency effect (constant currency), was 6.3 per cent. Alongside this strong LFL revenue growth, new centres performed well and resulted in total revenue of CAD 53.0m (£30.7m), growth year on year in Canada of 42.2 per cent on a constant currency basis. Splitsville bowling centre revenue was up CAD 15.2m (50.4 per cent) to CAD 45.3m.

Gross profit on cost of goods sold

Gross profit on cost of goods sold is calculated as revenue less directly attributable cost of goods sold and does not include any payroll costs. Gross profit on cost of goods sold was £191.2m, 7.7 per cent growth on FY2023 with gross profit margin on cost of goods sold at 83.0 per cent in FY2024, up 40bps on FY2023.

Gross profit on cost of goods sold for the UK business was £167.6m with a margin of 83.9 per cent, up 20 bps on FY2023.

Gross profit on cost of goods sold for the Canadian business was in line with expectations at CAD 40.7m (£23.6m), with a margin of 76.8 per cent (FY2023: 73.6 per cent). This margin increase is due in part to the significant revenue growth seen in the Splitsville bowling centres which make up a significantly larger proportion of total revenue in Canada versus our Striker equipment business. Splitsville had a gross profit margin on cost of goods sold of 84.8 per cent, in line with expectations. Striker generated revenue of CAD 7.7m (FY2023: CAD 7.1m) in the year.

Administrative expenses

Following the adoption of IFRS 16 in FY2020, administrative expenses exclude property rents (turnover rents are not excluded) and include the depreciation of property right-of-use assets.

Total administrative expenses, including all payroll costs, were £138.3m. On a pre-IFRS 16 basis, administrative expenses were £144.3m, compared to £130.0m in FY2023.

Employee costs in centres were £45.7m, an increase of £5.0m when compared to FY2023, due to a combination of the impact of the higher than inflationary national minimum and living wage increases seen compared to the prior year, the impact of higher LFL revenues, new UK centres, as well as the significant revenue growth in Canadian centres.

Total centre employee costs in Canada were CAD 13.6m (£7.8m), an increase of CAD 4.1m (£2.2m), whilst UK centre employee costs were £37.9m, an increase of £2.9m when compared to FY2023.

Total property-related costs, accounted for under pre-IFRS 16, were £42.0m, with £37.4m for the UK business (FY2023: £33.9m). Rent costs account for nearly 50 per cent of total property costs in the UK and increased to £18.3m (FY2023: £17.6m) and were up less than one per cent on a LFL basis. We received business rates rebates in the second half, in relation to claims made in respect of the 2023 revaluation being agreed. These rebates resulted in business rates in the UK being flat year on year, at £5.6m. Underlying business rates for H2 FY2025 are expected to increase by 1.7 per cent on a LFL basis.

Canadian property centre costs were in line with expectations at CAD 7.9m (£4.6m), an increase of CAD 3.4m due to the increased size of the estate when compared to FY2023.

Utility costs increased compared to the same period in FY2023, by £1.9m, with UK centres accounting for £1.7m of this increase due to a combination of an increase in the cost per unit and the hedge sell off during FY2023, with the balance in relation to the increased number of centres in Canada.

Total property costs, under IFRS 16, were £47.6m, including £13.8m accounted for as property lease assets depreciation and £11.6m in implied interest relating to the lease liability.

Total corporate costs decreased marginally year on year, by £0.4m, to £24.9m. UK corporate costs reduced by £2.0m to £20.6m. As we continue to build out our support team in Canada for growth, corporate costs increased to CAD 6.5m (£3.8m) from CAD 3.9m (£2.4m).

The statutory depreciation, amortisation and impairment charge for FY2024 was £32.2m compared to £26.1m in FY2023. This increase is in part due to the continued capital investment programme, including new centres and refurbishments.

We undertook detailed impairment testing which resulted in an impairment charge in the year of a total of £5.3m (FY2023: £2.2m). This impairment primarily relates to our Puttstars mini-golf centres.

Whilst these centres were intended to explore customer interest in mini-golf based entertainment alongside a food, drink and amusement offering, the results have indicated that customer demand for mini-golf centres is lower than anticipated. These results support the decision to focus on the continued expansion of our Hollywood Bowl and Splitsville locations, as well as rebranding of Puttstars mini-golf centres to ‘Putt & Play from Hollywood Bowl’.

The impairment reflects a discounted cash flow analysis of future cash flows, resulting in a reassessment of the carrying value of property, plant and equipment (PPE) and right-of-use (ROU) assets associated with the mini-golf centres on the balance sheet. The discount rate used for the weighted average cost of capital (WACC) was 12.4 per cent pre-tax (FY2023: 12.7 per cent) in the UK.

See note 12 to the Financial Statements for more information.

Canadian performance

The Group has continued to grow its footprint in Canada, with 13 centres at the end of FY2024 (FY2023: 9). During FY2024 the Group acquired three centres – in November 2023 it acquired Woodlawn Bowl in Ontario and Lucky 9 Bowling Centre Limited as well as its associated restaurant and bar, Monkey 9 Brewing Pub Corp (‘Riverport’) in British Columbia. Both of these centres will benefit from investment in FY2025, with Riverport having a significant refurbishment costing over CAD 3.0m, which will include, but not be limited to, the introduction of a full amusement offer as well as the installation of Pins on Strings.

In June 2024, the Group acquired Stoked, a multi-activity family entertainment centre in Saskatoon. All three acquisitions are trading in line with management expectations. We were also pleased to open our first greenfield centre, in Waterloo, Ontario.

The Canadian business continues to trade strongly, with total revenues in Canada of CAD 53.0m (£30.7m), and just over CAD 9.4m (£5.4m) of EBITDA on a pre-IFRS 16 basis. Bowling centres contributed CAD 45.3m of revenues with EBITDA on a pre-IFRS 16 basis of CAD 14.7m, an increase of CAD 4.4m on the same period in FY2023.

Exceptional costs

Exceptional costs in FY2024 totalled £2.3m (FY2023: £2.4m) and relate to three areas. The first is the acquisition costs in relation to the acquisition of four centres – one in the UK and three in Canada, which totalled £0.9m. The second is the earn out consideration for Teaquinn President Pat Haggerty, which is an exceptional cost of £1.9m, of which £1.5m is in administrative expenses and £0.4m is in interest expenses. See the table below for the exceptional items included in the Group adjusted EBITDA and operating profit reconciliation. We also received £0.6m in compensation for the closure of our Surrey Quays centre. More detail on these exceptional costs is shown in note 5 to the Financial Statements.

Group adjusted EBITDA and operating profit

Group adjusted EBITDA pre-IFRS 16 increased 4.3 per cent, to £67.7m. The increase is due to a combination of LFL revenue performance in both the UK and Canada as well as the new centre growth across both territories when compared to the same period in FY2023. The reconciliation between statutory operating profit and Group adjusted EBITDA on both a pre-IFRS 16 and under-IFRS 16 basis is shown in the table below.

	FY2024 £'000	FY2023 £'000
Operating profit[1]	**53,506**	54,085
Depreciation	**25,919**	23,107
Impairment	**5,316**	2,210
Amortisation	**935**	820
Loss on property, right-of-use assets, plant and equipment and software disposal	**88**	306
Exceptional costs excluding interest	**1,823**	2,203
Group adjusted EBITDA under IFRS 16	**87,587**	82,731
IFRS 16 adjustment	**(19,838)**	(17,799)
Group adjusted EBITDA pre-IFRS 16	**67,749**	64,932

Segmentation

	Year ended 30 September 2024		
	UK £'000	**Canada £'000**	**Total £'000**
Revenue	**199,696**	**30,703**	**230,399**
Group adjusted EBITDA[1] pre-IFRS 16	**62,308**	**5,441**	**67,749**
Group adjusted EBITDA[1]	**79,715**	**7,872**	**87,587**
Depreciation and amortisation	**23,490**	**3,364**	**26,854**
Impairment of PPE and ROU assets	**5,316**	**—**	**5,316**
Loss on property, right-of-use assets, plant and equipment and software disposal	**88**	**—**	**88**
Exceptional costs/(income) excluding interest	**(591)**	**2,414**	**1,823**
Operating profit	**51,412**	**2,094**	**53,506**
Finance (income)	**(1,580)**	**(142)**	**(1,722)**
Finance expense	**10,425**	**2,045**	**12,470**
Profit before tax	**42,567**	**191**	**42,758**

1 IFRS 16 adoption has an impact on EBITDA, with the removal of rent from the calculation. For Group adjusted EBITDA pre-IFRS 16, it is deducted for comparative purposes and is used by investors as a key measure of the business. The IFRS 16 adjustment is in relation to all rents that are considered to be non-variable and of a nature to be captured by the standard.

Share-based payments

During the year, the Group granted further Long-Term Incentive Plan (LTIP) shares to the senior leadership team as well as starting a new save as you earn (SAYE) scheme for all team members. The LTIP awards vest in three years providing continuous employment during the period, and attainment of performance conditions as outlined in the FY2024 Annual Report. The Group recognised a total charge of £1.8m (FY2023: £1.2m) in relation to the Group's share-based arrangements. Share-based costs are not classified as exceptional costs.

Financing

Finance costs (net of finance income) increased to £12.5m in FY2024 (FY2023: £10.4m) comprising mainly of implied interest relating to the lease liability under IFRS 16 of £11.6m.

During the year, the Group agreed a 12-month extension to the £25m RCF and £5m accordion, resulting in a margin rate reduction to 1.65 per cent above SONIA effective from 22 March 2024. The RCF term now runs to the end of December 2025 and remains fully undrawn.

Cash flow and liquidity

The liquidity position of the Group remains strong, with a net cash position of £28.7m as at 30 September 2024. Detail on the cash movement in the year is shown in the table opposite.

Capital expenditure

During the financial year, the Group invested a record net capex of £52.7m, including £13.8m on the acquisition of four centres, one of which, Lincoln Bowl, was in the UK.

On 2 October 2023, the Group purchased the assets, including the long leasehold, of Lincoln Bowl for total of £4.5m, of which £2.0m was allocated to the long leasehold.

In Canada, three centres were acquired in FY2024. The first was a family entertainment centre in Guelph, Ontario, for CAD 4.7m (£2.8m), on 7 November 2023. The second was the acquisition of the assets and lease of a centre in Vancouver, for consideration of CAD 0.4m (£0.3m). The final acquisition was 'Stoked' in Saskatchewan, for a total consideration of CAD 10.8m (£6.2m).

More information on all of these acquisitions is provided in note 20 to the Financial Statements.

A total of £11.5m was invested into the refurbishment programme, with ten UK centres refurbished as well as investments into the Canadian estate.

A significant proportion of the refurbishment spend in the UK, £1.9m, was in relation to the extension and refurbishment of our centre in Stockton. This centre was already one of the most successful in the estate and we have now increased its potential. In conjunction with a new lease for a period of 15 years and investment into the existing space, the Group also extended into the adjacent unit, adding an extra five lanes, a Puttstars mini-golf course and a large amusements area. The refurbishment was completed in time for Easter trading and results are very encouraging.

Despite inflationary pressures, returns on the UK refurbishments continue to exceed the UK hurdle rate of 33 per cent return on investment.

New centre capital expenditure was a net £19.5m.

The Group's strong liquidity ensures it can continue to invest in profitable growth with plans to open more locations during FY2024 and beyond.

The Group spent £8.0m on maintenance capital, including continued spend on the rollout of Pins on Strings technology (£1.8m) and solar panels as well as extensions of current installations (£1.0m).

We expect total capital expenditure for FY2025 to be in the region of £40m to £45m.

Cash flow and net debt

	FY2024 £'000	FY2023 £'000
Group adjusted EBITDA under IFRS 16	**87,587**	82,731
Movement in working capital	**1,097**	(1,103)
Maintenance capital expenditure	**(7,973)**	(9,072)
Taxation	**(10,536)**	(9,100)
Payment of capital elements of leases	**(12,305)**	(11,419)
Adjusted operating cash flow (OCF)[1]	**57,870**	52,037
Adjusted OCF conversion	**66.1%**	62.9%
Expansionary capital expenditure[2]	**(30,952)**	(13,786)
Disposal proceeds	**—**	10
Net bank interest received	**1,616**	1,008
Lease interest paid	**(11,615)**	(9,808)
Free cash flow (FCF)[3]	**16,919**	29,461
Exceptional items	**(436)**	(343)
Acquisition of centres in Canada	**(9,283)**	(7,716)
Cash acquired in acquisitions	**78**	319
Acquisition of centres in UK	**(4,474)**	—
Share (buyback)/issue	**(378)**	6
Dividends paid	**(26,180)**	(25,338)
Net cash flow	**(23,754)**	(3,611)

1 Adjusted operating cash flow is calculated as Group adjusted EBITDA less working capital, maintenance capital expenditure, taxation and payment of the capital element of leases. This represents a good measure for the cash generated by the business after considering all necessary maintenance capital expenditure to ensure the routine running of the business. This excludes exceptional items, net interest paid, debt drawdowns and any debt repayments.

2 Expansionary capital expenditure includes refurbishment and new centre capital expenditure.

3 Free cash flow is defined as net cash flow pre-exceptional items, cost of acquisitions, debt facility repayment, debt drawdowns, dividends and equity placing.

Taxation

The Group's tax charge for the year is £12.8m arising on the profit before tax generated in the period. The increase in the Group's tax charge is due to the increase in the UK corporation tax rate from 19 per cent to 25 per cent from April 2023.

Earnings

Statutory profit before tax for the year was £42.8m (FY2023: £45.1m), with an impairment charge of £5.3m, which was higher by £3.1m than the previous year.

The Group delivered profit after tax of £29.9m (FY2023: £34.2m) and basic earnings per share was 17.42 pence (FY2023: 19.92 pence).

Group adjusted profit before tax is £45.0m, whilst Group adjusted profit after tax is £32.3m and basic adjusted earnings per share of 18.82 pence per share (FY2023: 21.37 pence per share).

These adjustments are adding back the exceptional costs highlighted earlier in the report. For more detail see note 5 to the Financial Statements.

It is also noteworthy to highlight Group adjusted profit before tax adding back impairments, is £50.3m (FY2023: £49.9m).

Dividend and capital allocation policy

In line with the Group's capital allocation policy, the Board has declared a final ordinary dividend of 8.08 pence per share.

Subject to approval at the AGM, the ex-dividend date will be 30 January 2025, with a record date of 31 January 2025 and a payment date of 21 February 2025.

Going concern

As detailed in note 2 to the Financial Statements, 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.

UK Government Budget

As outlined in the Chief Executive Officer's review, the changes to Employers National Insurance Contributions and Thresholds will result in significantly increased employment costs, impacting the hospitality industry in particular.

We expect to see an increase in employee costs in UK LFL centres in excess of 8 per cent for the second half of FY2025 given the National Living and Minimum Wage announcement, with the National Insurance increase costing in excess of £1.2m on an annualised basis.

Laurence Keen
Chief Financial Officer
16 December 2024

Note on alternative performance measures (APMs)
The Group uses APMs to enable management and users of the financial statements to better understand elements of the financial performance in the period. APMs referenced earlier in the report are explained as follows. These are not intended to replace statutory financial measures

UK like-for-like (LFL) revenue for FY2024 is calculated as:

- Total Group revenues £230.4m, less
- New UK centre revenues for FY2024 that have not annualised £7.8m, less
- Closed centres for the full year of £3.1m, less
- Canada revenues for FY2024 of £30.7m (CAD 53.0m)

Canada like-for-like (LFL) revenue for FY2024 is calculated as:

- Total Canada revenues CAD 53.0m, less
- New Canada centre revenues for FY2024 that have not annualised CAD 13.4m

New centres are included in the LFL revenue after they complete the calendar anniversary of their opening date. Closed centres are excluded for the full financial year in which they were closed. LFL UK comparatives for FY2023 are £188.8m. LFL Canada comparatives for FY2023 are CAD 37.3m.

Gross profit on cost of goods sold is calculated as revenue less directly attributable cost of goods sold and excludes any payroll costs. This is how we report in the business monthly and at centre level, as labour costs are judged as material and thus reported separately within administrative expenses. These amounts are presented separately on the consolidated income statement for ease of reconciliation.

Group adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) reflects the underlying trade of the overall business. It is calculated as statutory operating profit plus depreciation, amortisation, impairment, loss on disposal of property, right-of-use assets, plant and equipment and software and any exceptional costs or income, and is also shown pre-IFRS 16 as well as adjusted for IFRS 16. The reconciliation to operating profit is set out in this report.

Free cash flow is defined as net cash flow pre-dividends, exceptional items, acquisition costs, bank funding and any equity placing. Useful for investors to evaluate cash from normalised trading.

LFL spend per game is defined as LFL revenue in the year divided by the number of bowling games and golf rounds played.

Adjusted operating cash flow is calculated as Group adjusted EBITDA less working capital, maintenance capital expenditure, taxation and payment of the capital element of leases. This represents a good measure for the cash generated by the business after considering all necessary maintenance capital expenditure to ensure the routine running of the business. This excludes exceptional items, acquisitions, share buyback/issue, dividends paid, net interest paid, debt drawdowns and any debt repayments.

Expansionary capital expenditure includes all capital on new centres, refurbishments and rebrands only. Investors see this as growth potential.

Group adjusted profit after tax is calculated as statutory profit after tax, adding back the acquisition fees of £0.9m (FY2023: £0.6m), the non-cash expense of £1.9m (FY2023: £2.0m) related to the fair value of the earn out consideration on the Canadian acquisition in May 2022 and deducting the £0.6m in compensation received for the closure of our Surrey Quays centre. This adjusted profit after tax is also used to calculate adjusted earnings per share.

Constant currency exchange rates are the actual periodic exchange rates from the previous financial period and are used to eliminate the effects of the exchange rate fluctuations in assessing certain KPIs and performance.

Consolidated income statement and statement of comprehensive income

Year ending 30 September 2024

	Note	**Before exceptional items 30 September 2024 £'000**	**Exceptional items (note 5) 30 September 2024 £'000**	**Total 30 September 2024 £'000**	Before exceptional items 30 September 2023 £'000	Exceptional items (note 5) 30 September 2023 £'000	Total 30 September 2023 £'000
Revenue	3	**230,399**	—	**230,399**	214,829	253	215,082
Cost of goods sold		**(39,178)**	—	**(39,178)**	(37,491)	—	(37,491)
Centre staff costs		**(45,723)**	—	**(45,723)**	(40,717)	—	(40,717)
Gross profit		**145,498**	—	**145,498**	136,621	253	136,874
Other income		—	**607**	**607**	—	—	—
Administrative expenses	6	**(90,169)**	**(2,430)**	**(92,599)**	(80,333)	(2,456)	(82,789)
Operating profit		**55,329**	**(1,823)**	**53,506**	56,288	(2,203)	54,085
Finance income	8	**1,722**	—	**1,722**	1,440	—	1,440
Finance expenses	8	**(12,040)**	**(430)**	**(12,470)**	(10,220)	(225)	(10,445)

Profit before tax		**45,011**	**(2,253)**	**42,758**	47,508	(2,428)	45,080
Tax charge	9	**(12,700)**	**(148)**	**(12,848)**	(10,866)	(63)	(10,929)
Profit for the year attributable to equity shareholders		**32,311**	**(2,401)**	**29,910**	36,642	(2,491)	34,151
Other comprehensive income							
Retranslation loss of foreign currency denominated operations		**(1,057)**	—	**(1,057)**	(544)	—	(544)
Total comprehensive income for the year attributable to equity shareholders		**31,254**	**(2,401)**	**28,853**	36,098	(2,491)	33,607
Basic earnings per share (pence)	10			**17.42**			19.92
Diluted earnings per share (pence)	10			**17.31**			19.82

Consolidated statement of financial position

As at 30 September 2024

	Note	**30 September 2024 £'000**	30 September 2023 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**101,936**	78,279
Right-of-use assets	12	**172,767**	150,811
Goodwill and intangible assets	13	**100,323**	89,376
Deferred tax asset	17	**518**	1,309
		375,544	319,775
Current assets			
Cash and cash equivalents		**28,702**	52,455
Trade and other receivables	14	**9,420**	8,116
Corporation tax receivable		**1,268**	715
Inventories		**2,897**	2,445
		42,287	63,731
Total assets		**417,831**	383,506
LIABILITIES			
Current liabilities			
Trade and other payables	15	**30,427**	29,109
Lease liabilities	12	**14,231**	12,553
		44,658	41,662
Non-current liabilities			
Other payables	15	**7,116**	5,208
Lease liabilities	12	**204,011**	181,652
Deferred tax liability	17	**3,993**	1,960
Provisions		**5,848**	5,084
		220,968	193,904
Total liabilities		**265,626**	235,566
NET ASSETS		**152,205**	147,940
Equity attributable to shareholders			
Share capital		**1,721**	1,717
Share premium		**39,716**	39,716
Capital redemption reserve		**1**	—
Merger reserve		**(49,897)**	(49,897)
Foreign currency translation reserve		**(1,190)**	(133)
Retained earnings		**161,854**	156,537
TOTAL EQUITY		**152,205**	147,940

Consolidated statement of changes in equity

For the year ended 30 September 2024

	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Merger reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total £'000
Equity at 30 September 2022	1,711	—	39,716	(49,897)	411	146,479	138,420
Shares issued during the year	6	—	—	—	—	—	6
Dividends paid (note 19)	—	—	—	—	—	(25,338)	(25,338)
Share-based payments	—	—	—	—	—	1,204	1,204
Deferred tax on share-based payments	—	—	—	—	—	41	41
Retranslation of foreign currency denominated operations	—	—	—	—	(544)	—	(544)

Profit for the year	—	—	—	—	—	34,151	34,151
Equity at 30 September 2023	1,717	—	39,716	(49,897)	(133)	156,537	147,940
Shares issued during the year	5	—	—	—	—	—	5
Share buy back	(1)	1	—	—	—	(379)	(379)
Dividends paid (note 19)	—	—	—	—	—	(26,180)	(26,180)
Share-based payments	—	—	—	—	—	1,782	1,782
Deferred tax on share-based payments	—	—	—	—	—	184	184
Retranslation of foreign currency denominated operations	—	—	—	—	(1,057)	—	(1,057)
Profit for the year	—	—	—	—	—	29,910	29,910
Equity at 30 September 2024	**1,721**	**1**	**39,716**	**(49,897)**	**(1,190)**	**161,854**	**152,205**

Consolidated statement of cash flows

For the year ended 30 September 2024

	Note	**30 September 2024 £'000**	30 September 2023 £'000
Cash flows from operating activities			
Profit before tax		**42,758**	45,080
Adjusted by:			
Depreciation of property, plant and equipment (PPE)	11	**11,167**	10,142
Depreciation of right-of-use (ROU) assets	12	**14,752**	12,965
Amortisation of intangible assets	13	**935**	820
Impairment of PPE and ROU assets	11, 12	**5,316**	2,210
Net interest expense	8	**10,748**	9,005
Loss on disposal of property, plant and equipment and software		**88**	306
Landlord settlement	5	**(607)**	—
Share-based payments		**1,782**	1,204
Operating profit before working capital changes		**86,939**	81,732
Increase in inventories		**(294)**	(251)
Increase in trade and other receivables		**(1,183)**	(2,849)
Increase in payables and provisions		**2,495**	2,741
Cash inflow generated from operations		**87,957**	81,373
Interest received		**1,782**	1,305
Income tax paid – corporation tax		**(10,536)**	(9,100)
Bank interest paid		**(166)**	(296)
Lease interest paid		**(11,615)**	(9,808)
Landlord settlement	5	**607**	—
Net cash inflow from operating activities		**68,029**	63,474
Cash flows from investing activities			
Acquisition of subsidiaries	20	**(13,757)**	(7,716)
Subsidiary cash acquired	20	**78**	319
Purchase of property, plant and equipment		**(37,979)**	(21,801)
Purchase of intangible assets		**(946)**	(1,057)
Proceeds from sale of assets		—	10
Net cash used in investing activities		**(52,604)**	(30,245)
Cash flows from financing activities			
Payment of capital elements of leases		**(12,305)**	(11,419)
Issue of shares		—	6
Share buy back		**(379)**	—
Dividends paid		**(26,180)**	(25,338)
Net cash used in financing activities		**(38,864)**	(36,751)
Net change in cash and cash equivalents for the year		**(23,439)**	(3,522)
Effect of foreign exchange rates on cash and cash equivalents		**(314)**	(89)
Cash and cash equivalents at the beginning of the year		**52,455**	56,066
Cash and cash equivalents at the end of the year		**28,702**	52,455

Notes to the financial statements

For the year ended 30 September 2024

1. General information

The financial information set out above does not constitute the company's statutory accounts for the years ended 30 September 2024 or 2023, but is derived from these accounts. Statutory accounts for 2023 have been delivered to the registrar of companies, and those for 2024 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Hollywood Bowl Group plc (together with its subsidiaries, 'the Group') is a public limited company whose shares are publicly traded on the London Stock Exchange and is incorporated and domiciled in England and Wales. The registered office of the Parent

Company is Focus 31, West Wing, Cleveland Road, Hemel Hempstead, HP2 7BW, United Kingdom. The registered company number is 10229630.

On 2 October 2023, the Group acquired the assets and long leasehold of Lincoln Bowl. On 7 November 2023 the Group acquired Woodlawn Bowl Inc. in Guelph, Ontario and on 11 November 2023, the assets and lease of Lucky 9 Bowling Centre Limited in Richmond, British Columbia, as well as its associated restaurant and bar, Monkey 9 Brewing Pub Corp. On 24 June 2024 the Group acquired Stoked Entertainment Centre Limited in Saskatoon, Saskatchewan. These four acquisitions are consolidated in Hollywood Bowl Group plc's Financial Statements with effect from their respective date of acquisition.

The Group's principal activities are that of the operation of ten-pin bowling and mini-golf centres, and a supplier and installer of bowling equipment as well as the development of new centres and other associated activities.

The Directors of the Group are responsible for the consolidated Financial Statements, which comprise the Financial Statements of the Company and its subsidiaries as at 30 September 2024.

2. Material accounting policies

The material accounting policies applied in the consolidated Financial Statements are set out below. These accounting policies have been applied consistently to all periods presented in these consolidated Financial Statements. The financial information presented is as at and for the financial years ended 30 September 2024 and 30 September 2023.

Statement of compliance

The consolidated Financial Statements have been prepared in accordance with UK-adopted International Accounting Standards ('IFRS Accounting standards') and the requirements of the Companies Act 2006. The functional currencies of entities in the Group are Pounds Sterling and Canadian Dollars. The consolidated Financial Statements are presented in Pounds Sterling and all values are rounded to the nearest thousand, except where otherwise indicated.

Basis of preparation

The consolidated Financial Statements have been prepared on a going concern basis under the historical cost convention, except for fair value items on acquisition (see note 20).

The Company has elected to prepare its Financial Statements in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. On publishing the Parent Company Financial Statements here together with the Group Financial Statements, the Company has taken advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and statement of comprehensive income and related notes that form a part of these approved Financial Statements.

Basis of consolidation

The consolidated financial information incorporates the Financial Statements of the Company and all of its subsidiary undertakings. The Financial Statements of all Group companies are adjusted, where necessary, to ensure the use of consistent accounting policies. Acquisitions are accounted for under the acquisition method from the date control passes to the Group. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill, or a gain on bargain purchase if the fair values of the identifiable net assets are below the cost of acquisition. Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

The results of Lincoln Bowl, Woodlawn Bowl Inc., Lucky 9 Bowling Centre Limited as well as its associated restaurant and bar, Monkey 9 Brewing Pub Corp and Stoked Entertainment Centre Limited are included from the respective dates of acquisition, being 2 October 2023, 7 November 2023, 11 November 2023 and 24 June 2024.

Earnings per share

The calculation of earnings per ordinary share is based on earnings after tax and the weighted average number of ordinary shares in issue during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has two types of dilutive potential ordinary shares, being those unvested shares granted under the Long-Term Incentive Plans and Save-As-You-Earn plans.

Standards issued not yet effective

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 listed below:

Standard/interpretation	Content	Applicable for financial years beginning on/after
IAS 1 Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants	Amendments made to IAS 1 Presentation of Financial Statements in 2020 and 2022 clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (for example, the receipt of a waiver or a breach of covenant that an entity is required to comply with only after the reporting period).	1 October 2024
IAS 7 and IFRS 7 Supplier finance arrangements	The amendments introduce new disclosures relating to supplier finance arrangements that assist users of the financial statements to assess the effects of these arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk.	1 October 2024

Standard/interpretation	Content	Applicable for financial years beginning on/after
IFRS 16 Lease liability in a sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 October 2024
IAS 21 Lack of exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	1 October 2025
Amendments to IFRS 9 and IFRS 7 Classification and measurement of financial instruments	On 30 May 2024, the IASB issued targeted amendments to IFRS 9 and IFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments: - clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; - clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; - add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and - update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).	1 October 2026
IFRS 18 Presentation and disclosure in financials statements	IFRS 18 will replace IAS 1 Presentation of financial statements and introduces the following key requirements: - Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change. - Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements. - Enhanced guidance is provided on how to group information in the financial statements. In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method. The Group is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Group's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs.	1 October 2027

None of the above amendments are expected to have a material impact on the Group.

Climate change

In preparing the consolidated financial statements, management has considered the impact of climate change, taking into account the relevant disclosures in the strategic report, including those made in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulation 2022 and our sustainability targets.

The expected environmental impact on the business has been modelled. The current available information and assessment did not identify any risks that would require the useful economic life of assets to be reduced in the year or identify the need for impairment that would impact the carrying values of such assets or have any other impact on the financial statements.

For many years, Hollywood Bowl Group plc has placed sustainability at the centre of its strategy and has been working on becoming a more sustainable business. A number of actions have been implemented to help mitigate and adapt against climate-related risks. The cost and benefits of such actions are embedded into the cost structure of the business and are included in our five-year plan. This includes the roll-out of Pins on Strings technology, solar panels and the move to 100 per cent renewable energy. The five-year plan has been used to support our impairment reviews and going concern and viability assessment (see viability statement).

Our TCFD disclosures in the full annual report include climate-related risks and opportunities based on various scenarios. When considering climate scenario analysis, and modelling severe but plausible downside scenarios, we have used the NGFS 'early action' scenario as the most severe case for climate transition risks, and the IPCC's SSP5-8.5 as the most severe case for physical climate risk. Whilst these represent situations where climate could have a significant effect on the operations, these do not include our future mitigating actions which we would adopt as part of our strategy. The climate transition plan to net zero outlines that it may not be feasible to completely abate Scope 1, 2 and 3 emissions by 2050. In this instance, the Group will offset residual emissions through actions like carbon removals or ecosystem restoration.

The assessment with respect to the impact of climate change will be kept under review by management, as the future impacts depend on factors outside of the Group's control, which are not all currently known.

Going concern

In assessing the going concern position of the Group for the Consolidated Financial Statements for the year ended 30 September 2024, the Directors have considered the Group's cash flow, liquidity, and business activities, as well as the principal risks identified in the Group's Risk Register.

As at 30 September 2024, the Group had cash balances of £28.7m, no outstanding loan balances and an undrawn RCF of £25m.

The Group has undertaken a review of its liquidity using a base case and a severe but plausible downside scenario.

The base case is the Board approved budget for FY2025 as well as the first three months of FY2026 which forms part of the Board approved five-year plan. As noted above, the costs and benefits of our actions on climate change are embedded into the cost structure of the business and included in our five-year plan. Under this scenario there would be positive cash flow, strong profit performance and all covenants would be passed. It should also be noted that the RCF remains undrawn. Furthermore, it is assumed that the Group adheres to its capital allocation policy. The most severe downside scenario stress tests for reasonably adverse variations in the economic environment leading to a deterioration in trading conditions and performance.

Under this severe but plausible downside scenario, the Group has modelled revenues dropping by 3 and 4 per cent from the assumed base case for FY2025 and FY2026 respectively and inflation continues at an even higher rate than in the base case, specifically around cost of labour in respect of National Living and Minimum wage as well as increased National Insurance contributions.

The model still assumes that investments into new centres would continue, whilst refurbishments in the early part of FY2025 would be reduced. These are all mitigating actions that the Group has in its control. Under this scenario, the Group will still be profitable and have sufficient liquidity within its cash position to not draw down the RCF, with all financial covenants passed.

Taking the above and the principal risks faced by the Group into consideration, the Directors are satisfied that the Group and Company have adequate resources to continue in operation and meet their liabilities as they fall due for the foreseeable future, a period of at least 12 months from the date of this report.

Accordingly, the Group and Company continue to adopt the going concern basis in preparing these Financial Statements.

Leases

The Group as lessee

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. The lease term is the non-cancellable period for which the lessee has the right to use an underlying asset plus periods covered by an extension option if an extension is reasonably certain. The majority of property leases are covered by the Landlord and Tenant Act 1985 (LTA) which gives the right to extend the lease beyond the termination date. The Group expects to extend the property leases covered by the LTA. This extension period is not included within the lease term as a termination date cannot be determined as the Group is not reasonably certain to extend the lease given the contractual rights of the landlord under certain circumstances.

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. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments).

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 has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

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 expenses on a straight-line basis over the lease term.

Exceptional items and other adjustments

Exceptional items and other adjustments are those that in management's judgement need to be disclosed by virtue of their size, nature and incidence, in order to draw the attention of the reader and to show the underlying business performance of the Group more accurately. Such items are included within the income statement caption to which they relate and are separately disclosed on the face of the consolidated income statement and in the notes to the consolidated Financial Statements.

Adjusted measures

The Group uses a number of non-Generally Accepted Accounting Principles (non-GAAP) financial measures in addition to those reported in accordance with IFRS. The Directors believe that these non-GAAP measures, listed below, are important when assessing the underlying financial and operating performance of the Group by investors and shareholders. These non-GAAP measures comprise of like-for-like revenue growth, adjusted profit after tax, adjusted earnings per share, net cash, Group adjusted operating cash flow, revenue generating capex, total average spend per game, free cash flow, gross profit on costs of goods sold, Group adjusted EBITDA and Group adjusted EBITDA margin.

A reconciliation between key adjusted and statutory measures, as well as notes on alternative performance measures, is provided in the Chief Financial Officer's review. This also details the impact of exceptional and other adjusted items when comparing to the non-GAAP financial measures in addition to those reported in accordance with IFRS.

Summary of other estimates and judgements

The preparation of the consolidated Group Financial Statements requires management to make judgements, estimates and assumptions in applying the Group's accounting policies to determine the reported amounts of assets, liabilities, income and expenditure. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis, with revisions applied prospectively. Judgements made by the Directors in the application of these accounting policies that have a significant effect on the consolidated Group Financial Statements are discussed below.

Key sources of estimation uncertainty

There are no estimates that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities in the next financial year. Set out below are certain areas of estimation uncertainty in the financial statements. There are also no key judgements other than those related to an area of estimation uncertainty:

Property, plant and equipment and right-of-use asset impairment reviews

Property, plant and equipment and right-of-use assets are assessed for impairment when there is an indication that the assets might be impaired by comparing the carrying value of the assets with their recoverable amounts. The recoverable amount of an asset or a CGU is typically determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates.

The key assumptions in the value-in-use calculations include growth rates of revenue and costs during the five year forecast period, discount rates and the long term growth rate. Following the impairment charge recorded in the year of £5,316,000, the estimation uncertainty associated with the remaining carrying amounts is significantly reduced, and whilst estimation uncertainty remains, this is no longer assessed as being material. As such, reasonably possible changes to the assumptions in the future in four mini-golf and one combined centre would not lead to material adjustments to the carrying values in the next financial year. The remaining carrying amount of property, plant and equipment is £3,156,000 and right-of-use assets is £5,086,000 at these centres. Further information in respect of the Group's property, plant and equipment and right-of-use assets is included in notes 12 and 13 respectively.

Contingent consideration

Non-current other payables includes contingent consideration in respect of the acquisition of Teaquinn Holdings Inc. in FY2022. The additional consideration to be paid is contingent on the future financial performance of Teaquinn Holdings Inc. in FY2025 or FY2026. This is based on a multiple of 9.2x Teaquinn's EBITDA pre-IFRS 16 in the financial period of settlement and is capped at CAD 17m. The contingent consideration has been accounted for as post-acquisition employee remuneration and recognised over the duration of the employment contract to FY2026. The key assumptions include a range of possible outcomes for the value of the contingent consideration based on Teaquinn's forecasted EBITDA pre-IFRS 16 and the year of payment. Further information in respect of the Group's contingent consideration is included in note 15.

Dilapidations provision

A provision is made for future expected dilapidation costs on the opening of leasehold properties not covered by the LTA and is expected to be utilised on lease expiry. This also includes properties covered by the LTA where we may not extend the lease, after consideration of the long-term trading and viability of the centre. Properties covered by the LTA provide security of tenure and we intend to occupy these premises indefinitely until the landlord serves notice that the centre is to be redeveloped. As such, no charge for dilapidations can be imposed and no dilapidation provision is considered necessary as the outflow of economic benefit is not considered to be probable.

Acquisitions

The acquisitions of Lincoln Bowl, Woodlawn Bowl Inc., Lucky 9 Bowling Centre Limited and Stoked Entertainment Centre Limited have been accounted for using the acquisition method under IFRS 3. The identifiable assets, liabilities and contingent liabilities are recognised at their fair value at date of acquisition. Calculating the fair values of net assets, notably the fair values of intangible assets identified as part of the purchase price allocation, involves estimation and consequently the fair value exercise is recorded as another accounting estimate. The amortisation charge is sensitive to the value of the intangible asset values, so a higher or lower fair value calculation would lead to a change in the amortisation charge in the period following acquisition.

3. Segmental reporting

Management consider that the Group consists of two operating segments, as it operates within the UK and Canada. No single customer provides more than ten per cent of the Group's revenue. Within these two operating segments there are multiple revenue streams which consist of the following:

	Before exceptional income UK 30 September 2024 £'000	**Exceptional income UK (note 5) 30 September 2024 £'000**	**Total UK 30 September 2024 £'000**	**Canada 30 September 2024 £'000**	**Total 30 September 2024 £'000**
Bowling	**89,347**	—	**89,347**	**14,370**	**103,717**
Food and drink	**52,316**	—	**52,316**	**7,554**	**59,870**
Amusements	**55,587**	—	**55,587**	**3,691**	**59,278**
Mini-golf	**2,360**	—	**2,360**	**189**	**2,549**
Installation of bowling equipment	—	—	—	**4,456**	**4,456**
Other	**86**	—	**86**	**443**	**529**
	199,696	—	**199,696**	**30,703**	**230,399**

	Before exceptional income UK 30 September 2023 £'000	Exceptional income UK (note 5) 30 September 2023 £'000	Total UK 30 September 2023 £'000	Canada 30 September 2023 £'000	Total 30 September 2023 £'000
Bowling	86,988	192	87,180	9,765	96,945
Food and drink	50,671	—	50,671	5,265	55,936
Amusements	51,938	61	51,999	2,794	54,793
Mini-golf	2,576	—	2,576	128	2,704
Installation of bowling equipment	—	—	—	4,391	4,391
Other	183	—	183	130	313
	192,356	253	192,609	22,473	215,082

The UK operating segment includes the Hollywood Bowl and Putt&Play brands. The Canada operating segment includes the Splitsville and Striker Bowling Solutions brands.

	Year ended 30 September 2024			Year ended 30 September 2023		
	UK £'000	**Canada £'000**	**Total £'000**	UK £'000	Canada £'000	Total £'000
Revenue	**199,696**	**30,703**	**230,399**	192,609	22,473	215,082
Group adjusted EBITDA[1] pre-IFRS 16	**62,308**	**5,441**	**67,749**	60,570	4,485	65,055
Group adjusted EBITDA[1]	**79,715**	**7,872**	**87,587**	76,828	5,903	82,731
Depreciation and amortisation	**23,490**	**3,364**	**26,854**	21,973	1,954	23,927
Impairment of PPE and ROU assets	**5,316**	—	**5,316**	2,210	—	2,210
Loss on property, right-of-use assets, plant and equipment and software disposals	**88**	—	**88**	306	—	306
Exceptional items excluding interest	**(591)**	**2,414**	**1,823**	(89)	2,292	2,203
Operating profit	**51,412**	**2,094**	**53,506**	52,428	1,657	54,085
Finance income	**(1,580)**	**(142)**	**(1,722)**	(1,296)	(144)	(1,440)
Finance expense	**10,425**	**2,045**	**12,470**	9,291	1,154	10.445
Profit before tax	**42,567**	**191**	**42,758**	44,434	646	45,080
Non-current asset additions – Property, plant and equipment	**26,855**	**11,675**	**38,530**	18,844	3,157	22,001
Non-current asset additions – Intangible assets	**946**	—	**946**	1,057	—	1,057
Total assets	**338,654**	**79,177**	**417,831**	341,589	41,917	383,506
Total liabilities	**218,814**	**46,812**	**265,626**	207,798	27,768	235,566

1 Group adjusted EBITDA is defined in note 4.

4. Reconciliation of operating profit to Group adjusted EBITDA

Group adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) reflects the underlying trade of the overall business. It is calculated as operating profit plus depreciation, amortisation, impairment losses, loss on disposal of property, plant and equipment, right-of-use assets and software and exceptional items.

Management use Group adjusted EBITDA as a key performance measure of the business and it is considered by management to be a measure investors look at to reflect the underlying business.

	30 September 2024 £'000	30 September 2023 £'000
Operating profit	**53,506**	54,085
Depreciation of property, plant and equipment (note 11)	**11,167**	10,142

Depreciation of right-of-use assets (note 12)	**14,752**	12,965
Amortisation of intangible assets (note 13)	**935**	820
Impairment of property, plant and equipment (note 11)	**2,808**	1,392
Impairment of right-of-use assets (note 12)	**2,508**	818
Loss on disposal of property, plant and equipment, right-of-use assets and software (notes 11–13)	**88**	306
Exceptional items excluding interest (note 5)	**1,823**	2,203
Group adjusted EBITDA	**87,587**	82,731
Adjustment for IFRS 16	(19,838)	(17,799)
Group adjusted EBITDA pre-IFRS16	**67,749**	64,932

5. Exceptional items

Exceptional items are disclosed separately in the Financial Statements where the Directors consider it necessary to do so to provide further understanding of the financial performance of the Group. They are material items or expenses that have been shown separately due to, in the Directors judgement, their significance, one-off nature or amount:

Exceptional items:	**30 September 2024 £'000**	30 September 2023 £'000
VAT rebate[1]	—	253
Administrative expenses[2]	**(15)**	(2)
Acquisition fees[3]	**(921)**	(700)
Landlord settlement[4]	**607**	—
Contingent consideration[5]	**(1,924)**	(1,979)
Exceptional items before tax	**(2,253)**	(2,428)
Tax charge	**(148)**	(63)
Exceptional items after tax	**(2,401)**	(2,491)

1 During FY2022, HMRC conducted a review of its policy position on the reduced rate of VAT for leisure and hospitality and the extent to which it applies to bowling. Following its review, HMRC accepts that leisure bowling should fall within the scope of the temporary reduced rate of VAT for leisure and hospitality, as a similar activity to those listed in Group 16 of Schedule 7A of the VAT Act 1994. As a result, the Group made a retrospective claim for overpaid output VAT for the period 15 July 2020 to 30 September 2021 relating to package sales totalling £193,000 during FY2023, included within bowling revenue.
In addition, a rebate of £60,000 overpaid VAT on gaming machines for the period 1 January 2003 to 31 December 2005 was received in FY2023.

2 FY2024 relates to expenses associated with the closure of our Surrey Quays centre. FY2023 expenses were associated with the VAT rebate, relating to additional profit share due to landlords, which are included within administrative expenses.

3 Legal and professional fees relating to the acquisition of Lincoln Bowl, Woodlawn Bowl Inc., Lucky 9 Bowling Centre Limited and Stoked Entertainment Centre Limited in the year (note 32) (FY2023: relating to the acquisition of HLD Investments Inc. (operating as YYC Bowling & Entertainment), Mountain View Bowl Inc and Wong and Lewis Investments Inc. (operating as Let's Bowl)).

4 Settlement payment from the landlord resulting from the closure of Hollywood Bowl Surrey Quays.

5 Contingent consideration of £1,494,000 (FY2023: £1,754,000) in administrative expenses and £430,000 (FY2023: £225,000) of interest expense in relation to the acquisition of Teaquinn in May 2022.

6. Expenses and auditor's remuneration

Included in profit from operations are the following:

	30 September 2024 £'000	30 September 2023 £'000
Amortisation of intangible assets	**935**	820
Depreciation of property, plant and equipment	**11,167**	10,142
Depreciation of right-of-use assets	**14,752**	12,965
Impairment of property, plant and equipment	**2,808**	1,633
Impairment reversal of property, plant and equipment	—	(241)
Impairment of right-of-use assets	**2,508**	1,277
Impairment reversal of right-of-use assets	—	(459)
Operating leases	**80**	57
Loss on disposal of property, plant and equipment, right-of-use assets and software	**88**	306
Exceptional items (note 5)	**2,253**	2,428
Loss on foreign exchange	**486**	208
Auditor's remuneration:		
– Fees payable for audit of these Financial Statements	**350**	344
Fees payable for other services:		
– Audit of subsidiaries	**140**	71
– Other non-audit assurance services	**8**	8
	498	423

7. Staff numbers and costs

The average number of employees (including Directors) during the year was as follows:

	30 September 2024	30 September 2023
Directors	**7**	7
Administration	**118**	112
Operations	**2,701**	2,668
Total staff	**2,826**	2,787

The cost of employees (including Directors) during the year was as follows:

	30 September 2024 £'000	30 September 2023 £'000
Wages and salaries	**52,824**	49,988
Social security costs	**4,217**	3,882
Pension costs	**607**	543
Share-based payments	**1,782**	1,204
Total staff cost	**59,430**	55,617

Staff costs included within cost of sales are £45,723,000 (30 September 2023: £40,717,000). The balance of staff costs are recorded within administrative expenses.

Wages and salaries includes £1,494,000 (30 September 2023: £1,754,000) of contingent consideration in relation to the acquisition of Teaquinn in May 2022, which is recorded within exceptional items (note 5).

8. Finance income and expenses

	30 September 2024 £'000	30 September 2023 £'000
Interest on bank deposits	**1,722**	1,440
Finance income	**1,722**	1,440
Interest on bank borrowings	**190**	200
Other interest	**22**	9
Finance costs on lease liabilities	**11,615**	9,808
Unwinding of discount on contingent consideration	**430**	225
Unwinding of discount on provisions	**213**	203
Finance expense	**12,470**	10,445

9. Taxation

	30 September 2024 £'000	30 September 2023 £'000
The tax expense is as follows:		
– UK corporation tax	**8,495**	7,704
– Adjustment in respect of prior years	—	312
– Foreign tax suffered	**1,252**	692
Total current tax	**9,747**	8,708
Deferred tax:		
Origination and reversal of temporary differences	**1,967**	1,996
Effect of changes in tax rates	**(17)**	161
Adjustment in respect of prior years	**1,151**	64
Total deferred tax	**3,101**	2,221
Total tax expense	**12,848**	10,929

Factors affecting current tax charge:

The tax assessed on the profit for the period is different to the standard rate of corporation tax in the UK of 25 per cent (30 September 2023: 22 per cent). The differences are explained below:

	30 September 2024 £'000	30 September 2023 £'000
Profit excluding taxation	**42,758**	45,080
Tax using the UK corporation tax rate of 25% (2023: 22%)	**10,690**	9,918
Change in tax rate on deferred tax balances	**(17)**	154
Non-deductible expenses	**508**	60
Non-deductible acquisition related exceptional costs	**510**	523
Effects of overseas tax rates	**34**	137
Effects of capital allowances super deduction	—	(182)
Share-based payments	**(28)**	(57)
Adjustment in respect of prior years	**1,151**	376
Total tax expense included in profit or loss	**12,848**	10,929

The Group's standard tax rate for the year ended 30 September 2024 was 25 per cent (30 September 2023: 22 per cent).

The UK corporation tax main rate increased from 19 per cent to 25 per cent from 1 April 2023. As such, in the prior year, the rate used to calculate the deferred tax balances increased from a blended rate to 25 per cent.

10. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of Hollywood Bowl Group plc by the weighted average number of shares outstanding during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the years ended 30 September 2024 and 30 September 2023, the Group had potentially dilutive ordinary shares in the form of unvested shares pursuant to LTIPs and SAYE schemes .

	30 September 2024	30 September 2023
Basic and diluted		
Profit for the year after tax (£'000)	**29,910**	34,151
Basic weighted average number of shares in issue for the period (number)	**171,647,892**	171,468,034
Adjustment for share awards	**1,154,221**	833,880
Diluted weighted average number of shares	**172,802,113**	172,301,914
Basic earnings per share (pence)	**17.42**	19.92
Diluted earnings per share (pence)	**17.31**	19.82

11. Property, plant and equipment

	Freehold property £'000	Long leasehold property £'000	Short leasehold improvements £'000	Lanes and pins on strings £'000	Plant and machinery, fixtures and fittings £'000	Total £'000
Cost						
At 1 October 2022	7,406	1,240	38,686	18,050	50,518	115,900
Additions	—	—	11,554	4,269	6,178	22,001
Acquisition (note 20)	—	—	77	74	46	197
Disposals	—	—	(451)	(222)	(1,840)	(2,513)
Effects of movement in foreign exchange	(517)	—	(102)	(8)	(34)	(661)
At 30 September 2023	6,889	1,240	49,764	22,163	54,868	134,924
Additions	—	—	23,723	3,900	10,907	38,530
Acquisition (note 20)	—	—	189	448	545	1,182
Disposals	—	—	(846)	(648)	(2,343)	(3,837)
Transfer to right-of-use assets[1]	—	(1,240)	—	—	—	(1,240)
Effects of movement in foreign exchange	(615)	—	(249)	(170)	(141)	(1,175)
At 30 September 2024	**6,274**	—	**72,581**	**25,693**	**63,836**	**168,384**
Accumulated depreciation						
At 1 October 2022	24	388	18,857	4,534	23,456	47,259
Depreciation charge	63	29	3,399	740	5,911	10,142
Impairment charge	—	—	—	—	1,633	1,633
Impairment reversal	—	—	—	—	(241)	(241)
Disposals	—	—	(436)	(162)	(1,548)	(2,146)
Effects of movement in foreign exchange	(1)	—	(1)	—	—	(2)
At 30 September 2023	86	417	21,819	5,112	29,211	56,645
Depreciation charge	64	—	3,810	932	6,361	11,167
Impairment charge	—	—	1,605	—	1,203	2,808
Disposals	—	—	(834)	(589)	(2,245)	(3,668)
Transfer to right-of-use assets[1]	—	(417)	—	—	—	(417)
Effects of movement in foreign exchange	(10)	—	(27)	(22)	(28)	(87)
At 30 September 2024	**140**	—	**26,373**	**5,433**	**34,502**	**66,448**
Net book value						
At 30 September 2024	**6,134**	—	**46,208**	**20,260**	**29,334**	**101,936**
At 30 September 2023	6,803	823	27,945	17,051	25,657	78,279

1 During the year, management reviewed the classification of long leasehold property. Subsequently, the long leasehold property previously classified as property, plant and equipment has been reclassified as right-of-use assets (see note 12).

Short leasehold property includes £7,721,000 (30 September 2023: £845,000) of assets in the course of construction, relating to the development of new centres.

Impairment

Impairment testing is carried out at the CGU level on an annual basis at the balance sheet date, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. 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.

An initial impairment test was performed on all eighty five centres assessing for indicators of impairment. A detailed impairment test based on a base case was then performed on twelve centres, where the excess of value-in-use over the carrying value calculation was sensitive to changes in the key assumptions.

Property, plant and equipment and right-of-use assets for twelve centres have been tested for impairment by comparing the carrying value of each CGU with its recoverable amount determined from value-in-use calculations using cash flow projections based on financial budgets approved by the Board covering a five-year period.

The key assumptions used in the value-in-use calculations are revenue growth, cost inflation during the five year forecast period, the long term growth rate and discount rate assumptions. The key risks to those assumptions are the potential adverse variations in the economic environment leading to a deterioration in trading conditions and performance during FY2025 and FY2026. Cash flows beyond this two-year period are included in the Board-approved five-year plan and assume a recovery in the economy and the performance of our centres. The other assumptions used in the value-in-use calculations were:

	2024	2023
Revenue growth rate (within five years) - UK & Canada	**3.0%**	3.5%
Cost inflation (within five years) - UK	**3.2%**	3.1%
Cost inflation (within five years) - Canada	**3.7%**	—
Discount rate (pre-tax) - UK	**12.4%**	12.7%
Discount rate (pre-tax) - Canada	**10.6%**	—
Growth rate (beyond five years) - UK and Canada	**2.5%**	2.5%

Discount rates reflect current market assessments of the time value of money and the risks specific to the industry. This is the benchmark used by management to assess operating performance and to evaluate future capital investment proposals. These discount rates are derived from the weighted average cost of capital for the UK and Canada. Changes in the discount rates over the years are calculated with reference to latest market assumptions for the risk-free rate, equity risk premium and the cost of debt.

Detailed impairment testing, due to the financial performance of certain centres, resulted in the recognition of an impairment charge in the year of £2,808,000 (FY2023: £1,633,000) against property, plant and equipment assets and £2,508,000 (FY2023: £1,277,000) against right-of-use assets for four (FY2023: three) mini-golf centres and one combined centre (FY2023: none) (note 12), which form part of the UK operating segment. The impairment charge in the prior year was reduced by the reversal of an impairment charge of £241,000 against property, plant and equipment assets and £459,000 against right-of-use assets for one combined centre. Following the recognition of the impairment charge, the carrying value of property, plant and equipment is £3,156,000 (30 September 2023: £6,487,000) and right-of-use assets is £5,086,000 (30 September 2023: £8,125,000) for these four (FY2023: three) UK mini-golf centres and one combined centre (FY2023: none) (note 12).

Sensitivity to changes in assumptions

The estimate of the recoverable amounts for seven centres affords reasonable headroom over the carrying value of the property, plant and equipment and right-of-use asset, and an impairment charge of £5,316,000 (30 September 2023: £2,910,000) for five centres under the base case. Management have sensitised the key assumptions in the impairment tests of these twelve centres under the base case.

A reduction in revenue of three and four percentage points down on the base case for FY2025 and FY2026 respectively and a one percentage point increase in operating costs on the base case for FY2025 and FY2026 to reflect higher inflation, would not cause the carrying value to exceed its recoverable amount for seven centres, which include both bowling and mini-golf centres. Therefore, management believe that any reasonable possible changes in the key assumptions would not result in an impairment charge for these seven centres. However, a further impairment of £515,000 would arise under this sensitised case in relation to three centres where we have already recognised an impairment charge in the year.

12. Leases

Group as a lessee

The Group has lease contracts for property and amusement machines used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group is restricted from assigning and subleasing the leased assets. There are eight (FY2023: nine) lease contracts that include variable lease payments in the form of revenue-based rent top-ups. The Group also has certain leases of equipment with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

Right-of-use assets	Property £'000	Amusement machines £'000	Total £'000
Cost			
At 1 October 2022	174,260	11,239	185,499
Lease additions	2,452	5,522	7,974
Acquisition (note 20)	4,911	—	4,911
Lease surrenders	—	(1,071)	(1,071)
Lease modifications	5,418	—	5,418
Effects of movement in foreign exchange	(1,070)	—	(1,070)
At 30 September 2023	**185,971**	**15,690**	**201,661**
Lease additions	13,405	5,029	18,434
Acquisition (note 20)	17,641	—	17,641
Lease surrenders	—	(1,391)	(1,391)
Lease modifications	4,890	—	4,890
Transfer from property, plant and equipment[1]	1,240	—	1,240
Effects of movement in foreign exchange	(2,338)	—	(2,338)
At 30 September 2024	**220,809**	**19,328**	**240,137**
Accumulated depreciation			
At 1 October 2022	31,264	6,780	38,044
Depreciation charge	10,464	2,501	12,965
Impairment charge	1,277	—	1,277
Impairment reversal	(459)	—	(459)
Lease surrenders	—	(977)	(977)
At 30 September 2023	**42,546**	**8,304**	**50,850**

Depreciation charge	11,577	3,175	14,752
Impairment charge	2,508	—	2,508
Transfer from property, plant and equipment[1]	417	—	417
Lease surrenders	—	(1,157)	(1,157)
At 30 September 2024	**57,048**	**10,322**	**67,370**
Net book value			
At 30 September 2024	**163,761**	**9,006**	**172,767**
At 30 September 2023	143,425	7,386	150,811

1 During the year, management reviewed the classification of long leasehold property. Subsequently, the long leasehold property previously classified as property, plant and equipment has been reclassified as right-of-use assets (see note 11).

Set out below are the carrying amounts of lease liabilities and the movements during the year:

Lease liabilities	Property £'000	Amusement machines £'000	Total £'000
At 1 October 2022	182,550	5,819	188,369
Lease additions	2,452	5,522	7,974
Acquisition (note 20)	4,911	—	4,911
Accretion of interest	9,568	240	9,808
Lease modifications	5,418	—	5,418
Lease surrenders	—	(145)	(145)
Payments[1]	(17,882)	(3,167)	(21,049)
Effects of movement in foreign exchange	(1,081)	—	(1,081)
At 30 September 2023	185,936	8,269	194,205
Lease additions	13,405	5,029	18,434
Acquisition (note 20)	15,641	—	15,641
Accretion of interest	11,144	471	11,615
Lease modifications	4,890	—	4,890
Lease surrenders	—	(322)	(322)
Payments[1]	(19,962)	(3,805)	(23,767)
Effects of movement in foreign exchange	(2,454)	—	(2,454)
At 30 September 2024	**208,600**	**9,642**	**218,242**
Current	10,349	3,882	14,231
Non-current	198,251	5,760	204,011
At 30 September 2024	**208,600**	**9,642**	**218,242**
Current	9,304	3,249	12,553
Non-current	176,632	5,020	181,652
At 30 September 2023	185,936	8,269	194,205

1 In FY2024, £153,000 (FY2023: £179,000) of rent payments were part of the working capital movements in the year.

The following are the amounts recognised in profit or loss:

	2024 £'000	2023 £'000
Depreciation expense of right-of-use assets	**14,752**	12,965
Impairment charge of right-of-use assets	**2,508**	818
Interest expense on lease liabilities	**11,615**	9,808
Expense relating to leases of low-value assets (included in administrative expenses)	**80**	57
Variable lease payments (included in administrative expenses)	**1,285**	824
Total amount recognised in profit or loss	**30,240**	24,472

The Group has contingent lease contracts for eight (FY2023: nine) sites. There is a revenue-based rent top-up on these sites. Variable lease payments include revenue-based rent top-ups at eight (FY2023: eight) centres totalling £897,000 (FY2023: £619,000). It is anticipated that top-ups totalling £1,374,000 will be payable in the year to 30 September 2025 based on current expectations.

Impairment testing is carried out as outlined in note 11. Detailed impairment testing resulted in the recognition of an impairment charge in the year of £2,508,000 (FY2023: £1,277,000) against right-of-use assets for four UK mini-golf centres and one combined centre (FY2023: three UK mini-golf centres). The impairment charge in the prior year was reduced by the reversal of an impairment charge of £459,000 against right-of-use assets for one combined centre.

13. Goodwill and intangible assets

	Goodwill £'000	Brands[1] £'000	Trademark[2] £'000	Customer relationships £'000	Software £'000	Total £'000
Cost						
At 1 October 2022	75,194	7,248	798	314	2,220	85,774
Additions	—	—	—	—	1,057	1,057
Acquisition (note 20)	6,865	—	—	503	—	7,368
Effects of movement in foreign exchange	(11)	—	—	(12)	—	(23)
At 30 September 2023	82,048	7,248	798	805	3,277	94,176
Additions	—	—	—	—	946	946

Acquisition (note 20)	10,668	—	—	306	—	10,974
Disposals	—	—	—		(1,320)	(1,320)
Effects of movement in foreign exchange	(3)	(19)	—	(6)	—	(28)
At 30 September 2024	**92,713**	**7,229**	**798**	**1,105**	**2,903**	**104,748**
Accumulated amortisation						
At 1 October 2022	—	1,523	416	8	2,033	3,980
Amortisation charge	—	568	50	45	157	820
At 30 September 2023	—	2,091	466	53	2,190	4,800
Amortisation charge	—	568	50	73	244	935
Disposals	—	—	—	—	(1,313)	(1,313)
Effects of movement in foreign exchange	—	3	—	—	—	3
At 30 September 2024	—	**2,662**	**516**	**126**	**1,121**	**4,425**
Net book value						
At 30 September 2024	**92,713**	**4,567**	**282**	**979**	**1,782**	**100,323**
At 30 September 2023	82,048	5,157	332	752	1,087	89,376

1 This relates to the Hollywood Bowl, Splitsville and Striker Bowling Solutions brands.
2 This relates to the Hollywood Bowl trademark only.

The components of goodwill comprise the following businesses:

	30 September 2024	30 September 2023
UK	**77,174**	75,034
Canada	**15,539**	7,014
	92,713	82,048

At the acquisition date, goodwill is allocated to each group of CGUs expected to benefit from the combination.

Impairment testing is carried out at the 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 UK and Canada are each considered to be a CGU, for the purposes of goodwill impairment testing. The goodwill acquisition in the year relates to the UK acquisition of Lincoln Bowl, and the three centres acquired in Canada (note 20). The four centres are each considered a CGU but have been allocated to either the UK or Canada group of CGU for the purpose of goodwill impairment testing. These CGUs form part of the UK and Canada operating segments respectively.

The recoverable amount of each of the CGUs is determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by the Board covering a five-year period. Cash flows beyond this period are extrapolated using the estimated growth rates stated in the key assumptions. The key assumptions are disclosed in note 11.

Sensitivity to changes in assumptions

Management believe that any reasonable change in the key assumptions would not result in an impairment charge of the goodwill. The goodwill on the acquisitions in the year is included in note 20.

14. Trade and other receivables

	30 September 2024 £'000	30 September 2023 £'000
Trade receivables	**1,537**	2,356
Other receivables	**95**	129
Prepayments	**7,788**	5,631
	9,420	8,116

Trade receivables have an ECL against them that is immaterial. There were no overdue receivables at the end of either year.

15. Trade and other payables

	30 September 2024 £'000	30 September 2023 £'000
Current		
Trade payables	**5,494**	7,025
Other payables	**3,658**	1,366
Accruals and deferred income	**16,162**	15,421
Taxation and social security	**5,113**	5,297
Total trade and other payables	**30,427**	29,109

	30 September 2024 £'000	30 September 2023 £'000

Non-current		
Other payables	**7,116**	5,208

Accruals and deferred income includes a staff bonus accrual of £3,950,000 (30 September 2023: £4,955,000). Deferred income includes £983,000 (30 September 2023: £801,000) of customer deposits received in advance and £2,628,000 (30 September 2023: £1,870,000) relating to bowling equipment installations, all of which will be recognised in the income statement during the following financial year.

Non-current other payables includes £3,928,000 (30 September 2023: £2,359,000) of contingent consideration and £1,759,000 (30 September 2023: £1,862,000) of deferred consideration in respect of the acquisition of Teaquinn Holdings Inc. The additional consideration to be paid is contingent on the future financial performance of Teaquinn Holdings Inc. in FY2025 or FY2026. This is based on a multiple of 9.2x Teaquinn's EBITDA pre-IFRS 16 in the financial period of settlement and is capped at CAD 17m. The contingent consideration has been accounted for as post-acquisition employee remuneration in accordance with IFRS 3 paragraph B55 and recognised over the duration of the employment contract to FY2026. The present value of the contingent consideration has been discounted using a WACC of 13 per cent. There is a range of possible outcomes for the value of the contingent consideration based on Teaquinn's forecasted EBITDA pre-IFRS 16 and the year of payment. This ranges from a payment (undiscounted) in FY2025 of £6,534,000 (undiscounted) to a payment in FY2026 of £9,146,000 (undiscounted), using the FY2024 year-end exchange rate. The fair value of the contingent consideration will be re-assessed at every financial reporting date, with changes recognised in the income statement. In FY2024, this re-assessment resulted in a reduction in the charge of £261,000 based on the current expectation of the final consideration payment, which has been recognised in exceptional administrative expenses.

16. Loans and borrowings

On 29 September 2021, the Group entered into a £25m revolving credit facility (RCF) with Barclays Bank plc. The RCF had an original termination date of 31 December 2024. On 22 March 2024, the RCF had the termination date extended to 31 December 2025.

Interest is charged on any drawn balance based on the reference rate (SONIA), plus a margin of 1.65 per cent (30 September 2023: 1.75 per cent).

A commitment fee equal to 35 per cent of the drawn margin is payable on the undrawn facility balance. The commitment fee rate as at 30 September 2024 was therefore 0.5775 per cent (30 September 2023: 0.6125 per cent).

Issue costs of £135,000 were paid to Barclays Bank plc on commencement of the RCF and a further £35,000 on extension of the RCF. These costs are being amortised over the term of the facility and are included within prepayments (note 14).

The terms of the Barclays Bank plc facility include a Group financial covenants that each quarter the ratio of total net debt to Group adjusted EBITDA pre-IFRS 16 shall not exceed 1.75:1.

The Group operated within the covenant during the year and the previous year.

17. Deferred tax assets and liabilities

	30 September 2024 £'000	30 September 2023 £'000
Deferred tax assets and liabilities		
Deferred tax assets – UK	**5,934**	6,500
Deferred tax assets – Canada	**518**	244
Deferred tax liabilities – UK	**(7,247)**	(5,191)
Deferred tax liabilities – Canada	**(2,680)**	(2,204)
	(3,475)	(651)

	30 September 2024 £'000	30 September 2023 £'000
Reconciliation of deferred tax balances		
Balance at the beginning of the year	**(651)**	1,647
Deferred tax credit for the year – in profit or loss	**(1,950)**	(2,157)
Deferred tax credit for the year – in equity	**101**	8
On acquisition	**(20)**	(148)
Effects of changes in tax rates	**(17)**	—
Effects of foreign exchange	**213**	63
Adjustment in respect of prior years	**(1,151)**	(64)
Balance at the end of the year	**(3,475)**	(651)

The components of deferred tax are:

	30 September 2024 £'000	30 September 2023 £'000
Deferred tax assets		
Fixed assets	**5,192**	6,080
Trading losses	**29**	15
Other temporary differences	**895**	649
	6,116	6,744
Deferred tax liabilities		
Property, plant and equipment	**(8,205)**	(5,857)

Intangible assets	**(1,386)**	(1,538)
	(9,591)	(7,395)

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the periods when the assets are realised or liabilities settled, based on tax rates enacted or substantively enacted at 30 September 2024.

18. Related party transactions

30 September 2024 and 30 September 2023

During the year, and the previous year, there were no transactions with related parties.

19. Dividends paid and proposed

	30 September 2024 £'000	30 September 2023 £'000
The following dividends were declared and paid by the Group:		
Final dividend year ended 30 September 2022 – 8.53 pence per ordinary share	—	14,592
Special dividend year ended 30 September 2022 – 3.00 pence per ordinary share	—	5,132
Interim dividend year ended 30 September 2023 – 3.27 pence per ordinary share	—	5,614
Final dividend year ended 30 September 2023 – 8.54 pence per ordinary share	**14,664**	—
Special dividend year ended 30 September 2023 – 2.73 pence per ordinary share	**4,688**	—
Interim dividend year ended 30 September 2024 – 3.98 pence per ordinary share	**6,828**	—
Proposed for the approval by shareholders at AGM (not recognised as a liability at 30 September 2024):		
Final dividend year ended 30 September 2024 – 8.08 pence per ordinary share (2023: 8.54 pence)	**13,904**	14,664
Special dividend year ended 30 September 2024 – nil pence per ordinary share (2023: 2.73 pence)	—	4,688

20. Acquisition of Lincoln Bowl, Woodlawn Bowl Inc., Lucky 9 Bowling Centre Limited and Stoked Entertainment Centre Limited

On 2 October 2023, the Group purchased the assets, including the long leasehold, of Lincoln Bowl. On 7 November 2023 the Group acquired Woodlawn Bowl Inc. in Guelph, Ontario, on 11 November 2023, the assets and lease of Lucky 9 Bowling Centre Limited as well as its associated restaurant and bar, Monkey 9 Brewing Pub Corp in Richmond, British Columbia, and on 24 June 2024 the Group acquired Stoked Entertainment Centre Limited in Saskatoon, Saskatchewan. All four businesses are operators of ten-pin bowling centres. Stoked Entertainment Centre Limited also operates indoor go-karts and high ropes. The purpose of the acquisitions was to grow the Group's core ten-pin bowling business in their respective regions.

The results of Lincoln Bowl, Woodlawn Bowl Inc., Lucky 9 Bowling Centre Limited and Stoked Entertainment Centre Limited are consolidated into the Group financial statements from the respective dates of acquisition, being 2 October 2023, 7 November 2023, 11 November 2023 and 24 June 2024.

Since acquisition, Woodlawn Bowl Inc. has been dissolved and amalgamated into Xtreme Bowling Entertainment Corporation.

The details of the business combinations are as follows (stated at acquisition date fair values):

	Lincoln Bowl £'000	Woodlawn Bowl Inc. £'000	Lucky 9 Bowling Limited £'000	Stoked Entertainment Centre Limited £'000	Total £'000
Fair value of consideration transferred					
Amount settled in cash	4,474	2,784	277	6,222	13,757
Recognised amounts of identifiable net assets					
Property, plant and equipment	100	289	228	565	1,182
Right-of-use assets	2,000	1,426	4,255	9,960	17,641
Intangible assets	135	171	—	—	306
Inventories	8	21	27	103	159
Trade and other receivables	91	42	22	7	162
Cash and cash equivalents	10	10	—	58	78
Trade and other payables	(10)	(62)	—	(583)	(655)
Lease liabilities	—	(1,426)	(4,255)	(9,960)	(15,641)
Deferred tax liabilities	—	(54)	—	(89)	(143)
Identifiable net assets	2,334	417	277	61	3,089
Goodwill arising on acquisition	2,140	2,367	—	6,161	10,668
Consideration for equity settled in cash	4,474	2,784	277	6,222	13,757
Cash and cash equivalents acquired	(10)	(10)	—	(58)	(78)
Net cash outflow on acquisition	4,464	2,774	277	6,164	13,679
Acquisition costs paid charged to expenses					921
Net cash paid in relation to the acquisitions					14,600

Acquisition related costs of £921,000 are not included as part of the consideration transferred and have been recognised as an expense in the consolidated income statement within administrative expenses.

The fair value of the identifiable intangible assets acquired includes £306,000 in relation to customer relationships. The customer relationships have been valued using the multi-period excess earnings method.

The fair value of right-of-use assets and lease liabilities were measured as the present value of the remaining lease payments, in accordance with IFRS 16.

The fair value and gross contractual amounts receivable of trade and other receivables acquired as part of the business combination amounted to £162,000. At the acquisition date the Group's best estimate of the contractual cash flows expected not to be collected amounted to £nil.

Goodwill amounting to £10,668,000 was recognised on acquisition (note 13). The goodwill relates to the locations of the bowling centres acquired, the expected commercial opportunities of an enhanced leisure offering in an underserved market and the expected synergies from combining the four centres into the Hollywood Bowl Group.

In the period since acquisition to 30 September 2024, the Group recognised £6,967,000 of revenue and £1,503,000 of profit before tax in relation to the acquired businesses. Had the acquisitions occurred on 1 October 2023, the contribution to the Group's revenue would have been £11,513,000 and the contribution to the Group's profit before tax for the period would have been £2,478,000.

Risk management

Our approach to risk

The Board and senior management take their responsibility for risk management and internal controls very seriously, and for reviewing their effectiveness at least bi-annually. An effective risk management process balances the risks and rewards as well as being dependent on the judgement of the likelihood and impact of the risk involved. The Board has overall responsibility for ensuring there is an effective risk management process in place and to provide reasonable assurance that it is fully understood and managed.

When we look at risk, we specifically consider the effects it could have on our business model, our culture and therefore our ability to deliver our long-term strategic purpose.

We consider both short and long-term risks and split them into the following groups: financial, social, operational, technical, governance and environmental risks.

Risk appetite

This describes the amount of risk we are willing to tolerate as a business. We have a higher appetite for risks accompanying a clear opportunity to deliver on the strategy of the business.

We have a low appetite for, and tolerance of, risks that have a downside only, particularly when they could adversely impact health and safety or our values, culture or business model.

Our risk management process

The Board is ultimately responsible for ensuring that a robust risk management process is in place and that it is being adhered to. The main steps in this process are:

Department heads

Each functional area of the Group maintains an operational risk register, where senior management identifies and documents the risks that their department faces in the short term, as well as the longer term. A review of these risks is undertaken on at least a bi-annual basis to compile the department risk register. They consider the impact each risk could have on the department and overall business, as well as the mitigating controls in place. They assess the likelihood and impact of each risk.

The Executive team

The Executive team reviews each departmental risk register. Any risks which are deemed to have a level above our appetite are added to/retained on the Group risk register (GRR) which provides an overview of such risks and how they are being managed. The GRR also includes any risks the Executive team is managing at a Group level. The Executive team determines mitigation plans for review by the Board.

The Board

The Board challenges and agrees the Group's key risks, appetite and mitigation actions at least twice yearly and uses its findings to finalise the Group's principal risks. The principal and emerging risks are taken into account in the Board's consideration of long-term viability as outlined in the Viability statement.

Risk management activities

Risks are identified through operational reviews by senior management; internal audits; control environments; our whistleblowing helpline; and independent project analysis.

The internal audit team provides independent assessment of the operation and effectiveness of the risk framework and process in centres, including the effectiveness of the controls, reporting of risks and reliability of checks by management.

We continually review the organisation's risk profile to verify that current and emerging risks have been identified and considered by each head of department.

Each risk has been scaled as shown on the risk heat map.

Principal risks

The Board has identified 11 principal risks. These are the risks which we believe to be the most material to our business model, which could adversely affect the revenue, profit, cash flow and assets of the Group and operations, which may prevent the Group from achieving its strategic objectives.

We acknowledge that risks and uncertainties of which we are unaware, or which we currently believe are immaterial, may have an adverse effect on the Group.

Financial risks

1. Economic environment

Risk and impact	***Mitigating factors***
• Change in economic conditions, in particular a recession, as well as inflationary pressures from the wars in Ukraine and the Middle East. Macroeconomic growth in the UK and Canada is low and could turn into a recession. • Adverse economic conditions, including but not limited to, increases in interest rates/inflation may affect Group results. • With an abundance of empty retail units across the UK, this provides opportunities for less focused operators to open new locations in Hollywood Bowl markets which impacts on the revenue of its centres. • A decline in spend on discretionary leisure activity could negatively affect all financial as well as non-financial KPIs.	• There is still a risk of a contraction on disposable income levels, impacting consumer confidence and discretionary income. The Group has low customer frequency per annum and also the lowest price per game of the branded operators in the UK. Therefore, whilst it would suffer in such a recession, the Board is comfortable that the majority of centre locations are based in high-footfall locations which should better withstand a recessionary decline. • The impacts of the UK Government's Budget national insurance and living wage increases have been considered and factored into the Group's financial planning. • Continued focus on value for money as well as appealing to all demographics. • Along with appropriate financial modelling and available liquidity, a focus on opening new centres and acquiring sites in high-quality locations only with appropriate property costs, as well as capital contributions, remains key to the Group's new centre-opening strategy. • Electricity prices are hedged in the UK until September 2027. Plans are developed to mitigate many cost increases, as well as a flexible labour model, if required, in an economic downturn. • The new customer booking system will provide more detailed customer data and trends which should allow for further enhancement of offers in both the UK and Canada.

2. Covenant breach

Risk and impact	***Mitigating factors***
• The banking facility, with Barclays Plc, has quarterly leverage covenant tests which are set at a level the Group is comfortably forecasting to be within. • Covenant breach could result in a review of banking arrangements and potential liquidity issues.	• Financial resilience has always been central to our decision making and will remain key for the foreseeable future. • The current RCF is £25m, margin of 165ps above SONIA as well as an accordion of £5m. The facility is currently undrawn, which under the agreement, results in a cost of less than £200k per annum. • Net cash position was £28.7m at the end of September 2024. • Appropriate financial modelling has been undertaken to support the assessment of the business as a going concern. The Group has headroom on the current facility with leverage cover within its covenant levels, as shown in the monthly Board packs. We prepare short-term and long-term cash flow, Group adjusted EBITDA (pre-IFRS 16) and covenant forecasts to ensure risks are identified early. Tight controls exist over the approval for capital expenditure and expenses. • The Directors consider that the combination of events required to lower the profitability of the Group to the point of breaching bank covenants is unlikely.

3. Expansion and growth

Risk and impact	***Mitigating factors***
• Competitive environment for new centres results in less new Group centre openings. • New competitive socialising concepts could appear more attractive to landlords. • Higher rents offered by short-term private groups. • Given the success of Hollywood Bowl, other operators are prepared to enter its markets for a slice of the demographic, in less desirable locations, but still splits the revenue opportunity.	• The Group uses multiple agents to seek out opportunities across the UK and Canada. • Keep future opportunities confidential until launch and continue with non-compete clauses where appropriate. • Strong financial covenant provides forward-looking landlords with both value and future letting opportunities. • Continued focus with landlords on initial investment, innovation, as well as refurbishment and maintenance capital. • Attended key property conferences in the UK and Canada, with positive feedback and a number of opportunities in negotiation. • Demographic modelling to be enhanced with new customer reservation data as becomes available, to ensure as up to date as possible.

Operational risks

4. Core systems

Risk and impact	***Mitigating factors***
• Failure in the stability or availability of information through IT systems could affect Group business and operations. • Technical or business failure in a critical IT partner could impact the operations of IT systems. • Customers not being able to book through the website is a bigger risk given the higher proportion of online bookings compared to prior years. • Inaccuracy of data could lead to incorrect business decisions being made.	• All core UK systems are operated in Microsoft 365 & Azure with external back-up to immutable storage in an independent security domain. • Microsoft Azure and Amazon AWS are robust organisations with the highest levels of security, compliance and resilience guarantees, as is our chosen payment services provider. • Our Compass reservations system is deployed to the whole UK estate and in trial in Canada. This system has been built in house and has improved performance, resilience and future development flexibility. The system is hosted in Azure. • The CRM/CMS and CDP system is hosted by a third party utilising cloud infrastructure with data recovery contingency in place. • Our core Canadian systems are continuing to evolve to towards parity in with UK systems. • All Group technology changes which affect core systems are subject to authorisation and change control procedures with steering groups in place for key projects.

5. Food and drink suppliers

Risk and impact	***Mitigating factors***
• Operational business failures from key suppliers. • Unable to provide customers with a full experience. • The cost of food and drink for resale increase due to changes in demand, legislation or production costs, leading to decreased profits.	• The Group has key food and drink suppliers under contract with tight service level agreements (SLAs). Alternative suppliers that know our business could be introduced, if needed, at short notice. UK centres hold between 14 and 21 days of food and drink product. Canadian centres hold marginally more food and drink stock due to their supplier base and potential for missed deliveries. • Regular reviews and updates are held with external partners to identify any perceived allergen risks and their resolutions. A policy is in place to ensure the safe procurement of food and drink within allergen controls. • Regular reviews of food and drink menus are also undertaken to ensure appropriate stockturn and profitability. • Key food and drink contracts have cost increase limits negotiated into them and full contract. • Splitsville uses Xtreme Hospitality (XH), a group buying company, and Molson Coors, to align itself with tier one suppliers in all service categories including food and drink. If XH is unable to provide a service or product, Splitsville is able to source directly itself.

6. Amusement supplier

Risk and impact	***Mitigating factors***
• Any disruption which affects Group relationship with amusement suppliers. • Customers would be unable to utilise a core offer in the centres. • Any internal failure of data cabling or wifi could impact on the customer and their ability to play unhindered. This is most notable in Canada where it is a “non-cash” playcard system.	• Namco is a long-term partner that has a strong UK presence and supports the Group with trials, initiatives and discovery visits. • In the UK, regular key supplier meetings are held between Hollywood Bowl’s Head of Amusements and Namco. There are half-yearly meetings between the CEO, CFO and the Namco UK leadership team. • Namco also has strong liquidity which should allow for a continued relationship during or post any consumer recession. • Appointment of a Head of Amusements in Canada in late FY2024 to ensure a focus and accountability for a growing part of the business in Canada. • The Canadian supplier is Player 1. • New connectivity has been rolled out to all centres in Canada in the past financial year and this will continue to be tested on a frequent basis.

7. Management retention and recruitment

Risk and impact	***Mitigating factors***
• Loss of key personnel – centre managers. • Lack of direction at centre level with effect on customer experience. • More difficult to execute business plans and strategy,	• The Group runs Centre Manager In Training (CMIT) and Assistant Manager In Training (AMIT) programmes annually in the UK, which identify centre talent and develop team members ready for these roles. Centre managers in training run centres, with assistance from their regional support manager as well as experienced centre managers from across the region, when a vacancy needs to be filled at short notice. The AMIT programme was also run in Canada in FY2024 and the CMIT is being launched in FY2025.

impacting on revenue and profitability. • Increase in Team Member absence impacting on operational delivery. • Impact of employment law changes.	• The bonus schemes are reviewed each financial year in the UK and Canada, to ensure they are still a strong recruitment and retention tool. • The hourly bonus scheme has paid out to over 60 per cent of the UK team in each month in FY2024. • Increased the People Partner support in the UK in FY2024 to provide further support to our centres improving engagement and retention. Also recruiting in Canada to double the headcount in this areas.

8. Food safety	
Risk and impact	***Mitigating factors***
• Major food incident including allergen or fresh food issues. • Loss of trade and reputation, potential closure and litigation.	• Food and drink audits are undertaken in all centres based upon learnings of prior year and food incidents seen in other companies. • UK – allergen awareness is part of our team member training matrix which needs be completed before team members can take food or drink orders. Information is regularly updated and remains a focus for the centres. This was enhanced further in the latest menu, along with an online allergens list which is available for all customers. A primary local authority partnership is in place with South Gloucestershire covering health and safety, as well as food safety. • In conjunction with the supply chain risk the Allergen Control Policy has been reviewed and updated (August 2024). • All food menus in the UK have an allergen disclaimer as well as QR code, linking the customer to up-to-date allergen content for each product, updated through the 'Nutritics' system. • Canada – all food menus have an allergen disclaimer. Allergen checks are undertaken with all customers when they order and are also audited as part of the Food and Drink audits.

Technical risks

9. Cyber security and GDPR	
Risk and impact	***Mitigating factors***
• Risk of cyber-attack/terrorism could impact the Group's ability to keep trading and prevent customers from booking online. • Non-accreditation can lead to the acquiring bank removing transaction processing. • Data protection or GDPR breach. Theft of customer email addresses, staff emails and other personal information – all of which can impact on brand reputation in the case of a breach.	• The area is a key focus for the Group and it adopts a multi-faceted approach to protecting its IT networks through protected firewalls and secure two-factor authentication passwords, as well as the frequent running of vulnerability scans to ensure the integrity of the firewalls. • An external Security Operations Centre is in place to provide 24/7/365 monitoring and actioning of cyber security alerts and incidents. We have additional retained services via our Cyber Insurers and Broker to work with the Group on a priority basis to provide proactive incident response services should a breach occur. As noted below, full integration of Canada into the SOC is planned. • Advancements in the internal IT infrastructure have resulted in a more secure way of working. By leveraging Microsoft technologies such as AI threat intelligence and NCSC recommended baselines, our overall IT estate utilises widely accepted security solutions and configurations. The Group website is hosted in Amazon Web Services which enforces a high level of physical security to safeguard its data centres, with military grade perimeter controls. • The website and booking site are protected by Cloudflare WAF with DDoS (Distributed Denial of Service) protection. • We have achieved PCI compliance across our payment channels, with robust controls in place externally audited and verified through the submission of the annual PCI Report on Compliance (ROC) to both the PCI Council and our acquiring bank. We maintain compliance through a rigorous, ongoing program of continuous improvement and continuous development to address new and emerging risks. • Canadian systems, including identities, applications and devices will move towards a managed state in FY2025, in line with UK operations for centralised control, including full integration with the UK 24/7 SOC (Security). • Cyber Essentials Plus certification achieved, verifying controls such as secure access and vulnerability management. • A Data Protection Officer has been in position for several years in the UK and we have a newly appointed Head of IT Security and Compliance who oversees our strategy, applications and activity in this area with periodic updates given to the Board. • GDPR controls and documentation have been externally assessed and validated assuring us of no areas of non-compliance. • Broad cyber insurance coverage policy is in place which extends cover for Canadian systems.

Regulatory risk

10. Compliance	
Risk and impact	***Mitigating factors***
• Failure to adhere to regulatory requirements such as listing rules, taxation, health and safety, planning regulations and other laws. • Potential financial penalties and reputational damage.	• Expert opinion is sought where relevant. We run regular training and development for appropriately qualified staff. • The Board has oversight of the management of regulatory risk and ensures that each member of the Board is aware of their responsibilities. • Compliance documentation for centres to complete for health and safety, and food safety, are updated and circulated twice per year. Adherence to Company/legal standards is audited by the internal audit team.

11. Climate change	
Risk and impact	***Mitigating factors***
• Utility non-commodity cost increases. • Business interruption and damage to assets. • Cost of transitioning operations to net zero. • Increased environmental legislation.	• Significant progress already made with UK solar panel installations, transitioning energy contracts to renewable sources and improving the energy efficiency of our existing centres and new builds. We will be extending our UK sustainability strategy and initiatives into our Canadian operations where appropriate. • The range of climate-related targets has been extended for FY2025 to include Canada. • We have commenced a supplier engagement programme with key suppliers to understand their carbon reduction plans, access data specific to our purchased goods and increase visibility of likely price increases and supply challenges over time. • The CRC monitors and reports on climate-related risks and opportunities. • Our TCFD disclosure includes scenario planning which was undertaken to understand materiality of risks. This did not identify any material short to mid-term risks for the Group.