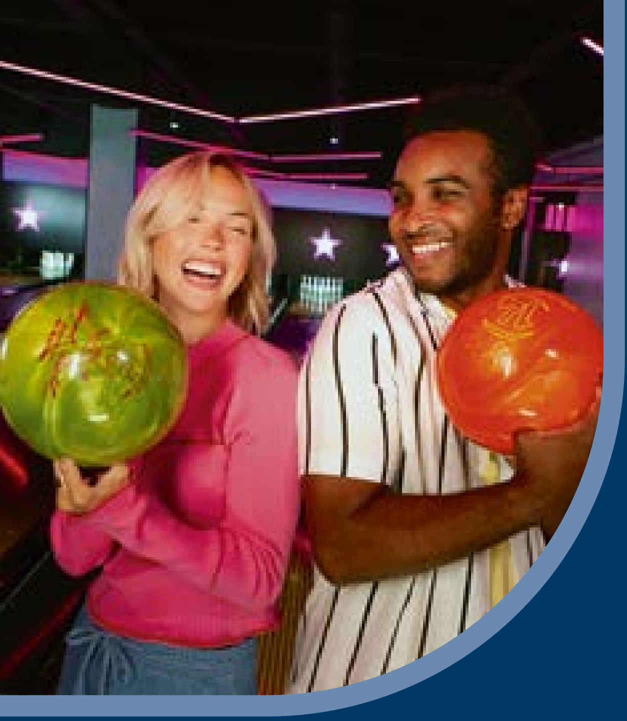
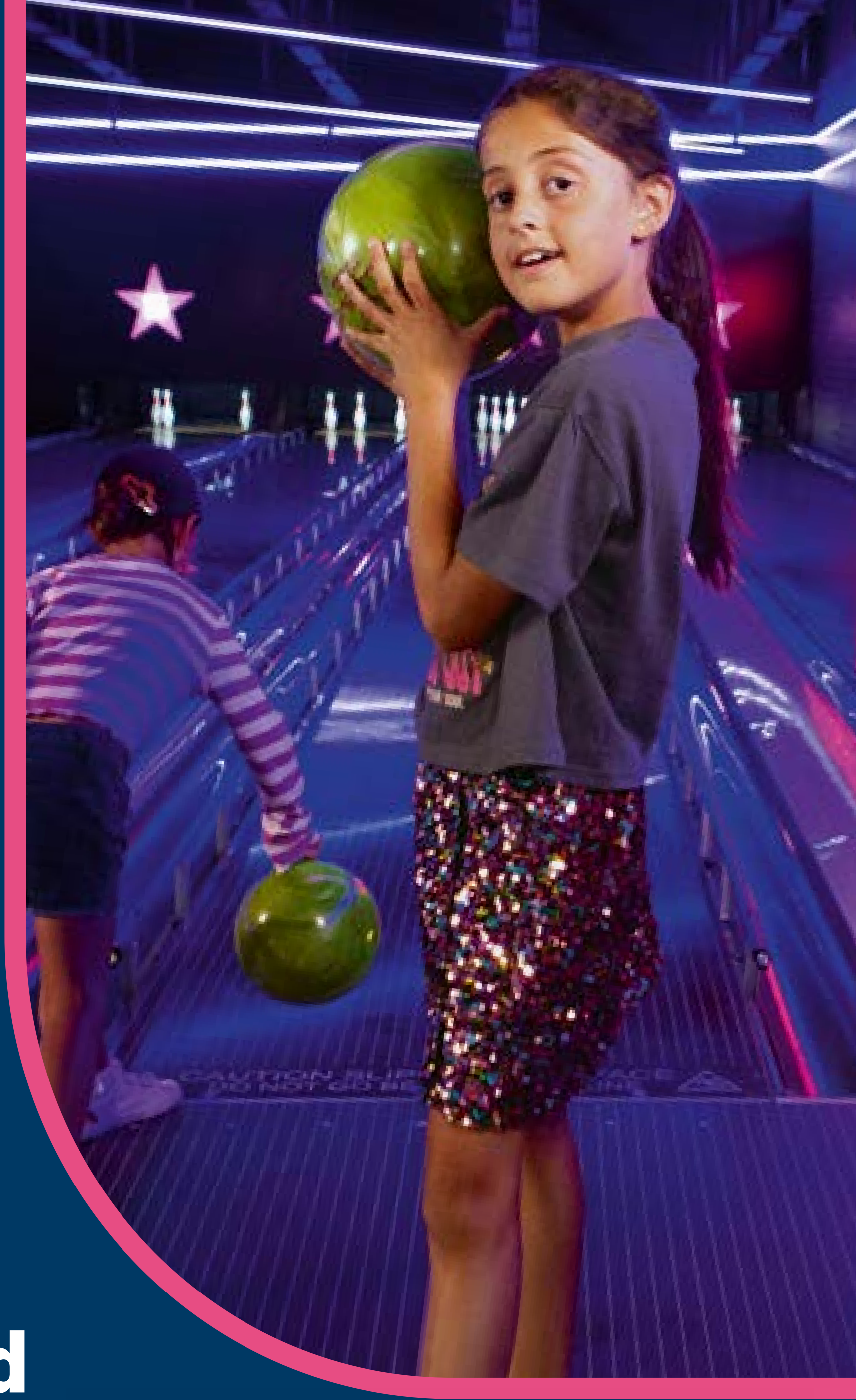



Enhancing performance through focused investment

Hollywood Bowl Group plc
Annual report and accounts 2023


Enhancing performance through focused investment

Our unique purpose-led culture and proven investment-led strategy are enabling us to capitalise on the significant growth opportunities in the markets we operate in.

Our financial performance

+4.5%
LFL revenue growth[1]
(2022: +28.3%)

£215.1m
Revenue
(2022: £193.7m)

£34.2m
Profit after tax
(2022: £37.5m)

19.92p
Earnings per share
(2022: 21.91p)

£36.8m
Adjusted profit after tax[1]
(2022: £39.4m)

21.48p
Adjusted earnings per share[1]
(2022: 23.07p)

+11.0%
Total revenue growth
(2022: +169.5%)

£82.7m
Group adjusted EBITDA[1]
(2022: £77.5m)

8.54p
Final ordinary dividend per share

2.73p
Special dividend per share

1 Definitions for these measures are in the key performance indicators section (pages 34 and 35). 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 (pages 36 to 41). Management believes providing these specific financial highlights gives valuable supplemental detail regarding the Group's results, consistent with how management and investors evaluate the Group's performance.

Strategic report

Governance report

Financial statements

Our purpose

Bringing families and friends together for affordable fun and safe, healthy competition.

Our strategy...

- Delivering like-for-like revenue growth
- Actively refurbishing our assets
- Developing new centres and acquisitions
- Focusing on our people
- Leveraging our indoor leisure experience

Read more on **pages 28 to 33**

is underpinned by our commitment to sustainable growth...

- Safe and inclusive leisure destinations
- Outstanding workplaces
- Sustainable centres

Read more on **pages 46 to 59**

and strong market fundamentals...

- Growth of competitive socialising
- Combined retail and leisure experiences
- Low market penetration
- Sector consolidation opportunities

Read more on **pages 24 to 25**

enabling us to create value for our stakeholders

- Continually enhancing our customers' experience
- Building energetic and engaging teams who share our values and are proud to be part of our culture
- Maintaining support of our investors to help us grow the business and consistently deliver returns

Read more on **pages 26 to 27**

Reasons to invest

Hollywood Bowl Group is the UK's established market leader with national scale, and the second largest operator of ten-pin bowling centres in the world. We operate a high-quality, well-invested estate with diverse revenue streams and multiple levers, including our expansion into Canada, to drive further growth.

People and leadership

Our highly motivated and engaged operational teams deliver our customer-focused experiences, and are led by a stable and experienced management team who are committed to sustainable growth

Read more on **pages 50 to 51**

#12

Our 2023 ranking in the UK's 'Best Big Companies to Work For' awards

Balance sheet strength

By driving revenues, achieving healthy margins and maintaining a strong balance sheet, we continue to invest appropriately in enhancing and scaling our business

Read more on **pages 18 to 23**

£52.5m

Net cash at year end

Market opportunities

As the leader in the UK ten-pin bowling and competitive socialising markets, and the Canadian ten-pin bowling market, we are best placed and have the experience to capitalise on the growth opportunities available

Read more on **pages 24 to 25**

6

Centres added to the Group estate in FY2023

Exciting growth pipeline

Alongside our ongoing centre refurbishment programme, we are targeting more new centres for our Hollywood Bowl and Splitsville brands, which is backed by our rigorous and disciplined location selection process

Read more on **pages 10 to 11**

15

Target of new openings before end of FY2025

Customer focus

Our ten-pin bowling and mini-golf centres provide fun and safe environments for customers of all ages, with their experiences being enhanced by research led insight and a culture of continuous improvement

Read more on **pages 12 to 17**

64%

UK net promoter score +3%pts versus FY2022

Great value entertainment experiences

Through our customer focus and insight-led service, product and technological innovation, we are on a mission to continually enhance our customers' experience of the inclusive competitive socialising activities of ten-pin bowling and indoor mini-golf.

Our centres offer bowling lanes or mini-golf courses, a licensed bar, a diner and an amusements zone featuring the latest games designed to keep everyone entertained.

Our brands

Read more on **pages 12 and 13**

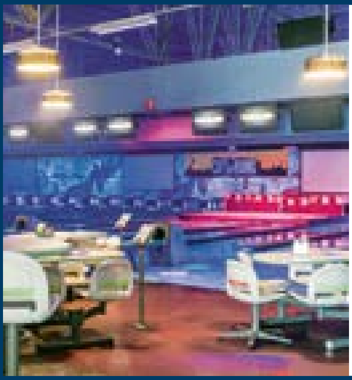
UK market leader

in ten-pin bowling

Our UK ten-pin bowling brand, with centres typically offering 24 bowling lanes, situated in prime locations on leisure or retail parks.

Centres

65



Read more on **pages 14 and 15**

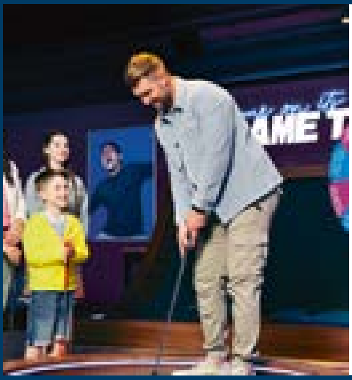
Canadian market leader

in ten-pin bowling

Our Canadian ten-pin bowling brand with centres typically offering 29 bowling lanes, located in standalone locations or co-located with retail or leisure units.

Centres

9



Read more on **pages 16 and 17**

UK brand

in the indoor mini-golf market

Our mini-golf brand with centres offering mini-golf courses, situated in locations on leisure or retail parks.

Centres

5

79

Centres at the end of FY2023

3

New centres opened between
1 October 2023 and 16 December 2023

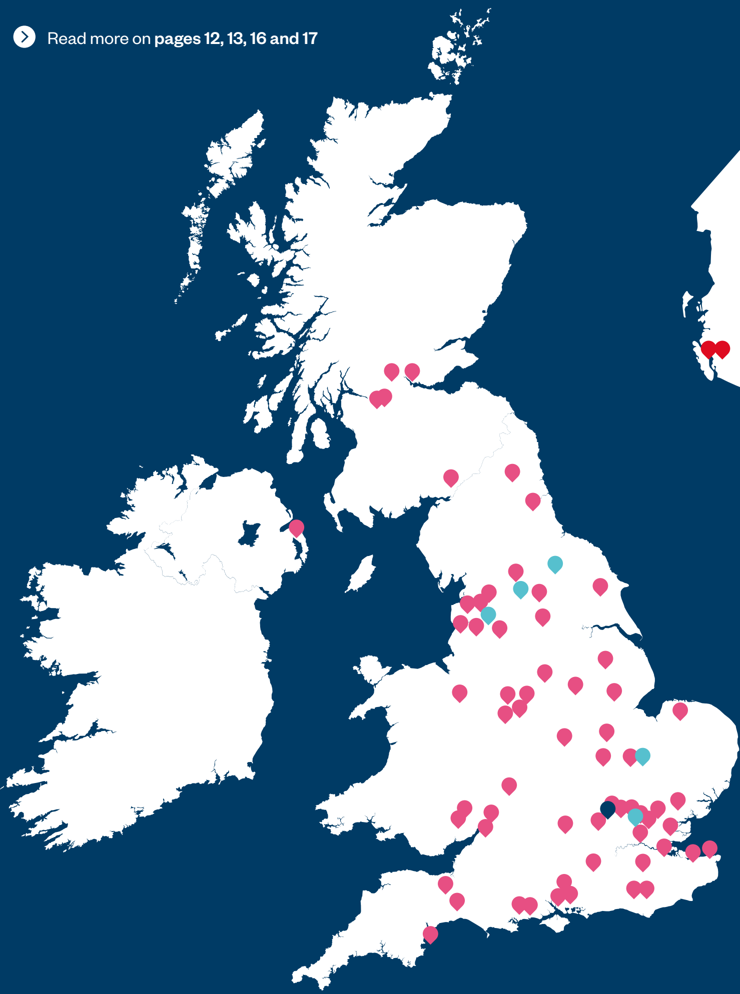
Our locations

UK

Hollywood Bowl is the UK's largest ten-pin bowling brand with 66 centres nationwide. Puttstars is our indoor mini-golf brand, which opened its first centre in 2020

- Hollywood Bowl: 65
- Puttstars: 5
- Central support office: 1

Read more on **pages 12, 13, 16 and 17**



Canada

Splitsville is our first overseas ten-pin bowling brand and was acquired by the Group in May 2022

- Splitsville: 9
- Central support office: 1

Read more on **pages 14 and 15**

Taking us to the next level

"I continue to be impressed by the clarity of purpose and single-minded pursuit of excellence consistently demonstrated by all of our team members."

Peter Boddy, Non-Executive Chairman

Hollywood Bowl Group has once again achieved another outstanding performance in FY2023. We started the financial year with real momentum, following on from an exceptional FY2022, and we have built on this to deliver another record revenue year.

This has been achieved in spite of the many and varied challenges experienced by UK businesses during the year, demonstrating the strength of our customer offer, resilience to inflationary pressures, robust balance sheet and cash-generative business. I continue to be impressed by the clarity of purpose and single-minded pursuit of excellence consistently demonstrated by all of our team members in executing the Group strategy which has led to our track record of sustained profitable growth.

The Group's financial performance in FY2023 exceeded the Board's expectations, driven by our focus on enhancing the customer experience and investment in improving the quality of our estate through our ongoing refurbishment programme. We continue to expand our footprint, through new centre openings and acquisitions both in the UK and Canada. Our planned investments in technology have supported centres' sales and yield growth, while also improving our customers' digital journey.

Our operating model drove like-for-like sales growth across our four main revenue streams and our relatively fixed cost base helped deliver another year of strong profits. We were also able to take advantage of favourable conditions in July and August, where the unseasonable wet weather encouraged more families to seek out indoor leisure and entertainment activities, leading to our busiest ever month in the UK in August.

In light of our performance, the Board is pleased to declare a final ordinary dividend of 8.54 pence per share as well as a special dividend of 2.73 pence per share.

Furthermore, given our robust financial position, prospects and cash generation, as well as the Board's focus on delivering shareholder returns and capital efficiency, the Board has extended the Group's capital allocation policy around excess cash to include share buybacks of up to £10m in FY2024, alongside special dividends. The Board determined that share buybacks can provide flexibility to achieve an optimal use of cash to deliver value for shareholders and can represent an attractive investment opportunity for the Company.

Affordable fun, safe and healthy competition

We know that across, the UK families are facing cost of living challenges and so we work hard to ensure our customer offer remains compelling and to deliver our core purpose of bringing families and friends together for affordable fun and safe, healthy competition. A family of four can still enjoy an outing with us for as little as £25 during peak times – the best value for money of all the branded UK bowling operators.

Our amusement machines can still be enjoyed for as little as £1 but operational improvements in the year have enabled us to drive yield growth. Our simplified menus focus on speed, quality, consistency and value for money and although higher food and beverage costs meant we introduced some modest price increases, our most popular items haven't changed in price since 2019. Our value-for-money customer proposition has attracted more visits over the year from new and returning customers who are choosing to spend more time in our centres, boosting the spend per game.

Further investment in the UK estate

We opened three new centres in the UK during the year in Speke, Peterborough and Merry Hill, all of which are performing in line with expectations. Our refurbishment programme saw 13 centres receive successful upgrades including some centres which are on their second or third refurbishment.

Post the year end, we were also pleased to announce the acquisition of Lincoln Bowl on 2 October, which included the long leasehold. The centre meets our strict investment criteria and has 20 lanes with a bar, diner and amusements, and will be rebranded as a Hollywood Bowl in the first half of FY2024.

A new growth market

Canada is an exciting growth opportunity for the Group and we have made excellent progress since we acquired Splitsville, comprising five centres, and Striker Bowling Solutions in May 2022. We were quick to add a sixth centre, Kingston, in July 2022 and this year we acquired three bowling centres in Calgary, a strategically important location between our current centres in British Columbia and Ontario. Post the year end, we acquired a further two centres, and have recently started a new build in Ontario, due to open in FY2024.

We have also commenced our refurbishment programme in Canada, based on our UK model, with one centre completed during the year and one currently on site due to complete in H1 FY2024. The rebranded and refurbished centre in Richmond Hill has been extremely well received, attracting a broader customer base, more diverse revenue streams and higher yields, underpinning our belief in the long-term opportunity of the Canadian market.

A new growth market continued

Our initial strategic rationale for entering Canada is being reaffirmed the more we learn. The market, whilst very well established, remains highly fragmented and often under-invested, with many centres single-owned or small-group-owned businesses, providing an excellent runway for growth.

The Canadian market shares many similarities with the UK and in FY2023, we undertook a large customer research project to understand fully how we should adapt our UK operating model for the Canadian market. The results solidified our view that our operating model would be very well received and that customers are open to our high-quality family-friendly offering to sit alongside competitive bowling leagues. Where differences exist, we are able to tailor our offering accordingly. For example, there are more opportunities for the corporate offering due to a higher expectation of frequent socialising amongst work colleagues, and for school-age students in the winter months where cold weather encourages activities indoors.

Integration with the wider Group is going well with the ongoing sharing of knowledge and innovation between our UK and Canadian colleagues. Both sides make regular visits to gain greater understanding of the differing operating models, and how we can introduce 'best practice' whilst maintaining the entrepreneurial spirit that initially attracted us.

We have been developing a new Centre Manager pipeline and putting the structures in place to allow rapid development in Canada, including transferring four of our UK team members, one to help introduce our training and development programmes, two Centre Managers and one of our UK Regional Managers who started as Director of Operations in October 2023.

Board changes

In July 2023, we appointed Rachel Addison to the Board as a Non-Executive Director and as a member of the Audit, Remuneration and Nomination Committees. With c.30 years of finance and operational management experience, Rachel has held a number of senior leadership and board positions across media and technology businesses, bringing financial and operational experience, including in digital media, which will be of great value to the Group. Rachel's appointment comes at a time of change for the Board and is part of our succession planning programme. Nick Backhouse, who has been a member of the Board and Chair of the Audit Committee since the Group's listing in 2016, is due to retire by rotation at our Annual General Meeting (AGM) in January 2024. He has been a real asset to the Group and his consistent, steady advice, as well as his wise counsel, has been of great value to Hollywood Bowl Group's development.

Sustainable growth

In recognition of the importance we place on environmental and social considerations in our decision making, in FY2023 the Board formed a Corporate Responsibility Committee (CRC) consisting of Board and Executive Committee members, and chaired by Non-Executive Director Ivan Schofield. During the year the CRC established its terms of reference and worked with the long-standing Corporate Responsibility Steering Group to set the Group's net zero strategy. Having already made an early start to how we manage our direct environmental impacts – we have reduced our UK direct emissions by 62 per cent since 2016 – this year we report on our indirect Scope 3 emissions for the first time, which we estimate makes up around 90 per cent of our total emissions. It is from this baseline year that we will set science-based targets in our commitment to reach net zero by 2050. Our pathway to net zero strategy will see us build on our progress to date and continue to make sustainability-led improvements across the Group. We look forward to working closely with our UK and Canadian colleagues, and our suppliers, to make our plan a reality.

Investing in our people

Our People team has worked extremely hard this year to develop our next generation of Centre Managers, senior leaders and technicians, doubling the number of our industry-leading training and development programmes. I was delighted when the Group was once again recognised as one of The UK's 25 Best Big Companies to Work For in 2023, rising up the ranks to 12th position, and that our Hemel Hempstead support centre was given the highest 3* standard for workplace engagement.

Exciting growth opportunity

Like all businesses, we have experienced a number of external challenges in recent years, however, the Group has emerged stronger than ever and I am excited about the opportunities ahead.

Our operating model, multiple revenue streams and strong balance sheet, which includes no debt, gives us plenty of headroom to keep investing in our growth strategy. Although we are not immune from inflationary pressures, we are well insulated given our relatively fixed cost base with over 72 per cent of Group revenues not subject to cost of goods inflation.

Our unwavering focus is on keeping our leisure experiences fresh, relevant and affordable to our customers and on generating further attractive returns through investment in our customer experience. Technology continues to play a big part in this, and I am looking forward to seeing the launch of our new self-developed customer booking system later in the coming year. FY2024 will see further investment in growing and improving the quality of our estate in the UK and Canada, enhancing the customer experience through refurbishments and investment in our proprietary technology that will support the next stages of growth across both countries.

I would like to thank all our team members, suppliers, landlords, partners and investors for their support and contributions to delivering yet another outstanding year, and I look forward to sharing in our continued success.

Peter Boddy
Non-Executive Chairman
17 December 2023

Q&A with Peter

We ask Chairman Peter Boddy about his highlights of FY2023 and ambitions for the coming year.

Q What has made you most proud this year?

A I say it every year, but without a doubt our team members continue to make me most proud. Their hard work has led to this outstanding performance and I am pleased that they are able to share in our success through generous performance-related bonuses.

A great deal of this is also down to the efforts of our People team who have worked tirelessly on training and development to build our talent pipeline as we continue to grow. One big piece of work was to refresh our employer branding, which has had great success in communicating our employer value proposition and significantly increasing the number of job applicants and attracting manager level candidates. There is very much a sense that we have entered a new phase in our corporate development amongst our team members, and that we are all pulling together towards the same purpose.

Q What are your key achievements in the year?

A We launched our net zero strategy which will determine environmental initiatives over the coming years. This was a considerable undertaking as we want to ensure that the goals we set are both realistic and achievable.

We have also achieved considerable progress in Canada where we now have 11 sites. What is particularly pleasing is that the Canadian site that has undergone a UK-style makeover, has performed well above expectations since reopening.

Q How much room is there for further growth?

A We have strong growth ambitions, both in the UK and Canada. The pace in the UK will continue as it has for the last few years. In Canada, the situation is slightly different as it is still a very fragmented and under-invested market. We have a strong pipeline of opportunities and the priority is to pick our locations wisely and make sure that whatever we buy or build meets our strict returns hurdle rate. Overall, we plan to add an average of five new centres each year across the Group.

Q What are your priorities for the Group for the future?

A Our biggest priority is to continue to stay relevant to our customers by offering affordable fun and safe, healthy competition. The impact of the rising cost of living is playing on many people's minds; therefore, it is important that we keep offering high-quality experiences in great environments with outstanding customer service, all the while maintaining an affordable price point.

To do this we need to keep innovating and maintain our entrepreneurial spirit throughout the business. We believe in empowering all our people to make decisions and innovate, and our very flat structure helps us to do that. While our leadership team gives us direction and strategy, it is the front-line team members that are the drivers of our performance, so maintaining our unique corporate culture and rewarding results is key.

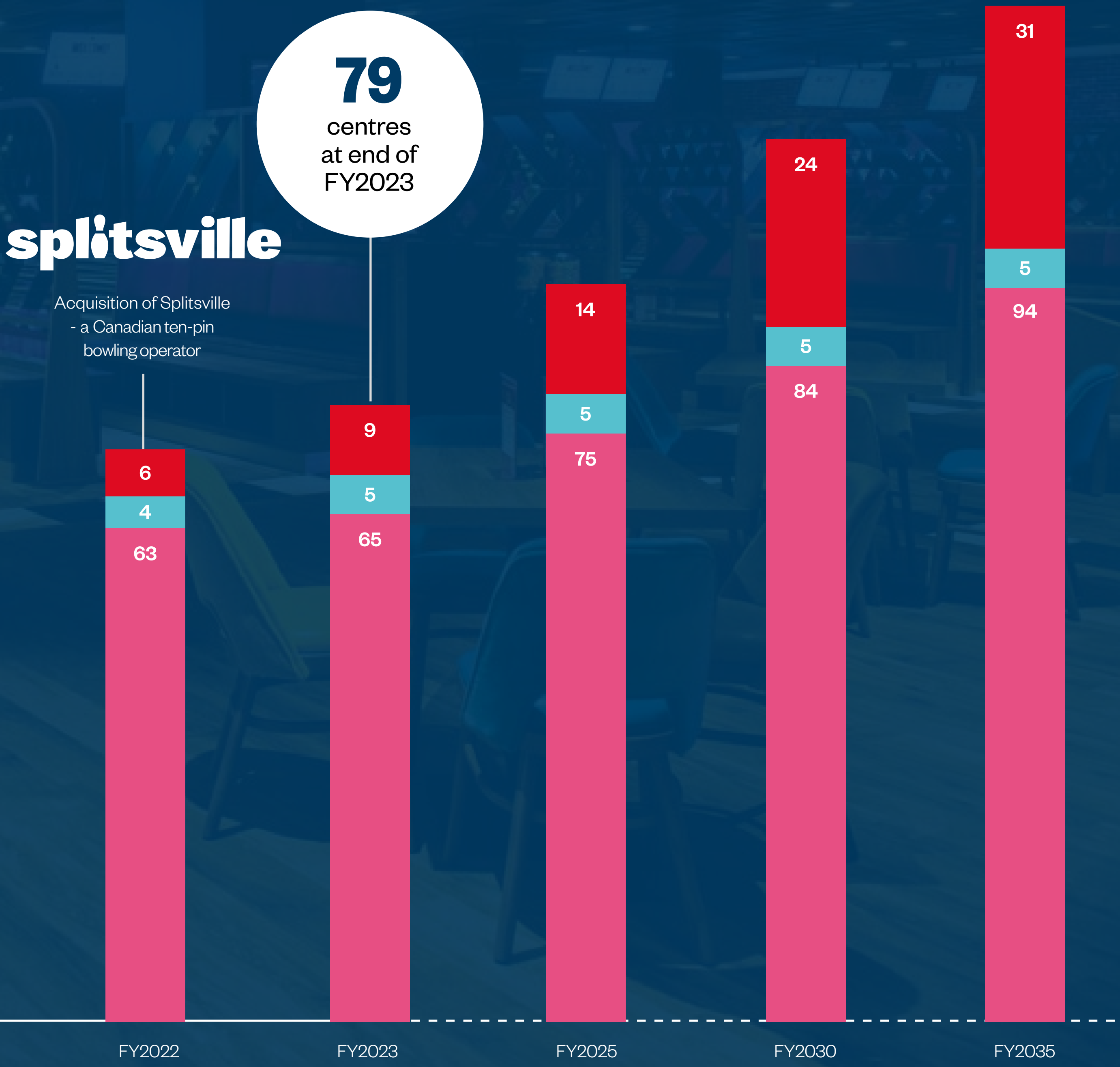
Our growth story

The Group was formed with 41 centres in 2010 and over the following 13 years has significantly grown its presence in the markets it operates in.

> "We are confident that our unique blend of inclusive leisure experiences provides significant growth opportunities in the UK and Canadian markets."
>
> **Stephen Burns,** Chief Executive Officer

130 centres

The Group's target scale for the UK and Canada by 2035, reflecting the growth opportunity in these markets.



Hollywood Bowl

The UK's market leading brand

1,515
Bowling lanes
(FY2022: 1,492)

17.1m
Games bowled
(FY2022: 16.6m)

65
Centres
(FY2022: 63)

64%
Net promoter score
(FY2022: 61%)

£9.4m
Expansionary capital in FY2023

The market-leading brand

Ten-pin bowling is part of the UK's diverse 'out-of-home' leisure sector. Its popularity is based around offering an inclusive, fun, affordable and sociable experience for friends, families or work colleagues, appealing to a broad range of consumers.

Hollywood Bowl is the market leader in the UK and is our most recognised brand. We specialise in operating large, high-quality bowling centres which are predominantly located in prime 'out-of-town' multi-use leisure parks alongside cinemas and casual dining sites.

Experiences our customers value

We believe that customer service is a true point of differentiation in a competitive leisure market. We focus on four critical customer satisfaction drivers: value for money, cleanliness, team friendliness and service speed.

Our customer experience programmes provide valuable insights into our customers' preferences, by digitally capturing satisfaction levels following each visit. As well as understanding what our customers want and value, we monitor our customer satisfaction and net promoter scores carefully and are always ready to react quickly to any operational issue or respond to customer feedback.

Team members' bonuses are linked to the customer satisfaction drivers, improving centre performance, revenues and yields.

8.5m

Visitors to Hollywood Bowl website in FY2023

11.8%

Growth in amusement revenue vs FY2022

The complete entertainment experience

Alongside bowling, we offer food, drink and amusements. By offering a complete entertainment experience, we give customers more reasons to visit, increase dwell time and secondary spend.

We offer excellent value and speed of service when it comes to food and drink. Our popular and simplified at lane menu offers good quality snacks and sharer options, alongside at lane drink ordering.

The family-friendly games and amusements areas are constantly evolving with innovations and new product development. A rolling centre refurbishment programme allows us to improve the space optimisation of our amusements offering, as well as improve the quality of our machines. The majority of our amusements can be played for as little as £1. Nayax 'tap to play' provides the option of digital coin credit as well as cash payments.

When refurbishing centres, we also consider reconfiguring floor areas to maximise revenue and centre yields. For example, we introduced mini-golf in our Hollywood Bowl Leeds centre resulting in an enhanced customer experience and more reasons to stay with us for longer.

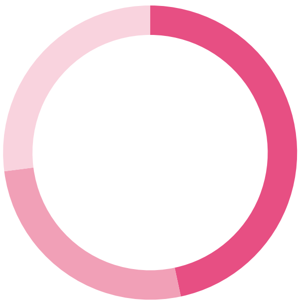
Driving performance through digital investment

Our investment in technology continues to enhance the digital customer journey from pre-booking to in-centre experience to post-booking communications. We have evolved our digital brand and content, social media activity, sales activation and CRM campaigns, which has resulted in an increase in website visits and sales, with online bookings now accounting for 60 per cent of bowling revenue.

We drive yields through dynamic pricing and targeted digital sales and marketing. We increase engagement and dwell time in our centres with digital content like our hugely popular live leaderboards, and we vary-in-centre content during the day to target specific customers. For example, daytime content is more family focused compared to evenings.

In FY2024 we will be launching our new in-house developed booking system which we are creating to meet the needs of our increasingly larger and more diverse business. Our investment in this modern and flexible technology platform is significant, supporting the future development and growth of the Group.

FY2023 revenue mix



splitsville

Expanding our Canadian brand

254
Bowling lanes

#1
Splitsville is now the largest branded ten-pin bowling operator in Canada

9
Large-format centres in highly populated locations

15.1%
Increase in LFL revenue

£2.2m
Refurbishment capital in FY2023

Expanding the Splitsville estate

Splitsville is made up of nine large family entertainment centres (at the end of FY2023) spread across the country, with six centres in Ontario, two in British Columbia and three in Alberta. All the centres have ten-pin bowling lanes, a large bar and diner and an amusements area, with some offering American pool, laser tag and indoor mini-golf.

In February 2023, the Group acquired three centres in Calgary, Alberta, providing a strategic location between Ontario and British Columbia. These centres are all leasehold properties and established businesses and, having been relaunched in their markets under the Splitsville brand, provide the Group with a foundation for further growth in this key market.

Post FY2023 year end, the Group has completed two acquisitions, one in Ontario and the other in British Columbia. Both have been relaunched in their markets under the Splitsville brand, taking the estate to 11 centres as at 16 December 2023..

Insight led refurbishment programme

Our refurbishment programme has begun with Richmond Hill completed during the year and Kingston due to complete in FY2024. We also have two further refurbishments planned for FY2024. The renovations are introducing many features already established in the UK.

The refurbishment concepts are backed by extensive customer-research, which affirmed that the Canadian market is ready for an upgraded, branded, family-friendly leisure proposition similar to Hollywood Bowl's UK customer-orientated operating model.

3

New centres added in FY2023

31

Target Splitsville centre estate size by 2035

The performance of Richmond Hill is testament to this strategy, which has exceeded revenue and profitability expectations since being refurbished and relaunching under the Splitsville brand.

Foundations for growth

We are enhancing our technology and digital marketing to improve the online customer journey and have introduced a refreshed brand communications framework and new logo.

We are also putting the structural foundations in place to support a fast-growing business, including a new senior leadership team, and upskilling the Centre Managers to drive revenues and yields.

With over 190 single-owned or multi-site group-owned bowling centres across Canada, the Group has a healthy development and acquisition pipeline.

The opportunity for consolidation in the market is significant and through the growth of the estate in FY2023, Splitsville is already the largest branded ten-pin bowling operator in the country.

We are currently on site at one new build in Ontario and negotiating on several other new build sites. All acquisitions and developments are subject to the same return on investment hurdle rate.

Our Striker Bowling Solutions operation continues to support the industry as a supplier and installer of bowling equipment, as well as supporting our own expansion requirements.

Its established national network is providing us with access to a large section of the Canadian market and an unmatched insight into the changes that are taking place in the industry.

PUTT STARS from Hollywood Bowl

Our UK indoor mini-golf brand

135
Mini-golf holes

603k
Rounds played (FY2022: 490k)

91.6%
Customers highly satisfied or satisfied

£9.18
Spend per round (FY2022: £8.27)

Diversifying our revenue streams

We operate five Puttstars indoor mini-golf centres that appeal to a broad range of consumers. The market remains highly fragmented with more than 1,000 indoor and outdoor locations in the UK, where independent operators manage the vast majority.

Each of our Puttstars centres offers a diverse entertainment experience, including nine-hole courses, bar, diner, and amusements area.

Technology and digital channels form an integral part of the Puttstars customer journey and marketing approach. We have a bespoke digital-scoring system and our in-centre screen installations provide centre-wide leaderboard information, promoting friendly competition and heightened customer participation.

Evolving the brand experience

Our newest centre at the Queensgate Shopping Centre, Peterborough, opened in November 2022 and incorporated several enhancements following some extensive customer research.

These included greater variation in course difficulty, for example the introduction of larger holes and club heads for junior players and more defined course designs.

We also introduced a new mobile-based scoring system, an upgraded website and an updated brand communication framework and new logo for the centres.

The enhancements from Peterborough have been adapted and introduced into the other four Puttstars locations.

In addition to the upgraded mini-golf proposition first seen in Peterborough, we have further evolved the Puttstars customer offer (and optimised the space returns) by extending the amusements area in Harrow and adding duck-pin bowling lanes in Leeds, to look to enhance the revenues and customer experience.

An extra offer in selected bowling centres

Whilst bowling centres remain the Group's first choice when entering new locations due to their heightened returns, the market opportunity for indoor mini-golf remains strong.

We have introduced a mini-golf course into our Hollywood Bowl centre in Leeds and plan to include two courses in our new Hollywood Bowl centre in Colchester which will open in FY2024.

We are also considering adding mini-golf as an additional offer in other centres where space configuration allows.

Sustainable, profitable growth

"Our results reflect the success of our customer-focused operating model as well as our clear and consistent strategy."

Stephen Burns, Chief Executive Officer

A record performance

I am delighted with the Group's excellent performance in FY2023, a year in which we continue to strengthen our position as a UK market leader in competitive socialising and as one of the largest operators of ten-pin bowling centres in the world.

Hollywood Bowl Group continues to deliver sustainable, profitable growth, with total revenue of £215.1m, 11.0 per cent growth on FY2022 (16.2 per cent excluding the reduced rate (TRR) of VAT on bowling activities in FY2022) and Group like-for-like (LFL) revenue growth of 4.5 per cent.

Our results reflect the success of our customer-focused operating model as well as our clear and consistent strategy in delivering sustainable profit growth and shareholder returns while maximising favourable trading conditions. We offer fantastic value-for-money family-friendly entertainment experiences and the efforts of all our team members ensure our customers enjoy consistent positive experiences, as reflected by our excellent customer service scores.

Our strong financial position allows us to invest in growing our high-quality portfolio domestically and internationally with new centre openings, acquisitions and our rolling refurbishment programme and rebrands. We also continue to invest in innovation and technology as a key driver of the customers' digital journey and experience.

Group adjusted profit after tax was £36.8m, adjusting for acquisition fees of £0.7m and the non-cash expense of £2.0m related to the fair value of the earn out consideration on the Canada acquisition in May 20222. Statutory profit after tax was £34.2m. Free cash flow of £29.5m demonstrates our cash generative business model, and net cash of £52.5m at the end of FY2023 enables our continued investment in the business.

Growth in all revenue lines

Against an exceptionally successful prior year, UK LFL revenue (which excludes TRR of VAT on bowling activities in FY2022) grew by 4.1 per cent, with our main revenue lines – bowling, food, drink and amusements – all showing LFL growth. Whilst our trading levels were helped by some very favourable weather in the UK, it is due to our unrelenting customer-focused operating model that we were able to take advantage of this and deliver a record year.

We saw UK LFL game volumes grow by 0.7 per cent and spend per game (excluding TRR of VAT on bowling activities in FY2022) by 3.4 per cent to £11.06, up from £10.69 in FY2022. Our dynamic pricing technology, which allows us to offer better value for customers at non-peak periods, helped drive incremental volume and carefully controlled yield enhancement, yet we still offer the best value for money and best invested product of all the branded UK bowling operators.

Food spend in the UK was up in the year showing a 9.9 per cent improvement, with our focus on speed, quality, consistency and value-for-money driving this growth. New menu items have been added in line with customer feedback and sales data, and although we have made some small changes to price to mitigate food inflationary increases, the most popular menu items were still below their 2019 price points. Our drinks range also offers excellent value-for-money. Spend on drink in the UK grew on a per game basis by 2.3 per cent, underpinned by further enhancements to the at lane ordering systems and the national rollout of a new drinks range.

Refurbishments and space optimisation projects, coupled with the expansion of contactless payment technology and new game formats, helped drive LFL sales growth of 7.3 per cent in amusements in UK centres. We have kept the price to play at £1 for the majority of our machines despite the significant improvement in the gaming experience but are utilising new payment technology to enhance the yield on certain games where appropriate.

We are very encouraged by the performance of our Canadian business in the first full trading year since the acquisition in May 2022. LFL revenue increased by 15.1 per cent on a constant currency basis. This underpins our belief that there is significant longer-term opportunity to add further value through leveraging our customer-led operating model, technology and digital marketing experience.

Growth strategy – investment and innovation

Our growth strategy remains unchanged. The new centre opening programme is on track in both the UK and Canada. We continue to grow LFL revenue through the improvement of the existing estate and our refurbishment programme continues to deliver above our 33 per cent returns hurdle rate.

FY2023 was a record year of investment in the estate and a very busy time for our property teams. In total, we invested £30.3m (excluding professional fees on acquisitions) on new centre openings, refurbishments and acquisitions.

In the UK, we were pleased to open three new centres in the year, Hollywood Bowl Speke, Hollywood Bowl Merry Hill, and Puttstars Peterborough. Lincoln Bowl was acquired on 2 October bringing our total UK estate to 71 centres.

We remain confident in our ability to deliver on our plan of an average of three new openings a year. At present we are on site at another new location and are planning to commence development at three others in early Q2 FY2024. This year will see the opening of our long-anticipated centre at the £70m Northern Gateway leisure complex development in Colchester, combining 26 bowling lanes, mini-golf, bar, diner and an amusement offer.

13

New Pins on Strings UK installations

13

UK refurbishments completed

We completed 13 UK centre refurbishments, introducing the very latest design innovations and technological improvements to the sites. These refurbishments included retiring the AMF brand from the portfolio after rebranding the final two centres and space optimisation programmes at three centres: increasing amusement space at Puttstars Harrow, creating a six-lane duck-pin bowling area aimed at younger families and corporates at Puttstars Leeds and incorporating a nine-hole Puttstars in underutilised space at Hollywood Bowl Leeds. Combining offers at centres where space configuration makes it possible, is proving popular with customers, keeps our offering fresh and supports centre yield increases. All the refurbishments are delivering returns in line with expectations, with the last 13 projects averaging more than a 40 per cent return on investment. We expect to carry out between eight and ten refurbishments in FY2024.

The Pins on Strings rollout in the UK has continued, with a further 13 centres benefiting from this cost saving technology which also enhances our customer experience by significantly reducing games per stop. 54 centres now have the machines installed (83 per cent of the Group's UK bowling estate), delivering a minimum 30 per cent return on invested capital. We plan to install this technology in at least eight centres in FY2024.

Investment in the digital customer journey has continued, as we refine our sales and marketing activity and online booking systems. Online sales conversions, centre yields and capacity utilisation have improved through targeted marketing and dynamic pricing. In FY2023 we have been developing our own bespoke booking system.

£11.06

UK LFL SPG +3.4% vs FY2022

£30.3m

Total capital expenditure, including acquisitions, in FY2023

$37.3m

Revenue (CAD) from Canadian operations

30+

Splitsville centres target opportunity

As our business has evolved and grown, we have become aware of the limitations of current third-party platforms and have decided to make the investment in a new modern and flexible technology platform that can evolve and support our next stage of growth. Built by our in-house development team, the open-source, multi-channel technology will integrate with our current CRM tools and improve the booking experience for our customers and team members. Now nearing completion, the new system will be launched in Q3 FY2024 in the UK and rolled out to Canada at a later date.

Canada – expansion and acquisitions

Our Canadian operations traded ahead of expectations, contributing CAD 37.3m (£22.5m) in revenue and over CAD 7.4m (£4.5m) of EBITDA on a pre-IFRS 16 basis.

We have made good progress with our growth strategy in Canada, focused on four areas:

1. investing in the existing estate;
2. acquiring existing businesses that complement the current estate;
3. opening new centres; and
4. supporting the Canadian bowling market with Striker's products and services.

The refurbishment programme is also progressing well, with one major refurbishment and rebrand to Splitsville completed and one on site. The newly refurbished centre has been very well received by customers with returns on investment performing well above our hurdle rate in Canada. Post completion, LFL revenue growth at this centre has been over 30 per cent.

This performance in Canada has been supported by insights gained from detailed customer research carried out in FY2023, which in many ways echoes the UK's customer needs. Although there are some variances, such as a greater corporate and educational emphasis, the research confirmed that our UK customer focused operating model will translate well for the Canadian market where there are significant opportunities for sector consolidation and growth.

Our pipeline of new site opportunities and acquisitions is building with several centres in the diligence process. In February 2023, we acquired three new centres in Calgary. We also exchanged contracts on a 43,000 square feet new build in Ontario featuring 24 lanes, scheduled to open in FY2024. Post the year end, we have acquired two further centres, one in Ontario and one in Vancouver, bringing us to 11 centres in Canada at the time of writing.

The Striker business continues to grow as a result of increased investment into bowling centres across the country. Revenues totalled CAD 7.1m (£4.3m) and the order book is strong with several large installation and maintenance projects signed to commence in FY2024.

We continue to share ideas between the businesses, adapting the UK operating model to a Canadian audience whilst maintaining the entrepreneurial spirit of the local management. In order to share best practice across the Group, we were able to sponsor four UK team members to take up permanent roles in Canada – one to head up talent development, which will be vital to growing our operations and evolving the business culture, two Centre Managers and the Director of Operations. As the Canadian operations develop, we plan to offer more opportunities for team member exchanges.

An outstanding team

We have an excellent reputation for our positive working culture and creating outstanding workplaces is one of the three pillars of our sustainability strategy. In FY2023, we refreshed our employer brand aimed at improving communications in our business, attracting a more diverse team and answering the key question of why a candidate might want to work with us. The initial insight study highlighted areas of improvement and we have been taking action to address this. The response since launch has been fantastic with significant improvements in team member engagement, social media and website traffic and job applications.

For the second year running we rank amongst one of the Top 25 UK's Best Big Companies to Work For in 2023. Our Hemel Hempstead office was awarded the top 3* rank for its working practices, placing us amongst a select few businesses. Our UK net promoter score has also increased against the previous year.

Our team members continue to impress, supported by our industry-leading in-house training and development programme. Although there continues to be considerable competition for labour in the leisure market, our exposure has been cushioned somewhat by our low exposure to the London area. Furthermore, our refreshed employer brand launched during the year has made a significant difference to our ability to attract talent. It is important that we remain competitive and therefore we increased average hourly pay for team members by over 9 per cent and Centre Manager and Assistant Centre Managers have seen salary increases of over 5 per cent during the year.

For FY2023, we will pay out over £2.6m in centre level management bonuses, with Centre Managers on average receiving over 64 per cent base pay and Assistant Centre Managers receiving over 14 per cent of base pay. Also, more than half of our hourly rate team members received bonuses measured against financial, environmental and customer satisfaction criteria, equating to £0.6m in total.

Sustainable growth

Running our business in a sustainable manner is a key focus for the Group and is integral to our decision making. Good progress was made across all sustainability metrics and we met our key FY2023 targets across our three sustainability pillars. The solar panel rollout bringing the total to 27 centres, further reducing our reliance on purchased electricity.

Our indirect Scope 3 emissions are published for the first time this year, which has helped us to develop our pathway to the net zero strategy and enabled us to set science-based targets (SBTs) from FY2024, using FY2023 as a baseline year.

Over the next two years, we will be aligning our Canadian operations with our UK sustainability strategy so that from FY2025 we can collectively report our environmental and social progress across the Group.

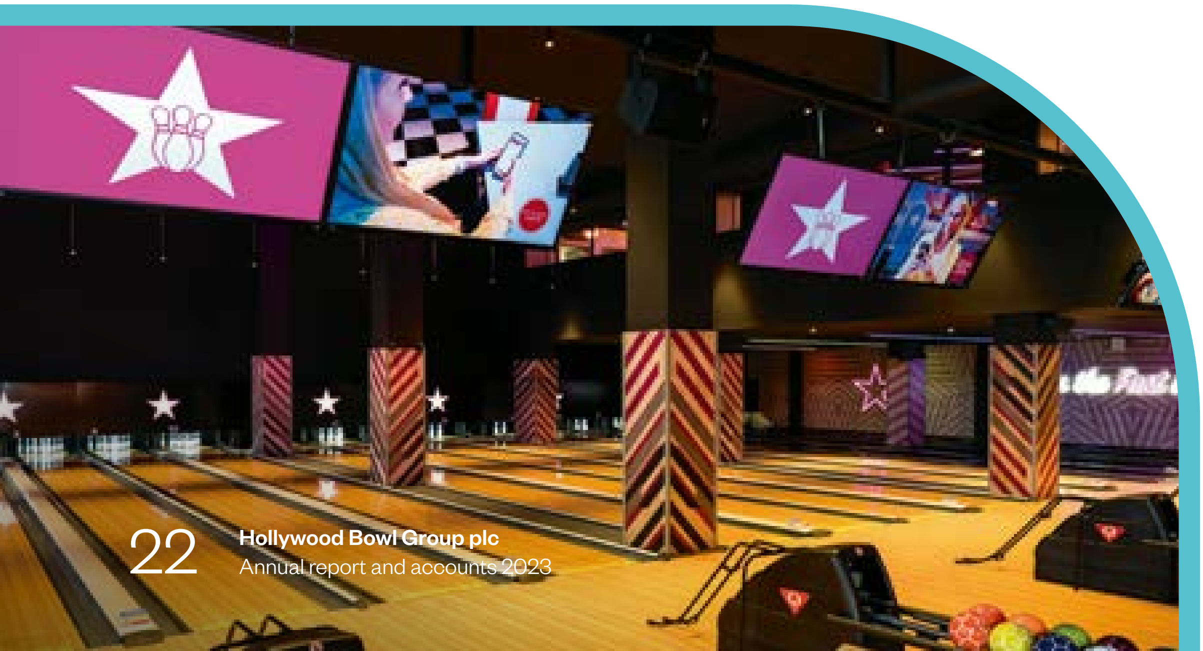
Outlook

After another year of exceptional performance, we remain focused on sustainable profitable growth and continued investment across all areas of the business. It is anticipated that the increases to national minimum (living) wage rates, which were announced in the Autumn Statement, will be c. £0.6m for H2 FY2024 (c. £1.2m annualised), whilst the other changes, such as business rates, are expected to have minimal impact. We are confident that our high-quality leisure experience offers great value for money, which is why families and friends are continuing to choose our inclusive and affordable offerings for their leisure spending.

With a strong balance sheet and a highly cash generative business model, we see the potential in the future to grow our business to at least 130 centres in the UK and Canada.

I would like to thank all our team members in the UK and Canada for their continued dedication to our customers and Hollywood Bowl Group and look forward to another successful and exciting year ahead.

Stephen Burns
Chief Executive Officer
17 December 2023



Q&A with Stephen

We ask CEO Stephen Burns about the Group's performance in FY2023 and future growth opportunities.

Q With another record year, what challenges has the Group faced in FY2023?

A UK business has experienced a number of challenges this year with cost inflation and a cost-of-living crisis. Although we haven't been immune to these challenges, our success this year has demonstrated the strength of demand for fun, affordable family-friendly leisure activities and the resilience of our business model to rising costs.

Q Are you finding it hard to attract and retain talent?

A It's always a challenge to find and keep good people but we perform well above the hospitality and leisure industry average thanks to our people strategies. Our approach cuts across all areas of HR. We have a strong employer value proposition and work culture, and have thought carefully about a candidate's journey – from first contact, through to training and development and onto our talent management programmes. We pride ourselves on the range of employment opportunities, whether flexible, part time or full time, to suit individual needs and offer excellent benefits regardless of what type of contract you are on.

Q What is the future of Puttstars?

A It is still at an early stage in its journey and we continue to test and develop new ways to evolve the offer, including introducing duck-pin bowling into our Leeds centre. It's clear that the business doesn't offer the same returns that we can achieve from comparable bowling centres, but it demonstrates our ability to apply our customer-led operating model to new indoor leisure activities. We have also started to introduce mini-golf courses into bowling centres where we have underutilised floor areas, giving customers reasons to spend more time with us.

Q Where do you see the future growth of the UK business?

A We now have 71 centres in the UK, and believe there is still significant room for long-term sustainable growth. We have an exciting pipeline of new centres and are on track to deliver an average of three new centre openings a year by the end of FY2026. We are an attractive tenant so while we see a large number of opportunities for new centres, we remain very selective and focus on quality locations that meet our clear returns policy.

Our growth also comes from our refurbishment programme and by improving our existing operations and customer experience, increasing our revenue streams. Technology is a key driver of this, and I am excited about our new booking system due to launch in FY2024 which will improve our customers' digital journey and forms a key part of our wider digital transformation programme.

Q What are you excited about next year?

A I am extremely excited about the opportunity in Canada. Our research indicates that there are a large number of similarities between the Canadian and UK markets which gives us confidence that applying our UK model, with some minor adjustments, will work well. We have started to introduce Hollywood Bowl Group ways of working and have seen impressive results so far. The market itself is highly fragmented and under-invested and we have a solid foundation of 11 centres from which to continue to roll out the established Splitsville brand across our growing pipeline of excellent new site opportunities and acquisitions.

Responding to an evolving landscape

Our position as the established ten-pin bowling and competitive socialising market leader in the UK, and now the ten-pin bowling market leader in Canada, enhances our ability to respond to evolving market dynamics. There are a number of market trends and opportunities which are important for the Group.

Macro trends

Popularity of competitive socialising

Consumers are increasingly preferring to create and share social experiences rather than accumulating material items, which is shaping how they allocate their discretionary budgets and leisure time.

Opportunity

The 'competitive socialising market' evolved due to strong consumer appetite for unique and inclusive experiences, including updated takes on traditional activities such as bowling, mini-golf, table tennis and bingo.

Response

With our active refurbishment programme and the introduction of innovations like our scoring systems, leaderboards and mini-golf concepts, we continue to set the standard for competitive socialising in the UK, enabling us to successfully compete with increased numbers of new entrants attracted to the market.

Link to strategy 1 2 3 4 5

Combined retail and leisure experiences

High street, and out-of-town, traditional retail outlets and development schemes are under increasing pressure from online channels and the rise of the 'experience economy'.

Opportunity

Numerous retail property landlords and developers are responding to this by looking to expand their leisure offering and create a wider destination customer experience to increase footfall and extend dwell time.

Response

Our strong record of successful partnerships with landlords and our unique customer experiences, mean we are considered key existing and potential new anchor tenants alongside cinema and casual dining operators in the UK. We are also starting to gain good traction with landlords in Canada.

Link to strategy 1 2 3 4 5

Key to strategy

1. Driving like-for-like revenue growth
2. Actively refurbishing our assets
3. Developing new centres and acquisitions
4. Focusing on our people
5. Leveraging our indoor leisure experience

See our strategy on **pages 28 to 33**

Market opportunities

Low UK market penetration

In the UK, ten-pin bowling has historically been a relatively low-frequency activity, and with fewer than 350 centres, has lower levels of location accessibility when compared to cinema.

Outlook

In the UK, the activities of ten-pin bowling and mini-golf enjoy a wide demographic appeal and high level of participation interest when compared to other offerings in the competitive socialising sector.

Response

We continue to work closely with agents and landlords to further strengthen our new centre pipeline which will enable us to accelerate the expansion of our market coverage into prime locations for the Hollywood Bowl brand.

Link to strategy 1 2 3 4 5

Canadian sector consolidation

Well-capitalised businesses like Hollywood Bowl Group can increase their share of the leisure market as financially challenged operators become less competitive and seek to exit the market.

Opportunity

This trend and the associated opportunities accelerated due to the COVID-19 pandemic and the subsequent trading and liquidity pressures experienced by many operators in the leisure and hospitality sectors.

Response

The wider Canadian leisure market remains highly fragmented with many independent operators in existence.

Within the bowling sector there are more than 190 centres. With 11 centres, Splitsville is already the largest branded operator in Canada.

Link to strategy 1 2 3 4 5

Our business model creates value by continually investing in enhancing the customer experience

What sets us apart

Successful brands
We operate an extensive portfolio of bowling and mini-golf centres across the UK and Canada, under our Hollywood Bowl, Splitsville and Puttstars brands.

High-quality estate
Our centres are predominantly in prime locations, in out-of-town, multi-use leisure and retail parks, alongside cinema and casual dining sites.

Motivated and engaged teams
Our teams are the face of our business and are focused on delivering the best brand experience for our customers.

Landlord relationships
Excellent relationships with developers, agents and landlords ensure that we maintain a strong pipeline of potential new high-quality sites.

Strong balance sheet
By driving revenues, continuing to achieve healthy margins and maintaining a strong balance sheet, we are able to invest appropriately in all areas of our business and create value for our stakeholders.

What we do

Our centres offer a complete entertainment experience for customers of all ages. Alongside our core offer of bowling or mini-golf, they can also enjoy amusements and food and drink. These additional offerings not only enhance their experience and increase reasons to visit, but also increase dwell time and secondary spend.

Multiple revenue streams

Bowling

Amusements

Food

Beverages

Mini-golf

Where we invest

Investment

Customer experience

- Safe and secure environments
- Technology to enhance the wider customer journey
- Centre maintenance and upgrades
- Centre refurbishments and reconfigurations
- Customer insight programmes

Link to strategy

1. Delivering like-for-like revenue growth
2. Actively refurbishing our assets

People

- Attracting and retaining the best people in the leisure industry
- A fair deal for our team members with comprehensive bonus and incentive schemes
- Extensive training and development
- Team engagement and wellbeing programmes

Link to strategy

4. Focusing on our people

Growth

- New centre developments
- Broadening the appeal to new and existing customers through digital marketing programmes and environment upgrades
- Acquisitions
- UK and international market expansion

Link to strategy

3. Developing new centres and acquisitions
5. Leveraging our indoor leisure experience

Value creation

Our customers

We strive to deliver the best possible experience through exceptional service, in unique, contemporary, safe and exciting environments, at a highly accessible price point.

Our people

Our team members are highly focused on commercial, satisfaction and sustainability measures to ensure our customers enjoy the best possible experience whilst we minimise our impact on the environment. Management programmes are in place to attract, retain and nurture top talent.

Our partners

We support a wide ecosystem of partners and suppliers through commercial arrangements designed to build mutually beneficial long-term relationships.

Our communities

The inclusive nature of bowling and mini-golf makes them an important contributor to social wellbeing. We offer subsidised access for concessionary users and educational groups.

Our investors

We are focused on sustainable, profitable growth by driving revenues, and managing our margins and cash position to provide attractive returns.

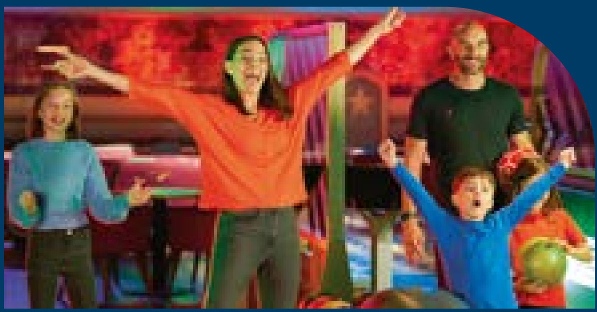
Our proven growth strategy

1 Driving like-for-like revenue growth

2 Actively refurbishing our assets

3 Developing new centres and acquisitions

4 Focusing on our people



5 Leveraging our indoor leisure experience

Key to risks

1. Economic environment
2. Covenant breach
3. Expansion and growth
4. Core systems
5. Food and drink suppliers
6. Amusement supplier
7. Management recruitment and retention
8. Food safety
9. Cyber security and GDPR
10. Compliance
11. Climate change

See our risks on pages 70 to 75
See our markets on pages 24 and 25

1 Driving like-for-like revenue growth

We grow our LFL revenue by attracting new customers and increasing the frequency of existing customer visits and stimulating higher spend per game.

We do this by

- Focusing on sales, service and safety superiority, and improving centre yields
- Providing an outstanding customer experience focusing on four critical customer satisfaction drivers of value for money, cleanliness, team friendliness and service speed
- Increasing dwell time through a diverse entertainment experience
- Investing in technology and improving the digital customer journey to drive sales and engagement
- Maximising customer awareness and engagement through targeted digital marketing to a variety of customer groups
- Improving food and beverage menus and removing barriers to ordering
- Enhancing the amusement offering, making it affordable and accessible to all
- Minimising bowling-lane downtime due to mechanical failure through the rollout of Pins on Strings technology

What we achieved in FY2023

- Net promoter score of 64.4 per cent
- 60.4 per cent of customers were highly satisfied
- Linked team member bonus schemes to our four critical customer satisfaction drivers
- Improved engagement rates and revenue generation through our customer data platform, using insights to improve the effectiveness of digital marketing
- Refined our website and booking engine functionality to simplify the customer journey, and improve the presentation of products, promotions and dynamic pricing
- Refined our value snacks and sharers food menu, increasing at lane food and beverage orders
- Carried out space optimisation to add extra bowling lanes and extend amusement areas where possible

What's next?

- Continue refurbishment programme in the UK (c. 33 per cent ROI) and Canada (c. 25 per cent ROI)
- Continue to focus on innovation and investment in technology
- Launch our new in-house developed booking system, which will support further business growth in the UK and Canada

Links to risks

1 Economic environment

6 Amusement supplier

7 Management recruitment and retention

4.1%

UK LFL revenue growth

15.1%

Canada LFL revenue growth

4.5%

Group LFL revenue growth

2 Actively refurbishing our assets

Investment in our centres improves the customer experience and drives sales and profitability. Our upgrades attract new customers, enhance customer satisfaction and increase revenues.

We do this by

- Running a five-to seven-year centre refurbishment programme with an average spend of c. £400k, keeping our centres looking their best, optimising space and introducing innovations
- Reconfiguring centres to optimise space and drive revenues and yields, for example combining the bar and diner areas to create more amusement space and introducing mini-golf courses into underutilised spaces
- Increasing the space, density and quality of family games and amusement machines, driving ancillary revenues
- Upgrading in-centre digital content systems to improve customer engagement, and encourage food and beverage spend
- Investing in solar panels to reduce our impact on the environment and our exposure to energy price increases

What we achieved in FY2023

- Completed the refurbishment or rebrand of 15 centres – 13 in the UK and two in Canada, investing £6.3m on improvements
- Added extra amusements space during refurbishments – creating on average eight new machine places and adding a total of 86 new amusement pieces in our refurbished centres
- Continued to rollout our in-centre digital installations with enhanced content – now in 36 centres
- Continued to rollout Nayax 'tap to play'
- Completed rollout of Pins on Strings in 13 more centres – now in 54 centres at end of FY2023
- Installed solar panels at five centres to bring the total to 27 centres
- Retired the AMF brand, with all bowling centres in the UK now rebranded to Hollywood Bowl
- Rebranded all new Canadian centres to the Splitsville brand

What's next?

- At least eight refurbishments to be completed in FY2024
- Continued rollout of Pins on Strings to improve games per stop (GPS)
- Ongoing negotiation with landlords to continue solar panel rollout

Links to risks

1 Economic environment

6 Amusement supplier

11 Climate change

15

Centres refurbished or rebranded in FY2023

17.4%

LFL spend growth in first year after refurbishment

50%+

Average ROI on UK refurbishment capital expenditure

3 Developing new centres and acquisitions

We actively explore growth opportunities in new markets through the build of new centres and via the acquisition of existing sites or leisure operators.

We do this by

- Focusing on quality openings and setting minimum 19 per cent ROI on net capital expenditure
- Looking to international markets that are fragmented and under-invested, and ripe for consolidation
- Seeking acquisitions meeting strict investment criteria, overseas or in the UK, where we can add value and where there is significant potential for sustainable, profitable growth

What we achieved in FY2023

- Opened two new Hollywood Bowl centres and one new Puttstars centre
- Acquired three centres in Calgary, Canada
- Commenced construction on a new build centre in Ontario

What's next?

- At least ten further centres scheduled to open in the UK and Canada by the end of FY2025
- Continue to leverage our customer-led operating model, technology and digital marketing experience to add value to the Canadian business
- Continue to develop a pipeline of new Canadian site opportunities, with more than ten additional sites or acquisitions planned in the next five years

Links to risks

2 Covenant breach

3 Expansion and growth

7 Management recruitment and retention

3

New centres opened in UK

3

Centres acquired in Calgary, Canada

10+

New Group centres targeted by end of FY2025

4 Focusing on our people

Our dedicated, dynamic and diverse teams enable us to deliver on our Group purpose. Attracting and retaining top talent is a priority.

We do this by

- Having a positive, fun, high-performance Group culture
- Having a clear purpose that is well understood and that underpins the way our teams work
- Providing industry-leading training and development programmes
- Giving all team members the opportunity to progress and develop their careers
- Offering highly competitive pay, benefits, and bonus schemes to all our team members
- Engaging and communicating with all team members

What we achieved in FY2023

- Increased salaried teams' remuneration by over five per cent
- Rewarded more than 50 per cent of our hourly paid team members with performance-related bonuses
- Developed our employer value proposition which guides how we talk about the Group as an employer and what it means to work with us
- Launched the new employer brand aimed at attracting the best talent, a more diverse workforce and increasing the number of job applicants
- Launched a new careers website
- Developed our employer social media strategy
- Increased the number of Assistant Centre Manager in Training and Centre Manager in Training programmes, and held talent programmes for our technicians and contact centre teams
- Enrolled 14 team members onto the Senior Leadership Development Programme
- Filled 45 per cent of management vacancies from our internal talent pipeline
- Recognised as the number 12 ranked UK's Top 25 Best Big Companies to Work For in 2023

What's next?

- Continue to run market-leading incentive schemes for our teams
- Welcome our first cohort of graduates onto our Graduate Training Programme
- Extend our employer brand across the Group

Links to risks

4 Core systems

7 Management recruitment and retention

45%

Of management vacancies filled from internal talent pool

52%+

Of hourly paid team members received performance-related bonuses

£3.3m

Bonuses paid to centre teams

5 Leveraging our indoor leisure experience

We believe there are potential sustainable and profitable growth opportunities in the indoor leisure sector in international markets.

We do this by

- Conducting extensive research into leisure market opportunities
- Applying strict investment criteria before entering new markets
- Conducting trials to test centre environments and customer propositions
- Insight-led brand positioning

What we achieved in FY2023

- Acquired a well operated, asset backed Canadian business in FY2022 that provides the Group with a strategic platform for growth
- Extended the Splitsville brand from five to eleven centres (two added post FY2023 year end) to become the largest branded ten-pin bowling operator in the Canadian market
- Customer research project completed to enhance the customer proposition and centre environments to drive customer satisfaction and sales
- Launched a new brand framework and logo
- Refurbished our largest centre and rebranded all new centres
- Completed the formation of a new senior leadership team and ongoing upskilling programme of Centre Managers
- UK team members recruited to support roles in Canadian team to facilitate cross-learnings and ways of working

What's next?

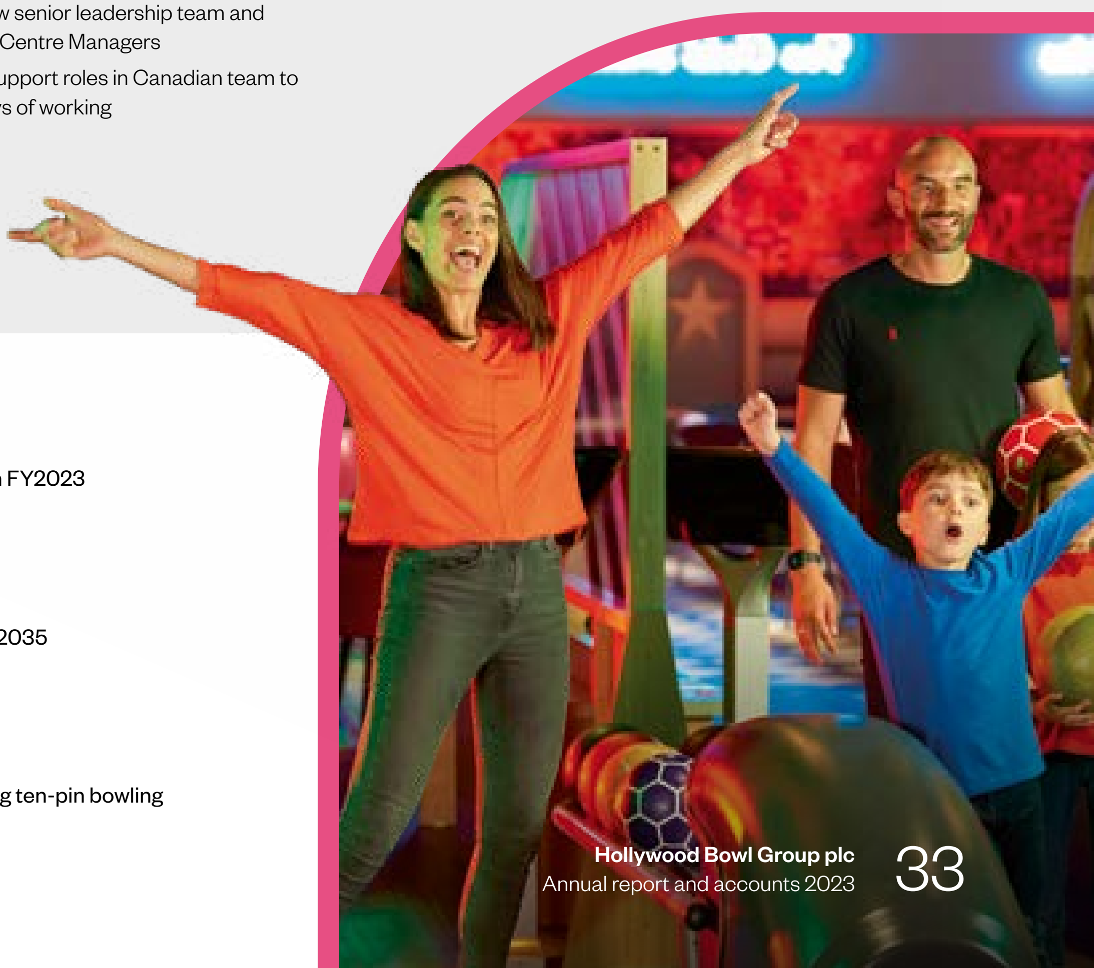
- Leverage our customer-led operating model, technology and digital marketing experience to add value to the Canadian business
- Continue to develop a pipeline of new Canadian site opportunities, with more than ten additional sites or acquisitions planned in the next five years
- Continue to evaluate opportunities for further international market expansion through the acquisitions of indoor leisure operators with high-quality locations

Links to risks

2 Covenant breach

3 Expansion and growth

4 Core systems



3

New Canadian centres acquired in FY2023

30+

Target size of Canadian estate by 2035

#1

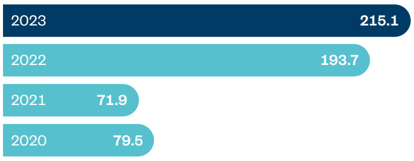
Splitsville is now the market leading ten-pin bowling brand in Canada

We monitor our performance by regularly reviewing KPI metrics[1]. We use these to gain a thorough understanding of the drivers of our performance, of our operations and of our financial condition.

Financial KPIs

Revenue (£m)

+11.0%



Definition

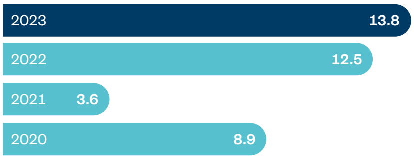
Revenue is generated from customers visiting our centres to bowl or play mini-golf, and spending money on one of the ancillary offers, amusements, diner or bar. It also includes revenue generated by our Striker Installations business in Canada.

Comment

Revenue increased by 11.0 per cent, to £215.1m, driven through LFL growth, new centre performance and the full-year effect of our Canadian business, Teaquinn.

Revenue generating capex (£m)

+10.2%



Definition

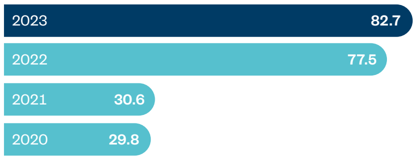
Capital expenditure on refurbishments, rebrands and new centres (excluding maintenance capex).

Comment

Revenue generating capex increased by 10.2 per cent, to £13.8m, due to a higher spend on refurbishments in the year, up £3.4m compared to FY2022, that was partially offset by lower spend on new centres.

Group adjusted EBITDA (£m)

+6.8%



Definition

Group adjusted EBITDA is calculated as operating profit before depreciation, impairment, amortisation, loss on disposal of property, plant, equipment and software and exceptional items. A reconciliation between Group adjusted EBITDA and statutory operating profit is on page 39.

Comment

Group adjusted EBITDA increased by £5.2m to £82.7m, largely due to revenue growth as well as the Canadian business being owned for the full financial year.

Profit before tax (£m)

-3.4%

Definition

Profit before tax as shown in the financial statements.

Comment

Profit before tax decreased to £45.1m due in the main to TRR of VAT amount of £8.6m received in FY2022, offset in part by LFL revenue growth and the performance of the Canadian centres.

Like-for-like revenue growth (%)

+4.5%pts

Definition

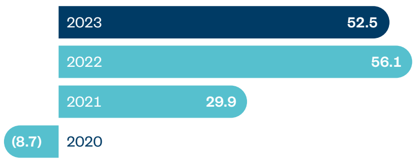
LFL revenue growth is total revenue excluding any new centres and closed centres. New centres are included in the LFL revenue growth calculation for the period after they complete the calendar anniversary of their opening date.

Comment

LFL revenue has increased 4.5 per cent (on a constant currency basis) when compared to FY2022.

Net cash/(debt) (£m)

-6.4%



Definition

Net cash/(debt) is defined as cash and cash equivalents (£52.5m) less borrowings from bank facilities (£nil) excluding issue costs.

Comment

The Group is in a net cash position as at year end due to the strong trading during the year and tight cost controls.

Adjusted gross profit margin (%)

-2.2%pts

Definition

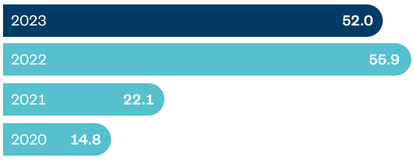
Adjusted gross profit margin is calculated as revenue minus the cost of good sold (COGS) and any irrecoverable VAT, divided by revenue. COGS excludes any labour costs. This is how gross profit margin is reported monthly by the Group and how Centres are managed.

Comment

Adjusted gross profit margin decreased year on year due to a combination of higher LFL revenue growth in amusements than other revenue lines and TRR of VAT in FY2022, as well as the lower margin in the Canadian business as guided on acquisition.

Group adjusted operating cash flow (£m)

-6.9%



Definition

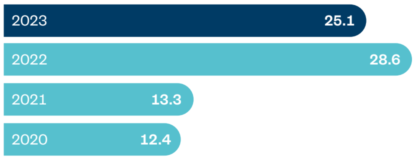
Group adjusted operating cash flow is calculated as Group adjusted EBITDA less working capital, maintenance capital expenditure and corporation tax paid. A reconciliation of Group adjusted operating cash flow to net cash flow is provided on page 40.

Comment

Group adjusted operating cash flow decreased due to a combination of higher corporation tax payments and a negative movement in working capital.

Group operating profit margin (%)

-3.5%pts



Definition

Operating profit margin is calculated as operating profit per the Financial Statements divided by revenue.

Comment

Operating profit margin decreased year on year to 25.4 per cent, due in the main to TRR of VAT amount of £8.8m received in FY2022 (4.8 per cent of Group revenue) compared to only £0.2m in FY2023 (0.1 per cent of Group revenue).

Group adjusted EBITDA margin (%)

-1.5%pts

Definition

Group adjusted EBITDA margin is calculated as Group adjusted EBITDA divided by total revenue.

Comment

Group adjusted EBITDA margin was 38.5 per cent, in line with management expectations. Group adjusted EBITDA margin on a pre-IFRS 16 basis was 30.2 per cent.

Total average spend per game (£)

+1.4%

Definition

Total average spend per game is defined as total revenue in the year, excluding any exceptional items, divided by the number of bowling games and golf rounds played in the year.

Comment

Average spend per game increased by 1.4 per cent, to £10.82, due to customers continuing to spend more during their visits.

1 Some of the measures described are not financial measures under Generally Accepted Accounting Principles (GAAP), including International Financial Reporting Standards (IFRS), and should not be considered in isolation or as an alternative to the IFRS Financial Statements. These KPIs have been chosen as ones which represent the underlying trade of the business and which are of interest to our shareholders.

Delivering growth and strong returns

"On the back of record revenues in FY2022, it was pleasing to see continued growth for our UK and Canadian operations."

Laurence Keen, Chief Financial Officer

Group financial results

	FY2023	FY2022	FY2022 (excluding TRR of VAT on bowling)[6]	Movement FY2023 vs FY2022 (excluding TRR of VAT on bowling)
Revenue	**£215.1m**[5]	£193.7m[5]	£185.0m	+16.2%
Adjusted gross profit[1]	**£177.6m**	£164.3m	£155.6m	+14.0%
Adjusted gross profit margin[1]	**82.6%**	84.8%	84.1%	-150bps
Administrative expenses	**£123.5m**	£108.9m	£108.8m	+13.5%
Group adjusted EBITDA[2]	**£82.7m**	£77.5m	£74.5m	+11.1%
Group adjusted EBITDA[2] pre-IFRS 16	**£64.9m**	£60.6m	£57.6m	+12.7%
Group profit before tax	**£45.1m**	£46.7m	£37.9m	+19.0%
Group profit after tax	**£34.2m**	£37.5m	£30.9m	+10.7%
Group adjusted profit before tax[3]	**£47.8m**	£48.7m	£39.9m	+19.8%
Group adjusted profit after tax[3]	**£36.8m**	£39.4m	£32.8m	+12.2%
Free cash flow[4]	**£29.5m**	£34.8m	£34.8m	-15.4%
Total dividend per share	**14.54p**	14.53p	14.53p	+0.0%

1 Adjusted gross profit margin is calculated as revenue less directly attributable cost of goods sold and excludes any payroll costs.

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 on page 39.

3 Adjusted group profit before / after tax is calculated as group profit before / after tax, adding back acquisition fees of £0.7m (FY2022: £1.6m) and the non-cash expense of £2.0m (FY2022: £0.4m) related to the fair value of the earn out consideration on the Teaquinn acquisition in May 2022. Also, in FY2022 it included the deduction of the non-cash credit in relation to the Teaquinn bargain purchase of £39,075.

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 FY2022 included a total of £8.8m relating to the reduced rate (TRR) of VAT on bowling. £5.8m of this was in respect of prior years and £3.0m for FY2022. FY2023 includes £0.3m in respect of TRR of VAT.

6 FY2022 consolidated income statement included the following in respect of TRR of VAT on bowling in the UK: Revenue £8.8m, gross profit £8.8m, administrative expenses £0.1m, Group adjusted EBITDA £3.0m, Group profit before tax £8.8m, Group profit after tax of £6.6m and Group adjusted profit after tax of £6.6m.

7 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, as well as a measure that investors use to consider the underlying business performance. 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.

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

Revenue

On the back of record revenues in FY2022, it was pleasing to see continued growth, with UK LFL growth of 4.1 per cent in FY2023.

UK LFL revenue growth was a combination of spend per game growth of 3.4 per cent, taking LFL average spend per game to £11.06, as well as LFL game volume growth of 0.7 per cent. The LFL growth, alongside the performance of the new UK centres, resulted in record UK revenues of £192.4m and growth of 7.6 per cent compared to the underlying revenues in FY2022 (excluding the impact of TRR of VAT on bowling of £8.8m in FY2022). It is worth noting that UK centres benefited from the unseasonable wet weather in July and August, with both months recording strong revenue and August achieving a record month (£20.2m).

Canadian LFL revenue growth, when reviewing in Canadian Dollars to allow for disaggregating the foreign currency effect, was 15.1 per cent.

Total statutory revenue for FY2023 was £215.1m, 11.0 per cent growth on FY2022 (16.2 per cent growth excluding TRR of VAT on bowling in FY2022).

Adjusted gross profit

Adjusted gross profit is calculated as revenue less directly attributable cost of good sold and does not include any payroll costs. Gross profit was £177.6m, 8.1 per cent growth on FY2022 (14.0 per cent growth excluding TRR of VAT on bowling in FY2022), with gross profit margin at 82.6 per cent.

Adjusted gross profit for the UK business was £161.2m with a margin of 83.7 per cent. The trend of amusements growing at a higher rate than bowling continued, producing a higher gross profit overall, albeit at a reduced gross profit margin (amusements has a lower gross profit margin).

Adjusted gross profit for the Canadian business was in line with expectations at CAD 27.2m (£16.4m), with a margin of 73.1 per cent. The lower margin rate when compared to the UK business is as expected due to the lower gross profit margin of the Striker bowling equipment and installations business, the higher food and drink mix in the Canadian bowling centres and the lower contractual amusement gross profit margin. Splitsville centres contributed CAD 25.2m (£15.2m) of gross profit.

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 on a statutory basis were £123.5m. On a pre-IFRS 16 basis, administrative expenses were £130.0m, compared to £114.1m in FY2022.

Employee costs in centres increased to £40.7m, an increase of £7.0m when compared to FY2022, due to a combination of salary increases and the impact of higher LFL revenues, new UK centres, as well as the full-year effect of employee costs in Canadian centres, which resulted in an increase of CAD 7.0m (£4.1m).

Total property-related costs, accounted for under pre-IFRS 16, were £36.6m, with £33.9m for the UK business (FY2022: £33.3m). Rent costs in the UK accounted for £17.6m in FY2023, an increase of £0.4m compared to the prior year. Underlying business rates in the UK increased year on year by £1.6m as the COVID-19 concessions were removed during FY2023. However, due to business rate reduction claims made in respect of the 2015 revaluation finally being agreed, the Group received £2.3m in refunds (net of professional fees), resulting in an overall decrease in UK business rates of £0.7m. Total property costs in the UK increased by £1.1m, with new centre costs increasing by £0.9m. Canadian property centre costs were in line with expectations at CAD 4.5m (£2.7m).

Our current UK electricity hedge runs out at the end of FY2024. We are therefore pleased to have agreed a new hedge up to the end of FY2027, with FY2025 seeing a modest increase of 33 per cent (£1.0m) compared to our current FY2024 hedge rate, whilst we would still be able to take advantage of lower costs should such market conditions prevail during this period. At the end of FY2023, we had 27 centres with solar panels installed, resulting in over 38 per cent of our UK estate benefiting from this technology, which aids in the Group's ESG strategy as well as some level of protection against higher energy costs.

Total property costs, under IFRS 16, were £39.6m, including £10.4m accounted for as property lease assets depreciation and £9.8m in implied interest relating to the lease liability.

Corporate costs include all central costs as well as the out-performance bonus for centres. Total corporate costs increased by £3.2m to £25.3m when compared to FY2022. UK corporate costs increased by £1.3m to £22.8m with the main driver of this being increased marketing spend. As we continue to build out our support team in Canada for growth, this, combined with a full year of ownership, resulted in corporate costs increasing by CAD 3.3m to CAD 3.9m (£2.3m). The additional people in Canada included a Director of Operations as well as leaders in marketing, people and property.

The statutory depreciation, amortisation and impairment charge for FY2023 was £26.1m compared to £25.7m in FY2022. Excluding property lease assets depreciation, this charge in FY2023 was £14.9m. This is due to the continued capital investment programme, including new centres and refurbishments, as well as the full year impact of Canada.

We undertook detailed impairment testing which resulted in an impairment charge in the year of a total of £2.2m (FY2022: £4.3m). The discount rate used for the weighted average cost of capital (WACC) was 12.7 per cent pre-tax (FY2022: 16.0 per cent). See note 12 to the Financial Statements for more information.

Canadian performance

Following the Teaquinn acquisition in May 2022, the Group has continued to grow its footprint in Canada. During FY2023 the Group acquired three entertainment centres in Calgary, with one new build in Ontario signed and due to open in early 2024.

The business continues to trade in line with expectations, with total revenues in Canada of CAD 37.3m (£22.5m), and just over CAD 7.4m (£4.5m) of EBITDA on a pre-IFRS 16 basis. Of this, Striker, the bowling equipment and installations business, contributed CAD 7.1m (£4.3m) of revenue and CAD 0.9m (£0.8m) of EBITDA. On a LFL basis revenue grew by 15.1 per cent.

Adjusted gross profit (which excludes payroll costs) was in line with expectations at CAD 27.2m (£16.4m), with a margin of 73.1 per cent. The lower margin rate when compared to the UK business is in line with expectations because of the lower gross profit margin of the Striker bowling equipment and installations business, higher food and drink mix and the lower contractual amusement gross profit margin.

Exceptional costs

Exceptional costs relate in the main to two areas. The first is the acquisition costs in relation to the acquisition of three entertainment centres in Calgary and acquisitions in progress at year end, which totalled £0.7m. The second is the earn out consideration for Teaquinn President Pat Haggerty, which is an exceptional cost of £2.0m in FY2023 (of which £1.8m is in administrative expenses and £0.2m is in interest expenses). See the table on page 39 for exceptional items included in the Group adjusted EBITDA and operating profit reconciliation.

As noted in the FY2022 full-year results, the earn out consideration is considered a post-acquisition employment expense and not in the scope of IFRS 3, but instead is accounted for under IAS 19. The earn out has a cost impact in the following financial years up to and including at least FY2025. 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 to a record £64.9m and includes a contribution of £4.5m (CAD 7.4m) from the Canadian business.

Compared to FY2022 pre-IFRS 16, this was an increase of 7.1 per cent. When excluding the impacts of TRR of VAT (£3.0m in FY2022) this increase is 12.7 per cent.

	FY2023 £'000	FY2022 £'000
Operating profit[1]	**54,085**	55,449
Depreciation	**25,317**	25,052
Amortisation	**820**	624
Loss on property, right-of-use assets, plant and equipment and software disposal	**306**	18
Exceptional items	**2,203**	(3,688)
Group adjusted EBITDA under IFRS 16	**82,731**	77,455
IFRS 16 adjustment	**(17,799)**	(16,850)
Group adjusted EBITDA pre-IFRS 16	**64,932**	60,605

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.

The increase is primarily due to the strong LFL revenue performance, the new UK centre performance, the Group's relatively fixed cost base, and the Canadian business. 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 above.

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 scheme (SAYE) for all team members. The LTIP awards vest in three years providing continuous employment during the period, and attainment of performance conditions relating to earnings per share (EPS), as outlined on page 103 of the Annual Report. The Group recognised a total charge of £1.2m (FY2022: £0.9m) in relation to the Group's share-based arrangements. Share-based costs are not classified as exceptional costs.

Financing

Finance costs increased to £9.0m in FY2023 (FY2022: £8.8m) comprising mainly of implied interest relating to the lease liability under IFRS 16 of £9.8m. Bank interest costs in relation to the Group's undrawn revolving credit facility of £0.2m were offset by the interest received (£1.4m) on the Group's bank balances.

The Group's bank borrowing facilities are a revolving credit facility (RCF) of £25m at a margin rate of 1.75 per cent above SONIA and an agreed accordion of £5m. The loan term runs to the end of December 2024, and the RCF remains fully undrawn.

Cash flow and liquidity

The liquidity position of the Group remains strong, with a net cash position of £52.5m as at 30 September 2023, compared to £56.1m at 30 September 2022. Detail on the cash movement in the year is shown in the table on page 40.

Capital expenditure

During the financial year, the Group invested net capex of £30.3m, including £7.4m on the acquisition of three centres in Calgary.

A total of £7.0m was invested into the refurbishment programme, with 15 UK centres and two Canadian centres, some of which were still be completed at the end of FY2023. This included a rebrand of Splitsville Richmond Hill, Canada and the final two rebrands of AMF to Hollywood Bowl, in Torquay and Worthing. Despite inflationary pressures, returns on the UK refurbishments continue to exceed the Group's hurdle rate of 33 per cent.

New UK centre capital expenditure was a net £6.8m. This relates, in the main, to three centres opened in the year – Hollywood Bowl in Speke and Merry Hill Birmingham and Puttstars Peterborough.

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

The Group spent £9.1m on maintenance capital in the UK, including continued spend on the rollout of Pins on Strings technology and solar panel installations. At the end of FY2023, Pins on Strings were in 56 centres and solar panels on 27 centres.

Technology investment was £0.8m as we continue to enhance the digital customer journey ahead of the launch of our in-house core reservations platform in FY2024. We also upgraded the website, payment platform and customer data platform, and maintained a continued focus on our cyber security.

Considering the rolling refurbishment programme, maintenance capital, and the new centres in the UK and Canada, we expect capital expenditure, including acquisitions to be in the region of £35m to £40m in FY2024.

Cash flow and net debt

	FY2023 £'000	FY2022 £'000
Group adjusted EBITDA under IFRS 16	**82,731**	77,455
Movement in working capital	**(1,103)**	8,814
Maintenance capital expenditure	**(9,072)**	(9,323)
Taxation	**(9,100)**	(6,616)
Payment of capital elements of leases	**(11,419)**	(14,450)
Adjusted operating cash flow (OCF)[1]	**52,037**	55,881
Adjusted OCF conversion	**62.9%**	72.2%
Expansionary capital expenditure[2]	**(13,786)**	(12,508)
Disposal proceeds	**10**	2
Net bank interest received/(paid)	**1,008**	(104)
Lease interest paid	**(9,808)**	(8,452)
Free cash flow (FCF)[3]	**29,462**	34,819
Exceptional items	**(343)**	4,091
Acquisition of Teaquinn Holdings Inc	**—**	(8,099)
Cash acquired in Teaquinn Holdings Inc	**—**	415
Acquisition of Calgary centres	**(7,716)**	—
Cash acquired in Calgary centres	**319**	—
Dividends paid	**(25,338)**	(5,132)
Equity placing (net of fees)	**6**	30
Net cash flow	**(3,610)**	26,124

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 £10.9m arising on the profit before tax generated in the period. The increase in the Group's effective rate of tax to 24.2 per cent is a combination of the increase in the UK corporation tax rate from 19 per cent to 25 per cent from April 2023 as well as the effect of the disallowable element, for tax purposes, of the earn out provision charged in FY2023.

Earnings

Statutory profit before tax for the year was £45.1m and 3.4 per cent lower than FY2022. It is worth noting that FY2022 included a profit before tax benefit of £8.6m due to TRR of VAT.

The Group delivered profit after tax of £34.2m (FY2022: £37.5m) and basic earnings per share was 19.92 pence (FY2022: 21.91 pence).

Group adjusted profit before tax is £47.8m, whilst Group adjusted profit after tax is £36.8m.

The adjustments are made to reflect the underlying trade of the Group. These adjustments are adding back acquisition fees of £0.7m and the non-cash expense of £2.0m related to the fair value of the earn out consideration on the Canadian acquisition in May 2022. For more detail see note 5 to the Financial Statements.

Dividend and capital allocation policy

The Group's highly cash generative business model and strong balance sheet mean the business is well placed to continue to invest in its customer-led, UK and international growth strategy and to take advantage of opportunities as they arise, while delivering attractive shareholder returns.

The Board has reviewed its capital allocation policy with the updated priorities for cash as follows:

- capital investment into the existing centres through an effective maintenance and refurbishment programme;
- investments into new centre opportunities, including expansion in both the UK and Canada;
- to pay and grow the ordinary dividend in line with adjusted profit after tax. Given the Group's continued strong performance and the cash balance, the ordinary dividend will be based on a payout of 55 per cent of adjusted profit after tax;
- any excess cash will be available for distribution to shareholders as the Board deems appropriate, without impacting on investment in the growth of the business.

The FY2023 ordinary dividend will be based on a payout of 55 per cent of adjusted profit after tax, in line with the revised capital allocation policy and reflecting the Board's confidence in the Group's strategy, strong balance sheet and focus on delivering shareholder returns.

Therefore, the Board has declared a final ordinary dividend of 8.54 pence per share, based on an adjusted profit after tax of £36.8m (adjusted earnings per share of 21.48 pence).

In line with the Group's capital allocation policy, the Board has proposed a special dividend of 2.73 pence per share be paid to shareholders alongside the ordinary dividend, bringing the full-year dividend to 14.54 pence per share (FY2022: 14.53 pence per share).

Furthermore, given the surplus cash at the end of FY2023, the Group announces a share buyback programme of up to £10m, which is intended to commence shortly after the AGM.

The Board will periodically assess the progress of this share buyback programme in light of the Group's capital allocation needs. Investing in the Group's profitable growth remains the priority use of cash and any future returns to shareholders will be subject to operational capital requirements, financial performance and other available strategic growth opportunities.

Subject to approval from shareholders at the AGM, the ex-dividend date is 1 February 2024, with a record date of 2 February 2024 and a payment date of 23 February 2024.

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.

Post-year-end events

We were pleased to complete three acquisitions in early FY2024.

In the UK, on 2 October, we purchased the assets, including the long leasehold, of Lincoln Bowl for total consideration of £4.4m.

In Canada we completed two acquisitions. The first is the acquisition of a successful family entertainment centre in Guelph, Ontario called Woodlawn Bowl Inc, for CAD 4.71m, which on a proforma EBITDA pre-IFRS 16 basis, generated CAD 1.07m. The second is the acquisition of the assets and lease of a family entertainment centre in Vancouver, called Lucky 9 Bowling Centre Limited as well as its associated restaurant and bar, Monkey 9 Brewing Pub Corp, for a total consideration of CAD 425,000.

Laurence Keen
Chief Financial Officer
17 December 2023

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.

UK like-for-like (LFL) revenue for FY2023 is calculated as:

- Total Group revenues £215.1m, less
- New UK centre revenues for FY2022 and FY2023 that have not annualised £6.3m, less
- VAT rebates of £0.3m relating to prior periods, less
- Canada revenues for FY2023 of £22.5m

New centres are included in the LFL revenue after they complete the calendar anniversary of their opening date. LFL UK comparatives for FY2022 are £178.7m.

Adjusted gross profit margin is calculated as total revenue less directly attributable cost of goods sold. Management do not consider it helpful to include any payroll costs in the gross margin because although these costs do vary to some extent with volume, it is in no way linear. These amounts are presented separately on the consolidated income statement.

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 evaluation cash from normalised trading.

LFL spend per game is defined as LFL revenue in the year excluding any revenues relating to TRR of VAT for prior years (£5.8m) and TRR of VAT for FY2022 (£3.0m) 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, 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.

Adjusted profit after tax is calculated as statutory profit after tax, adding back the acquisition fees in Canada of £0.6m and the non-cash expense of £2.0m related to the fair value of the earn out consideration on the Canadian acquisition in May 2022. 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.

Working with our stakeholders

Effective engagement and collaboration with all of our stakeholder groups.

Considering all of our stakeholders is a vital part of the Board's strategic decision making. Engaging our stakeholders in a way that aligns with our culture and supports our goal of remaining an industry leader is fundamental to the long-term sustainable success of the Group.

Section 172 of the Companies Act 2006 requires directors to always act in good faith and in a way that would most likely promote the success of the company for the benefit of its stakeholders.

As part of this, the Board must always consider how decisions balance the needs of our different stakeholders, as well as the consequences on long-term performance. The nature of operating a large-scale business means it is not always possible to provide positive outcomes for every stakeholder. In these situations, the Board has to make decisions despite competing stakeholder priorities.

Our stakeholder engagement processes allow us to better understand what matters to stakeholders, consider all relevant factors and select the best course of action for the Group's long-term business success.

Our key stakeholders

The Board considers the Group's key stakeholders to be:

- Team members (employees)
- Customers
- The communities in which it operates
- The environment
- Investors
- Suppliers, partners and lending banks

Read more on the Business model on **pages 26 and 27**

Read more on Sustainability on **pages 46 to 59**

Read more on Governance on **pages 78 to 87**

S172(1) statement:

In accordance with section 172(1) of the Companies Act 2006, a director of a company must act in the way he or she considers, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole and, in doing so, have regard, amongst other matters, to:

a. the likely consequences of any decision in the long term;

b. the interests of the Group's employees;

c. the need to foster the Group's business relationships with customers and suppliers;

d. the impact of the Group's operations on the community and the environment;

e. the desirability of the Group maintaining a reputation for high standards of business conduct; and

f. the need to act fairly between members of the Group.

The following disclosure describes how the Directors of the Group have taken account of the matters set out in section 172(1) (a) to (f) and forms the Directors' statement required under section 172 of the Companies Act 2006.

How we engage with our key stakeholders

Here, we outline the Board and Group's approach to considering and engaging with our key stakeholder groups.

As well as our ongoing engagement activities, we also regularly receive and respond to specific feedback as well as provide updates on important issues to our stakeholders.

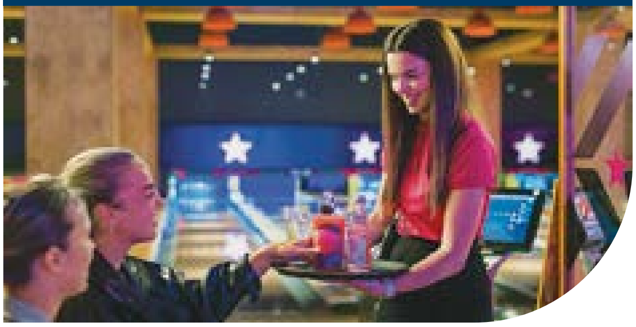
However, the Board does reserve certain matters for its own decision making. These are outlined on page 82.

In response to COVID-19 we took steps to increase our communication, collaboration and information sharing with stakeholders regarding our actions and the potential impacts on them, as well as the information we have considered.

We have continued this approach in the UK and are looking to extend these engagement and collaboration methods to our Canadian operations as our Group ways of working become more embedded in this business.

Here are the details of the activities we undertook in FY2023 and the outcomes of the engagement with our stakeholder groups.

Our team



Our team members are key to our business success and the driving force behind our fun-filled customer experiences.

What is important to them

- Regular, relevant and clear communication
- Engagement with all levels of management
- Opportunities to provide feedback
- Career and skills development options
- Attractive salary, benefits and opportunities to share in the success of the Group
- An inclusive employer who embraces diversity at all levels

How the Board considers the interests of the stakeholder group

- All Directors visit multiple new, refurbished and existing centres each year
- Attendance at the annual management conference
- Bi-annual feedback sessions between management and team members
- Diversity is a key consideration of the Board's succession planning

How we engaged them during FY2023

- Fourth Engage in the UK enables us to communicate key messages instantly, with the opportunity for the team to interact (there were over 10k posts in the year), and we have also used the platform to deliver wellbeing initiatives to support our team
- We have undertaken employee engagement surveys and pulse surveys
- The Company has a Whistleblowing policy in place, which enables employees to raise concerns on any areas of the business. All cases are reported on at every Board meeting
- We publish our Gender Pay Gap report once a year

Outcomes of engagement during FY2023

- Fourth Engage enabled us to deliver our internal training and wellbeing initiatives to support our team
- We have updated our learning platform to include more user-generated content and encourage self-led learning. This content has also been shared through Fourth Engage
- The outputs of the engagement surveys were considered by the Board and senior leadership team, resulting in actions being identified and put in place
- We were delighted to be recognised as one of the UK's Top 25 Best Big Companies to Work For in 2023, the second year in succession

Our customers

Providing a great experience every time our customers visit is a core focus for the Board. Ongoing feedback remains our best indicator for whether we are delivering on this.

What is important to them

- A great value visit every time
- A clean and safe environment
- Excellent customer service from friendly team members
- Fully working, fault-free equipment

How the Board considers the interests of the stakeholder group

- The Board reviews customer satisfaction scores at every meeting
- Customer satisfaction scores form part of all bonus schemes from team members to senior leadership
- The senior leaders use customer feedback to identify improvements to ways of working and ongoing investments into new centres and refurbishments

How we engaged with them during FY2023

- Post-visit customer satisfaction surveys
- Qualitative market research programmes
- Quantitative market research programmes
- Social media and customer queries submitted via the contact centre
- Regular feedback and monitoring ensured safety standards and expectations were being met

Outcomes of engagement during FY2023

- We saw improved overall satisfaction scores from our UK customer visits compared to FY2022
- Enhancements to the Hollywood Bowl and Puttstars brand and service propositions
- Enhancements to the Splitsville brand and service proposition

Our communities and the environment

We our proud to be an active part of our communities, with school outreach programmes, concession discounts and charity fundraising.

We always take into account the short and longer-term environmental impacts of business operations and strategy.

What is important to them

- A positive contribution to local communities through employment and amenity provision
- Energy efficiency, and minimising environmental impacts
- Sustainable working practices
- Ongoing support for local and national charities

How the Board considers the interests of the stakeholder group

- The Board considers the longer-term impact of its operations as part of its sustainability strategy
- The Board continues to focus on improving its energy efficiency

How we engaged with them during FY2023

- Our Sustainability report details our ESG strategy, activities undertaken and future initiatives. This can be found on pages 48 and 49

Outcomes of engagement during FY2023

- We continued with our investment into solar panels, with five installations completed or nearing completion
- 83 per cent of UK bowling centres now have energy efficient Pins on Strings technology installed
- Increase in uptake of UK concessionary discount rates versus FY2022
- Support for Barnardo's as our UK national charity partner and other community-based charities
- We have made further progress in our ESG strategy and initiatives (read more on pages 46 to 55)

Our investors

Our investors are an important source of feedback on our business model and plans for future growth.

What is important to them

- Relevant and timely information on Group performance and strategic plans
- Regular engagement with management
- Growth of share price and dividend returns data
- Our capital allocation policy
- Information on ESG strategy and performance
- Information on Remuneration policy

How the Board considers the interests of the stakeholder group

- The Board receives feedback from shareholder meetings and through the Group's brokers, Investec and Berenberg
- The Board welcomes questions from our shareholders at any time
- The Remuneration Committee Chair continues to consult shareholders on any future major changes to its Policy. The Report of the Remuneration Committee can be found on pages 98 to 114
- The Board remains focused on the Group's ESG initiatives; the Sustainability report is on pages 46 to 59 and the Corporate governance report is on pages 78 to 87

How we engaged with them during FY2023

- The AGM was held in January 2023
- Investor relations during the year consisted of meetings with our current and prospective shareholders and presentations given to shareholders upon the release of annual or interim results
- Attendance and presentations given at investor conferences
- Disclosure of our climate reduction performance via CDP

Outcomes of engagement during FY2023

- The Board's view on dividends is outlined in the Chief Financial Officer's review on pages 40 and 41
- The Group's capital allocation policy is outlined on pages 40 to 41
- We have made further progress in our ESG strategy and initiatives including the publication of our climate transition plan on pages 58 and 59
- Investor Relations Society Best Practice Award Winner - Small Cap PLC Website

Our suppliers and partners

Our partnerships are concentrated on a number of key suppliers we have for IT services, amusements, food and beverages and also encompass our landlords.

What is important to them

- Clear and concise communication to our suppliers and partners that shows integrity and reliability at all times
- Strong listed covenant
- Acting as a responsible tenant

How the Board considers the interests of the stakeholder group

- The Board is committed to high standards of ethics
- We expect high ethical standards from every supplier and partner we work with
- Executive Directors hold regular discussions directly with our main suppliers
- The Board takes a zero-tolerance approach to bribery, corruption and modern slavery and reviews supplier and partner policies in these areas

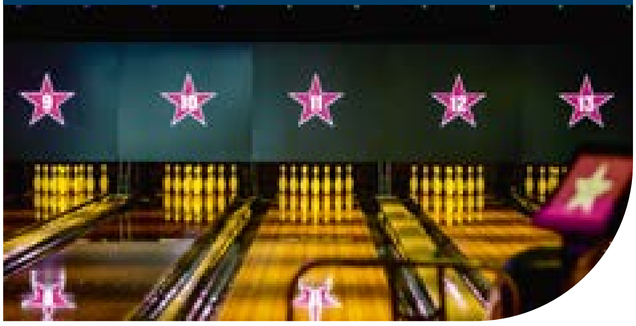
How we engaged with them during FY2023

- The Executive Directors continued to closely engage with landlords to agree extensions and revised terms as required
- We actively manage our supplier relationships and have worked with our major suppliers to carefully manage costs and supply chain disruption
- We publish our Payment Practices Report twice a year
- Our suppliers are audited annually on their compliance with modern slavery and human trafficking legislation

Outcomes of engagement during FY2023

- We maintained positive relationships with our major suppliers and landlords throughout FY2023

Our lending banks



Our lending banks provide funds for growth and working capital as required.

What is important to them

- Regular monthly reporting, including rolling 12-month forecasts
- Regular invitations to new openings and refurbishment launches

How the Board considers the interests of the stakeholder group

- Bank representatives are able to attend half-year and full-year results presentations
- Forward-looking forecasts are provided at every monthly Board meeting to ensure covenant compliance

How we engaged with them during FY2023

- We provided regular monthly updates on Company performance and reported on debt covenant look forwards

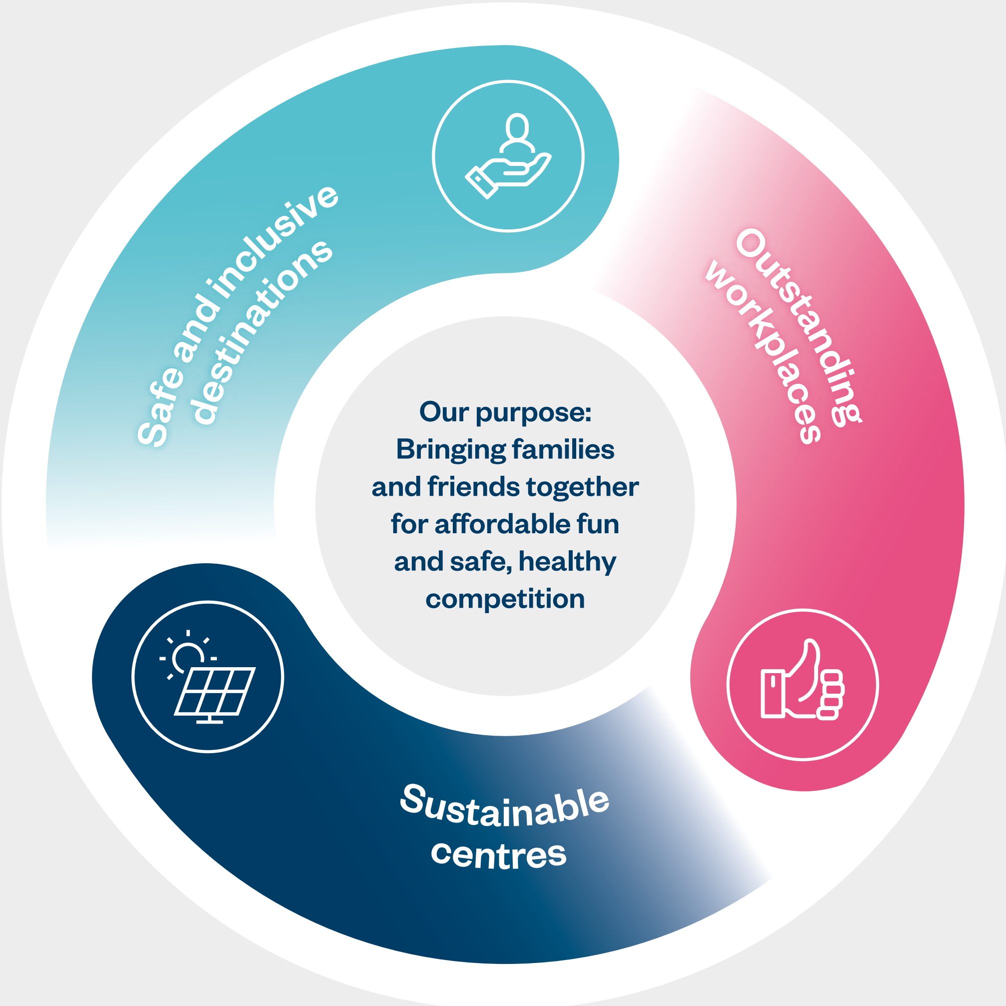
Outcomes of engagement during FY2023

- The £25m revolving credit facility (RCF) remains in place for the Group until December 2024

Sustainability is embedded in everything we do

Hollywood Bowl Group is a people-focused business with social aims and responsibility at its heart.

We have a key focus on employment and the communities where our centres are located. We also aim to reduce our environmental impact, both at a local level and in the context of our contribution to climate change.



Safe and inclusive destinations

We bring friends and families together in our welcoming centres where we prioritise health and safety, a responsible approach to eating and drinking, accessibility for all and positive local community relations.

Read more on **pages 48 and 49**

Outstanding workplaces

We focus on developing and training our team members, supporting their wellbeing and maintaining a diverse and inclusive Company culture in which they can thrive.

Read more on **pages 50 and 51**

Sustainable centres

The centres we operate for playing, working and socialising are increasingly more energy efficient, low-emission, sustainably sourced and recycling-orientated places.

Read more on **pages 52 and 53**

Highlights

Oversight and strategy

- The Board established a Corporate Responsibility Committee (CRC) which reviewed performance and set targets across our three sustainability pillars
- The Group has developed a UK pathway to net zero transition plan and associated targets (see pages 58 and 59)
- Our sustainability strategy is starting to be introduced into our Canadian operations and we will be reporting on progress in FY2024

This sustainability report refers to UK operations only, unless where stated

Safe and inclusive leisure destinations

963,000

Concessionary discount games were played

- Our centre teams raised over £58,000 for our national charity partner Barnardo's
- More than 50 per cent of the soft drinks we sold were zero sugar
- 98.5 per cent of our centres successfully met our food and drink audit standards

Outstanding workplaces

269

Team members took part in top talent development programmes

- 2,454 team members attended face to face academy learning courses
- 65 team members were internally promoted to management positions
- We refreshed our employer brand and redesigned our careers website

Sustainable centres

12,749

Solar panels now installed across 27 of our UK centres

- We met our target for on-site renewable electricity generation with 27 centres now with solar panels
- 100 per cent of our directly purchased electricity now comes from renewable sources
- We calculated our baseline Scope 3 emissions for the UK

Priority issues:
- Accessibility, wellbeing and community relations
- Health and safety
- Responsible food and beverage

Supports strategic objectives:

1. Delivering like-for-like revenue growth
2. Actively refurbishing our assets
4. Focusing on our people
5. Leveraging our indoor leisure experience

Helps mitigate principal risks:
Food safety and compliance

Stakeholder value for:
Customers, people, communities and investors

Links to SDGs

Safe and inclusive destinations

Accessibility, wellbeing and community relations

We provide inclusive and sociable activities that enable families and friends of all ages and abilities to spend quality time together, in an environment that is fun and welcoming, while actively promoting wellbeing. We work hard to make bowling accessible to everyone. All of our centres have disabled access, moveable ramps to access lanes and to aid bowling, and disabled toilet facilities. We foster excellent community relations through concessionary discounts and local community engagement which includes charity fundraising events and school partnerships.

We continued to support the children's charity Barnardo's as our national charity partner, with team members and Centre Managers raising a record £58,000 through their own centres and our central support centre for this worthy cause.

Health and safety

The health and safety of our teams and customers is an ongoing priority, and we demonstrate our commitment to this area by measuring and monitoring performance across all centres and locations. Ensuring healthy and safe environments is critical to our business performance and the experience we offer our customers, and is integral to our promise to deliver an outstanding workplace. We continue to refresh and reinforce our policies and practices, and comply with all safety legislation and act on all reported incidents. As part of our internal audit reviews, we undertake safety audits, and any incident reports are reviewed by the Board on a monthly basis.

Responsible food and beverage

We consider the impact of the food and drink options we offer and are committed to clearly providing customers with the facts they need, including allergen information, so they can make fully informed choices. We collaborate with our suppliers to offer healthier alternatives as part of our range, which may include reducing the salt and sugar content of the food and beverages we serve. We actively promote a range of sugar-free soft drinks, with fresh water readily available.

Last year we removed 4,500 food and drink deliveries by consolidating our suppliers and moving away from single item suppliers.

Health and safety is strictly embedded in our daily operations, and our team members must complete food safety and allergen awareness training. Our centres are audited regularly, often on an unannounced basis, by internal food safety auditors or environmental health officers, and we consistently achieve high food hygiene ratings.

Inclusivity in action

IBSA World Games

The games were held from 18-27 August 2023, based at the University of Birmingham. The games are the largest high-level international event for athletes with visual impairments, with more than 1,000 competitors from more than 70 nations.

Hollywood Bowl Broadway Plaza proudly hosted the ten-pin bowling element of the games, with competitors from all over the world participating.

The country representatives battled it out in a highly competitive, supercharged atmosphere. The general public was able to attend and watched in awe at the incredible talent on display.

Image credit: Richard Hall

Target progress

£58,000

Raised for national charity partner Barnardo's

FY2023 target	£40,000
FY2022	£28,000

963,000

Concessionary discount games played

FY2023 target	750,000+
FY2022	750,000

98.5%

Of centres passed food and drink audits

FY2023 target	100%
FY2022	97%

50.5%

Of soft drinks sold were sugar free

FY2023 target	50%
FY2022	48%

98%

Of team members completed food safety and allergen training

FY2023 target	97%
FY2022	98%

Priority issues:
- Talent attraction and retention
- Training and development
- Team wellbeing
- Diversity and inclusion

Supports strategic objectives:

1 Delivering like-for-like revenue growth

4 Focusing on our people

Helps mitigate principal risks:
Employee retention and compliance

Stakeholder value for:
Customers, people, communities and investors

Links to SDGs

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

Outstanding workplaces

Talent attraction and retention

Our team members are the lifeblood of our business and are key to our success. Our people initiatives are designed to attract and retain the best talent in a competitive labour market. While recruitment and retention continue to be a challenge in our sector, our industry-leading training programmes, and limited exposure to EU labour and the London market enable us to perform better than our hospitality and leisure peers in terms of staff turnover rates.

Our team members have been instrumental to our outstanding performance in FY2023. We have a high-performance and purpose-led culture that recognises individuals. A generous perks and benefits programme includes team member discounts, top talent development programmes and performance-related pay. In FY2023, we paid out £600k in bonuses to centre teams and 52 per cent of our hourly paid team members received an extra 50 pence per hour bonus in recognition of excellence.

With inflation putting a squeeze on team members' finances, we increased average pay in April for our salaried team members by 9.2 per cent and by 5.3 per cent for our Centre Managers and Assistant Centre Managers. We are committed to paying a living wage to our hourly-rate team members.

Training and development

Working with us is more than 'just a job' – it is a high-performance culture, where teams are nurtured through exceptional training and where defined behaviours are rewarded.

With many roles filled internally in FY2022, coupled with new centre openings, we increased the number of Assistant Manager in Training and Centre Manager in Training programmes. Consequently, 45 per cent of management vacancies were filled internally. We also sponsored three team members to take up HR and Centre Manager roles in our Canadian business – something we hope to offer more in the future.

We believe anyone with the right drive and training can become a Centre Manager, and have launched a graduate training programme which will see 11 graduates joining in October 2023. This fast-track programme aims to develop graduates into Centre Managers within three years of joining. In addition, our Senior Leadership Development Programme (SLDP), which provides future leaders with the management skills and business knowledge to become a member of the senior leadership team, currently has 14 colleagues enrolled.

Team wellbeing

Team wellbeing is of vital importance to us and we have well established initiatives in place. This includes five Mental Health First Aiders, regular communications on Fourth Engage (our internal social media platform) to highlight events such as World Mental Health Day, wellbeing modules in our training programmes, and our Employee Assistance Programme (EAP) which provides a free support service and ideas for physical and mental health, wellbeing, financial, legal or bereavement issues.

Diversity and inclusion

Difference is valued and celebrated, reflecting the people and communities we serve and ensuring we provide experiences that are relevant, accessible and welcoming. We promote a culture that fosters diversity and inclusion and commit to no one being discriminated against on the grounds of gender, race, ethnicity, religious belief, political affiliation, sexual orientation, age or disability. Our new careers website is designed to reach and appeal to a broad range of talent.

In FY2023, we hosted focus groups to make our business more attractive to a diverse workforce. We invited team members to join and lead these groups, resulting in highly productive sessions focused on age, gender, heritage, ethnicity, the LGBTQ+ community and culture. Feedback from these sessions is helping us to evolve our diversity strategy and we have appointed representatives for each group. Next year we will also introduce groups focused on those with disabilities.

We continue to encourage women to apply for senior roles by offering flexibility in working structures, and enhanced maternity, paternity or shared parental leave. Our approach has resulted in a significant increase in females on our talent programme, with 106 Assistant Managers in Training, six Centre Managers in Training and four on our SLDP.

Our new employer brand – Let's Roll

In FY2023, we refreshed our employer brand, updating it to reflect what Hollywood Bowl Group stands for as an employer. The new look and feel builds on everything that is great about our business, giving us a new way to current and future team members why they want to work with us.

We developed a compelling employer value proposition (EVP) set around four pillars which exemplifies our culture. We are: experience-makers, opportunity-explorers, growth-leaders, and team-supporters.

The EVP has shaped our new dynamic careers website, improving a candidate's journey. We have seen more than a 400 per cent increase in users in the first seven months, a 7,000 increase in the number of job applications, a decrease in time to hire, and a reduction in our reliance on agencies. This was supported by a social media strategy which focuses on three key recruitment objectives: awareness, consideration and conversion.

Since launching Let's Roll we have seen a 3 per cent increase in our Best Companies 'Be Heard' employee engagement score.

Read more online at **hollywoodbowlgroup.com**

Target progress

45%

Of our management appointments from internal candidates

FY2023 target	45%
FY2022	40%

11%

Of our team members participating in development programmes

FY2023 target	>5%
FY2022	5.6%

94%

Of our team completing online development modules

FY2023 target	95%
FY2022	97%

5.29

(Out of 7) in our team wellbeing survey

FY2023 target	4.9
FY2022	4.9

1 star

Rating in Best Companies team survey, ranking us #12 in the Top 25 Big UK Companies To Work For

FY2023 target	1 star
FY2022	1 star

Priority issues:
- Waste management
- Energy efficiency
- Greenhouse gas emissions
- Climate change

Supports strategic objectives:

1 Talent attraction and retention

4 Training and development

Helps mitigate principal risks:
Compliance and climate change

Stakeholder value for:
Environment, customers, people, communities, investors, partners and suppliers

Links to SDGs

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

Sustainable centres

UK waste management

We continue to improve waste reduction and recycling through behavioural change incentives including aligning waste management to team members' bonus allocations. Over time we have increased the percentage of waste recycled, in the centres where we control waste, from 67.3 per cent in FY2019 to 82.7 per cent in FY2023 with 100 per cent of this diverted from landfill.

Overall we have also reduced the amount of waste produced, and this year we have a calculated our waste 'intensity' as the total amount of waste per number of centres, which has fallen by 22 per cent since FY2017.

We have a good track record in reducing food and drink wastage, targeting less than 1 per cent food and drink waste as a percentage of revenue. In FY2023 we were pleased to achieve 0.65 per cent, highlighting our progress.

Energy efficiency

Our strategy for reducing the environmental impact of our business focuses on increasing on-site generation of renewable electricity and improving energy efficiency.

To reduce our usage, we are:

- driving behaviour change within our teams;
- rolling out energy efficient air handling systems; and
- installing more solar panels on centre roofs.

In FY2023, we installed solar panels in five more UK centres, with 38 per cent of our centres now generating 4,923 kWp of solar and generating 5,518,817 kWh per year. 12 per cent of our electricity used was generated from our own renewable sources (FY2022: 8.2 per cent). 83.1 per cent of our bowling centres are now using energy efficient Pins on Strings technology (FY2022: 65 per cent).

The number of solar panel installations fell short of our FY2023 target due to planning restrictions on several target centres. We continue to negotiate with landlords where we believe there is an opportunity and we are planning to add extra panels where possible to centres where we already have installations.

Greenhouse gas emissions

UK Scope 1 and 2 emissions

68 per cent (441.88 tCO_2e) of our Scope 1 emissions are from natural gas used for heating, hot water and cooking. All refrigerant (F) gas losses were from the UK and amounted to 205.57 tCO_2e. We do not have any ICE company cars in the UK.

Scope 2 emissions in FY2023 were made up of electricity (3,460.87 tCO_2e), electric vehicles (UK only) 7.52 tCO_2e, and a saving of 91.4 tCO_2e from electricity exported to the grid from our solar arrays.

A key target for FY2023 was to transition all the electricity we directly purchased in the UK to 100 per cent from renewable resources, which we have achieved.

We reduced our emissions intensity for Scope 1 and 2 by 0.7 per cent to 61 tCO_2e/centre in FY2023, in pursuit of our target to bring our intensity ratio down to 55.0 tCO_2e/centre by the end FY2025.

Canada Scope 1 and 2 emissions

In the first full year of reporting our Canadian operation, our Scope 1 emissions were 473.76 tCO_2e and Scope 2 emissions were 402.64 tCO_2e equating to an intensity ratio of 97.4 tCO_2e/centre.

UK Scope 3 emissions

For the first time in FY2023 we calculated our Scope 3 indirect emissions. This showed our baseline to be 40,760.7 tCO_2e, with an intensity ratio of 590.7 tCO_2e/centre. Scope 3 makes up 91 per cent of our total greenhouse gas emissions, of which 76 per cent is generated from the purchased goods and services category.

Climate change and net zero

Details of climate-related risk and mitigations under TCFD are shown on pages 60 to 69. Our UK climate transition plan is outlined on pages 58 and 59. 'Net zero' is defined in this report as the point where the Group is able to reduce its net GHG emissions to zero. In the case where is it not feasible to abate Scope 1, 2 and 3 emissions completely by 2050, the Group would look to offset the residual emissions through actions like carbon removals or ecosystem restoration.

Building sustainable centres

Our development teams have long taken a sustainable-first approach to estate additions and upgrades and have well-established partnerships with contractors to help deliver greener and more efficient buildings. The challenge to reach net zero places an ever greater focus on us to build better, from taking a re-use, re-cover and recycle approach wherever we can, to fitting carbon neutral carpets and 100 per cent recycled vinyl flooring in our refurbishments.

When it comes to new builds we fit out all our new centres using 100 per cent renewable energy, take a fabric-first approach to make our properties as energy efficient as possible and improve our EPC ratings, and install technologies which help reduce our longer-term environmental impacts.

Read more online at **hollywoodbowlgroup.com**

Target progress

82.7%

Of waste generated was recycled, with 100 per cent diverted from landfill

FY2023 target 80%
FY2022 77.7%

0.65%

Food and drink wastage as a percentage of revenue

FY2023 target 1%
FY2022 1.17%

12%

Of our electricity generated from onsite renewables

FY2023 target 12%
FY2022 8.2%

100%

Of directly purchased electricity in the UK from renewable sources

FY2023 target 100%
FY2022 0%

27

Of UK centres with solar arrays installed

FY2023 target 32
FY2022 17

83%

Of the UK estate using energy efficient Pins on Strings technology

FY2028 target 100%
FY2022 65%

61

UK Intensity ratio Scope 1 and 2 emissions

FY2025 Target 55
FY2022 61.7

UK performance against targets

Safe and inclusive leisure destinations

	FY2022 actual	FY2023 target	**FY2023 actual**	FY2023 vs target	FY2024 target
Concessionary discount games played	750,000	>750,000	**963,161**	+28.4%	950,000
Funds raised for national charity partner	£28,000	£40,000	**£58,220**	+45.5%	£50,000*
Centres passed food and drink audit	100%	100%	**100%**	—	100%
Soft drinks sold that are sugar free	48.3%	50%	**50.5%**	+0.5pts%	50%
Team in food and drink-related roles to have completed food safety and allergen training within three months of passing probation	97%	97%	**97.7%**	+0.7pts%	97%

* FY2024 target includes an additional £5,000 for other fundraising.

Outstanding workplaces

	FY2022 actual	FY2023 target	**FY2023 actual**	FY2023 vs target	FY2024 target
Management appointments from internal candidates	40%	45%	**45%**	—	47%
Team members participating in development programmes	5.6%	>5%	**11%**	+6.0pts%	7%
Team members completing online development modules	97%	>97%	**94%**	-3.0pts%	92%
Rating in Best Companies team survey	1*	1*	**1***	—	1*
Annual team wellbeing survey score out of 7	4.9	4.9	**5.29**	+0.4pts%	5.2

Outstanding workplaces - background data

	Male %	Female %
Board	70	30
Senior managers	67	33
Centre managers	72	28
Assistant managers/technicians	55	45
Contact centre team	40	60
Team members	45	55
Total	**47**	**53**

Sustainable centres

	FY2022 actual	FY2023 target	**FY2023 actual**	FY2023 vs target	FY2024 target
Waste recycled percentage with 100% diversion from landfill	77.7%	80%	**82.7%**	+2.7pts%	82%
Food and drink wastage as a percentage of food and drink revenue	1.17%	1%	**0.65%**	-0.35pts%	1%
Number of centres with solar arrays	22	32	**27**	-5	30
Electricity usage generated from on-site renewables	8.2%	12%	**12%**	—	15%
Directly purchased electricity from renewable sources	0%	100%	**100%**	—	100%
UK estate percentage of bowling centres with Pins on Strings	65%	100% by FY2028	**83.1%**	-16.9pts%	N/A
Scopes 1 and 2 intensity ratio (tCO_2e/number of centres)	61.7	55.0 by FY2025	**61.0**	-6.0pts%	58%

Sustainable centres – background data

UK waste

	General waste tonnes	Recycled waste tonnes	Total waste tonnes	Percentage of total waste recycled	Waste intensity (total waste/centre)
FY2019*	7,096.24	14,577.34	21,673.58	67.3%	361.23
FY2020*	4,160.00	8,775.86	12,935.86	67.8%	202.12
FY2021	2,536.16	6,387.16	8,923.32	71.6%	139.43
FY2022	4,517.24	15,713.02	20,230.26	77.7%	293.19
FY2023	**3,824.22**	**18,334.74**	**22,158.96**	**82.7%**	**316.55**

Waste data is supplied by Biffa for the UK only and excludes data from centres where the landlord manages waste streams.

* Impacted by COVID-19 shutdowns.

UK and Canada greenhouse gas emissions

Shown below is the electricity and gas data used for Scopes 1 and 2 emissions calculations.

Electricity excludes solar generated electricity exported to the grid. Data from centres where the landlord supplies electricity/gas has been excluded.

	UK electricity kWh	UK gas kWh
FY2019	19,573,573	4,104,855
FY2020*	11,560,010	2,830,792
FY2021*	12,192,555	1,932,559
FY2022	17,857,086	2,945,207
FY2023	**16,713,202**	**2,415,585**

	Canada electricity kWh	Canada gas kWh
FY2022	953,709	248,467
FY2023	**3,619,113**	**2,589,139**

UK Scope 1 and 2 emissions

	Scope 1 tCO_2e	Scope 2 tCO_2e	Scope 1 and 2 tCO_2e	Intensity ratio tCO_2e/centre
FY2019	773.6	5,003.0	5,776.6	102.6
FY2020*	568.4	2,695.0	3,263.4	55.1
FY2021*	560.0	2,588.8	3,148.8	50.8
FY2022	541.5	3,373.8	3,915.3	61.7
FY2023	**647.5**	**3,337.0**	**4,024.4**	**61.0**

* Impacted by COVID-19 shutdowns.

This is made up of natural gas, company cars (no company cars in UK), refrigerant gas losses (F gas losses), electricity, electric company vehicles and solar export.

Natural gas:
Total natural gas consumption = 2,415,585 kWh.

Emission factor = 0.182928926 $kgCO_2e$ per kWh.

Emissions = 441.88 tCO_2e.

F gas losses:
Emissions = 205.57 tCO_2e.

Total Scope 1:
Emissions = 647.45 tCO_2e.

Electricity (location based):
Total electricity consumption = 16,713,202 kWh.

Emission factor = 0.207074289 $kgCO_2e$ per kWh. In the 2023 GNEZ Greenhouse gas conversion factors update, the UK electricity CO_2e factor has increased by 7 per cent (compared to the 2022 update) due to an increase in natural gas use in electricity generation and a decrease in renewable generation.

Emissions = 3,460.87 tCO_2e.

Electric company vehicles:
Total mileage is 203,631 miles x 0.03692133 $kgCO_2e$ per mile = 7.52 tCO_2e.

Solar export:
441,370.7 kWh electricity exported back to the grid as a result of the solar arrays on our roofs. This equates to a saving of 91.4 tCO_2e.

Total Scope 2:
Emissions = 3,377 tCO_2e.

Total Scope 1 and 2:
Emissions = 4,024.44 tCO_2e.

Greenhouse gas (GHG) emissions for FY2023 have been measured as required under the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013. The GHG Protocol Corporate Accounting and Reporting Standards (revised edition) and the electricity and gas consumption data have been provided by Schneider Electric, IMServ and Total. Conversion factors are taken from https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2023.

UK Scope 3 emissions

	Scope 3 tCO_2e	Intensity ratio tCO_2e/centre
FY2023 baseline	40,760	590

All relevant categories were measured (excluding categories, 8, 9, 10, 13, 14 and 15). Data analysis for category 1 (purchased goods and services) and 2 (capital goods) is based on SIC codes against current spend.

Canada Scope 1 and 2 emissions

	Scope 1 tCO_2e	Scope 2 tCO_2e	Scope 1 and 2 tCO_2e	Intensity ratio tCO_2e/centre
FY2022	45.2	26.9	72.1	34.3
FY2023	**473.8**	**402.6**	**876.4**	**97.4**

Total natural gas consumption = 245,416 m³.

Emissions = 473.76 tCO_2e.

Total Scope 1:
Emissions = 473.76 tCO_2e.

Electricity (location based):
Total electricity consumption = 3,619,113 kWh

Emissions = 402.64 tCO_2e.

Total Scope 2:
Emissions = 402.64 tCO_2e.

Total Scope 1 and 2:
Emissions = 876.4 tCO_2e.

	FY2023
Total (Scope 1 and Scope 2) (tCO_2e)	**876.4**
Number of centres	**9**
Intensity ratio (tCO_2e per centre)	**97.4**

Emissions data for our Canadian centres includes data from post purchase in May 2022. Note that Canadian data for emissions is provided in CO_2 for gas and no data is provided that makes up the other greenhouse gases so this number is also used as CO_2e. The conversion factors for Canada are taken from Emission Factors and Reference Values – Canada.ca.

Climate transition plan

Our ambition

The Group is dedicated to achieving net zero by 2050 in the UK and Canada, to align with the climate change net zero target year commitments made by both of these countries.

We plan to reach this goal by reducing GHG emissions through our new centre design and refurbishment programmes, enhancing energy efficiency in our operations, continuing to transition to self-generated and renewable energy sources, and collaborating with our supply chain partners to reduce GHG emissions in their operations.

As part of our journey to net zero, we are committed to achieving science based targets (SBTs) based on the 1.5°C pathway from our 2023 baseline, and delivering intensity-based reductions across all our direct and indirect sources of GHG emissions across our value chain, contributing to the mitigation of climate change impacts.

We will continue to document our progress in relation to our transition plan in our annual reports. We will record alterations to our comprehension of climate change risks, our methodologies, the data we can access, and the actions we are implementing.

We will reassess our transition plan in FY2024 as we integrate our Canadian operations, and then at a minimum of every five years to ensure it aligns with our evolving understanding and reflects any factors that could impact its deliverability, including changes to wider political and regulatory frameworks, technology developments and consumer preferences and demands.

We do not foresee significant changes to our existing business model in order to fulfil our net zero commitments.

Metrics and targets

Our stated UK targets are shown on pages 58 and 59. Progress against these targets is tracked on an ongoing basis via the CRSG and CRC.

Using a science-based approach, we aim to reduce our Scope 1, 2 and 3 emissions intensity ratios by 42 per cent by 2030 (from a 2023 baseline) and 90 per cent by 2045.

In FY2024, we will be looking to commit to science based target initiative (SBTi) and obtaining validation of our FY2023 baseline and future intensity ratio targets, ensuring that our efforts align with what is required to prevent a temperature rise greater than 1.5°C.

We will monitor and report our progress against our intensity ratio targets, which are the key measures of performance in our climate transition plan, on an annual basis.

In FY2025, we will set targets for our Canadian operations to enable us to create a combined Group pathway to net zero transition plan.

Opportunities and initiatives

We believe that reducing emissions in our own operations is the most effective way to lead by example in combating climate change. We began the de-carbonisation process of our UK operations in 2016 and have since reduced our own emissions intensity ratio by 62 per cent.

As referenced in the energy sources, carbon taxes and cost of transition to net zero opportunities outlined in our TCFD statement, and the initiatives outlined on page 58, we aim to achieve further reductions in Scopes 1 and 2 by adhering to a science-based reduction pathway and continuing to implement our internal operations strategy in both the UK and Canadian operations, which focuses on team member behavioural change (focused on minimising energy usage and recycling), investment in energy-saving equipment like Pins on Strings, phasing out gas heating and cooking equipment by 2030 in the UK and renewable source energy procurement.

As an integral part of our net zero goal for 2050, we will also address emissions from our upstream supply chain by ensuring that our purchased goods and services (Scope 3 category 1, which represents 76 per cent of our Scope 3 emissions), align with the transition to a low-carbon economy. Meeting targets in this area is the biggest factor in the Group's ability to deliver the wider climate transition plan.

To assess the current alignment of our supplier base, we have calculated the percentage of our suppliers with science-based targets based on our spend with them. Our plan is to increase this percentage in the coming years with the majority of our spend going to a limited number of key suppliers where we have greater influence, and which are aligned to climate transition commitments in line with current UK government targets.

In the short term, we will focus on establishing a supplier engagement programme to promote the adoption of science-based targets and climate transition plans amongst our suppliers.

This will encourage the wider adoption of GHG emissions measurement and reduction strategies across our supply chain, which we expect will improve data availability and data quality from our suppliers in the coming years. We also work closely with UK Hospitality's Sustainability Committee to ensure we collaborate with the wider sector on carbon reduction initiatives.

We do not envisage significant changes to our product sales mix in order to fulfil our net zero commitments.

Investments in climate initiatives like solar panel installation and energy-saving technology are included in our financial planning and outlined in the Financial Statements (see page 136). Further financial modelling relating to the delivery of the transition plan will be undertaken in FY2024, alongside analysis of our Canadian business, with the ambition to have Canadian climate targets integrated into a Group transition plan for FY2025.

Governance

Sustainability in our business operations and minimising our impact on the environment are embedded in our culture and are key commitments for the Group. The governance structure we have established for climate-related topics allows the Board and senior management to integrate climate-related risks and opportunities into strategy, decision making, operational processes and remuneration policy.

The Board is accountable for the transition plan and its delivery, and delegates responsibility for oversight of the transition plan and associated risks to the Group Corporate Responsibility Committee (CRC) (see page 97).

The efforts required for us to become a net zero company by 2050 involve different parts of the Group executing and monitoring emissions reduction activities. To achieve this, the CRC is supported by the Corporate Responsibility Steering Group (CRSG). This group is made up of executive members from all the relevant Group functions including our in-house Energy Manager and Energy Analyst, and provides updates to the CRC on a bi-annual basis.

Pathway to net zero

The Group is committed to achieving net zero by 2050 in the UK and Canada. Our transition plan outlines our targets and initiatives to reduce Scope 1, 2 and 3 emissions.

What we've achieved so far

2016
- In-house Energy Manager appointed
- Eco-efficiency programme launched for centre teams - reduced energy consumption through behavioural change
- Commenced annual reporting on progress

2019
- 67.3 per cent of waste recycled
- Solar panel install programme started
- Capital expenditure programme aligned to Scope 1 and 2 emissions reduction plan
- CR steering group established
- No gas supply in new build centres
- Gas equipment (heating, water, cooking) phasing out programme commences
- Waste recycling targets included in centre manager incentive scheme

2022
- 77.7 per cent of waste recycled
- Climate performance linked to executive compensation via intensity ratio targets
- 22 centres with solar panels
- In-house Energy Analyst appointed
- First TCFD disclosure
- Third-party climate consultants engaged
- EV car scheme for support team members

2023 – 2025: FY2023 performance and short-term targets

Scope 1 and 2 (UK operations)

2023

100%
Renewable electricity

83%
Of waste recycled

- CR Board Committee established
- 27 centres with solar panels
- First CDP disclosure
- EV car scheme extended to centre managers

2024
- Commitment to SBTI and validation of 1.5°C pathway targets from 2023 baseline
- Solar panel rollout continues
- Extended centre manager eco-efficiency incentive scheme
- Increased efficiency of plant in new builds
- Carbon neutrality achieved (based on market-based intensity ratio)

2025
- Combined Group reporting of Scope 1 and 2 emissions for UK and Canadian bowling centre operations*

Scope 3 (UK operations)

2023
- Measured all relevant categories (excluded 8, 9, 10, 13, 14 and 15)
- This initial data analysis for categories 1 and 2 has been based on SIC codes against current UK supplier spend
- We estimate that 91 per cent of our total emissions are from Scope 3 sources
- 92 per cent of our Scope 3 emissions are in the purchased goods and services and capital goods categories

2024
- Commitment to SBTi and validation of 1.5°C pathway targets from 2023 baseline
- Launch supplier engagement programme to encourage increased participation in SBTi and commitments to net zero transition plans

2025

50%
Target of UK supplier spend to suppliers committed to SBTi pathway or have net zero climate transition plans in place

- Combined Group reporting of Scope 3 emissions for UK and Canadian bowling centre operations*

* Striker Bowling Solutions will be reported separately due to the different nature of this business.

Our Canadian operation

We will employ similar initiatives related to eco-efficiency, emissions reduction and waste management in Canada, as we have implemented in our UK operations.

2024

- Eco-efficiency programme launched for centre teams, targeting reduced energy consumption through behavioural change
- LED lighting upgrades
- Enhanced energy usage and reporting tools
- Energy efficient Pins on Strings rollout
- Energy procurement strategy defined
- Scope 3 analysis

2025

- Commitment to 'Canada Net Zero' initiative and targets (in line with SBTi)
- Combine Scope 1 and 2 targets with UK operations
- Scope 3 baseline established and targets set
- Launch supplier engagement programme to encourage increased participation in SBTs and commitment to climate transition plans

2026 – 2050: medium and long-term ambitions

2026

100%
Renewable gas

100%
UK centres with Pins on Strings

2030

Zero
Gas usage in estate

42%
Target reduction versus 2023 base

2045

90%
Target reduction versus 2023 base

2050

Net zero
Achieved

2026

- Anticipated improved supplier data availability - review historic data with restatement of baseline year

2030

42%
Target reduction versus 2023 base

2045

90%
Target reduction versus 2023 base

2050

Net zero
Achieved

- Offsetting activity to mitigate residual emissions

Task Force on Climate-related Financial Disclosures statement

In accordance with the LSE Listing Rule 9.8.6R(8), and the Companies (Strategic report) (Climate-related Financial Disclosure) Regulations 2022, we present our 2023 TCFD compliance statement and confirm that we have made climate-related financial disclosures for the year ended 30 September 2023 which are:

a) consistent with the following TCFD recommendations and recommended disclosures:

- governance – (a) and (b);
- strategy – (a) and (c);
- risk management (a), (b) and (c);
- metrics and targets (a); and

b) partially consistent with the following TCFD recommendations and recommended disclosures:

- strategy – (b);
- metrics and targets (b) and (c).

A summary of our TCFD compliance statement is set out in the following table.

Further details regarding how we have aligned to the TCFD recommendations are set out in the subsequent pages and in relevant sections of this Annual Report.

Summary of our TCFD compliance statement

TCFD recommended disclosure	Summary of compliance response and next steps	Cross-reference for the disclosure in the report
Governance		
a) Board oversight	The Group has introduced an updated process and framework for the Board to set the Group's transition plan strategy and to monitor and oversee progress against targets to mitigate climate-related issues	Page 62
b) Management's role	Consistent with TCFD recommendation	Page 62
Risk management		
a) Risk identification and assessment process	Consistent with TCFD recommendation	Page 63
b) Risk management process	Consistent with TCFD recommendation	Pages 63 and 70
c) Integration into overall risk management	Consistent with TCFD recommendation	Pages 63 and 70
Strategy		
a) Climate-related risks and opportunities	Consistent with TCFD recommendation	Pages 64 to 68
b) Impact on the Company's businesses, strategy, and financial planning	The Group's UK Scope 1 and 2 reduction initiatives i.e., solar panels and Pins on Strings, are built into the financial plans and future cash flow forecasts. As our Canadian Scope 1 and 2 reduction initiatives become fully defined, we will include these in our financial plans alongside Scope 3 transition plan financial impacts for the Group	Pages 64 to 68
c) Resilience of the Company's strategy	Consistent with TCFD recommendation	Pages 63 to 68
Metrics and targets		
a) Climate-related metrics in line with strategy and risk management process	Consistent with TCFD recommendation	Page 69
b) Scope 1 and 2, (and 3) GHG metrics and the related risks	Partially compliant with TCFD recommendation	Pages 65 to 69
c) Climate-related targets and performance against targets	The CRC met in May 2023 to review progress against FY2023 targets and approved the UK transition plan and related FY2024 metrics and targets, in September 2023	Page 69

Governance

Board oversight

The Board has overall responsibility for climate-related matters and gives full and close consideration of ESG factors, including climate-related factors, when assessing the impact of decisions it makes.

The CRC, chaired by Non-Executive Director Ivan Schofield (see page 97) is responsible for updating the Board on climate issues on a bi-annual basis.

The first Board meeting with 'climate change' as a standing agenda item was held on 21 October 2022, and the Board discussed climate change topics, including progress against relevant pre-existing goals (e.g., renewable energy sources) and future planned activities and targets.

As part of the bi-annual 'climate change' agenda item at the Board meeting on 22 June 2023, the Board considered whether strategic decisions needed to be made as a result of climate scenario analysis performed in FY2022 on the most significant climate risks to the business, namely changing customer behaviour, business interruption and damage to assets, carbon taxes, cost of transitioning operations to net zero and energy sources.

It was agreed, that based on the findings of the scenario analysis, that the Group had limited short-term risk exposure at this time but agreed to keep this under periodic review. The cost of transitioning to net zero risk was discussed and it was agreed that this would stay under closer review in line with greater future visibility provided by the ongoing Scope 3 emissions analysis and the development of a Group transition plan.

The first CRC meeting was held on 4 May 2023 where updates were given on half-year performance against FY2023 metrics and targets and progress with the ongoing analysis of Scope 3 emissions. Discussions also took place on the progress of the creation of UK and Group transition plans.

An extensive Board member workshop and training session, delivered by external consultants, took place on 22 May 2023 to upskill all Board members on climate change alongside other ESG areas.

The second CRC meeting was held on 27 September 2023, where the Committee discussed and agreed the Group's pathway to net zero transition plan strategy, associated targets and alignment with SBTi targets. The pathway is outlined on pages 58 and 59. The Committee also reviewed the progress against its FY2023 targets.

The Chair of the CRC provides updates to the main Board on the discussions, decisions and actions arising at its meetings. Minutes of the meetings are also made available to all Board members through our electronic Board portal.

A climate-related target is included in our Long Term Incentive Plans, relating to the achievement of UK emission intensity ratios for Scope 1 and 2. For more detail see pages 103 and 114..

Priorities for FY2024

- On the basis of materiality, the Group's Canadian business did not form part of the scenario analysis conducted in FY2022 and the initial development of the transition plan in FY2023.
- However, as the Canadian operation expands, the Board will review Canadian climate-related matters and conduct a qualitative scenario analysis as well as agree targets for inclusion in a combined Group transition plan.
- Board review of cost of transitioning to net zero in line with outputs of planned financial modelling and agree any strategic changes required.
- Board review and approval of FY2025 combined Group transition plan and associated targets.

Management's role

Responsibility for climate change issues at a management level sits with our Chief Marketing and Technology Officer, Mathew Hart, who chairs the Corporate Responsibility Steering Group (CRSG).

Members of the CRSG also include the Chief Operating Officer, Chief People Officer, Energy & Safety Manager and relevant heads of department.

The CRSG is responsible for the identification, management and reporting of climate-related risks and opportunities. The CRSG meets on a quarterly basis to discuss environmental and social strategies and performance against targets, including climate change, and updates the CRC on a bi-annual basis.

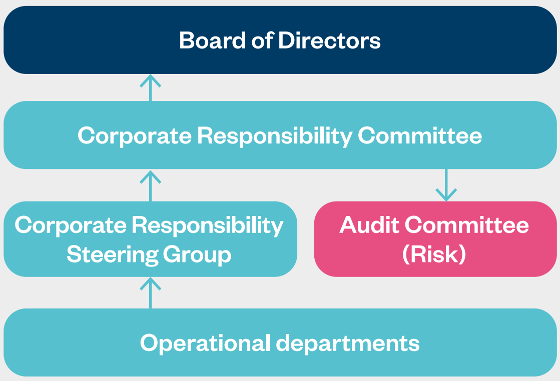
Good progress was made in the year against our climate-related operational and capital investment targets for the UK business and in delivering increasingly energy efficient new centre builds. We completed our initial UK Scope 3 emissions analysis which has helped shape our transition plan.

We have started to gather climate-related data for our Canadian operations, which at its current estate size was not material to the Group business in FY2023. It is planned to grow in the coming years, and resultantly will form a greater part of the CRSG priorities in FY2024 with Canadian management attending the CRSG from Q2 FY2024.

Priorities for FY2024

- Detailed analysis of our Canadian business including Scope 3 emissions, and qualitative risk and opportunity analysis with the ambition to have Canadian climate targets integrated into the Group transition plan for FY2025.
- Launch an operational behavioural change programme for our Canadian team members and continue to roll out energy efficient Pins on Strings technology.
- Validation of our UK transition plan targets from SBTi.
- Additional financial modelling to include Canada, the cost of transitioning to net zero and linkages to our pathway to net zero transition plan.
- Launch an engagement programme to promote the adoption of science-based targets among our suppliers.
- Further analysis of Scope 3 emissions data as more supplier primary data becomes available.

Organisation and reporting structure for climate governance



Risk management

The Board is ultimately responsible for ensuring that a robust risk management process is in place and that it is being adhered to, including for climate risk. The significance of climate risk is aligned with other risks, given climate risk is identified and assessed in line with the existing risk processes and is included in our principal risks register. More information on our risk management process is available in the Risk management section on pages 70 to 75.

Identifying, assessing and managing climate-related risks and opportunities

In FY2022 we conducted a detailed climate risk assessment, across our UK business. Climate scenario analysis was performed on selected potentially material climate risks and opportunities to assess the potential quantitative financial impact on the UK business.

External experts, PwC, were engaged to support and assist us with this process; however, we retained ownership over the assessment, process and output.

This climate risk assessment has been complemented by subsequent horizon scanning to identify external trends, such as legal and regulatory developments, and emerging science/expert opinion.

Following a presentation from the CRSG at the Board meeting in June 2023, the Board determined that as there had been no material changes to the business since the scenario analysis was undertaken, the climate risk profile identified in FY2022 was still relevant to the Group and could therefore be relied on for FY2023 reporting.

Our recently acquired Canadian business was not considered material in FY2023, but due to its planned expansion in FY2024 and beyond, we will undertake a qualitative scenario analysis in FY2024 before including Canadian operations in a Group-wide quantitative scenario analysis in FY2025.

The Board reviews identified risks and impacts (including climate) on a bi-annual item basis. The Group plans to update its climate scenario analysis on a three-yearly basis, with the next assessment planned for FY2025.

Priorities for FY2024

Review the identified climate risks and opportunities and transition plan and update where necessary. This will be done in line with our wider risk management and monitoring processes.

Integrate Canadian operations into climate risks and opportunities analysis, given its materiality, and develop an ongoing processes for monitoring specific risks relating to the Canadian business. In the next TCFD report, we will report on how the Canadian business is considered in both our governance and risk management processes.

Strategy

Climate-related risks and opportunities have the potential to impact our business over the short, medium and long term. In considering our climate risks and opportunities, we define short, medium and long-term horizons as follows:

- **Short term (0–5 years):** aligns to the Group's financial planning and modelling horizon
- **Medium term (5–15 years):** represents the interim period between the Group's financial planning horizon and the longest centre leases
- **Long Term (15+ years):** aligns with the longest time frame for the Group's leasing agreements for properties

We face potential physical risks including extreme weather events as well as risks resulting from the transition to a lower carbon economy including the cost of transitioning products and services to lower emissions options.

The following climate risks and opportunities have been identified to be those that had the potential to be material for the UK business over the short, medium and long term.

Climate-related risks and opportunities

The climate risk profile identified for the UK in FY2022 is still relevant to the business and therefore continues to be relied on for FY2023 reporting.

Our Canadian business was not considered material in FY2023, but due to its planned expansion, we will identify its climate-related risks and opportunities in FY2024.

Risk/opportunity	TCFD category	Description and potential impact on the business	Our response/actions we are taking/how it is managed	Time horizon
Changing customer behaviours in reaction to increasingly warmer summers and potential resultant growth of outdoor leisure market Metric – revenue reduction in high-temperature periods No material revenue impacts identified in FY2023	Chronic	Based on observed historical trends within data held by the Group, warmer weather has the potential to result in reduced footfall As the UK begins to experience drier weather in the spring and summer months, customer behaviours may change, spending less time on indoor leisure This could lead to a loss in revenue as footfall decreases, or a reduction in profit margins if the price of bowling is reduced to drive footfall	Scenario analysis was conducted to assess the extent to which changing customer behaviours, as a result of changing weather patterns caused by climate, will impact revenue It was found that the impacts of this climate risk were relatively low across all scenarios In FY2023 revenues were boosted due to a prolonged unseasonable period of wet weather in the school summer holidays, but the Group holds the current view that on a rolling basis the impacts of unseasonable wet or hot weather present a low risk as identified in the scenario analysis We will continue to monitor this risk going forward and our annual financial planning will take these findings into account	Medium
Business interruption and damage to assets due to increased frequency and severity of extreme weather events (e.g. flooding/ extreme heat) Metric – proportion of revenue located in areas subject to flooding No flood impacts in FY2023 and no new centres opened in flood risk areas	Acute	While the type and severity of hazards will vary by location and season, and change over time, it is expected that the frequency and severity of events such as flood events will increase. These extreme events may impact the Group in three ways: 1) physical damage to operating sites which require repair; 2) disruption to business operations due to temporary closure; and 3) inability of customers to get to the sites These events may also have further financial impacts, for example, via increased insurance premiums	Scenario analysis was conducted to assess the extent to which our UK sites are at risk of business interruption and damage as a result of extreme events such as flooding Overall, it was found that only a low number of sites were assessed to be at risk of flooding under a 4°C scenario These sites will continue to be monitored and further assessments will be conducted to explore mitigation options Furthermore, our wide location base limits the scale of exposure caused by localised events In FY2023 no centres suffered business interruption or damage due to flood events and no new UK centres were developed in areas of high flood risk	Short to long

Key to time horizon: Short Medium Long

Risk/opportunity	TCFD category	Description and potential impact on the business	Our response/actions we are taking/how it is managed	Time horizon
Carbon taxes increasing costs due to pricing of GHG emissions being applied to own operations and embodied carbon in supply chain and transportation/ distribution Metric – % of total UK electricity generated from on-site renewables Target – 12% by end of FY2023 Achieved 12% in FY2023 Metric – % of energy purchased from renewable sources Target – 100% by end of FY2025	Policy and legal	While the scope and level of carbon pricing to date have had little impact on the Group, it is possible that future increases in scope for the UK Emissions Trading Scheme could impact our operations and supply chain by: 1) increasing energy and other operating costs; 2) leading the Group to retire assets or investment to reduce emissions; and 3) increasing supply chain costs as carbon prices are passed on by suppliers	We continue to address our operational emissions through our investments in energy efficient equipment, the installation of solar panels where possible at our sites and renewable energy contracts We have undertaken analysis of our UK Scope 3 emissions and established a baseline for FY2023 We are working with suppliers to further reduce the emissions of our supply chain and are launching an engagement programme in FY2024 to encourage more of our major partners to adopt SBTi or develop transition plans Our regular schedule of contract renewals and reviews allows us the opportunity to benchmark and adjust suppliers based on their carbon intensity and stated transition plans if appropriate	Short
Cost of transitioning operations to net zero in order to be compatible with the UK's net zero carbon targets Metric – Scope 1 and 2 emissions intensity ratio Target – 55 by end of FY2025 Achieved 61 in FY2023 Metric – % of goods for resale supply chain expenditure that have a carbon reduction plan and net zero target defined Target – 50% of supplier spend to suppliers committed to SBTi pathway or with net zero transition plans in place by end of FY2025	Technology	The UK's commitment to reach net zero emissions by 2050 has several implications for the Group Namely, as regulations and standards are adopted to support this ambition, there may be direct and indirect impacts on our operations These include increased operational costs associated with upgrading buildings and assets to incorporate more energy efficient technology We are working towards developing a Group transition plan in FY2024 which will include our Canadian operations	The Group is committed to operating sustainably and to finding ways, over time, to reduce our carbon emissions. In FY2023, we undertook analysis of our UK Scope 3 emissions Our purchased goods and services (Scope 3 category 1) accounts for 76 per cent of our Scope 3 emissions and it is essential that we align this supply chain with the required transition to a low carbon economy, as demonstrated with our target of suppliers committed to a SBTi pathway or a net zero transition plan This Scope 3 analysis has enabled us to develop a pathway to net zero transition plan and we have agreed 2050 as the target year to achieve net zero. Further details of the targets and initiatives to help us achieve this are outlined on pages 56 to 59. We will continue to gather Scope 3 data as more detailed primary data becomes available from our suppliers and update our targets and financial modelling including the requirement for residual offsetting in meeting our long-term ambitions	Medium

Key to time horizon: Short Medium Long

Risk/opportunity	TCFD category	Description and potential impact on the business	Our response/actions we are taking/how it is managed	Time horizon
Energy sources: increased investment in and use of lower emission sources of energy, reducing exposure to volatility in fossil fuel and energy prices, and future carbon taxes Metric – % of total UK electricity generated from on-site renewables Target – 12% by end of FY2023 Achieved 12% in FY2023 Metric – % of energy purchased from renewable sources Target – 100% by end of FY2025	Energy source	As the UK shifts to a low-carbon economy and transitions away from fossil fuels, it is expected that prices for these energy sources will increase with the introduction of carbon taxes and become more volatile As we continue our investment programme in solar installations, this is an opportunity to reduce reliance on fossil fuels and therefore reduce exposure to fluctuating energy prices, reducing operational costs and emissions	We have installed operational solar panels in 27 of our UK sites and were pleased to achieve our on-site renewable target of 12 per cent in FY2023 We are working hard to achieve our target of 30 solar panel installations (and adding extra panels to existing installations where possible) in our UK estate by the end of FY2024 and contracting 100 per cent renewable energy (electricity and gas) by the end of FY2025	Medium

Scenario analysis

The results described below relate to the assessment carried out in FY2022. Additional analysis has not been performed in FY2023 as there have been no significant changes to the climate risk profile

Following our assessment of climate-related risks and opportunities, three were selected for further quantitative assessment via scenario analysis based on their assessed potential materiality

These climate risks and opportunities were evaluated across a range of climate scenarios to understand how they could evolve under certain situations, helping us to assess and improve our climate resilience

Publicly available scenarios, sourced from the Network for Greening the Financial System (NGFS) and the Intergovernmental Panel on Climate Change (IPCC), were selected for our analysis as outlined below

Climate risk/opportunity	Scenarios	Data sources
Transition risk/opportunity		
Energy sources	NGFS scenarios: **Scenario 1:** Early action **Scenario 2:** Late action **Scenario 3:** No additional action	IEA[1] – Carbon intensities NGFS[2] – Carbon prices
Physical risk		
Business interruption and damage to assets	IPCC pathways: **Scenario 1:** SSP1 - 2.6 (<2°C) **Scenario 2:** SSP2 - 4.5 (2–3°C)	We obtained localised climate data to a 90m2 resolution based on the latest IPCC CMIP6 global climate models, providing projections for each of our scenarios and time horizons for flood exposure

Key to time horizon: Short Medium Long

Changing customer behaviours	**Scenario 3:** SSP5 - 8.5 (>4°C)	World Meteorological Organization[3] – temperature, wind speed and precipitation (historical data) Climate Analytics[4] – temperature, wind speed and precipitation (scenario data)

1 International Energy Agency (2022), Global Energy and Climate Model, IEA, Paris https://www.iea.org/reports/global-energy-and-climate-model, Licence: CC BY 4.0.

2 Network for Greening the Financial System (NGFS) (2021), NGFS Scenario Data Downscaled National Data V2.0, https://www.ngfs.net/ngfs-scenarios-portal.

3 World Meteorological Organization (2022), https://public.wmo.int/en.

4 Climate Analytics (2022), Climate Impact Explorer, https://climate-impact-explorer.climateanalytics.org.

The scenarios were selected due to their prominence within climate change discourse. This enables the selected risks and opportunities to be assessed in line with scenarios that represent the collective market's understanding of the range of possible outcomes as a result of the effects of climate change and society's response.

Changing customer behaviours

The relative impacts of chronic weather events on revenue were examined for three IPCC scenarios (RCP2.6, RCP 4.5 and RCP 8.5). A statistical model that was developed to identify how weather (wind, temperature and precipitation) has historically impacted daily revenue at each of the 67 sites was used to forecast relative changes in sales under climate scenarios, compared to a baseline of 2018 to 2020 for the time periods 2030 to 2050.

Key assumptions, outputs and sensitivities

- Analysis is based on existing UK sites and does not allow for the addition of sites in the future
- The historical relationship between weather and sales will continue to be observed in the future
- No adjustments were made to revenue during modelling to account for growth or inflation
- Historical sales data was selected to remove any potential impacts of COVID-19

While all chronic weather events, particularly increasing temperatures, were found to result in some changing customer behaviours across all examined scenarios, the impacts of these changing behaviours on revenue were not found to be significant and no clear seasonal trends were identified.

Scenario analysis continued

Business interruption and damage to assets

Scenario analysis modelled the potential exposure to business interruption and resulting financial impact due to fluvial and coastal flooding on each of our UK sites.

Key assumptions, outputs and sensitivities

- Analysis is based on existing UK centres
- The historical relationship between weather and sales is assumed to continue
- All sites located on the ground floor/basement floors are exposed to both refurbishment and access downtime. Sites located on the first floor and above are only exposed to access downtime where floodwaters exceed 3m. Property and equipment damage are not included in this analysis
- Flood defences, including regional flood defences, are assumed to remain unchanged from 2022 until 2050

The analysis found that the potential impact from floods increases over time across all of the scenarios examined. The impacts under RCP 8.5, as represented in the 95th percentile, were found to be the largest and reflect the most challenging scenario examined. Under this scenario, our UK sites located in Brighton, Norwich and Basingstoke are the most at risk, with an additional six sites expected to be at risk of flooding between 2022–2050. The impacts of the potential exposure to flooding was not found to be significant in the context of the overall business.

Energy sources

Scenario analysis was performed to understand the potential carbon tax savings as a result of existing and planned future solar panel installations, compared to sourcing all electricity from the national grid. In FY2022, 22 of our UK sites had solar panels, with further installations planned for FY2023. The potential carbon cost savings resulting from these sites were examined over the period of 2022–2050 by applying IEA carbon intensities (tCO_2/MWh) associated with three different scenarios ('early action', 'late action', and 'no additional action') and NGFS carbon prices (£/tCO_2) to internal energy consumption data.

Key assumptions, outputs and sensitivities

- The average percentage of electrical consumption drawn from solar panels across all installed sites was applied (32.9 per cent)
- Electricity consumption of each site remains static until 2050
- As IEA carbon intensity figures are provided in five-year increments, a linear interpolation is assumed to provide an annual view
- The analysis assumes the implementation of either new or more stringent carbon prices[5] on the consumption of fossil fuel-based electricity from 2023 as outlined below

5 NGFS carbon prices. All carbon prices are expressed in £2010. IEA carbon prices were converted from USD to GBP using an exchange rate of 1.2658.

Scenario	2030 (£/tCO_2)	2040 (£/tCO_2)	2050 (£/tCO_2)
Early action	£122	£186	£568
Late action	£0	£198	£747
No additional action	£0	£2	£4

Under the most challenging scenario, the NGFS 'early action' scenario, the aggregate carbon savings realised from the 32 sites between 2023–2050, represent a significant financial impact. However, there also remains a significant exposure to carbon taxes from purchased electricity during this period. In response, we have put in place the following mitigation: by the end of FY2023, we purchased 100 per cent renewable electricity in centres where we directly contract, and by the end of FY2025 all of our purchased gas will also be from renewable sources. Therefore, our expected carbon emissions exposure, and carbon tax exposure, from purchased energy, is zero.

Priorities for FY2024

- Further priorities for FY2024 include advancing data gathering activities for those risks and opportunities that were not able to be quantitatively assessed via scenario analysis at this stage
- We will look to re-evaluate our scenario analysis results in response to significant events that may affect business strategy (i.e., in the case of a major acquisition) as recommended by the TCFD
- Our climate risk assessment was performed for the UK business. We will look to assess the impacts and materiality of climate-related risks and opportunities across our Canada business in the future, at the point it becomes material in size

Metrics and targets

The Group has a range of UK climate-related metrics and targets in the table below.

Due to the estate growth plans of the Group, we set our GHG emissions targets on an intensity ratio basis allowing a meaningful comparison of performance on a centre level basis.

Two new measures have been introduced this year following the analysis of Scope 3 emissions and the development of our transition plan for the UK business. These are Scope 3 emissions intensity ratio and % of supplier spend with suppliers committed to SBTi pathways or which have transition plans in place. Progress will be reported on these in FY2024.

Metrics and targets for our Canadian business are being developed to allow us to set Group targets from FY2025.

Climate-related metrics

TCFD cross-industry metric category	Unit of measure	Metric	Metric target set and reported?	Linked to identified climate risks and opportunities
GHG emissions	Total tCO_2e/ centre	UK average carbon energy intensity ratio by centre	Yes – 55 by end of FY2025 61 achieved in FY2023	Carbon taxes and cost of transitioning operations to net zero
GHG emissions	tCO_2e	NEW UK Scope 3 emissions intensity ratio	Yes – reductions in line with SBTi pathway, leading to net zero in 2050. 42% reduction from FY2023 baseline by 2030, 90% reduction by 2045	Carbon taxes and cost of transitioning operations to net zero
GHG emissions	% of spend with suppliers of good and services	NEW % of supplier spend with suppliers committed to SBTi pathway or have net zero transition plans in place	Yes – 50% by end of FY2025 Will report on progress in FY2024	Carbon taxes and cost of transitioning operations to net zero
Transition risks	%	% of total UK directly purchased electricity from renewable sources	Yes – 100 % of total UK directly purchased electricity from renewable sources by end of FY2023 Target met in FY2023	Energy sources
Transition risks	%	% of total UK electricity generated from onsite renewable sources	Yes – 15% of total UK electricity generated from on-site renewable sources by end of FY2024 Target met in FY2023 (12%)	Energy sources
Transition risks	%	% of total gas directly purchased in the UK from renewable sources	Yes – 100% renewable gas purchased in UK by end of FY2025	Energy sources
Transition risks	kWh	Gas usage in the UK	Yes – zero by end of FY2030	Energy sources
Transition risks	%	% of UK estate using energy efficient Pins on Strings technology	Yes – 100% by end of FY2028 83% achieved in FY2023	Cost of transitioning operations to net zero
Physical risks	% of annual revenue	% of UK revenue located in an area subject to high risk of flooding	No – periodic monitoring to feed into risk assessment process	Business interruption and damage to assets

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.

Read more on **pages 26 and 27**

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:

1 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.

2 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.

3 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.

Read more on **pages 76 and 77**

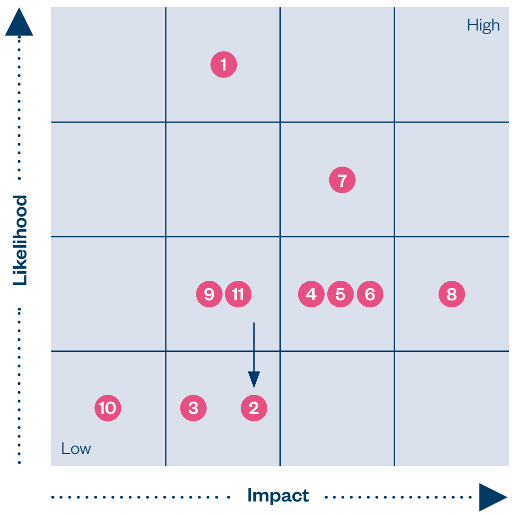
Risk management activities

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.



Financial risks
1 – Economic environment
2 – Covenant breach
3 – Expansion and growth

Operational risks
4 – Core systems
5 – Food and drink suppliers
6 – Amusement supplier
7 – Management retention and recruitment
8 – Food safety

Technical risks
9 – Cyber security and GDPR

Regulatory risks
10 – Compliance
11 – Climate change

The Board has identified 11 principal risks which are set out on page 70. 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.

Key to risk change Increasing ▲ Decreasing ▼ Unchanged ▶

Key to strategy 1 Driving like-for-like revenue growth 2 Actively refurbishing our assets 3 Developing new centres and acquisitions 4 Focusing on our people 5 Leveraging our indoor leisure experience

Financial risks

1. Economic environment

Links to strategy: 1 2 3 4 5

Risk and impact

- Change in economic conditions, in particular a recession, as well as inflationary pressures and the war in Ukraine.
- Adverse economic conditions, including but not limited to, increases in interest rates/inflation may affect Group results.
- A decline in spend on discretionary leisure activity could negatively affect all financial as well as non-financial KPIs.

Mitigating factors

- 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 coupled with the low price point, the majority of centre locations are based in high-footfall locations which should better withstand a recessionary decline.
- 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.
- We have an unrelenting focus on service, costs and value, along with electricity 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.

Risk change ▶

2. Covenant breach

Links to strategy: 1 2 3

Risk and impact

- 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.

Mitigating factors

- 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 175bps above SONIA as well as an accordion of £5m. Net leverage covenants are 1.75x and are tested quarterly. The facility is currently undrawn, which under the agreement results in a cost of less than £200k per annum.
- Net cash position was £52.5m at the end of September 2023.
- 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.

Risk change ▼

Financial risks

3. Expansion and growth

Links to strategy: 1 2 3 4 5

Risk and impact
- 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.

Mitigating factors
- The Group uses multiple agents to seek out opportunities across the UK and Canada.
- We met with the top five landlords in Canada in July 2023 with positive feedback and a number of opportunities in negotiation.
- Continued focus with landlords on initial investment, innovation, as well as refurbishment and maintenance capital.
- Strong financial covenant provides forward-looking landlords with both value and comfort.

Risk change
New

Operational risks

4. Core systems

Links to strategy: 1 2 3 4 5

Risk and impact
- Failure in the stability or availability of information through IT systems could affect Group business and operations.
- 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.

Mitigating factors
- All core UK systems (non-cloud based) are backed up to our disaster recovery centre.
- The reservation systems, provided by a third party, are hosted by Microsoft Azure Cloud for added resilience and performance. This also has full business continuity provision and scalability for peak trading periods.
- Our new Compass reservations system will be rolled out to the Group estate from FY2024 Q3. This system has been built in house and will have improved performance, resilience and future development flexibility compared to the existing system. It will also remove the reliance on an external partner.
- 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 still server based and moving towards cloud based over the next 12 months in line with the platforms adopted by our UK operation.
- All Group technology changes which affect core systems are subject to authorisation and change control procedures with steering groups in place for key projects.

Risk change
▶

5. Food and drink suppliers

Links to strategy: 1 2 3

Risk and impact
- Operational business failures from key suppliers.
- Unable to provide customers with a full experience.

Mitigating factors
- 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 risk and its resolution. This process was updated in November 2022 with substitute products available in all scenarios. 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.
- 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.

Risk change
▶

6. Amusement supplier

Links to strategy: 1 2 3 4 5

Risk and impact	Mitigating factors	Risk change
• Any disruption which affects Group relationship with amusement suppliers. • Customers would be unable to utilise a core offer in the centres.	• Regular key supplier meetings between our Head of Amusements, and Namco. There are half-yearly meetings between the CEO, CFO and the Namco UK leadership team. • Namco is a long-term partner that has a strong UK presence and supports the Group with trials, initiatives and discovery visits. • Namco also has strong liquidity which should allow for a continued relationship during or post any consumer recession. • The Canadian supplier is Player 1 which is a subsidiary of Cineplex Inc. which is listed on the Canadian stock market. Quarterly meetings are held with Player 1.	▶

7. Management retention and recruitment

Links to strategy: 1 2 3 4 5

Risk and impact	Mitigating factors	Risk change
• Loss of key personnel – centre managers. • Lack of direction at centre level with effect on customer experience. • More competitive recruitment landscape due to Brexit impact of reduced hospitality worker availability. • More difficult to execute business plans and strategy, impacting on revenue and profitability.	• 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 bonus schemes were reviewed for the estate reopening in May 2021 and again at the end of FY2022, to ensure they were still a strong recruitment and retention tool. The management bonuses were introduced into the Canadian business for FY2023 and we are reviewing how to implement a team member hourly scheme in Canada for FY2024. • The hourly scheme has paid out to an average of c.52 per cent of the UK team in each month in FY2023.	▶

8. Food safety

Links to strategy: 1 2 3 4 5

Risk and impact	Mitigating factors	Risk change
• 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 (May 2023). • All food menus have an allergen disclaimer. • All food menus have a 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. An Allergen Control Policy is being drafted in line with the launch of the new menu and with the new Head of Food and Drink. This will be reviewed by the UK before going live.	▶

Technical risks

9. Cyber security and GDPR

Links to strategy: 1 2 3 4 5 6

Risk and impact	Mitigating factors	Risk change
• 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 and 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 an additional retained service to work with the Group on a priority basis should a breach occur. • 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. • There is active protection of the network against a DDoS attack. • Payment systems have been upgraded to use P2PE payment devices, greatly reducing PCI DSS risks with cardholder present transactions in centres. New payment technology for ecommerce ensures that no card data passes through Group networks. 98 per cent of transactions operate in a PCI DSS secure environment. There are plans to address the remaining 2 per cent of transactions that occur through the contact centre by implementing pay-by-link. • Quarterly vulnerability scanning is being implemented against the PCI standard. Annual penetration testing is conducted through a third-party cyber security company. • Advanced data loss protection is also now in place to limit unauthorised, undisclosed, or unidentified migration or movements of data outside of our control on unsecured and unmanaged devices, including mobile phones. • Cyber Essentials certification has been achieved and was successfully externally audited in September 2023. • A Data Protection Officer has been in position for a number of years in the UK and we have a dedicated Cyber Security Manager who oversees our strategy, applications and activity in this area with periodic updates given to the Board. • A training course on GDPR awareness is on STARS (online training tool) and all team members have to complete this before being able to work on shift. • In FY2024 we are continuing to upgrade the IT infrastructure and networks in our Canadian business to move from centre-based operations to centrally hosted and managed services.	▶

10. Compliance

Links to strategy: 1 2 3 4 5

Risk and impact	Mitigating factors	Risk change
• 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

Links to strategy: 1 2 3 4 5

Risk and impact	Mitigating factors	Risk change
• Increasing carbon taxes. • Business interruption and damage to assets. • Cost of transitioning operations to net zero.	• Significant progress already made with solar panel installations and transitioning energy contracts to renewable sources. • 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. • The range of climate-related targets has been extended for FY2024. • The Group's UK net zero transition plan and milestone targets are on pages 58 and 59.	▶

Going concern

In assessing the going concern position of the Group for the consolidated financial statements for the year ended 30 September 2023, the Directors have considered the Group's cash flow, liquidity, and business activities, as well as the principal risks identified in the GRR.

As at 30 September 2023, the Group had cash balances of £52.5m, no outstanding loan balances and an undrawn RCF of £25m, giving an overall liquidity of £77.5m.

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 FY2024 as well as the first three months of FY2025 which forms part of the Board approved 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 adhere to its capital allocation policy as outlined on pages 40 and 41.

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 three per cent and four per cent for FY2024 and FY2025 respectively from the assumed base case, and inflation continues at an even higher rate than in the base case, specifically around cost of labour. The model still assumes that investments into new centres would continue, whilst refurbishments in FY2024 would be reduced. These are all mitigating factors 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 has adequate resources to continue in operation for the foreseeable future, a period of at least 12 months from the date of this report.

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

Viability statement

In accordance with the 2018 UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a period significantly longer than 12 months and have made this assessment over a five-year period to 30 September 2028. The Directors have determined that a five-year period, as opposed to the three-year period previously adopted, is an appropriate period over which to assess viability, as it aligns with the Group's investment plans and gives a greater certainty over the forecasting assumptions used.

The Directors are mindful of the uncertainty driven by external factors such as a rise in inflation and slowing GDP growth impacting all areas of the business, and accept that forecasting across this time frame remains challenging and have, therefore, also focused on understanding the level of headroom available before the Group reaches a position of financial stress.

In making this viability statement, the Directors have reviewed the overall resilience of the Group and have specifically considered a robust assessment of the impact, likelihood and management of principal risks facing the Group, as at 30 September 2023 and looking forward over the next five-year period, including consideration of those risks that could threaten its business model, future performance, liquidity or sustainability.

The assessment of viability has specifically considered risks that could threaten the Group's day to day operations and existence. This assessment considered how risks could affect the business now and how they may develop and impact the Group's financial forecasts over five years.

The Group's business model and strategy are central to an understanding of its prospects, with further details found in the Strategy section of the Annual Report.

Context

The Group established a base case model of financial performance over the five-year assessment period and a viability scenario upon which the Board has made its assessment of the Group's ongoing viability, and which reflects prudent expectations of future customer demand and the successful execution of the Group's strategic plans.

The Group undertook a review of the previously approved financial plan and forecasts in light of the uncertainty caused by the increase in inflation and slowing GDP growth and the potential impact on our businesses in the UK and Canada. This would have a negative impact on the forecasts included in the base case.

Assessment process

The Directors subsequently made a robust consideration of the key risks and uncertainties that could impact the future performance of the Group and the achievement of its strategic objectives, as discussed on pages 28 to 33 of this Annual Report. Particular regard was paid to the potential impacts of a rise in inflation and slowing GDP growth in FY2024 and FY2025.

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 quantifications do not therefore represent a likely financial forecast and are not directly incorporated into any projections of our long-term cash flows.

The viability scenario also takes into account the principal risks and uncertainties facing the Group across the five-year period in order to assess its ability to withstand multiple challenges. The impacts of a rise in inflation and slowing GDP growth have been built into the scenario, but the impact of further one-off events that cannot be reasonably anticipated has not been included.

Key assumptions

The base case forecast, which is prepared on a prudent basis, assumes low single-digit LFL revenue increases for FY2024 and FY2025 compared with FY2024. The process undertaken considers the Group's adjusted EBITDA, capital spend, cash flows and other key financial metrics over the projection period.

The base case assumes no significant change in gross margin percentage and that dividend payments will continue into FY2024, in line with the Group's dividend policy.

Assessment of viability

Although the viability scenario reflects the Board's best estimate of the future prospects of the Group, the Board has also tested the potential impact of a severe but plausible downside scenario, by quantifying the financial impact and overlaying this on the detailed financial forecasts in place.

This severe but plausible downside scenario includes a reduction in revenue of three and four percentage points on the base case for FY2024 and FY2025 respectively and an increase in operating costs to reflect higher inflation. It is then forecasted that revenue will return to base case forecasts for FY2026, FY2027 and FY2028. The impact of inflation in FY2024 and FY2025 is a one percentage point increase in operating costs, with higher labour costs per hour offset partially by a reduction in the number of hours worked due to lower revenues.

Whilst the assumptions of an increase in inflation and slowing economic growth in this scenario is plausible, it does not represent our view of the likely out-turn in the FY2024 and FY2025 base case scenario. However, the results of this scenario help to inform the Directors' assessment of the viability of the Group.

Viability statement

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

Non-financial and sustainability information statement

The Group has complied with the requirements of sections 414CA and 414CB of the Companies Act 2006 by including certain non-financial information within the Strategic report. The following table constitutes our non-financial information and sustainability statement, and includes cross references to where more detailed disclosures of non-financial information can be found.

Reporting requirement	Principal locations in this Annual Report	Page	Summary of relevant policies
Business model	Business model	26-27	An explanation of the Group's business model is given on pages 26 and 27
Principal risks	Principal risks and uncertainties	70-75	The Board has a process for considering the principal risks as outlined on pages 70-75
Non-financial KPIs	Strategic report	1-77	The Board approves relevant non-financial KPIs against which operational performance is measured. These are disclosed in the Strategic report
Environmental and climate-related financial disclosures	Sustainability overview TCFD disclosure statement	52-59 60-69	Our environmental strategy and climate transition plan is set out on pages 52-59
Employees	Chief Executive Officer's statement S172 statement/stakeholder engagement Sustainability overview Principal risks and uncertainties	18-22 42-43 50-51 73	Our employee related policies and procedures which include our privacy notice and all work-related policies, are available to all employees on HAPI (our intranet) Our social sustainability strategy is set out on pages 46-51
Human rights, anti-corruption and anti-bribery	Sustainability overview S172 statement/stakeholder engagement	46-59 42-45	Our Anti-Bribery and Corruption policy and Modern Slavery policy set out relevant policies and expected standards. The Group has a zero-tolerance approach to human rights abuses, bribery and corruption We also have a Whistleblowing policy
Social matters	Sustainability overview S172 statement/stakeholder engagement	46-51 42-45	Our social sustainability strategy is set out on pages 46-51

A year of strong performance

"Our continued focus on high standards of corporate governance supports this strategic delivery and the long-term success of the Group"

Peter Boddy, Non-Executive Chairman

Read full biography on **page 80**

Dear shareholders,

On behalf of the Board, I am pleased to present our Corporate governance report for the year ended 30 September 2023. This section of the Annual Report describes how we have applied the principles of the Code, and highlights the key activities of the Board and its Committees in the period.

FY2023 has been another year of strong performance for the business, as we continue to deliver against our key strategic pillars (which are the subject of regular monitoring and discussion by the Board). We have delivered positive like-for-like revenue growth, made good progress on the integration (and expansion) of our Canadian business, while continuing to invest in and develop our UK estate, and maintained our focus on our team (as evidenced through maintaining our 1* rating in the Best Companies Survey).

Our continued focus on, and promoting of, high standards of corporate governance supports this strategic delivery and the long-term success of the Group. We are not complacent. The Board recognises that the regulatory and governance environment in which we operate continues to develop, and therefore our governance framework must also develop to ensure we can continue to meet and exceed the required standards. During FY2023, key areas of focus in terms of our governance framework have included:

- continued development of our ESG approach with the constitution of our Corporate Responsibility Committee, increased focus on future energy usage, and review of our climate-related disclosures (including TCFD and our net zero pathway);
- progressing our Board succession plans with the appointment of Rachel Addison as a Non-Executive Director and to succeed Nick Backhouse as Chair of our Audit Committee and Senior Independent Director (SID); and
- implementing actions arising from our first externally facilitated Board performance evaluation.

The culture and values of our business are key drivers of success. The Board continues to receive regular reports from the Executive team around team members, customer engagement and supplier and stakeholder relationships. These reports, coupled with the Board's direct interaction with team members, form the basis by which we monitor how our culture is embedded across the business. A positive and high-performance culture permeates the Group, and is reflected in the way we conduct ourselves as a Board.

We reported last year on our first externally facilitated Board evaluation, which was conducted in the Autumn of 2022. The Board has reflected on the output from that process, which generally validated our view that our Board operates effectively and encourages open participation and debate. Our FY2023 Board evaluation was conducted internally by way of a questionnaire, and is described in more detail on page 86. I'm pleased that the responses were again positive, indicating good relationships at Board level and an environment where constructive challenge is encouraged and well received. There was also positive feedback on some of the actions arising from the 2022 evaluation, including subtle changes to our meeting processes to support increased time to discuss and debate strategic and other key topics.

We report for the first time this year against the Listing Rules diversity targets (see the Nomination Committee report on page 93 for more detail). I'm pleased to note that we have made good progress in terms of gender diversity through our Board succession plans, will achieve the target of 40 per cent women on our Board and also have a female SID, following our 2024 AGM. The need to continue to promote diversity (and not just gender diversity) in future Board recruitment and succession planning is a key consideration for the Nomination Committee.

As noted above, we have conducted a successful NED recruitment process (described in detail in the Nomination Committee report on page 90) during the year as the second phase of our NED succession plan. We were delighted to welcome Rachel Addison to the Board in September 2023. Rachel has been provided with a tailored induction programme to get her up to speed with the business (see page 92 for more detail), and has been working with Nick Backhouse to ensure a smooth handover of Audit Committee Chair and SID responsibilities. Nick will not seek re-election at the 2024 AGM, and on behalf of the Board I would like to place on record our thanks for his service to the Group since our IPO in 2016.

Peter Boddy

Non-Executive Chairman

17 December 2023

Peter Boddy
Non-Executive Chairman

N CR

Appointment
Peter joined the Group as Non-Executive Chairman in 2014.

Skills and experience
Peter has extensive non-executive experience at board level, including roles at Thwaites plc (SID and Chair of Remuneration Committee 2007–2015), Novus Ltd (Chairman 2015–2018), Xercise4less (Chairman 2013–2019) and the Harley Medical Group (Chairman 2012–2019). Previously, he held the position of CEO or Managing Director in a number of successful private equity-backed leisure sector companies including Fitness First UK, Megabowl Group Limited and Maxinutrition Limited. He is currently Chair of Impact Food Group (a school caterer) and a Non-Executive Director of Just Pay Ltd (a payments aggregator). Peter has a degree in economics from De Montfort University and an MBA from Warwick Business School.

Top bowling score
220

Stephen Burns
Chief Executive Officer

CR

Appointment
Stephen joined the Group as Business Development Director in 2011. He was promoted to Managing Director in 2012 and became Chief Executive Officer in 2014.

Skills and experience
Before joining the Group, Stephen worked within the health and fitness industry, holding various roles within Cannons Health and Fitness Limited from 1999. He became Sales and Client Retention Director in 2007 upon the acquisition of Cannons Health and Fitness Limited by Nuffield Health, and became Regional Director in 2009. In 2011, Stephen was appointed to the operating board of MWB Business Exchange, a public company specialising in serviced offices, meeting and conference rooms, and virtual offices.

Stephen is Chairman of the Inn Collection Group.

Top bowling score
189

Laurence Keen
Chief Financial Officer

Appointment
Laurence joined the Group as Finance Director in 2014.

Skills and experience
Laurence has a first-class degree in business, mathematics and statistics from the London School of Economics and Political Science. He qualified as a Chartered Accountant in 2000 and has been an ICAEW Fellow since 2012. Previously, Laurence was UK Development Director for Paddy Power from 2012. He has held senior retail and finance roles for Debenhams plc, Pizza Hut (UK) Limited and Tesco plc. He was also a Non-Executive Director of Tortilla Mexican Grill PLC from its IPO until May 2023.

Top bowling score
191

Melanie Dickinson
Chief People Officer

CR

Appointment
Melanie joined the Group as Talent Director in October 2012.

Skills and experience
Melanie has over 20 years of HR experience across the leisure and hospitality sectors.

Starting her career in retail operations before moving into HR, Melanie has held HR roles at Pizza Express, Holmes Place Health Clubs and Pizza Hut UK, as well as obtaining a postgraduate diploma in Personnel and Development.

Most recently, she headed the People function at Zizzi Restaurants, part of the Gondola group.

Top bowling score
144

Committee key

A Audit committee
N Nomination committee
R Remuneration committee
CR Corporate Responsibility committee
Committee chair

Rachel Addison
Independent Non-Executive Director

A N R

Appointment
Rachel joined the Group as an Independent Non-Executive Director in September 2023.

Skills and experience
A member of the Institute of Chartered Accountants in England and Wales, Rachel has held senior financial, operational and board level roles throughout her career. She was Chief Financial Officer at both Future plc and TI Media Limited; Managing Director for Reach Regionals; both CFO and Chief Operating Officer for Local World Limited and Northcliffe Media Limited; and Head of Risk Management at Boots the Chemist.

Rachel is currently a Non-Executive Director of Marlowe plc, a business-critical services and software provider; Watkin Jones plc, a housing developer and manager of student and build-to-rent accommodation; Gamma Communications plc, a leading supplier of Unified Communications (UCaaS) as a Service into Western European markets; Wates Group, the UK's leading family-owned development, building and property services company; and Florida-based Mango Publishing Group.

Top bowling score
130

Nick Backhouse
Senior Independent Non-Executive Director

A N R

Appointment
Nick joined the Group as Senior Independent Non-Executive Director in June 2016.

Skills and experience
Nick has extensive experience at board level. He is currently Chairman of the Giggling Squid restaurant group and the Senior Independent Director of Loungers plc. He has previously held positions as Senior Independent Director of Hyve Group plc (2019–2023) and Guardian Media Group plc (2007–2017) and was Non-Executive Director of Marston's PLC (2012–2018) and All3media Limited (2011–2014). In his executive career, Nick was the Deputy Chief Executive Officer of the David Lloyd Leisure Group and was previously Group Finance Director of NCP, Chief Financial Officer of the Laurel Pub Company and CFO of Freeserve PLC. Prior to that, he was a Board Director of Baring Brothers International. Nick is a Trustee of Chichester Harbour Trust and a fellow of the Institute of Chartered Accountants in England and Wales. He has an MA in economics from Cambridge University.

Top bowling score
203

Julia Porter
Independent Non-Executive Director

A N R CR

Appointment
Julia joined the Group as an Independent Non-Executive Director in September 2022.

Skills and experience
Julia has more than 30 years experience encompassing executive and non-executive roles in advertising, media and the technology sectors in the UK and globally. She has held executive director roles in a number of businesses including IPC Magazines, Getty Images and ITV plc. Most recently, Julia was Director of Consumer Revenues at Guardian News & Media where she developed and delivered their subscriptions and customer data strategies as well as a major subscriptions technology project.

Julia is a Trustee at Worldwide Cancer Research. Previously she has been a Non-Executive Director of Freeview (the UK's largest free to air digital TV platform), Safestyle Plc and Origin Housing. She holds an MBA from London Business School.

Top bowling score
139

Ivan Schofield
Independent Non-Executive Director

A N R CR

Appointment
Ivan joined the Group as an Independent Non-Executive Director in October 2017.

Skills and experience
Ivan has extensive experience in the leisure sector in the UK and across Continental Europe. He held a number of senior roles for Yum Brands Inc. over 15 years, notably as Managing Director of KFC France and Western Europe and more recently as CEO of itsu. Prior to this, he held roles at Unilever and LEK Consulting. Ivan runs his own executive coaching and leadership development business and is also Non-Executive Director of Thunderbird Fried Chicken Limited. Ivan holds a BSc in economics with econometrics from the University of Bath and an MBA from INSEAD and is a graduate of the Meyler Campbell Business Coaching Programme.

Top bowling score
165

UK Corporate Governance Code – Compliance statement

As a company with a premium listing on the London Stock Exchange, Hollywood Bowl Group plc is required under the FCA Listing Rules to comply with the provisions of the UK Governance Code (the Code) (a copy of which can be found on the website of the Financial Reporting Council, www.frc.org.uk). For the financial year ended 30 September 2023, and as set out in the following report, the Company has applied the principles, and complied with all relevant provisions, of the Code.

Governance framework and responsibilities

The Board is responsible for promoting the long-term success of the business for the benefit of shareholders, developing and overseeing the development of the Group's strategic aims and objectives (including monitoring financial and operational performance against agreed plans and targets), and ensuring an appropriate system of governance (including a robust system of internal controls and a sound risk management framework) is in place.

The Group's business model and strategy (as developed and approved by the Board) are set out on pages 26 to 33 and detail how the Group strategy generates value in the long term, and our contribution to wider society.

The Board is also responsible for establishing our purpose and values, and providing leadership in setting the desired culture of the business and ensuring that this is embedded throughout the Group. The Board continuously monitors the culture of the Group, through interactions with team members (during site visits and through attendance at events such as the Company conference), regular reports to the Board on team member and stakeholder engagement, and specific updates on team culture and development from the Chief Operations Officer and Chief People Officer. The Board remains satisfied that this approach to monitoring culture is appropriate and effective, that the key elements of the desired culture (dynamic, inclusive, positive, fun, high performance) are embedded across the Group, and that the culture is aligned with our purpose of bringing families and friends together for affordable fun and safe, healthy competition.

The Board has formally delegated certain governance responsibilities to its committees (as outlined in the illustration of our governance framework below), with those responsibilities set out clearly in the committees' terms of reference. The terms of reference and formal Schedule of Matters Reserved to the Board (which are available to view on the Group's website, www.hollywoodbowlgroup.com), as well as Group policies and procedures which address specific risk areas, are core elements of the Group's governance framework. These are reviewed annually by the Board and Committees to ensure that they remain appropriate to support effective governance processes. Matters outside of the Schedule of Matters Reserved or the Committees' terms of reference fall within the responsibility and authority of the CEO, including all executive management matters.

Governance framework

Board

Key responsibilities:

- Overall leadership of the Group
- Promoting strong corporate governance
- Approving financial statements and dividend policy
- Set strategy, purpose, values and culture
- Oversight of systems of internal control and risk management
- Approving, and reviewing performance against, business plans and budgets
- Approving major contracts and material capital expenditure

Audit Committee

Key responsibilities

- Review integrity of annual and interim financial statements
- Review accounting policies, financial reporting and regulatory compliance
- Review internal financial controls and monitor effectiveness of risk management and internal control systems
- Oversee relationship with external auditor

Audit Committee report pages 93 to 96

Remuneration Committee

Key responsibilities

- Set Remuneration Policy
- Determine Executive Director and senior management remuneration
- Approve measures and targets for annual and long-term incentive schemes
- Monitor workforce pay and conditions

Directors' Remuneration report pages 98 to 101

Nomination Committee

Key responsibilities

- Board appointments
- Succession planning
- Promotes diversity and inclusion
- Monitors NED independence and time commitments
- Reviews size and composition of Board and Committees

Nomination Committee report pages 88 to 92

Corporate Responsibility Committee

Key responsibilities

- Develop and recommend Group ESG strategy
- Monitor performance against agreed ESG KPIs
- Review material risks (including climate related) associated with ESG strategy
- Approve ESG disclosures (including TCFD)

Corporate Responsibility Committee report page 97

Executive Committee

Composition: Chief Executive Officer, Chief Financial Officer, Chief People Officer, Chief Marketing & Technology Officer, Chief Operations Officer, President and Managing Director-Canada.

Reporting to the CEO, the Executive Committee is responsible for the day to day operations of the Group and implementing the strategy agreed by the Board. Monitors performance against financial and operational KPIs, and manages risk through the development and implementation of controls, policies and procedures.

Individual Board roles and responsibilities

There is a clear division of responsibilities between the Chairman and Chief Executive Officer. The key responsibilities of members of the Board are set out below. Biographies of each Director, which describe the skills and experience he or she brings to the Board, can be found on pages 80 and 81.

Non-Executive Chairman

Peter Boddy

Peter is responsible for the leadership and overall effectiveness of the Board and for upholding high standards of corporate governance throughout the Group and particularly at Board level. In line with the culture promoted throughout the business, the Chairman encourages open debate and discussion in the interaction of the Board, and facilitates the effective contribution of the Non-Executive Directors.

Chief Executive Officer (CEO)

Stephen Burns

Stephen is responsible for all executive management matters, including: performance against the Group's strategy and objectives; leading the executive leadership team in dealing with the day to day operations of the Group; and ensuring that the culture, values and standards set by the Board are embedded throughout the organisation.

Senior Independent Director (SID)

Nick Backhouse

The SID provides a valuable sounding board for the Chairman and leads the Non-Executive Directors' annual appraisal of the Chairman. The SID is available to shareholders if they have concerns which are not resolved through the normal channels of the CEO or Chairman, or where such contact is inappropriate.

Chief Financial Officer (CFO)

Laurence Keen

Laurence works with the CEO to develop and implement the Group's strategic objectives. He is also responsible for the financial performance of the Group and the Group's property interests and supports the CEO in all investor relations activities.

Chief People Officer (CPO)

Melanie Dickinson

Melanie works with the CEO and executive leadership to develop and implement the Group's strategic objectives, with a particular focus on people strategy and team member development. Melanie is responsible for the Group's HR function, including pay and reward, culture, training and team engagement.

Non-Executive Directors

Rachel Addison, Nick Backhouse, Julia Porter and Ivan Schofield

Rachel, Nick, Julia and Ivan provide objective and constructive challenge to management and help to develop proposals on strategy. They also scrutinise and monitor financial and operational performance, and support the executive leadership team, drawing on their background and experience from previous roles.

Executive Committee

Mathew Hart

Chief Marketing and Technology Officer

Top bowling score

151

Mathew joined the Group as Commercial Director in January 2015. He has over 25 years of commercial, marketing, e-commerce and general management experience across the travel, leisure and healthcare sectors.

Mathew has held executive positions at Holiday Autos (Managing Director), Lastminute.com (Group Marketing Director), Cannons Health Clubs (Group Marketing and Commercial Director), Nuffield Health (Group Marketing Director) and Encore Tickets (Group Marketing Director).

Darryl Lewis

Chief Operating Officer

Top bowling score

187

Darryl joined the Group as Regional Director in September 2013. He has over 25 years' experience in key operational roles across the leisure sector, including cinemas and theme parks.

Darryl worked in general management, film and content planning and senior operational support roles in the cinema industry for 20 years with Showcase Cinemas, Warner Bros, International Theatres and Vue.

Pat Haggerty

President and Managing Director Canada

Top bowling score

214

Pat joined the Group in May 2022 upon the acquisition of his business. He has over 30 years of experience in the bowling industry. In 2000 Pat became the exclusive distributor for Brunswick in Canada and in 2005 he began building and operating his own bowling centres under the Splitsville brand, growing the estate to five centres at the time of the acquisition by Hollywood Bowl Group.

The Board and Executive Committee

The Board and Executive Committee work closely together to ensure the robust governance of the business and successful execution of our strategy.

Board independence

The Board consists of eight Directors (including the Chairman), four of whom are considered to be independent as indicated in the table below:

Non-Independent

Peter Boddy (Chairman)
Stephen Burns (Chief Executive Officer)
Laurence Keen (Chief Financial Officer)
Melanie Dickinson (Chief People Officer)

Independent

Rachel Addison (appointed 1 September 2023)
Nick Backhouse (SID)
Julia Porter
Ivan Schofield

Board and Committee attendance

The Board met formally on eight occasions during FY2023. The table below shows the attendance (in person or by video conference) of each Director at the formal scheduled meetings of the Board and of the Committees of which they are a member:

Membership and attendance of Board and Committees

Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Responsibility Committee
Peter Boddy*	7/8	N/A	N/A	2/2	2/2
Stephen Burns	8/8	N/A	N/A	N/A	2/2
Laurence Keen	8/8	N/A	N/A	N/A	N/A
Melanie Dickinson	8/8	N/A	N/A	N/A	2/2
Rachel Addison	1/1	1/1	1/1	1/1	N/A
Nick Backhouse	8/8	4/4	4/4	2/2	N/A
Julia Porter**	7/8	4/4	4/4	2/2	1/2
Ivan Schofield	8/8	4/4	4/4	2/2	2/2
Claire Tiney	2/2	1/1	2/2	1/1	N/A

* Peter Boddy was unable to attend the Board meeting held in June 2023 at short notice due to the sudden death of an executive at one of Peter's other businesses. Nick Backhouse stood in as Chair of the meeting.

** Julia Porter was unable to attend the Board meeting held in October 2022 due to a prior commitment which was known to the Board at the time of Julia's appointment as a Non-Executive Director.

In addition to the Chief Executive and Chief Financial Officer, and in line with our established practice, the Chief Marketing and Technology Officer and Chief Operating Officer were present at Board meetings during the year, and the President and Managing Director Canada also attended Board meetings on three occasions during FY2023.

Where Non-Executive Directors are unable to attend a Board or Committee meeting, they are encouraged to submit any comments or questions on the matters to be discussed to the Chairman (or Committee Chair, as appropriate) in advance to ensure that their views are recorded and taken into account.

The Non-Executive Directors remain in regular contact with the Chairman, whether in face-to-face meetings or by telephone, to discuss matters relating to the Group without the executives present.

Information and support

Agendas and accompanying papers are distributed to the Board and Committee members well in advance of each Board or Committee meeting via an electronic Board paper system for efficiency and security purposes. These include reports from Executive Directors, other members of senior management and external advisers. The Non-Executive Directors are also in regular contact with the Executive Directors and other senior executives outside of formal Board meetings.

All Directors have direct access to senior management should they require additional information on any of the items to be discussed.

The Board and the Audit Committee receive regular and specific reports to allow the monitoring of the adequacy of the Group's systems of internal controls (described in more detail in the Audit Committee report on page 95).

Appointment and election

Each Non-Executive Director is expected to devote sufficient time to the Group's affairs to fulfil his or her duties. Their letter of appointment anticipates that they will need to commit a minimum of two days per month to the Group, specifying that more time may be required. This time commitment was reviewed and confirmed as appropriate by the Nomination Committee during the year, and each of the Non-Executive Directors has confirmed that they continue to be able to devote sufficient time to discharge their duties effectively as a Director of the Company.

The Board is satisfied that each of the Directors continues to contribute effectively and is committed to their role. The Board is therefore pleased to recommend the election of Rachel Addison, and the re-election of all other Directors (with the exception of Nick Backhouse who will step down from the Board at the AGM) at the Company's AGM on 29 January 2024. All of the Directors have a service agreement or a letter of appointment, with details of their notice periods and unexpired terms of office set out on page 109.

A formal Non-Executive Director recruitment process was conducted during the year, and resulted in the appointment of Rachel Addison as a Non-Executive Director with effect from 1 September 2023. A detailed summary of the process is set out in the Nomination Committee report on page 90.

Activity during the year

The Board approves an annual calendar of agenda items to ensure that all matters are given due consideration and are reviewed at the appropriate point in the regulatory and financial cycle. The activity of the Board during FY2023 is shown in the table below:

Board agenda for year to 30 September 2023	Oct	Dec	Jan	Mar	Apr	May	Jun	Sep
Corporate governance								
Directors' conflicts of interest	●	●	●	●	●	●	●	●
Board, Director and Committee performance evaluation		●	●	●				
Review Schedule of Matters Reserved to the Board								●
ESG strategy and updates	●		●					
Board diversity policy								●
NED recruitment updates/fees					●			●
Compliance and risk								
Reviewing the principal risks and uncertainties affecting the Group		●				●		
Risk register and risk heat map	●							
Risk deep-dives			●	●	●		●	
Going concern review and approval of long-term viability statement		●				●		
Review and approval of Modern Slavery and Human Trafficking Statement				●				
Review of Gender Pay Gap reporting				●				
Review of Disclosure Policy, Insider List & Share Dealing Code					●			
Delegated authorities			●					
Group insurances								●
Operations, customers and suppliers								
Reviewing customer experience measures	●				●			
Customer research feedback (Canada)						●		
Utilities/energy review			●		●	●		
People								
Review results of team engagement survey			●	●				●
Team member incentives review							●	
Support centre structure	●							
Performance								
Approval of full-year results, the Annual Report and Accounts, half-year results, the Notice of Annual General Meeting and dividends		●				●		
Budget							●	●
Review of dividend policy/dividend proposals	●	●				●		
Strategy								
IT projects update	●		●		●			●
Review of progress on strategic projects	●		●		●		●	●

Induction

All new Directors appointed to the Board undertake a tailored induction programme, the purpose of which is to help new Directors develop a sound understanding and awareness of the Group, focusing on its culture, operations and governance structure.

Rachel Addison's induction programme commenced shortly after her appointment to the Board, and in addition to the provision of relevant documentation included a combination of meetings with Executive Committee, senior management and other team members, attendance at Company events and site visits. Rachel's induction is summarised below:

Strategy and culture	Operations and Company events	Financial reporting and risk management	Board process and corporate governance
CEO meeting (covering strategy, business plan and new business)	Support centre town hall meeting	CFO meeting (covering external auditor relationship, Audit Committee process, internal controls, internal audit and risk management)	Company Secretary meeting (covering Board procedures, terms of reference, activity schedules and governance policies)
CPO meeting (organisation, culture and HR policies)	CMIT graduation	Head of Finance meeting (covering non-audit services, business planning, management reporting and tax)	CMTO meeting (covering Group supporting functions, office network structure, IR and communications programme)
Cultural induction	Company conference	Centre visit with Head of Internal Audit	
Wheel roadshow	Centre visits with the COO, and Regional Support Manager		
Board strategy day			

Performance evaluation

As reported last year, our FY2022 Board evaluation process was externally facilitated by Parsons Talent Consulting (led by Annabel Parsons), with feedback presented to our Board meeting in December 2022. The Board discussed specific findings, and agreed certain actions to take forward in FY2023, at our meetings in January and March 2023. Some of the actions identified and how they have been implemented are summarised in the table below.

Our FY2023 Board evaluation process was internally facilitated and conducted by way of detailed questionnaires completed by all Board members and regular attendees. Some of the questions were designed to gather feedback on the impact of the implementation of actions arising from the FY2022 evaluation (summary feedback noted in the table below). Overall, the feedback from both the externally facilitated (FY2022) and internal (FY2023) Board evaluations was that the Board is effective and performing well. The culture of the business is evidenced in the Board's interactions, and internal relationships are strong.

Action (from FY2022 externally facilitated evaluation)	Implementation in FY2023	Impact (feedback from FY2023 internally facilitated evaluation)
Increase time spent discussing strategic matters through: • Additional time allotted for Board meetings • Balancing agendas in favour of strategic rather than operational matters	Additional time added to all Board meetings from March 2023 onwards Agendas weighted and reordered in favour of strategic items	Rebalanced agendas and longer meetings have been well received, with the Board agreeing that focus on strategic matters has increased
Provide opportunity to reflect on effectiveness of Board meetings on an ongoing basis	From March 2023, meetings are concluded with a discussion to review the meeting	The focus on ongoing review has improved effectiveness of meetings, and provided an open forum for suggestions to drive continuous improvement
Develop a mentoring programme for executives and managers	Senior management below Executive Committee level have been assigned an Executive Committee mentor	N/A
Increase frequency of Non-Executive Director meetings (without executives present)	Intend to increase from one meeting per year to two from FY2024 onwards	N/A
Introduce KPIs to help to measure discharge of Non-Executive Director time commitment	KPIs agreed around number of Company and competitor site visits to be conducted by Non-Executive Directors per annum	Promotes Non-Executive Director time in the business, engagement with team members, and monitoring of culture

The evaluation of individual Director performance was conducted by the Chairman, who has established a programme of regular one-to-one meetings with all Directors. As well as discussing wider business matters, these sessions also include discussion around individual Director development, additional knowledge/training requirements (whether at an individual or Board level), and time spent in the business. Through a combination of the individual evaluation, and specific questions in the Board evaluation process, all individual Directors were shown to be contributing effectively.

The evaluation of the Chairman's performance in FY2023 was led by the Senior Independent Director (SID), and conducted by way of a questionnaire completed by each Non-Executive and follow up discussions. The review found that the Chairman continues to perform well in his role, leads the Board effectively, and promotes an open environment whereby all individuals are able to contribute and provide constructive challenge where appropriate.

In line with the approach established in recent years, it is anticipated that the FY2024 Board performance evaluation will be led by the Chairman and conducted by way of one-to-one interviews with all Board members and regular attendees.

Conflicts of interest and external appointments

In accordance with the Board-approved procedure relating to Directors' conflicts of interest, all Directors have confirmed that they did not have any conflicts of interest with the Group during the year. In accordance with our established policy, and provision 15 of the Code, Board approval is required before any Director takes on a new external appointment. Such approval was sought and granted in relation to new external appointments taken on by Stephen Burns and Peter Boddy during the year. Given that Stephen Burns stepped down from his role at The Club Company prior to taking up the Non-Executive Director position at Inn Collection Group, the Board was satisfied that the role would not impact Stephen's focus and commitment to the Company. The Board was similarly satisfied that Peter Boddy's appointment as Chair of Impact Food Group, and Non-Executive Director of Just Pay Ltd, would not restrict his time commitment to the Company.

Whistleblowing Policy

The Group has adopted procedures by which employees may, in confidence, raise concerns relating to possible improprieties in matters of financial reporting, financial control or any other matter. The Whistleblowing Policy applies to all employees of the Group, who are required to confirm that they have read the policy and are aware of how the procedure operates as part of an ongoing internal training programme. The Board receives regular updates with respect to the whistleblowing procedures during the year, with all incidents reported to the Board having been addressed under appropriate Group HR policies and procedures.

Stakeholder engagement

Engagement with the workforce

The Chairman and the Non-Executive Directors frequently visit the Group's centres, including attending new or refurbished centre openings, accompanied by regional support managers and centre management teams. At those centre visits, the Non-Executive Directors take the opportunity to engage directly with team members at all levels, allowing them to assess the understanding of the Group's culture across the business. Our team members are encouraged to engage openly with all colleagues, and as a result the Non-Executives are able to effectively gauge the views of the workforce.

The Board receives regular presentations from the Chief Operating Officer on the output and feedback from centre management and team member listening sessions. The Chairman and Non-Executive Directors are also invited to attend the annual conference, which provides further opportunity to engage with team members.

The Board has assessed the various methods by which the Directors engage with the wider workforce and continues to be of the view that the combination of the methods described above ensures that the Board is appropriately informed about, and understands, workforce views. The Board therefore believes that this approach appropriately addresses the requirement to engage with the workforce under provision 5 of the Code and does not currently intend to adopt one of the three workforce engagement methods suggested in that provision. The Board will, of course, continue to keep its stakeholder engagement mechanisms under review.

Relations with shareholders

As part of its ongoing investor relations programme, the Group aims to maintain an active dialogue with its shareholders, including institutional investors, to discuss issues relating to the performance of the Group. Communicating and engaging with investors means the Board can express clearly its strategy and performance and receive regular feedback from investors. It also gives the Board the opportunity to respond to questions and suggestions.

The Non-Executive Directors are available to discuss any matter shareholders might wish to raise and to attend meetings with investors and analysts, as required. Investor relations activity is a standing item on the Board's agenda and ensuring a satisfactory dialogue with shareholders, and receiving reports on the views of shareholders, is a matter reserved to the Board.

The Company's AGM will be held on Monday 29 January 2024 at 30 Gresham Street, London, EC2V 7QP. Electronic proxy voting will be available to shareholders through both our registrar's website and the CREST service. Voting at the AGM will be conducted by way of a poll and the results will be announced through the Regulatory News Service and made available on the Group's website.

More information on AGM arrangements is included in the AGM Notice which will be distributed to shareholders and made available on the Group's website.

Report of the Nomination Committee

Peter Boddy
Nomination Committee Chair

Read full biography on **page 80**

Nomination Committee	
Chair	Peter Boddy
Committee members	Rachel Addison[1] Nick Backhouse Julia Porter Ivan Schofield
Number of meetings held in the year	2

1 Appointed as a member of the Committee with effect from 1 September 2023.

Specific duties of the Committee include:

- regularly reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations to the Board with regard to any changes;
- keeping under review the leadership needs of the organisation, both Executive and Non-Executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace; and
- reviewing annually the time commitment required of Non-Executive Directors.

The Nomination Committee is also responsible for keeping Board succession plans under review, monitoring compliance with the Company's Board Diversity Policy, and making recommendations on the composition of the Board Committees.

Role and responsibilities

The role of the Nomination Committee is set out in its terms of reference, which are reviewed annually and are available on the Group's website. The Committee's primary purpose is to develop and maintain a formal, rigorous and transparent procedure for identifying appropriate candidates for Board appointments and reappointments, and to make recommendations to the Board.

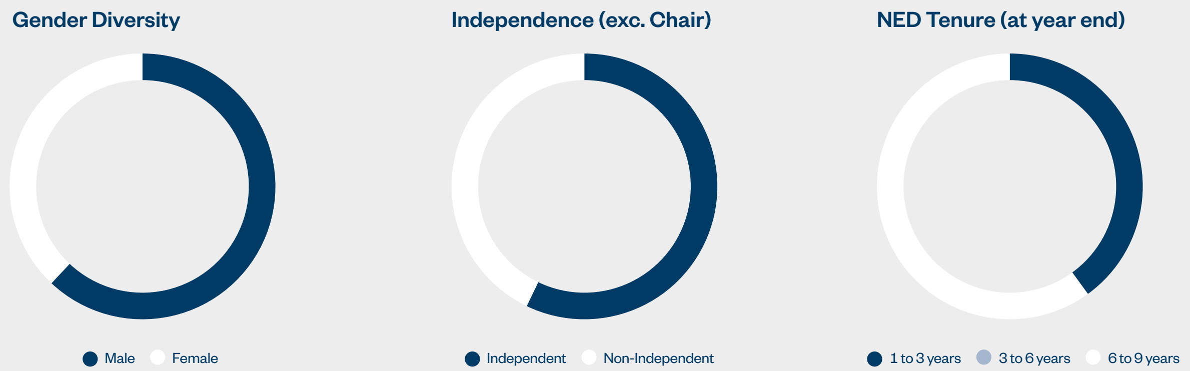
Activity during the year

The Nomination Committee met twice during the year and has met once since the year end. Committee meetings have focused on the matters set out in the table below:

Activities of the Committee during the year to 30 September 2023

Board succession planning	Review of Non-Executive succession planning matrix
	Identified need to start process to recruit Audit Committee Chair successor
	Reviewed Executive and senior management succession plans
Board appointments	Oversaw search process for new NED and Audit Committee Chair successor (described in detail below)
	Recommended the appointment of Rachel Addison
Diversity Policy	Reviewed Board Diversity policy
	Reviewed Board diversity, and discussed approach to diversity in succession planning
	Discussed internal initiatives to promote diversity and equality
Board and Committee composition	Review of composition of the Board
	Review of Non-Executive Directors' independence
	Review of time commitment requirements, including each Director's external interests
Performance evaluation	Review of results from Committee performance evaluation and discussion on related actions
	Review of the Committee's terms of reference

Board composition and tenure



Succession planning

A previously reported, the Nomination Committee has established a Non-Executive succession planning matrix as a tool to support consideration of the timing for future appointments, and to identify key search criteria (including skills, experience and diversity). The matrix is reviewed at each meeting of the Committee, and I regularly discuss Board succession with the other Non-Executive Directors between meetings to ensure alignment on plans and timings.

Our agreed Non-Executive Director succession plan is designed to ensure a managed approach to the timing of Non-Executive Director changes given our initial cohort were all appointed at the same time (in connection with the Company's IPO). In accordance with that plan, the Committee agreed it was appropriate to commence the search for a new Non-Executive Director, specifically with audit committee experience, as a potential successor to Nick Backhouse who will step down from the Board at the AGM in January 2024. The search process, and subsequent appointment of Rachel Addison, is described in more detail below. We were delighted to welcome Rachel to the Board in September 2023, and her induction has included a detailed handover process with Nick for the Chair of Audit Committee role which Rachel will assume from that Committee's first meeting in 2024. The Board has also agreed that Rachel will succeed Nick as Senior Independent Director from the date of the 2024 AGM.

The Non-Executive succession plan is designed on the assumption that no Non-Executive Director will serve on the Board for longer than nine years, but retains flexibility such that tenure beyond nine years may be accepted if considered to be in the best interests of the Company at the time, and the overall independence of the Board is not compromised.

We have continued to review Executive and senior management succession plans, with the aim of ensuring that the Group's future leadership will have the qualities necessary to support the delivery of our strategic objectives. The Executive Team maintains a detailed succession planning matrix identifying potential internal successors, and potential gaps in skills and experience which may need to be addressed through development programmes or external recruitment. Through the Board's annual programme of activity, we aim to make sure that potential executive successors are given opportunities to meet and present to the Board on their areas of expertise and to further their development. We also received regular updates on other team member development initiatives across the Group, with such development (through our Assistant and Centre Manager training programmes, and our senior leadership development programme) being a key area of focus for our management teams.

Appointment of Rachel Addison

As noted above, through its succession planning process the Committee identified the need to commence a search for a new Non-Executive Director and Audit Committee Chair successor during the year. The table below summarises the process, and key considerations at each step in the NED search which ultimately led to the appointment of Rachel Addison as a Non-Executive Director on 1 September 2023.

Step	Key considerations/decisions
Develop role/candidate profile	• Recent, up-to-date and relevant financial experience • PLC board experience, ideally as a Non-Executive Director and Audit Committee Chair • Commercial background • Character aligned with the culture of the Company • The need to continue to promote gender diversity at Board level
Identify and engage external search agency/service	• Ensuring access to a diverse pool of appropriately experienced candidates, beyond established networks • The Committee agreed to engage Women on Boards (which is not an executive search firm, but provides services to support the identification of a diverse pool of Non-Executive Director candidates) to support the search process. Women on Boards does not have any other connection with the Company or any individual Directors
Shortlisting candidates	• Women on Boards provided a shortlist of candidates matching the role/candidate profile • The Chair and Audit Committee Chair reviewed and interviewed shortlisted candidates, identifying a reduced shortlist of four candidates • A summary of shortlisted candidates was discussed with Nomination Committee members
Interviews	• The Chair and CEO met the shortlisted candidates • Preferred candidates were interviewed by the Audit Committee Chair and CFO
Recommendation and appointment	• Having discussed preferred candidates, the members of the Nomination Committee agreed to recommend to the Board that Rachel Addison be appointed • The Board formally approved Rachel Addison's appointment as a Non-Executive Director and as a member of the Audit, Remuneration and Nomination Committees, with effect from 1 September 2023

Diversity

The Committee reviews the Board Diversity Policy on an annual basis and continues to be responsible for monitoring compliance with the objectives of that Policy. The Policy recognises the benefits of greater diversity, including gender diversity and sets out the Board's commitment to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives to their role. Given the size of the Board, and the fact that all Non-Executives are members of each of the Audit, Remuneration and Nomination Committees, the Diversity Policy does not contain any specific diversity objectives relating to the composition of the Board's Committees.

In addition to a requirement that at least two members of the Board are female, the Diversity Policy also sets out longer-term aspirations to achieve no less than 40 per cent female representation on the Board, and at least one Director being from a non-white ethnic minority background. The policy recognises this balance may not be achieved through our first cycle of Non-Executive Director succession (i.e. the succession of the Non-Executive Directors appointed at IPO), and that periods of change in Board composition may result in periods when the desired balance is not met. Progress against that and the other objectives during the year is set out in the policy is summarised below:

Objective/responsibility	Progress/activity in FY2023
Maintain a balance such that: • At least two members of the Board are female, with a long-term aspiration to achieve no less than 40 per cent women on the Board • In the longer term, at least one Director to be from a non-white ethnic minority background	At least two members of the Board have been female throughout FY2023. The current proportion of women on the Board is 38 per cent. This will increase to 43 per cent when Nick Backhouse steps down at the 2024 AGM. Both the gender and ethnic diversity objectives were considered as part of the recruitment process for Rachel Addison, and will continue to form an important consideration in our NED succession planning.
In the recruitment process, encourage diversity in the candidates by: • Only engaging executive search firms that are signatories to the Executive Search Firms' Voluntary Code of Conduct • Ensuring that the search firm engaged is briefed to include an appropriate emphasis on diversity considerations – Ensure that non-executive shortlists include at least 50 per cent female candidates – Consider candidates who may not have previous board experience in executive and non-executive directorship leadership roles	Women on Boards is not a traditional executive search firm, and therefore is not a signatory to the Voluntary Code of Conduct. However the Committee felt that Women on Boards was able to offer the broadest and most diverse pool of candidates. A suitably detailed briefing was provided to Women on Boards to ensure that identified candidates met our key criteria. Given the important role of the Audit Committee Chair, the Committee agreed it would not be appropriate to consider candidates with no previous board experience on this occasion.

Review regularly the structure, size, and composition of the Board (including the balance of skills, knowledge, and experience), taking into account this Policy, and make recommendations to the Board for any changes.	This is an annually recurring item on the Committee's agenda and was reviewed by the Committee at a meeting in September 2023. Although the Committee is comfortable that the current size of the Board is appropriate, the potential to increase independent Non-Executive representation (to support breadth of experience, future succession planning, and diversity considerations) is under review.
When considering Board succession planning, have regard to the Board Diversity Policy.	The NED succession planning matrix highlights current diversity statistics on the Board and will continue to be considered against the Board Diversity Policy. The need to promote diversity in Board appointments is considered in all of the Committee's succession planning discussions.
Review the Board Diversity Policy annually, assessing its effectiveness and recommending any changes to the Board.	The policy is reviewed annually, and was reviewed by the Committee in September 2023 with no changes proposed.

As at 30 September 2023, the Board did not meet the diversity targets set out in Listing Rule 9.8.6(9), as less than 40 per cent of the Board Directors were women, none of the roles of the Chair, CEO, CFO or Senior Independent Director were held by a woman, and we did not have a Director from a minority ethnic background. There have been no changes to the Board between the financial year end and the date of the Annual Report which change this position, however we will exceed the 40 per cent target, and have a female SID, following our 2024 AGM (when Nick Backhouse steps down as a Director and is succeeded by Rachel Addison as SID).

As described above in relation to succession planning and the application of the Board Diversity Policy, we are in the process of a cycle of Non-Executive Director succession planning. As part of our succession plans, and Non-Executive Director recruitment processes, the Committee is aware of the need to promote gender and ethnic diversity. We have made good progress in improving gender diversity at Board level. We have specified a desire to see candidates from ethnic minority backgrounds in our recent search processes, and will continue to do so going forwards.

As required under Listing Rule 9.8.6(10), the breakdown of the gender identity and ethnic background of the Company's Directors and executive management (the Executive Committee) as at 30 September 2023 is set out in the tables below. Each Director and Executive Committee member was asked to complete a survey in order to compile this data. Any new appointees to the Board or Executive Committee in the future will be asked to provide this information.

Gender identity:	Number of Board members	Percentage of the Board	Number of senior positions on the Board*	Number in executive management	Percentage of executive management
Men	5	62%	4	5	83%
Women	3	38%	—	1	17%
Not specified/prefer not to say	—	—	—	—	—

Ethnic background:	Number of Board members	Percentage of the Board	Number of senior positions on the Board*	Number in executive management	Percentage of executive management
White British or other white	8	100%	4	6	100%
Mixed/multiple ethnic groups	—	—	—	—	—
Asian/Asian British	—	—	—	—	—
Black/African/Caribbean/Black British	—	—	—	—	—
Other ethnic group	—	—	—	—	—
Not specified/prefer not to say	—	—	—	—	—

* Includes CEO, CFO, Chair and SID.

Overall gender diversity across the business is good with the Committee and the Executive team recognising the need to support the development of women into senior management roles.

Annual Review of Board and Committee composition

In accordance with its terms of reference, the Committee reviews annually the composition of the Board and its Committees, and the independence of the Non-Executive Directors. The review was conducted in September 2023, and therefore took account of Rachel Addison's recent appointment to the Board and each of the Committees. The Committee is satisfied that each of the Non-Executive Directors continues to be independent in thought and judgement, and when assessed against the circumstances likely to impair independence set out in provision 10 of the Code. Taking account of the continued independence of the Non-Executive Directors, the Committee is also satisfied that the composition of the Board and its Committees remains appropriate having considered the objectives of the Board Diversity Policy and the balance of skills, experience and diversity of thought required for those bodies to operate effectively. All of these factors will of course continue to be considered through our succession planning and Board recruitment processes.

Annual evaluation

The Committee has monitored progress against actions identified in the 2022 externally facilitated Board evaluation process during the year (as described more fully on page 86). Some of these actions were further assessed through specific questions in our internally facilitated Board evaluation process in 2023 (also described on page 86).

The Committee has reviewed its own performance in 2023 by way of a questionnaire completed by Committee's members and other attendees, with the results discussed at the Committees' meetings in December 2023. In general, the evaluation confirmed that the Nomination Committee continues to operate effectively and that the agreed succession plan is progressing well.

Peter Boddy
Chair of the Nomination Committee
17 December 2023

Report of the Audit Committee

Nick Backhouse
Audit Committee Chair
Read full biography on **page 81**

Audit Committee	
Chair	Nick Backhouse
Committee members	Rachel Addison[1] Julia Porter Ivan Schofield
Number of meetings held in the year	4

1 Appointed as a member of the Committee with effect from 1 September 2023.

Specific duties of the Committee include:

- monitoring the integrity of the annual and interim financial statements;
- keeping under review the internal financial control systems; and
- overseeing the relationship with the internal and external audit functions.

Role and responsibilities

The Audit Committee's duties and responsibilities are set out in full in its terms of reference, which are available on the Company's website. The terms of reference were reviewed by the Committee during the year and no changes were proposed.

Dear shareholders,

On behalf of the Board, I am pleased to present the Audit Committee report for the year ended 30 September 2023.

As you will have read in the Strategic report, the business has delivered another year of strong financial performance in FY2023 showing LFL revenue growth of 4.5 per cent versus FY2022. We have continued to expand and improve our estate in the UK, and to integrate and develop our business in Canada following the Teaquinn acquisition in FY2022.

The activity of the Committee during FY2023 is described in the report that follows. Our key role is in monitoring the integrity of annual and half-year financial statements, and in particular ensuring that appropriate consideration is given to key accounting judgements and estimates. In that context, we have reviewed the accounting treatment for the acquisition of additional Canadian centres in Calgary, as well as the accounting policy for revenue recognition in relation to Striker Bowling Solutions (which supplies and installs bowling equipment across Canada). We have also considered the accounting policy for IT cost capitalisation in connection with Group digital initiatives.

We have continued to review and monitor potential asset impairment. At the half year end, we again concluded that there was no need for a full impairment review at the half year end given the positive trading performance of our centres in the first half. Prior to the financial year end, the Committee reviewed the impairment model and underlying assumptions, and in line with required accounting standards a full impairment review has been conducted at the year end.

The Committee has an established formal schedule of annual activity which ensures that we consider all relevant matters within our remit at the appropriate time during the year. In accordance with that activity schedule, we have continued to regularly review our documented internal controls matrix (challenging management to gain assurance over the effectiveness of those controls), and to receive six-monthly updates from our Internal Audit function (as described in the report below).

We have reviewed the effectiveness of the FY2023 external audit process (also described in more detail below) and assessed KPMG's continuing independence. The Committee continues to be comfortable that KPMG is independent and that the audit service provided is effective, and we have recommended to the Board that a resolution to reappoint KPMG as our external auditor be proposed at our 2024 AGM.

The Audit Committee has again evaluated its own performance by way of questionnaires completed by each member of the Committee and other regular attendees. We discussed the outcome of the evaluation at our meeting in December 2023, and I'm pleased to report that the findings indicate that the Committee continues to operate effectively.

We were pleased to welcome Rachel Addison as a member of the Committee on her appointment as a Non-Executive Director in September. Rachel will succeed me as Chair of the Committee when I step down from the Board at the 2024 AGM, and I am delighted to be able to hand over the reins to such an experienced and capable colleague. The Committee has comprised wholly of independent Directors throughout the year, and the Board has confirmed that it is satisfied that both Rachel Addison and I have recent and relevant financial experience as recommended under the Code by virtue of our qualification as Chartered Accountants, our executive background in finance roles, and our experience as audit committee chairs in other non-executive positions. As all members of the Committee have experience as Directors of other companies in the retail and leisure sector, the Board is also satisfied that the Audit Committee as a whole continues to have competence relevant to the sector in which the Group operates.

Nick Backhouse
Chair of the Audit Committee
17 December 2023

Meetings and attendees

The Committee's terms of reference provide that it should meet at least three times per year, and the Committee met on four occasions during FY2023. The names of the attendees of the Audit Committee meetings are set out in the table on page 93.

The external auditor has the right to attend meetings, and the Chair of the Board, Chief Executive Officer, Chief Financial Officer and Head of Finance typically attend by invitation. Outside of the formal regular meeting programme, the Audit Committee Chair maintains a dialogue with key individuals involved in the Group's governance, including the Chairman, Chief Executive Officer, Chief Financial Officer and external audit lead partner.

Activity during the year

The Committee's activity in FY2023 included the topics set out below:

Activities of the Committee during the year to 30 September 2023	Dec	Mar	May	Sept
Financial statements and reports				
Review and recommendation to the Board of full-year results, the Annual Report and Accounts and half-year results	●		●	
Going concern assessment	●		●	
Fair, balanced and understandable assessment	●		●	
Review of significant accounting policies	●	●	●	●
Risk register review				●
External audit				
External audit plan, engagement, fees			●	●
External auditor reports to the Committee (including full-year reports)	●		●	
Assessment of external auditor effectiveness			●	
Independence confirmation and review of non-audit services, spend and policy	●			●
Internal controls				
Annual review of internal audit function requirement				●
Review of risk management and internal controls		●		●
Internal audit reports		●		●
Assessment of internal audit effectiveness				●
Other				
Review of results from Committee performance evaluation and discussion of related actions	●			
Review of the Committee's terms of reference				●

The key areas of focus of the Committee are discussed in more detail in the rest of this report.

Significant issues considered in relation to the financial statements

Significant issues and accounting judgements are identified by the finance team and the external audit process and are reviewed by the Audit Committee. The significant issues considered by the Committee in respect of the year ended 30 September 2023 are set out in the table below:

Significant issues and judgements	How the issues were addressed
Valuation of property, plant and equipment and right-of-use assets	The Committee reviewed and challenged the calculations and assumptions (including revenue growth and discount rates applied) underlying the tests to identify potential impairment of PPE and ROU assets at the Group's cash generating units (CGUs). The Committee agreed with management's judgement in estimating the recoverable amount of PPE and ROU assets, and that the impairment charge recognised of £2.2m (£1.4m for PPE and £0.8m for ROU assets) was appropriate.
Valuation of acquisition-related intangible assets arising from the acquisition of assets in Canada.	The Committee reviewed the calculation methodology to support the valuation of intangible assets acquired in relation to the acquisition of additional centres in Canada during FY2023. The Committee was comfortable with the approach adopted by management, which included engaging an external specialist to determine the fair value of the separately identifiable intangible assets.

Risk management and internal controls

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

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

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

During FY2023 the Board's established programme of deep dive presentations on specific risks has continued. The programme of deep dives is informed through the wider review of the Group risk register and the principal risks and uncertainties facing the Group, with the schedule of topics agreed early in the financial year. The deep dives have assisted in developing a broader understanding of the risks, any change in risk level, and the mitigations and controls implemented (and an assessment of their effectiveness). Specific risks covered by these deep dives in FY2023 included concentration risk relating to amusements suppliers, the expansion risk linked to new centre openings, supply chain, cyber security and targeted IT threat risks, and climate-related risks (including the risk of business interruption, and net-zero transition). The deep dive approach continues to be effective in promoting more focused discussion and debate around the risks and associated controls.

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

- regularly reviewing the detailed internal controls matrix which addresses and tracks actions against items such as control deficiencies identified by KPMG;
- receiving updates from the Group's Internal Audit function on reviews of key processes and controls;
- conducting an annual review of the Group's control systems and their effectiveness; and
- reporting and updating the Board on the risk and control culture within the Group.

Internal audit

As previously reported, the remit of the Group's Internal Audit function (which was originally focused primarily on monitoring and supporting compliance with in-centre processes and controls) has evolved over time and now covers other operational processes such as supplier on-boarding, employee expenses, the issuance of customer refunds, and any other areas that the Audit Committee or management identify as being appropriate for review (often informed by the internal controls matrix). Specific areas covered in the Internal Audit function's reports to the Audit Committee during FY2023 have included a review of team member loyalty benefits, zero deposit bookings in centre and through our customer contact centres, internal security and team member safety (CCTV coverage and access), and centre-based audits around food hygiene and safety.

In accordance with the established centre audit programme, the internal audit function performs regular testing of the detailed processes and controls required to be applied by centre teams. Findings are presented to the relevant centre manager and the Chief Financial Officer for review, with a focus on ensuring that centre management and team members are supported to meet the required standards. Detailed summaries of centre performance against the required standards are presented to the Audit Committee twice per year.

Internal audit continued

A member of the internal audit team attends Audit Committee meetings at least once per year to provide updates on the activities of the internal audit function. The internal audit team has also begun to work with our Canadian business to assist in the development of an appropriate centre-based audit programme in Canadian centres.

The Committee has conducted its annual review and assessment of the internal audit function, and has concluded that it continues to operate effectively and provides appropriate assurance over key areas of business risk. As part of the assessment, the Committee also considered the other methods by which it receives assurance on the effectiveness of risk management and internal controls. The Committee remains satisfied that it receives appropriate assurance through a combination of the Internal Audit function's activities, and its own review and challenge of the internal control and risk management systems.

External auditor

The Audit Committee is responsible for overseeing the Group's relationship with its external auditor, KPMG. During the year, the Audit Committee has discharged this responsibility by:

- agreeing the scope of the external audit and negotiating the remuneration of the external auditor;
- receiving regular reports from the external auditor, including with regard to audit strategy and year-end audits;
- regularly meeting the external auditor without management present; and
- assessing the auditor's independence and the effectiveness of the external audit process.

External audit effectiveness review

The Committee reviewed the effectiveness of the external audit process following completion of the FY2022 audit. In accordance with our established practice, a report was prepared by the finance team summarising its view of KPMG's effectiveness based on interactions during the audit and set out under three headings: 'Mindset and Culture'; 'Skills, Character and Knowledge'; and 'Quality Control'. The report was discussed at the Committee's meeting in May 2023, and in making its assessment the Committee also took into account its own interactions with the external auditor. The report noted that the FY2022 audit process had been effective, with improvements over the prior year, and highlighted opportunities to further improve the process in FY2023, in particular by bringing forward the audit timetable. The Committee concluded that the external audit process had been effective, noting in particular that KPMG continued to provide an independent and objective approach to the audit, and to demonstrate an appropriate level of professional scepticism. The Committee was also satisfied that KPMG had made appropriate judgements around materiality, had identified the key areas of audit risk, and had made reliable evaluations of audit evidence.

Non-audit services

The engagement of the external audit firm to provide non-audit services to the Group can impact on the independence assessment. The Company has a policy (which is reviewed annually) which requires Audit Committee approval for any non-audit services which exceed £25,000 in value. The engagement of the external auditor to provide any non-audit services for less than £25,000 (with the exception of the issuance of turnover certificates and financial covenant tests, for which authority was delegated to the Chief Financial Officer to approve where the fee is less than £5,000 per certificate) must be discussed with the Audit Committee Chair in advance. All requests to use the external auditor for non-audit services must be reviewed by the Chief Financial Officer. The policy recognises that certain non-audit services may not be carried out by the external auditor.

During the year ended 30 September 2023, KPMG was engaged to provide permitted non-audit services relating to EBITDA certification and turnover rent certificates for a fee of £7.5k, representing 1.8 per cent of the total audit fee. This is shown in further detail in note 6 to the Financial Statements.

The Committee is satisfied that the level of non-audit fees and services provided by KPMG does not impact on its independence.

Appointment and tenure

KPMG was first appointed as the Group's external auditor in 2007. Matt Radwell was appointed as lead audit partner for the FY2022 audit, and in line with KPMG's policy on lead partner rotation (and absent any change in auditor as a result of a tender process) would be required to rotate off the Group's audit after the FY2025 audit.

The Audit Committee continues to be satisfied with the scope of the external auditor's work and the effectiveness of the external audit process, and that KPMG continues to be independent and objective. The Committee is therefore pleased to recommend that KPMG be reappointed as the Group's auditor at the 2024 AGM.

During the year, the Committee considered the appropriate timing for putting the external audit contract out to tender in the context of the requirement to do so at least every ten years (commencing from the date of the Group's IPO, at which point it became a 'public interest entity' for the purpose of audit tendering requirements). The Committee remains mindful of the requirement to tender the audit no later than FY2026 and of the benefits of audit rotation. However, given the Committee's assessment of KPMG's performance to date, and the recent rotation of the lead audit partner, it has concluded that there is no need to conduct an audit tender at this time.

Nick Backhouse
Chair of the Audit Committee
17 December 2023

Report of the Corporate Responsibility Committee

Ivan Schofield
Chair of the Corporate Responsibility Committee
Read full biography on **page 81**

Corporate Responsibility Committee	
Chair	Ivan Schofield
Committee members	Peter Boddy Julia Porter Stephen Burns Melanie Dickinson Mathew Hart
Number of meetings held in the year	2

Specific duties of the Committee include:

- reviewing, challenging, and overseeing the content of and approach to, the ESG strategy and to ensure that it is considered as part of the setting of the overall strategy of the Group by the Board;
- reviewing and approving KPIs and related targets in line with the ESG strategy;
- reviewing material risks and liabilities (including climate risks) to the Group in relation to ESG strategy;
- considering material regulatory and technical developments in the field of ESG; and
- keeping up to date with ESG best practice and thought leadership, keeping under review the Group's external reporting of relevant ESG performance (including the Company's application of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Dear shareholders,

In recognition of the importance that we place on environmental and social considerations in our decision making, we established a Corporate Responsibility Committee (CRC) consisting of fellow Board members, Executive Committee members and me.

I was pleased to chair the first two CRC meetings in FY2023. These meetings highlighted the pivotal role that the Committee will have in supporting the Board in setting ESG strategies, and providing oversight to the long-established Corporate Responsibility Steering Group in driving change in our business.

Our sustainability strategy is based on three pillars: operating safe and inclusive leisure destinations, creating outstanding workplaces and operating sustainable centres. The Group has made good progress this year and has taken some significant steps forward in many areas including community accessibility, team member attraction and retention, team wellbeing, diversity and inclusion, solar panel rollout and energy efficiency. Further details of our achievements can be found on pages 48 to 55.

High on the CRC's agenda this year was the sharpening of the Group's net zero strategy and UK transition plan which is set out on pages 58 and 59. Until now, our focus had been on reducing carbon emissions over which we have direct control (Scopes 1 and 2), with clear strategies and targets to achieve this. We have made excellent progress in this area with our UK emission intensity ratio falling by 62 per cent since we began reporting in 2016 and using a market-based measurement approach, due to our procurement of renewable electricity and self-generated energy sources, we are close to achieving carbon neutrality for Scopes 1 and 2.

However, we were aware that in order to achieve net zero, we needed to turn our attention towards our indirect value chain emissions – Scope 3 – which we estimate make up approximately 91 per cent of our total emissions.

We publish our Scope 3 emissions here for the first time, giving us a FY2023 baseline to set reduction goals from FY2024. We have also disclosed our environment and climate impact through the CDP, which runs a global disclosure system for investors, companies, cities, states, and regions to manage their environmental impacts.

Looking forward, we are starting work to overlay our ESG strategy in our Canadian business so that all of our operations will be fully aligned with consistent sustainability reporting.

We will continue to drive our sustainability agenda across all of our operations as we continue to evolve and push forward with our Group net zero strategy.

Ivan Schofield
Chair of the Corporate Responsibility Committee
17 December 2023

Report of the Remuneration Committee

Julia Porter
Remuneration Committee Chair

Read full biography on **page 81**

Remuneration Committee	
Chair	Julia Porter
Committee members	Rachel Addison[1] Nick Backhouse Ivan Schofield
Number of meetings held in the year	4

1 Appointed as a member of the Committee with effect from 1 September 2023.

Specific duties of the Committee include:

- setting the Remuneration Policy for Executive Directors, Chairman and senior management;
- determining individual pay awards within the terms of the agreed Policy; and
- ensuring that the Remuneration Policy operates to align the interests of management with those of shareholders.

The Committee also has responsibility for reviewing pay and conditions across the Group, and the alignment of incentives and rewards with culture.

Role and responsibilities

The role of the Remuneration Committee is set out in its terms of reference, which are available on the Group's website. The Committee's primary purpose is to develop and determine the Group's Remuneration Policy for the Executive Directors, Chairman and senior management.

Dear shareholders,

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 30 September 2023, my first having succeeded Claire Tiney as Remuneration Committee Chair when she stepped down from the Board at our 2023 AGM.

This report, prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, the FCA Listing Rules and the Code, sets out how the Policy has been applied during FY2023. The report consists of:

- my annual statement as the Chair of the Remuneration Committee;
- the annual report on remuneration, which sets out payments made to the Directors and details the link between Company performance and remuneration for FY2023. The annual report on remuneration is subject to an advisory shareholder vote at the 2024 AGM; and
- a summary of the Policy, including how the Committee intends to implement it in 2024.

Performance in FY2023 and remuneration outcomes

As detailed in the Strategic report, the Group delivered another very strong year of financial and operational performance, with LFL revenue growth of 4.5 per cent and Group adjusted EBITDA pre-IFRS 16 of £64.9m. The Group's financial performance in FY2023 exceeded the Board's expectations, particularly on the back of an exceptional FY2022. We have made good progress in both integrating and expanding our Canadian business, which traded ahead of expectations in FY2023, and our UK centres have continued to deliver strong operational performance against both financial and non-financial metrics (including customer satisfaction and waste recycling). FY2023 was also a record year of investment in the estate and we opened three new centres in the UK. Our refurbishment programme saw 13 centres receive successful upgrades and are delivering above our return hurdle rate. In addition to financial and operational performance, running our business in a sustainable manner is a key focus for the Group and is integral to our decision making. Good progress was made across all key metrics and we met our key FY2023 targets across our three sustainability pillars.

As set out earlier in this Annual Report, the Group will be paying a final ordinary dividend of 8.54 pence per share and a special dividend of 2.73 pence per share, as well as commencing a £10m share buyback programme in FY2024.

Across the wider workforce, we have continued to ensure that we offer competitive pay levels, supporting the recruitment and retention of key talent. The average rate of hourly pay increases across the Group was 9.2 per cent, and for salaried team members was 5.3 per cent. We continue to incentivise team members through our centre management bonus schemes, with metrics aligned to those that apply for the Executive Directors. In FY2023, we paid out over £2.6m in centre level bonuses (with Centre Managers receiving over 64 per cent base of pay and Assistant Managers receiving over 14 per cent base of pay) and over £600k in hourly team member bonuses. We have also maintained our reputation for our positive working environment, evidenced by our rank amongst one of 'The UK's 25 Best Big Companies to Work For' again in 2023.

The FY2023 bonus opportunity for the Executive Directors was up to 100 per cent of salary, with 80 per cent based on Group adjusted EBITDA pre-IFRS 16 targets, and the remaining 20 per cent split equally on performance against the non-financial KPIs of Overall Blended Index (OBI) and waste recycling. A detailed breakdown of the measures is set out on page 105. All targets were met in full, resulting in a bonus out-turn of 100 per cent of salary for each of the Executive Directors.

Our Executive Directors each received an award under the Long-Term Incentive Plan (LTIP) in July 2021, which vests by reference to Group adjusted, diluted EPS performance in FY2023. Our strong performance in FY2023 resulted in an adjusted EPS out-turn of 21.48 pence per share, exceeding the maximum target and therefore the awards will vest in full in July 2024, followed by a two-year holding period.

As is our usual practice, the Committee considered the formulaic outcomes for the annual bonus and LTIP in the context of overall business performance and the shareholder experience. In particular, we took into account the very strong financial performance, share price performance including the share price increase following the trading update in October 2023, the level of dividends proposed to be paid to shareholders including the special dividend, the approach to wider workforce pay, the integration and development of the Canadian business, and the continued operational focus on delivering a fantastic product for our customers (evidenced through continually positive customer engagement scores). In addition, Hollywood Bowl delivered a shareholder return of more than 27 per cent over FY2023, outperforming the FTSE Small Cap index (which delivered c.0.1 per cent return during the period). Over the three-year performance period under the 2021 LTIP award, Hollywood Bowl delivered a shareholder return of more than 69 per cent, again outperforming the FTSE Small Cap index (which delivered a c.32 per cent return in the same period). Taking all of this into account, the Committee determined that the outcomes are appropriate and that no discretion would be applied.

The Committee can confirm that the Remuneration Policy operated as intended in the year under review.

FY2024 remuneration

Salary and benefits

The Committee reviewed Executive Director salaries during the year, and in doing so was mindful of the need to ensure that any decisions relating to Executive Director pay were taken in the context of the experience of our wider workforce. As noted above, the overall average pay increase for the wider workforce in FY2023 was 7.4 per cent. The Committee also recognises the need to continue to motivate and retain our high-performing team of Executive Directors to support the delivery of our strategy and generation of shareholder value.

Having taken these factors into account, the Committee approved base salary increases of 5.0 per cent for the Executive Directors. The resulting salaries all remain below the FTSE SmallCap median.

FY2024 variable pay

There are no proposed changes to the maximum bonus opportunity and LTIP award level for Executive Directors in FY2024, with the bonus opportunity remaining at 100 per cent of salary and the LTIP award level at 150 per cent of salary for the CEO and CFO and 100 per cent for the CPO. There are also no proposed changes to the performance measures, further detail of which is set out later in this report.

The Committee will review the remuneration framework during FY2024 ahead of a new Policy being put forward to a shareholder vote at the 2025 AGM, in line with the normal three-year cycle. This review will cover all aspects of the remuneration package to ensure that it continues to be aligned to our business strategy and culture. We will consult with shareholders on the new Policy ahead of the 2025 AGM.

Stakeholder engagement

The Committee is regularly updated on the pay and benefits arrangements for team members across the Group, and takes into account colleague remuneration as part of its review of executive remuneration. Engagement with the workforce on remuneration matters, including to explain how executive pay is aligned with the wider company pay policy, is conducted through engagement sessions led by the CEO and COO and the wider team engagement survey.

Annual General Meeting

On behalf of the Board, I would like to thank shareholders for their continued support. I am always happy to hear from the Company's shareholders. You can contact me via the Company Secretary if you have any questions on this report or more generally in relation to the Group's Remuneration Policy.

Julia Porter

Chair of the Remuneration Committee

17 December 2023

As part of its oversight of the application of the Remuneration Policy during the year, the Committee has considered the factors set out in provision 40 of the Code. In our view, the Policy addresses those factors as set out below:

Factor	How addressed
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	We aim to ensure that our remuneration disclosures are clear and transparent. Remuneration outcomes are set out in a consistent format each year, with detail on bonus and LTIP performance measures and targets. Our full Remuneration Policy was set out in our FY2021 Annual Report (which is available on the Company's website, with a summary of key points set out on pages 110 and 111).
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	Our remuneration structure is comprised of fixed and variable remuneration, with the performance conditions for variable elements clearly communicated to, and understood by, participants. The LTIP provides a clear mechanism for aligning Executive Director and shareholder interests, and the diversity of measures in both the annual bonus and LTIP scheme allows for clear alignment with our strategic pillars, rather than reliance solely on earnings-based measures. Non-financial measures within the annual bonus also ensure our Executive Directors and wider team members are incentivised based on key operational KPIs across the Group.
Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The Remuneration Policy and relevant scheme rules provide discretion to the Committee to reduce award levels, and awards are subject to malus and clawback decisions. The Committee also has overriding discretion to reduce awards where out-turns are not a fair and accurate reflection of business performance.
Predictability – the range of possible values of rewards to individual Directors, and any other limits or discretions, should be identified and explained at the time of approving the Policy.	The Remuneration Policy outlines the threshold, target and maximum levels of pay that Executive Directors can earn in any given year over the three-year life of the approved Remuneration Policy.
Proportionality – the link between individual awards, the delivery of strategy, and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	Variable, performance-related elements represent a significant proportion of the total remuneration opportunity for our Executive Directors. The Committee considers the appropriate financial and non-financial performance measures each year to ensure that there is a clear link to strategy. The Committee is able to exercise discretion to reduce awards if necessary to ensure that outcomes are a fair and accurate reflection of holistic business performance.
Alignment to culture – incentive schemes should drive behaviours consistent with the Group's purpose, values, and strategy.	The Committee seeks to ensure that performance measures under the annual bonus scheme incentivise behaviours consistent with the Group's culture, purpose, and values. The LTIP clearly aligns the Executive Directors' interests with those of shareholders, ensuring a focus on delivering against strategy to generate long-term value for shareholders.

The Remuneration Committee met on four occasions during the year and has met twice since the year end, and discussed the topics set out in the table below:

Activities of the Committee during the year to 30 September 2023	Nov	Dec	Mar	Sep
Review of FY2022 performance and the formulaic bonus outcome, and approval of Directors' bonuses for FY2022		●		
Review/approval of Directors' bonus KPIs/targets for FY2023 and FY2023 pay	●	●		
Review/agree 2023 LTIP performance targets	●	●		
Agree approach to FY2024 bonus targets			●	●
Agree approach to FY2024 LTIP performance targets				●
Approve FY2024 Executive Director salaries				●
Review/agree share plan awards, vestings and dilution		●		●
Review of Directors' Remuneration Report (including to ensure compliance with the Remuneration Reporting Regulations)	●	●		
Consideration of engagement and feedback from shareholders	●			
Consideration of pay and conditions across the Group			●	●
Update on market practice			●	●
Review of 2023 AGM and proxy advisory comments			●	
Review of the Committee's terms of reference				●
Discussion of Committee evaluation results	●			

Single total figure of remuneration (audited)

Executive Directors (audited)

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in respect of FY2023. Comparative figures for FY2022 have been provided. Figures provided have been calculated in accordance with the UK disclosure requirements.

Name		Salary £'000	Benefits[1] £'000	Pension £'000	Bonus £'000	LTIP £'000[2,3]	Total £'000	Total fixed pay £'000	Total variable pay £'000
Stephen Burns	**2023**	**443.2**	**29.5**	**22.5**	**443.2**	**412.7**	**1,351.1**	**495.2**	**855.9**
	2022	412.3	30.0	20.6	412.3	350.7	1,225.9	462.9	763.0
Laurence Keen	**2023**	**290.5**	**27.3**	**14.5**	**290.5**	**268.0**	**890.8**	**332.3**	**558.5**
	2022	267.8	27.0	13.4	267.8	227.7	803.7	308.2	495.5
Melanie Dickinson	**2023**	**172.0**	**7.6**	**8.6**	**172.0**	**144.7**	**504.9**	**188.2**	**316.7**
	2022	151.4	5.5	8.0	160.0	123.0	447.9	164.9	283.0

1 Benefits include private medical insurance and car allowance.

2 The 2022 LTIP figures were calculated based on the three-month average share price to the end of FY2022. The 2022 LTIP figure in the table above has therefore been adjusted to reflect the actual share price of 261.5 pence (being the closing share price on 3 February 2023, the trading day before the vesting date of 6 February 2023).

3 The 2023 LTIP figures were calculated based on the three-month average share price to 30 September 2023 (231.3 pence), plus the value of dividend equivalents for the period from the 2021 LTIP grant to 30 September 2023. No amount of the value disclosed in the single figure table above is attributable to share price appreciation. The actual value that vests, based on the closing price on the vesting date, will be disclosed in next year's Annual Report.

Non-Executive Directors (audited)

The table below sets out the single total figure of remuneration and breakdown for each Non-Executive Director:

	2023			2022		
Name	Fees £'000	Taxable benefits £'000	Total £'000	Fees £'000	Taxable benefits £'000	Total £'000
Peter Boddy – Chairman	**141.7**	—	**141.7**	135.3	—	135.3
Rachel Addison[1]	**4.2**	—	**4.2**	—	—	—
Nick Backhouse, Senior Independent Director; Chair – Audit Committee	**55.9**	—	**55.9**	53.6	—	53.6
Julia Porter[2]	**50.9**	—	**50.9**	4.1	—	4.1
Ivan Schofield	**50.9**	—	**50.9**	47.8	—	47.8
Claire Tiney[3] – Chair – Remuneration Committee	**16.9**	—	**16.9**	48.6	—	48.6

1 Rachel Addison was appointed as a Director with effect from 1 September 2023. Therefore, only her remuneration from that date is shown in the table above.

2 Julia Porter was appointed as a Director with effect from 1 September 2022. Therefore, only her remuneration from that date is shown in the table above.

3 Claire Tiney stepped down as a Director with effect from the AGM on 30 January 2023. Therefore, only her remuneration to that date is shown in the table above.

Bonus awards (audited)

Each of the Executive Directors was eligible to earn a bonus in respect of FY2023 of up to 100 per cent of base salary. 80 per cent of the award was based on Group adjusted EBITDA pre-IFRS 16 targets, with the remaining 20 per cent split equally between the non-financial key performance indicators of average overall customer satisfaction (OBI) scores for the year, and the percentage of waste sent to recycling (both of which are structured in the same way as for the wider employee population). Details of the measures, and performance against them, is set out in the table below:

		Performance targets					
Metric	Weighting	Threshold (25% of max)	On target (50% of max)	Maximum	Actual	% vesting	% of max bonus opportunity
Group adjusted EBITDA pre-IFRS 16	**80%**	**£46.99m**	**£49.46m**	**£51.94m**	£64.93m	100%	80%
Average Group OBI	**10%**	—	—	**66%**	68.8%	100%	10%
Waste recycling	**10%**	—	—	**72%**	82.4%	100%	10%
Total						100%	100%

The Committee considers that the targets were set at stretching levels taking into account the business plan, market conditions at the time the targets were set and the fact that FY2022 was an exceptional trading year for the Group coming out of the COVID-19 pandemic. The Committee committed to reviewing the level of payout in the context of wider Group performance and the shareholder and wider stakeholder experience. As set out in the Annual Statement from the Remuneration Committee Chair, the Committee is comfortable that the formulaic outcome is fair and appropriate in this wider context.

As a result, total bonuses awarded to the Executive Directors in respect of FY2023 and reflected in the single figure of remuneration table above were £443,260 to Stephen Burns, £290,509 to Laurence Keen and £172,000 to Melanie Dickinson.

Long-Term Incentive Plan vesting of 2021 awards

The LTIP values included in the single total figure of remuneration table for 2023 relate to the 2021 LTIP award. Awards with a face value of 100 per cent of salary were granted to the Executive Directors on 22 July 2021 and, following a three-year performance period ending on 30 September 2023, are due to vest on 22 July 2024. The performance targets are set out below:

Adjusted EPS for the final year of the performance period	Vesting
13.91 pence	25%
13.91 pence – 15.37 pence	Vesting determined on a straight-line basis
15.37 pence	100%

Actual performance achieved was 21.48 pence (audited); therefore, based on performance at the end of the vesting period, the awards will vest in full. No discretion was used by the Remuneration Committee, as the outcome is considered appropriate in the context of overall business performance, further detail of which is set out in the Annual Statement from the Remuneration Committee Chair.

Long-term incentives awarded in 2023 (audited)

Awards were made under the LTIP scheme on 31 January 2023. The following share awards were granted in the form of nil-cost options in accordance with the Remuneration Policy:

Director	Position	Basis of award	Face value	Number of share awards granted	Performance period
Stephen Burns	Chief Executive Officer	150% of salary	£664,890	255,825	01/10/2022 to 30/09/2025
Laurence Keen	Chief Financial Officer	150% of salary	£435,763	167,665	01/10/2022 to 30/09/2025
Melanie Dickinson	Chief People Officer	100% of salary	£172,000	66,179	01/10/2022 to 30/09/2025

A five-day average share price prior to grant of 259.9 pence was used to calculate the number of awards granted.

The following performance targets, which were disclosed in the Directors' Remuneration Report last year, apply to the FY2023 LTIP awards:

Measure	Description	Weighting	Threshold	Target[2]	Max
Adjusted EPS[1]	Adjusted EPS for the final year of the performance period – FY2025	70%	18.11p (25% payout)	19.06p (62.5% payout)	20.01p (100% payout)
Return on centre invested capital	20% return on all centre invested capital (refurbs and new centres, excluding maintenance)	10%	18% return (50% payout)	20% return (75% payout)	22% return (100% payout)
UK emissions ratio for Scope 1 and Scope 2	UK intensity ratio (IR) of under 50	10%	IR under 58 (50% payout)	IR under 55 (75% payout)	IR under 50 (100% payout)
UK team member development	5% of UK team members progressed through internal development programmes	10%	4% (50% payout)	5% (75% payout)	6% (100% payout)

1 Adjusted EPS is defined as stated in the Group's accounts and is subject to such adjustments as the Board, in its discretion, determines are fair and reasonable.

2 Vesting on a straight-line basis between threshold and target, and target and max performance.

Payments to past Directors (audited)

No payments were made to past Directors in the year under review.

Payments for loss of office (audited)

No payments were made for loss of office in the year under review.

Statement of Directors' shareholdings and share interests (audited)

The number of shares of the Company in which current Directors had a beneficial interest, and details of long-term incentive interests as at 30 September 2023, are set out in the table below:

	Outstanding scheme interests 30 September 2023				Beneficially owned shares[3]		
	Unvested LTIP interests subject to performance conditions	Scheme interests not subject to performance measures[1]	Vested but unexercised scheme interests[2]	Total shares subject to outstanding scheme interests	As at 1 October 2022	As at 30 September 2023	Total of all scheme interests and shareholdings at 30 September 2023
Executive Directors							
Stephen Burns[3]	**585,536**	**2,746**	—	**588,282**	3,175,049	**3,175,049**	**3,763,331**
Laurence Keen[3]	**381,762**	**3,042**	—	**384,804**	1,368,348	**1,368,348**	**1,753,152**
Melanie Dickinson	**187,923**	**4,120**	—	**192,043**	589,591	**464,591**	**656,634**
Non-Executive Directors							
Peter Boddy[3]	—	—	—	—	874,839	**874,839**	**874,839**
Rachel Addison	—	—	—	—	—	—	—
Nick Backhouse	—	—	—	—	18,784	**18,784**	**18,784**
Julia Porter	—	—	—	—	—	—	—
Ivan Schofield[3]	—	—	—	—	166,691	**166,691**	**166,691**
Claire Tiney[4]	—	—	—	—	7,021	—	—

1 Sharesave awards that have not vested, and deferred bonus shares subject to holding period.

2 LTIP awards that have vested but remain unexercised.

3 Share interests of Stephen Burns, Laurence Keen, Peter Boddy and Ivan Schofield include shares held by their spouses.

4 Stepped down as a Director with effect from 30 January 2023.

Directors' share ownership guidelines (audited)

Shareholding requirements in operation at the Company are currently 200 per cent of base salary. Executive Directors are required to build their shareholdings over a five-year period from appointment. Upon departure, individuals will be required to retain 100 per cent of their shareholding requirement (or full actual holding if lower) for a period of two years post cessation. Non-Executive Directors are not subject to a shareholding requirement.

Director	Shareholding requirement (percentage of salary)	Current shareholding (percentage of salary)[1]	Beneficially owned shares held as at 30 September 2023	Shareholding requirement met?
Stephen Burns	200%	1,906%	3,175,049	Yes
Laurence Keen	200%	1,265%	1,368,348	Yes
Melanie Dickinson	200%	719%	464,591	Yes

1 The share price of 247.5 pence as at 30 September 2023 has been used to calculate the current shareholding as a percentage of salary. Unvested LTIP shares and options do not count towards satisfaction of the shareholding guidelines.

Executive Directors' share plan interest movements during FY2023 (audited)

The tables below set out the Executive Directors' interests in the LTIP scheme and the Sharesave scheme.

Awards under the Sharesave scheme are not subject to any performance conditions (other than continued employment on the vesting date). Deferred shares are not subject to any performance conditions or continued employment. The LTIP awards are subject to performance conditions as set out in the table on pages 103 and 114.

Face values for LTIP awards are calculated by multiplying the number of shares granted during FY2023 by the average share price for the five business days preceding the awards. Face value for the Sharesave scheme is calculated by reference to the exercise price of options granted in 2023.

	Date of award	Vesting, exercise or release date[1]	No. of shares/ awards held as at 1 October 2022	Awarded	Exercised/ vested	Lapsed	No. of shares/ awards held as at 30 September 2023	Grant/award price in pence (exercise price for Sharesave)	Face value of awards granted during FY2023
Stephen Burns									
LTIP	06/02/2018	06/02/2023	105,507	—	105,507	—	—	—	—
	06/02/2020	06/02/2023	134,118	—	134,118	—	—	—	—
	22/07/2021	22/07/2024	165,696	—	—	—	165,696	—	—
	04/02/2022	04/02/2025	164,015	—	—	—	164,015	—	—
	31/01/2023	31/01/2026	—	255,825	—	—	255,825	259.9	£664,890
Sharesave	05/02/2020	01/02/2023	1,250	—	—	1,250	—	—	—
	08/02/2022	01/02/2025	1,265	—	—	—	1,265	—	—
	08/02/2023	01/02/2026	—	1,481	—	—	1,481	243.0	£3,600
Laurence Keen									
LTIP	06/02/2018	06/02/2021	71,744	—	71,444	—	—	—	—
	06/02/2020	06/02/2023	87,090	—	87,090	—	—	—	—
	22/07/2021	22/07/2024	107,594	—	—	—	107,594	—	—
	04/02/2022	04/04/2025	106,503	—	—	—	106,503	—	—
	31/01/2023	31/01/2023	—	167,665	—	—	167,665	259.9	£435,763
Sharesave	05/02/2020	01/02/2023	1,250	—	—	1,250	—	—	—
	08/02/2022	01/02/2025	1,265	—	—	—	1,265	—	—
	08/02/2022	01/02/2025	—	1,777	—	—	1,777	243.0	£4,320
Melanie Dickinson									
LTIP	06/02/2018	06/02/2021	46,423	—	46,423	—	—	—	—
	06/02/2020	06/02/2023	47,028	—	47,028	—	—	—	—
	22/07/2021	22/07/2024	58,101	—	—	—	58,101	—	—
	04/02/2022	04/02/2025	63,643	—	—	—	63,643	—	—
	31/01/2023	31/01/2026	—	66,179	—	—	66,179	259.9	£172,000
Sharesave	08/02/2022	01/02/2025	1,898	—	—	—	1,898	—	—
	08/02/2023	01/02/2026	—	2,222	—	—	2,222	243.0	£5,400

1 LTIP awards from 2019 onwards are subject to a post-vesting holding period pursuant to which the shares acquired on exercise (other than any shares sold to satisfy any tax or national insurance liability) must be retained for a period of two years following the vesting date. LTIPs awarded in February 2020 were exercised by the Executive Directors in February 2023. Due to an administrative error, each Executive Director sold the shares acquired on exercise. In order to rectify this administrative error, they have agreed in writing that an amount of their own beneficial shareholding equivalent to the number of shares that should have been subject to the two-year holding period will be subject to the same restrictions and terms and conditions as would have applied under the original holding period.

The LTIP awarded in 2021 vested on the basis of adjusted EPS performance measured in the final year of the performance period. As noted on page 103, the EPS target for the award made in 2021 has been met, and therefore the awards will vest in full on 22 July 2024. The targets that apply to the award made in 2023 are shown on page 103.

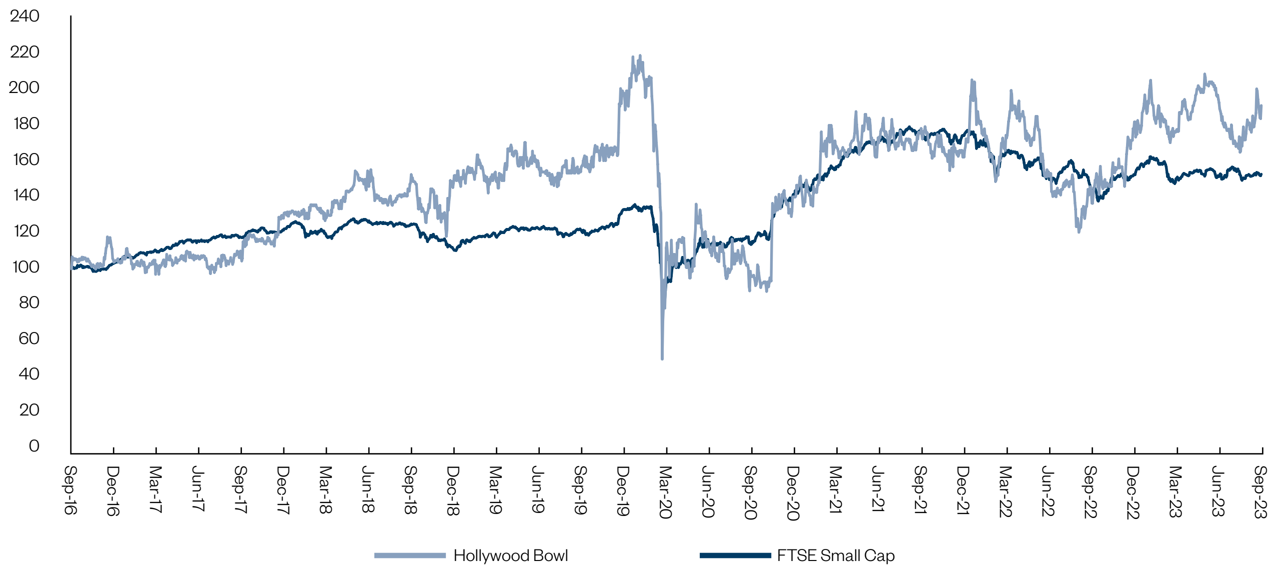
Chief Executive Officer historical remuneration

The table below sets out the total remuneration delivered to the Chief Executive Officer over the last seven years since IPO, valued using the methodology applied to the single total figure of remuneration. The Remuneration Committee does not believe that the remuneration paid in earlier years as a private company bears any comparative value to that paid in its time as a public company and, therefore, the Remuneration Committee has chosen to disclose remuneration only for the seven most recent financial years:

Chief Executive Officer	2023	2022	2021	2020	2019	2018	2017
Total single figure (£'000)	**1,351.1**	1,225.9	414.8	623.2	1,061.1	536.1	514.6
Annual bonus payment level achieved (percentage of maximum opportunity)	**100%**	100%	0%	0%	74.3%	68.1%	100%
LTIP vesting level achieved (percentage of maximum opportunity)	**100%**	100%	0%	81%	100%	N/A	N/A

Performance graph

The graph below shows the total shareholder return (TSR) performance of an investment of £100 in Hollywood Bowl Group plc's shares from its listing in September 2016 to the end of the year under review, compared with £100 invested in the FTSE Small Cap Index over the same period. The FTSE Small Cap Index was chosen as a comparator because it represents a broad equity market index of which the Company is a constituent.



Change in remuneration of Directors compared to Group employees

The table below sets out the percentage change in salary, taxable benefits and annual bonus set out in the single figure of remuneration tables (on page 106) paid to each Director in respect of FY2021, FY2022 and FY2023, compared to that of the average change for employees in the Group as a whole.

	Change % (FY2022 to FY2023)			Change % (FY2021 to FY2022)			Change % (FY2020 to FY2021)		
	Salary and fees	Taxable benefits	Annual bonus	Salary and fees	Taxable benefits	Annual bonus	Salary and fees	Taxable benefits	Annual bonus
Executive Directors									
Stephen Burns	**7.5**	**(1.7)**	**7.5**	5.0	1,100	100	0.2	(9.1)	—
Laurence Keen	**8.5**	**1.1**	**8.5**	5.3	1,074	100	0.2	(2.4)	—
Melanie Dickinson[2]	**13.6**	**38.2**	**7.5**	—	—	—	—	—	—
Non-Executive Directors									
Peter Boddy	**4.7**	**N/A**	**N/A**	11.3	—	—	(1.6)	—	—
Rachel Addison	**N/A**	**N/A**	**N/A**	—	—	—	—	—	—
Nick Backhouse	**4.3**	**N/A**	**N/A**	11.1	—	—	(1.6)	—	—
Julia Porter	**N/A**	**N/A**	**N/A**	—	—	—	—	—	—
Ivan Schofield	**6.5**	**N/A**	**N/A**	11.3	—	—	(1.6)	—	—
Claire Tiney (until 30 January 2023)	**3.7**	**N/A**	**N/A**	11.5	—	—	(1.6)	—	—
All Group employees[1]	**7.4**	**50.5**	**(28.2)**	10.9	(25.0)	392.4	4.2	(2.5)	496.7

1 For FY2022 and FY2021 this reflects the change in average pay for all UK Group employees employed in both years. For FY2023 this reflects all UK Group employees employed during FY2023.

2 Melanie Dickinson was appointed as an Executive Director with effect from 21 October 2021, therefore the fixed pay increases are impacted by not being an Executive Director for the whole of FY2022.

CEO pay ratio

The table below shows the ratio between the single total figure of remuneration of the CEO for FY2023 and the lower quartile, median and upper quartile pay of UK employees.

	Methodology	25th percentile ratio	50th percentile ratio	75th percentile ratio
Year ended 30 September 2023	Option A	72	69	55
Year ended 30 September 2022	Option A	68	63	41
Year ended 30 September 2021	Option A	27	25	22
Year ended 30 September 2020	Option A	50	44	38

Total UK employee pay and benefits figures used to calculate the CEO pay ratio

	25th percentile pay £'000	Median pay £'000	75th percentile pay £'000
Salary	18.5	19.1	23.0
Total employee pay and benefits	19.3	20.2	25.5

Notes

1 The Group has chosen the Option A methodology to prepare the CEO pay ratio calculation, as this is the most statistically robust method, and is in line with the general preference of institutional investors.

2 As ratios could be unduly impacted by joiners and leavers who may not participate in all remuneration arrangements in the year of joining and leaving, the Committee has excluded any employee not employed throughout the financial year.

3 Employee pay data is based on full-time equivalent (FTE) pay for UK employees as at 30 September 2023. For each employee, total pay is calculated in line with the single figure methodology (i.e. fixed pay accrued during the financial year and the value of performance-based incentive awards vesting in relation to the performance year). Leavers and joiners are excluded. Employees on maternity or other extended leave are included pro-rata for their FTE salary, benefits and short-term incentives. No other calculation adjustments or assumptions have been made.

4 CEO pay is per the single total figure of remuneration for 2023, as set out in the table on page 106.

CEO pay ratio continued

Supporting information for the CEO pay ratio

The calculations used to determine these figures are reflective of the Group's pay proposition across the workforce, as all pay elements have been included to ensure equal comparisons.

The pay ratio has increased slightly this year primarily due to the majority of the CEO's package being linked to performance related pay with the LTIP value being linked to share price performance. There has been no trend over the 4 years being reported with the pay ratio increasing in some years and decreasing in others. The Committee believes that the pay ratio is consistent with the pay, reward, and progression policies for the UK employees taken as a whole.

Relative importance of the spend on pay

The table below sets out the relative importance of the spend on pay in FY2022 and FY2023 compared with other disbursements. All figures provided are taken from the relevant Company accounts.

	Disbursements from profit in FY2023 £m	Disbursements from profit in FY2022 £m	Percentage change
Profit distributed by way of dividend	25.34	5.13	393.7
Overall spend on pay including Executive Directors	55.6	47.8	16.3

Shareholder voting at General Meetings

The following table shows the results of the advisory vote on the Directors' Remuneration Report at our 2023 AGM, and the binding vote on our current Remuneration Policy, at our 2022 AGM:

	Approval of the Directors' Remuneration Report (2023 AGM)		Approval of the Directors' Remuneration Policy (2022 AGM)	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	135,194,674	90.19	143,669,643	98.09
Against	14,709,844	9.81	2,797,661	1.91
Votes withheld	3,761	N/A	1,351,869	N/A

External board appointments

Where Board approval is given for an Executive Director to accept an outside non-executive directorship, the individual is entitled to retain any fees received. Stephen Burns is Non-Executive Chairman of The Inn Collection for which he receives an annual fee of £70,000. Laurence Keen served as a Non-Executive Director (and Senior Independent Director and Chair of the Audit Committee) of Tortilla Mexican Grill plc until 16 May 2023, for which he received an annual fee of £40,000.

Service agreements and letters of appointment

Each of the Executive Directors' service agreements is for a rolling term, and may be terminated by the Company or the Executive Director by giving six months' notice.

The Remuneration Committee's policy for setting notice periods is that a six-month period will apply for Executive Directors. The Remuneration Committee may in exceptional circumstances arising on recruitment allow a longer period, which would in any event reduce to six months following the first year of employment.

Name	Position	Date of service agreement	Notice period by Company (months)	Notice period by Director (months)
Stephen Burns	CEO	24 June 2016	6	6
Laurence Keen	CFO	24 June 2016	6	6
Melanie Dickinson	CPO	21 October 2021	6	6

The Non-Executive Directors of the Company (including the Chairman) do not have service contracts; rather they are appointed by letters of appointment. Their terms are subject to their re-election by the Company's shareholders at the AGM scheduled to be held on 29 January 2024 and to re-election at any subsequent AGM at which the Non-Executive Directors stand for re-election. In line with our agreed Non-Executive Director succession plans, Nick Backhouse will not seek re-election at the 2024 AGM.

Service agreements and letters of appointment continued

The details of each Non-Executive Director's current terms are set out below:

Name	Date of appointment	Commencement date of current term	Unexpired term as at 16 December 2023
Peter Boddy	13 June 2016	16 September 2022	1 year, 9 months
Rachel Addison	1 September 2023	1 September 2023	2 years, 9 months
Nick Backhouse	14 June 2016	14 June 2022	1 year, 6 months
Julia Porter	1 September 2022	1 September 2022	1 year, 9 months
Ivan Schofield	1 October 2017	1 October 2023	2 years, 10 months

Composition and terms of reference of the Remuneration Committee

The Board has delegated to the Remuneration Committee, under the agreed terms of reference, responsibility for the Remuneration Policy and for determining specific remuneration packages for the Chairman, Executive Directors and such other senior employees of the Group as the Board may determine from time to time. The terms of reference for the Remuneration Committee were reviewed during the year, and are available on the Company's website, www.hollywoodbowlgroup.com, and from the Company Secretary at the registered office.

All members of the Remuneration Committee are Non-Executive Directors. The Remuneration Committee receives assistance from the Chairman, CEO, CFO, CPO and Company Secretary, who attend meetings by invitation, except when issues relating to their own remuneration are being discussed. The Remuneration Committee met four times during the year. All members attended each meeting.

Advisers to the Remuneration Committee

During the financial year, the Committee received advice from Deloitte on all aspects of the Remuneration Policy for the Executive Directors and members of the executive team.

The Remuneration Committee is satisfied that the advice received from Deloitte during the year was objective and independent. Deloitte is a member of the Remuneration Consultants Group, with the voluntary code of conduct of that body designed to ensure that objective and independent advice is given to remuneration committees.

During the year to 30 September 2023, fees of £30,900 were paid to Deloitte for its advice to the Committee.

Other than in its role as remuneration adviser, Deloitte has no other connection with the Company or any individual Directors.

Consideration of conditions elsewhere in the Company

The Remuneration Committee considers pay and employment conditions across the Company when reviewing the remuneration of the Executive Directors and other senior employees. In particular, the Remuneration Committee considers the range of base pay increases across the Group, further detail of which is set out in the Remuneration Committee Chair's letter.

The Committee supports the Board's initiative to ensure employee views and concerns are taken into account in its decision making and has a clear understanding of pay and benefits at all team member levels in the Group. This includes decisions relating to the remuneration arrangements for senior management, the Executive Directors and centre managers.

Consideration of shareholder views

The Remuneration Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally.

The Committee has not had cause to engage directly with shareholders on executive remuneration matters during FY2023. Our Directors' Remuneration Policy is due to be submitted to shareholders for approval at our 2025 AGM. The Committee will review the Policy during FY2024, and will engage with shareholders in the event that any material changes are proposed.

Summary of Remuneration Policy and Implementation in FY2024

The key features of the Directors' Remuneration Policy approved by shareholders at our 2022 AGM, and the intended implementation of the policy in FY2024, are summarised below. The full Policy can be found on the Company's website, www.hollywoodbowlgroup.com, in the 'Investors' section, under 'Reports and presentations', in our FY2021 Annual Report.

Salary

Executive Director salaries

Provides a base level of remuneration to support the recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.

Operation	Salaries are normally reviewed annually and any changes are effective from 1 October. When determining an appropriate level of salary, the Remuneration Committee considers: • remuneration practices within the Company; • the performance of the individual Executive Director; • the individual Executive Director's experience and responsibilities; • the general performance of the Company; • salaries within the ranges paid by companies in the comparator group used for remuneration benchmarking; and • the economic environment.
Opportunity	Base salaries will be set at an appropriate level with a comparator group of comparably sized companies and will normally increase with increases made to the wider employee workforce. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted Policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the average until the target positioning is achieved.
Performance metrics used, weighting and time period applicable	None.

Chairman and Non-Executive Director fees

Provides a level of fees to support recruitment and retention of Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Company's strategic objectives.

Operation	The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors, other than the Chairman, whose remuneration is considered by the Remuneration Committee and recommended to the Board. Non-Executive Directors are paid a base fee. An additional payment is paid to the Senior Independent Director in respect of the additional duties of this role. No additional fees are paid to Non-Executive Directors or the Chairman of the Company for the membership or chairmanship of Committees. Fees are reviewed annually, based on equivalent roles in an appropriate comparator group used to review salaries paid to the Executive Directors. Non-Executive Directors do not participate in any variable remuneration or benefits arrangements.
Opportunity	The base fees for Non-Executive Directors are set with reference to the market rate. In general, the level of fee increase for the Non-Executive Directors will be set taking account of any change in responsibility and will take into account the general rise in salaries across the UK workforce. The Company will pay reasonable expenses incurred by the Chairman and Non-Executive Directors.
Performance metrics used, weighting and time period applicable	None.

FY2024 implementation

The Executive Director salaries, and Non-Executive Director fees, for FY2024 (effective from 1 October 2023) are set out below. The rationale for these increases is set out in the Annual Statement from the Remuneration Committee Chair:

Name	Salary 2024	Salary 2023	Percentage change
Stephen Burns	**£465,423**	**£443,260**	5.0%
Laurence Keen	**£305,034**	**£290,509**	5.0%
Melanie Dickinson	**£180,600**	**£172,000**	5.0%

The Board approved the increase of fees for the Non-Executive Directors by 5.0 per cent with effect from 1 October 2023, with this increase being below the average increase for the wider workforce. The Committee approved an increase to the Chairman's fee of 5.0 per cent, also with effect from 1 October 2023.

Chairman fee	£148,831
Senior Independent Director fee	£5,000
Base fee	£53,501
Chair of Audit Committee fee	No additional fee
Chair of Remuneration Committee fee	No additional fee

Benefits and pension

Benefits

Provides a competitive level of benefits.

Operation	The Executive Directors receive benefits which include, but are not limited to, family private health cover, death in service life assurance, income protection insurance, car allowance, and travel expenses for business-related travel (including tax if any). The Remuneration Committee recognises the need to maintain suitable flexibility in the determination of benefits that ensure it is able to support the objective of attracting and retaining employees. Accordingly, the Remuneration Committee would expect to be able to adopt benefits such as relocation expenses, tax equalisation and support in meeting specific costs incurred by the Directors.
Opportunity	The maximum will be set at the cost of providing the benefits described.
Performance metrics used, weighting and time period applicable	None.

Pensions

Provides market competitive retirement benefits.

Operation	The Committee retains discretion to provide pension funding in the form of a salary supplement or a direct contribution to a pension scheme. Any salary supplement would not form part of the salary for the purposes of determining the extent of participation in the Company's incentive arrangements.
Opportunity	The current Executive Directors receive pension funding equal to 5 per cent of base salary. Future incoming Executive Directors will receive pension funding in line with the level received by the wider employee workforce.
Performance metrics used, weighting and time period applicable	None.

FY2024 implementation

No changes are proposed to benefits or pension.

Summary of Remuneration Policy and Implementation in FY2024 continued

Annual bonus plan

Annual bonus plan

Provides a significant incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders. Provides market competitive retirement benefits.

Operation	The Remuneration Committee will determine the bonus payable after the year end based on performance against objectives and targets. Bonus payments per individual will be both proportionate to the overall size of the bonus pot and each individual's performance versus their personal objectives. Annual bonuses are paid part in cash and part in shares deferred for two years. The maximum proportion of an annual bonus which may be paid in cash is 65 per cent. It should be noted that the Remuneration Committee has taken the view that due to their considerable shareholdings in the Company, automatic deferral of annual bonuses into shares is unnecessary for the current Executive Directors. As such the Remuneration Committee intends to pay annual bonuses to the current Executive Directors in cash, but will retain the ability to apply an appropriate level of deferral following any material sell down to ensure that shareholding requirements continue to be met. On change of control, the Remuneration Committee may pay bonuses on a pro-rata basis measured on performance up to the date of change of control. Malus and clawback provisions will apply to enable the Company to recover sums paid or withhold the payment of any sum in the event of a material misstatement resulting in an adjustment to the audited consolidated accounts of the Company or action or conduct which, in the reasonable opinion of the Board, amounts to employee misbehaviour, fraud or gross misconduct.
Opportunity	The maximum bonus opportunity is 100 per cent of base salary.
Performance metrics used, weighting and time period applicable	The annual bonus outcomes will be determined based on achievement of a scorecard of financial and strategic targets, with at least half of the bonus being based on financial performance. The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance year if there is a significant and material event which causes the Remuneration Committee to believe that the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Remuneration Committee believes that the bonus outcomes are not a fair and accurate reflection of business performance. The Remuneration Committee considers that the detailed performance targets used for the annual bonus awards are commercially sensitive and that disclosing precise targets for the annual bonus plan in advance would not be in shareholder interests. Actual targets, performance achieved, and awards made will be disclosed at the end of the performance period so that shareholders can fully assess the basis for any payouts under the annual bonus plan.

FY2024 implementation

The maximum bonus opportunity for the Executive Directors will remain at 100 per cent of salary. Annual bonus outcomes will again be based on a scorecard of financial and non-financial performance targets which are aligned to the business strategy. The agreed measures and weightings for the FY2024 annual bonus are as follows:

Metric	Weighting
Group adjusted EBITDA	**80%**
Average Group OBI	**10%**
Waste recycling	**10%**

The Remuneration Committee considers that the detailed performance targets for the FY2024 annual bonus awards are commercially sensitive and that disclosing precise targets for the annual bonus plan in advance would not be in shareholder interests. Actual targets, performance against them, and the resulting awards will be disclosed in the FY2024 Annual Report so that shareholders can fully assess the basis for any payouts under the annual bonus plan.

Long-Term Incentive Plan (LTIP)

Incentivises the Executive Directors to maximise total shareholder returns by successfully delivering the Company's long-term objectives and to share in the resulting increase in total shareholder value.

Operation	Awards are granted annually in the form of nil-cost options or conditional awards of shares. These will vest at the end of a three-year period subject to: • the Executive Directors' continued employment at the date of vesting; and • satisfaction of the performance conditions. A further two-year holding period will apply post vesting. The Remuneration Committee may award dividend equivalents on awards to the extent that these vest. Malus and clawback provisions will apply to enable the Company to recover sums paid or withhold the payment of any sum in the event of a material misstatement resulting in an adjustment to the audited consolidated accounts of the Company or action or conduct which, in the reasonable opinion of the Board, amounts to employee misbehaviour, fraud or gross misconduct.
Opportunity	Award maximum of 150 per cent of base salary.
Performance metrics used, weighting and time period applicable	The majority of awards will be subject to financial performance targets, with the balance based on strategic metrics. The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance period if there is a significant and material event which causes the Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Remuneration Committee believes that the vesting outcome is not a fair and accurate reflection of business performance.

FY2024 implementation

Awards will be made in FY2024 under the LTIP. The LTIP awards for the Executive Directors will be as follows:

- CEO 150 per cent of salary;
- CFO 150 per cent of salary; and
- CPO 100 per cent of salary.

These awards will vest three years after grant and will be subject to a further two-year holding period.

The following performance targets will apply to the FY2024 LTIP awards:

Measure	Description	Weighting	Threshold	Target	Max
Adjusted EPS[1]	Adjusted EPS for the final year of the performance period – FY2026	70%	23.10 pence (25% payout)	24.32 pence (62.5% payout)	25.54 pence (100% payout)
Return on centre invested capital	20% return on all centre invested capital (refurbs and new centres)	10%	18% return (50% payout)	20% return (75% payout)	22% return (100% payout)
UK emissions ratio for Scope 1 and Scope 2	UK intensity ratio (IR) of under 100	10%	IR at 55 (50% payout)	IR at 52 (75% payout)	IR at 50 (100% payout)
UK team member development	5% of UK team members progressed through internal development programmes	10%	4% (50% payout)	5% (75% payout)	6% (100% payout)

1 Adjusted EPS is defined as stated in the Group's accounts and is subject to such adjustments as the Board, in its discretion, determines are fair and reasonable. Vesting occurs on a straight-line basis between threshold and target, and target and max performance.

The Committee believes these targets to be stretching in the context of the business plan, analyst consensus forecasts and the wider economic environment. As disclosed last year, the Committee moved from cliff vesting to a threshold to maximum range for the return on centre invested capital, intensity ratio and team member development measures so that additional stretch could be built in and reducing the pay-out for target performance. The Committee is of the view that retaining the current structure, measures and weightings is appropriate for the 2024 LTIP, but will review this as part of the wider Remuneration Policy review next year.

On behalf of the Board

Julia Porter
Chair of the Remuneration Committee
17 December 2023

The Directors present their report for the year ended 30 September 2023.

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

Disclosure	Location
Future business developments	Strategic report – pages 2 to 45
Greenhouse gas emissions	Sustainability – page 55
People, culture and employee engagement	Sustainability – pages 50 and 51
Financial risk management objectives and policies (including hedging policy and use of financial instruments)	Note 30 to the Financial Statements – pages 155 and 156
Exposure to price risk, credit risk, liquidity risk and cash flow risk	Details can be found on pages 70 to 77 of the Strategic report and note 30 to the Financial Statements
Statement of compliance with 2018 UK Corporate Governance Code	Corporate Governance report page 82
Details of long-term incentive schemes	Annual report on remuneration – pages 102 to 114
Directors' responsibilities statement	Page 118
Directors' interests	Details can be found on pages 104 and 105 of the Annual Report on Remuneration
s172 Statement	Details can be found on pages 42 to 45 of the Strategic report
Stakeholder engagement in key decisions	Details can be found on pages 42 to 45

Directors

The Directors of the Company who held office during the year are:

Peter Boddy	(Chairman)
Stephen Burns	(Chief Executive Officer)
Laurence Keen	(Chief Financial Officer)
Melanie Dickinson	(Chief People Officer)
Rachel Addison	(Non-Executive Director) (appointed 1 September 2023)
Nick Backhouse	(Senior Independent Director)
Julia Porter	(Non-Executive Director)
Ivan Schofield	(Non-Executive Director)
Claire Tiney	(Non-Executive Director) (stepped down on 30 January 2023)

The roles and biographies of the Directors in office as at the date of this report are set out on pages 80 and 81. There have been no changes to the Directors between the year end and the date of this report. The appointment and replacement of Directors is governed by the Company's Articles of Association (as detailed below), the UK Corporate Governance Code and the Companies Act 2006.

Articles of Association

The rules governing the appointment and replacement of Directors are set out in the Company's Articles of Association. The Articles of Association may be amended by a special resolution of the Company's shareholders. A copy of the Articles of Association can be found on the Company's website: www.hollywoodbowlgroup.com/investors/corporate-governance.

Results and dividend

The results for the year are set out in the Consolidated income statement on page 128. The Directors recommend the payment of a final dividend of 8.54 pence per share and a special dividend of 2.73 pence per share on 23 February 2024 (with a record date of 2 February 2024) subject to approval at the AGM on 29 January 2024.

Share capital

Details of the Company's share capital, including changes during the year, are set out in note 23 to the Financial Statements. As at 30 September 2023, the Company's share capital consisted of 171,712,357 ordinary shares of one pence each.

Ordinary shareholders are entitled to receive notice of, and to attend and speak at, any general meeting of the Company. On a show of hands, every shareholder present in person or by proxy (or being a corporation represented by a duly authorised representative) shall have one vote, and on a poll every shareholder who is present in person or by proxy shall have one vote for every share of which he or she is the holder. The Notice of Annual General Meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies.

Other than the general provisions of the Articles of Association (and prevailing legislation), there are no specific restrictions on the size of a holding or on the transfer of the ordinary shares.

The Directors are not aware of any agreements between holders of the Company's shares that may result in the restriction of the transfer of securities or of voting rights. No shareholder holds securities carrying any special rights or control over the Company's share capital. Shares held by the Company's Employee Benefit Trust rank pari passu with the shares in issue and have no special rights, but voting rights and rights of acceptance of any offer relating to the shares rest with the plan's Trustees and are not exercisable by employees.

Authority for the Company to purchase its own shares

Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Companies Act 2006. Any shares which have been bought back may be held as treasury shares or cancelled immediately upon completion of the purchase.

At the Company's AGM held on 30 January 2023, the Company was generally and unconditionally authorised by its shareholders to make market purchases (within the meaning of section 693 of the Companies Act 2006) of up to a maximum of 17,107,009 of its ordinary shares. The Company has not repurchased any of its ordinary shares under this authority, which is due to expire at the AGM to be held on 29 January 2024, and accordingly has an unexpired authority to purchase up to 17,107,009 ordinary shares with a nominal value of £171,070.09.

Directors' interests

The number of ordinary shares of the Company in which the Directors were beneficially interested as at 30 September 2023 are set out in the Annual Report on Remuneration on page 104.

Directors' indemnities

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

Directors' and officers' liability insurance

Directors' and officers' liability insurance cover is maintained by the Company and is in place in respect of all the Company's Directors at the date of this report. The Company reviews its level of cover on an annual basis.

Compensation for loss of office

The Company does not have any agreements with any Executive Director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company share schemes may cause options and awards outstanding under such schemes to vest on a takeover. Further information is provided in our Directors' Remuneration Policy approved by shareholders at the 2022 AGM, and can be found on page 78 of our FY2021 Annual Report which is available on our website.

Significant interests

The table below shows the interests in shares (whether directly or indirectly held) notified to the Company in accordance with the Disclosure Guidance and Transparency Rules as at 30 September 2023 and 15 December 2023 (being the latest practicable date prior to publication of the Annual Report):

	At 30 September 2023		At 15 December 2023	
Name of shareholder	Number of ordinary shares of 1 pence each held	Percentage of total voting rights held	Number of ordinary shares of 1 pence each held	Percentage of total voting rights held
Aggregate of abrdn plc affiliated investment management entities with delegated voting rights on behalf of multiple managed portfolios	29,059,165	16.92%	29,074,520	16.93%
Slater Investments Limited	9,897,058	5.79%	9,897,058	5.79%
Schroders plc	9,092,419	5.32%	9,092,419	5.32%
Ameriprise Financial, Inc. and its group (Columbia Threadneedle)	8,611,524	5.03%	8,611,524	5.03%
JP Morgan Asset Management Holdings Inc.	8,602,007	5.03%	8,602,007	5.03%
Invesco Ltd	8,532,674	4.98%	8,532,674	4.98%
AXA Investment Managers	8,515,529	4.98%	8,515,529	4.98%

Employee involvement and policy regarding disabled persons

The Group actively encourages employee involvement and consultation and places emphasis on keeping its employees informed of the Group's activities and financial performance by such means as employee briefings and publication (via the Group's intranet) to all staff of relevant information and corporate announcements. The Group also publishes a weekly staff bulletin. Regular updates on team member engagement activity are provided to the Board by the Chief Executive Officer, Chief People Officer and Chief Operating Officer. These included feedback from regular team member engagement sessions, operational training and induction sessions. Further information about employees, including how they are incentivised, can be found in the Sustainability section on pages 50 and 51.

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

Branches outside the UK

The Company has 9 centres outside of the UK, in Canada as at 30 September 2023.

Political donations

The Company did not make any political donations during the year.

Change of control – significant agreements

There are a number of agreements that may take effect after, or terminate upon, a change of control of the Company, such as commercial contracts, bank loan agreements and property lease arrangements. None of these are considered to be significant in terms of their likely impact on the business as a whole.

Audit information

Each of the Directors at the date of the approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the reasonable steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of the information.

The confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

KPMG has indicated its willingness to continue in office and a resolution seeking to reappoint KPMG will be proposed at the forthcoming AGM.

Annual General Meeting

The 2024 AGM of the Company will be held on 29 January 2024 at 9.30am. The notice convening the meeting, together with details of the business to be considered and explanatory notes for each resolution, will be published separately and will be available on the Company's website and distributed to shareholders who have elected to receive hard copies of shareholder information.

The Strategic report on pages 2 to 77, the Corporate governance report on pages 78 to 118 and this Directors' Report have been drawn up and presented in accordance with, and in reliance upon, applicable English company law and any liability of the Directors in connection with these reports shall be subject to the limitations and restrictions provided by such law.

By order of the Board

Laurence Keen
Chief Financial Officer
17 December 2023

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group’s profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group Financial Statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the Parent Company Financial Statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company Financial Statements;
- assess the Group and Parent Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company’s transactions, and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors’ report, Directors’ remuneration report and corporate governance statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The Auditor’s report on these financial statements provides no assurance over the ESEF format.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group’s position and performance, business model and strategy.

By order of the Board

Stephen Burns
Chief Executive Officer
17 December 2023

Laurence Keen
Chief Financial Officer
17 December 2023

Financial statements

KPMG

1. Our opinion is unmodified

We have audited the financial statements of Hollywood Bowl Group plc (“the Company”) for the year ended 30 September 2023 which comprise the Consolidated Income Statement and Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity, Company Statement of Cash Flows, and the related notes, including the accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the parent Company’s affairs as at 30 September 2023 and of the Group’s profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 2 June 2016. The period of total uninterrupted engagement is for the eight financial years ended 30 September 2023. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole	£2.2m (2022: £2m) 4.6% (2022: 4.3%) of adjusted profit before tax	
Coverage	96% (2022: 98%) of group profit before tax	
Key audit matters		**vs 2022**
Recurring risks	Valuation of property, plant and equipment and right of use assets relating to the golfing centres	◀▶
	Recoverability of parent company investment in subsidiaries / amounts due from group entities	◀▶
Event driven	**New:** Valuation of acquisition-related intangible assets arising from the current year acquisition in Canada	▲

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

2. Key audit matters: our assessment of risks of material misstatement continued

<table>
<tr><th></th><th>The risk</th><th>Our response</th></tr>
<tr><td>

Valuation of property, plant and equipment and right of use assets relating to the golfing centres

Carrying amount of golfing centres within property, plant and equipment of £2.2m (2022: £3.5m) and right of use assets of £1.7m (2022: £3.2m)

Included within impairment charge: Impairment charge related to golfing centres of £1.6m for property, plant and equipment (2022: £2.5m) and £1.3m for right of use assets (2022: £1.8m).

Refer to page 95 (Audit Committee Report), page 137 (accounting policy), pages 145 and 148 (financial disclosures).

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Forecast based valuation:

The Group has significant property, plant and equipment (PPE), and right of use assets held on its consolidated balance sheet.

The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The key assumptions used in the value in use ("VIU") calculations for estimating the recoverable amount are expected revenues and costs in the short-term cash flow forecasts, the long-term growth rate and the discount rate.

The golfing centres have performed below budget for the year and future economic forecasts, characterised by high consumer price inflation, high interest rates and the consequent erosion of real disposable incomes, increases this risk further.

The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the VIU of the golfing centres had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.

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We performed the detailed tests below rather than seek to rely on any of the group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls.

Our procedures included:

- **Assessing principles:** We evaluated whether the inputs used in the Group's assessment of impairment indicators were suitable, through discussions with management, our own knowledge of the business and market, inspection of Board minutes and other management information.
- **Re-performance:** We re-performed the calculations that management performed for the initial trigger test in determining the VIU of each cash generating unit and compared data used in the model against source information, when applicable.
- **Our experience:** For the golfing centres where indications of impairment existed, we evaluated the assumptions used in the forecasts and plans by management, in particular those relating to EBITDA growth for the centres. We also challenged management as to the achievability of their forecasts and business plan, taking into account the historical accuracy of previous forecasts, wider market factors (such as market expectation of the Group's performance) and other specific evidence to support the assumptions.
- **Benchmarking assumptions:** We compared management's assumptions to externally derived data in relation to key inputs such as projected economic growth, cost inflation and discount rates.
- **Sensitivity analysis:** We performed sensitivity analysis to stress test the assumptions noted above.
- **Assessing disclosures:** We also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the carrying amount of PPE and right of use assets in its golfing centre cash generating units.

Our results

We found the carrying amount of PPE and right of use assets in the golfing centre cash generating units to be acceptable (2022: acceptable).

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2. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Valuation of acquisition-related intangible assets arising from the current year acquisition in Canada Acquisition-related intangible assets: £0.5m *Refer to page 95 (Audit Committee Report), page 136 (accounting policy), pages 148 and 157 (financial disclosures).*	**Subjective estimate:** During the year, the Group acquired 100% of the issued share capital of HLD Investments Inc. (operating as YYC Bowling & Entertainment), Mountain View Bowl Inc and Wong and Lewis Investments Inc. (operating as Let's Bowl), based in Canada, for total consideration of £7.7m. The determination of the fair value estimate for the valuation of the separately identifiable, acquisition-related intangible assets involves subjective estimates or uncertainties, which requires special audit consideration because of the likelihood and potential magnitude of misstatements relating to the valuation of intangible assets and subsequent valuation of goodwill. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the measurement of identified intangible assets had a high degree of estimation uncertainty.	We performed the detailed tests below rather than seek to rely on any of the group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls. Our procedures included: • **Inspection:** We inspected the purchase agreement for the transaction. • **Assessing the assumptions:** With assistance from our corporate finance valuation specialists, we assessed the valuation of the intangible assets acquired and challenged the appropriateness of key assumptions and the appropriateness of any cash flow forecasts used in calculating the fair value of the intangible assets identified by management. • **Sensitivity analysis:** We performed sensitivity analysis on the key assumptions within the cash flow forecasts used to support the intangible assets recognised. This included sensitising the cash flow forecasts in the model. We critically assessed the extent to which a change in these assumptions both individually or in aggregate would result in an adjustment to fair values and considered the likelihood of such events occurring. • **Assessing transparency:** Assessing whether the group's disclosures in relation to the acquisition and associated balances are appropriate. **Our results** We found the acquisition accounting in respect of the current year acquisition in Canada to be acceptable.

2. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Recoverability of parent company's investment in subsidiaries / amounts due from group entities £143m (2022: £135m), consisting of £69.7m within Investments and £73.2m within Trade and other Receivables *Refer to page 160 (accounting policy) and page 162 (financial disclosures).*	**Low Risk – High value:** The carrying amount of the parent company investments in subsidiaries and amounts due from group entities represent 85% (2022: 74%) of the parent company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	We performed the detailed tests below rather than seek to rely on any of the company's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls. Our procedures included: • **Tests of detail:** Comparing the carrying amount of investments and amounts due from group entities to the net assets of the relevant subsidiaries included within the Group consolidation, to identify whether the net asset value, being an approximation of their minimum recoverable amount, was in excess of their carrying amount of investments and amounts due from group entities and assessing whether those subsidiaries have historically been profit-making. • **Comparing valuations:** Where carrying amount of investments and -amounts due from group entities exceeded the net asset value of the relevant subsidiary, comparing the carrying amount of investments and amounts due from group entities with the expected value of the business based on a value in use model for the subsidiary. **Our results** We found the Group's assessment of the recoverability of the parent company's investment in subsidiaries and amounts due from group entities to be acceptable (2022: acceptable).

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £2.2m (2022: £2.0m), determined with reference to a benchmark of profit before tax adjusted for the items described below, of £1.8m, of which it represents 4.6% (2022: £2m determined with reference to adjusted profit before tax, of which it represents 4.3%). The items we adjusted for in 2023 were the impairment of property, plant and equipment and right of use assets disclosed in notes 12 and 13 respectively, acquisition-related costs from the current year acquisition in Canada disclosed in note 32, and the one-off income associated with the VAT reclaim relating to the prior year disclosed in note 5. Materiality for the parent company financial statements as a whole was set at £1.1m (2022: £1m), determined with reference to a benchmark of parent company total assets (2022: parent company total assets) of which it represents 0.65% (2022: 0.5%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to £1.65m (2022 : £1.5m) for the group and £0.825m (2022 : £0.75m) for the parent company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £110,000 (2022: £100,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

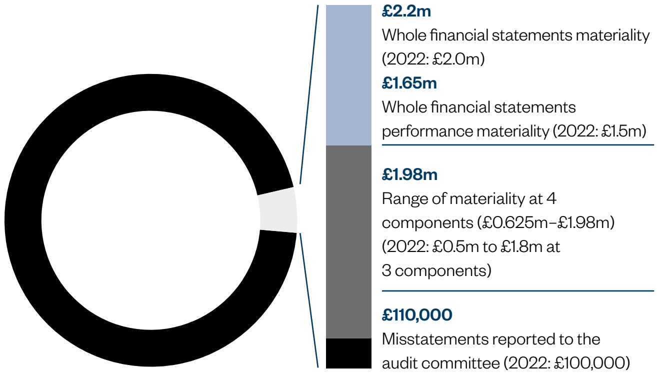
Of the group's 12 reporting components (2022: 16) we subjected 2 to full scope audits for group purposes and 2 to specific risk-focused audit procedures, as the latter 2 components were not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed (2022: 2 to full scope audits for group purposes and 1 to specified risk-focused audit procedures).

The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 3% (2022: 3%) of total group revenue, 4% (2022: 2%) of total profits and losses that made up Group profit before tax and 1% (2022: 4%) of total group assets is represented by 8 (2022: 13) reporting components, none of which individually represented more than 1% (2021: 2%) of any of total group revenue, total profits and losses that made up Group profit before tax or total group assets. For these components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

Adjusted group profit before tax
£47.7m (2022: £47.0m)

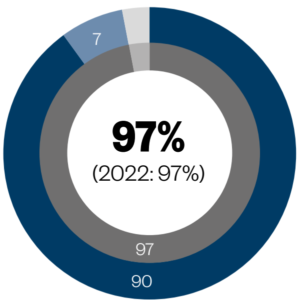
Group materiality
£2.2m (2022: £2.0m)



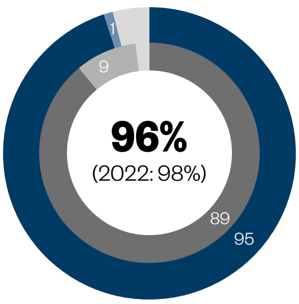
Normalised PBT

Group materiality

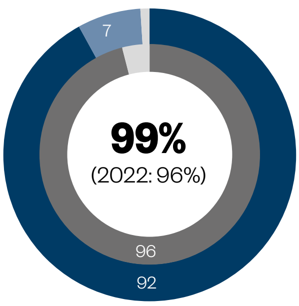
Group revenue



Group profit before tax



Group total assets



Full scope for group audit purposes 2023

Specified risk-focused audit procedures 2023

Full scope for group audit purposes 2022

Specified risk-focused audit procedures 2022

Residual components

3. Our application of materiality and an overview of the scope of our audit continued

The work on all components (2022: all components) was performed by the Group team, including the audit of the parent company. The Group team performed procedures on the items excluded from Group adjusted profit before tax. The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

4. The impact of climate change on our audit

In planning our audit, we have considered the potential impact of risks arising from climate change on the Group's business and its financial statements. The Group has set out its ambition for reducing the environmental impact of its operations, including increasing on site generation of renewable electricity and driving energy use efficiency throughout its operations. Further information is provided in the Group's Sustainability Overview on pages 46 to 59 and the Task Force and Climate-related Financial Disclosure Statement on pages 60 to 69.

Climate change risks could have an impact on the Group's business and operations, including changing customer behaviours, business interruption, introduction of costs of carbon taxes, transitioning to reduced energy usage and changing energy sources.

As part of our audit, we have made enquiries of management to understand the potential impact of climate change risk on the Group's financial statements and the Group's preparedness for this. We have performed a risk assessment of how the impact of climate change may affect the financial statements and our audit. There was no significant impact of this on our key audit matters. Based on the procedures performed, we did not identify any significant risk of climate change having a material impact on the Group's accounting estimates in this period.

We have also read the Group's disclosures of climate related information in the front half of the annual report, as set out on pages 46 to 68. We have not been engaged to provide assurance over the accuracy of these disclosures.

5. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the parent company or to cease their operations, and as they have concluded that the Group's and the parent company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and parent company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's and parent company's available financial resources is the demand for the Group's services being adversely impacted by current economic forecasts, characterised by high consumer price inflation and high interest rates, and the potential consequent erosion of real disposable incomes.

5. Going concern continued

We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Group's current and projected cash and facilities (a reverse stress test).

We considered whether the going concern disclosure in note 2 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks and, dependencies, and related sensitivities.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or parent company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and parent company's use of that basis for the going concern period, and we found the going concern disclosure in note 2 to be acceptable; and
- the related statement under the Listing Rules set out on page 76 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the parent company will continue in operation.

6. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Group and the parent company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group and the parent company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management including the EPS target for management remuneration under the Long Term Investment Plan scheme.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as assumptions used in impairment testing. On this audit we do not believe there is a fraud risk related to revenue recognition because of the limited opportunity due to the high correlation to cash.

We also identified a fraud risk related to the valuation of property, plant and equipment and right of use assets relating to the golfing centres, in response to possible pressures to present an optimistic outlook for the Group.

Further detail in respect of the valuation of property, plant and equipment and right of use assets relating to the golfing centres is set out in the key audit matter disclosures in section 2 of this report.

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included revenue and cash journals posted to unusual or unexpected accounts, postings containing the names or initials of senior management, and assessed individuals who typically do not make journals entries or are not authorised to post journals.
- Assessing significant accounting estimates for bias.

6. Fraud and breaches of laws and regulations – ability to detect continued

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: data protection, health and safety, employment law, food safety and licensing (Licensing Act and Gaming Act) recognising the nature of the Group's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any.

Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the audit committee other matters related to actual or suspected fraud, for which disclosure is not necessary, and considered any implications for our audit.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

7. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement on page 76 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on page 76 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and parent company's longer-term viability.

7. We have nothing to report on the other information in the Annual Report continued

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review and to report to you if a corporate governance statement has not been prepared by the Company. We have nothing to report in these respects.

Based solely on our work on the other information described above:

- with respect to the Corporate Governance Statement disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures:
  - we have not identified material misstatements therein; and
  - the information therein is consistent with the financial statements; and
- in our opinion, the Corporate Governance Statement has been prepared in accordance with relevant rule of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

8. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 118, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Radwell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
20 Station Road,
Cambridge,
CB1 2JD

17 December 2023

Consolidated income statement and statement of comprehensive income

Year ending 30 September 2023

	Note	Before exceptional items 30 September 2023 £'000	Exceptional items (note 5) 30 September 2023 £'000	Total 30 September 2023 £'000	Before exceptional items re-presented[1] 30 September 2022 £'000	Exceptional items (note 5) 30 September 2022 £'000	Total re-presented[1] 30 September 2022 £'000
Revenue	3	**214,829**	**253**	**215,082**	187,949	5,792	193,741
Cost of goods sold		**(37,491)**	**—**	**(37,491)**	(29,392)	—	(29,392)
Centre staff costs[1]		**(40,717)**	**—**	**(40,717)**	(33,713)	—	(33,713)
Gross profit		**136,621**	**253**	**136,874**	124,844	5,792	130,636
Gain on bargain purchase		**—**	**—**	**—**	—	39	39
Administrative expenses[1]	6	**(80,333)**	**(2,456)**	**(82,789)**	(73,083)	(2,143)	(75,226)
Operating profit		**56,288**	**(2,203)**	**54,085**	51,761	3,688	55,449
Finance income	9	**1,440**	**—**	**1,440**	12	—	12
Finance expenses	9	**(10,220)**	**(225)**	**(10,445)**	(8,774)	(22)	(8,796)
Profit before tax		**47,508**	**(2,428)**	**45,080**	42,999	3,666	46,665
Tax charge	10	**(10,866)**	**(63)**	**(10,929)**	(8,135)	(1,079)	(9,214)
Profit for the year attributable to equity shareholders		**36,642**	**(2,491)**	**34,151**	34,864	2,587	37,451
Other comprehensive income							
Retranslation (loss)/gain of foreign currency denominated operations		**(544)**	**—**	**(544)**	411	—	411
Total comprehensive income for the year attributable to equity shareholders		**36,098**	**(2,491)**	**33,607**	35,275	2,587	37,862
Basic earnings per share (pence)	11			**19.92**			21.91
Diluted earnings per share (pence)	11			**19.82**			21.78

[1]The Directors have reviewed their presentation of the Financial Statements and have now disclosed centre staff costs within gross profit. Centre staff costs were previously disclosed within administrative expenses. Comparatives have also been re-presented.

The accompanying notes on pages 132 to 157 form an integral part of these Financial Statements.

Consolidated statement of financial position

As at 30 September 2023

	Note	30 September 2023 £'000	30 September 2022 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**78,279**	68,641
Right-of-use assets	13	**150,811**	147,455
Goodwill and intangible assets	14	**89,376**	81,794
Deferred tax asset	22	**1,309**	1,647
		319,775	299,537
Current assets			
Cash and cash equivalents	16	**52,455**	56,066
Trade and other receivables	17	**8,116**	5,130
Corporation tax receivable		**715**	271
Inventories	18	**2,445**	2,148
		63,731	63,615
Total assets		**383,506**	363,152
LIABILITIES			
Current liabilities			
Trade and other payables	19	**29,109**	28,681
Lease liabilities	13	**12,553**	11,557
		41,662	40,238
Non-current liabilities			
Other payables	19	**5,208**	3,000
Lease liabilities	13	**181,652**	176,812
Deferred tax liability	22	**1,960**	—
Provisions	20	**5,084**	4,682
		193,904	184,494
Total liabilities		**235,566**	224,732
NET ASSETS		**147,940**	138,420
Equity attributable to shareholders			
Share capital	23	**1,717**	1,711
Share premium	24	**39,716**	39,716
Merger reserve	24	**(49,897)**	(49,897)
Foreign currency translation reserve	24	**(133)**	411
Retained earnings	24	**156,537**	146,479
TOTAL EQUITY		**147,940**	138,420

The accompanying notes on pages 132 to 157 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors on 17 December 2023.

Signed on behalf of the Board by:

Laurence Keen

Chief Financial Officer

Company registration number 10229630

Consolidated statement of changes in equity

For the year ended 30 September 2023

	Share capital £'000	Share premium £'000	Merger reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total £'000
Equity at 30 September 2021	1,706	39,691	(49,897)	—	113,187	104,687
Shares issued during the year	5	25	—	—	—	30
Dividends paid	—	—	—	—	(5,132)	(5,132)
Share-based payments (note 28)	—	—	—	—	944	944
Deferred tax on share-based payments	—	—	—	—	29	29
Retranslation of foreign currency denominated operations	—	—	—	411	—	411
Profit for the year	—	—	—	—	37,451	37,451
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	—	—	—	—	(25,338)	(25,338)
Share-based payments (note 28)	—	—	—	—	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**

The accompanying notes on pages 132 to 157 form an integral part of these Financial Statements.

Consolidated statement of cash flows

For the year ended 30 September 2023

	Note	30 September 2023 £'000	30 September 2022 £'000
Cash flows from operating activities			
Profit before tax		**45,080**	46,665
Adjusted by:			
Depreciation of property, plant and equipment (PPE)	12	**10,142**	8,721
Depreciation of right-of-use (ROU) assets	13	**12,965**	12,010
Amortisation of intangible assets	14	**820**	624
Impairment of PPE and ROU assets	12, 13	**2,210**	4,321
Net interest expense	9	**9,005**	8,784
Loss on disposal of property, plant and equipment and software		**306**	18
Gain on bargain purchase		**—**	(39)
Share-based payments	28	**1,204**	944
Operating profit before working capital changes		**81,732**	82,048
Increase in inventories		**(251)**	(423)
Increase in trade and other receivables		**(2,849)**	(1,248)
Increase in payables and provisions		**2,741**	9,963
Cash inflow generated from operations		**81,373**	90,340
Interest received		**1,305**	12
Income tax paid – corporation tax		**(9,100)**	(6,616)
Bank interest paid		**(296)**	(115)
Lease interest paid		**(9,808)**	(8,452)
Net cash inflow from operating activities		**63,474**	75,169
Cash flows from investing activities			
Acquisition of subsidiaries	32	**(7,716)**	(8,099)
Subsidiary cash acquired	32	**319**	415
Purchase of property, plant and equipment		**(21,801)**	(21,653)
Purchase of intangible assets		**(1,057)**	(178)
Proceeds from sale of assets		**10**	2
Net cash used in investing activities		**(30,245)**	(29,513)
Cash flows from financing activities			
Payment of capital elements of leases		**(11,419)**	(14,450)
Issue of shares		**6**	30
Dividends paid		**(25,338)**	(5,132)
Net cash used in financing activities		**(36,751)**	(19,552)
Net change in cash and cash equivalents for the year		**(3,522)**	26,104
Effect of foreign exchange rates on cash and cash equivalents		**(89)**	20
Cash and cash equivalents at the beginning of the year		**56,066**	29,942
Cash and cash equivalents at the end of the year	16	**52,455**	56,066

The accompanying notes on pages 132 to 157 form an integral part of these Financial Statements.

1. General information

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. A list of the Company's subsidiaries is presented in note 15.

On 15 February 2023, the Group acquired HLD Investments Inc. (operating as YYC Bowling & Entertainment), Mountain View Bowl Inc and Wong and Lewis Investments Inc. (operating as Let's Bowl), three Canadian-based ten-pin bowling businesses. These three companies are consolidated in Hollywood Bowl Group plc's Financial Statements with effect from 15 February 2023.

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 2023.

2. Accounting policies

The principal 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 2023 and 30 September 2022.

Statement of compliance

The consolidated Financial Statements have been prepared in accordance with UK-adopted International Accounting Standards and the requirements of the Companies Act 2006. The functional currency 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 32).

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.

Judgements made by the Directors, in the application of these accounting policies, that have significant effect on the Financial Statements and estimates with a significant risk of material adjustment in the next year are discussed on page 140.

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 HLD Investments Inc. (operating as YYC Bowling & Entertainment), Mountain View Bowl Inc and Wong and Lewis Investments Inc. (operating as Let's Bowl), are included from the date of acquisition on 15 February 2023.

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.

2. Accounting policies continued

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	In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current.	1 October 2023
IAS 1 Presentation of financial statements and IFRS Practice Statement 2 making materiality judgements-disclosure of accounting policies	The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'.	1 October 2023
IAS 8 Definition of accounting estimates	The amendments replace the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are 'monetary amounts in financial statements that are subject to measurement uncertainty'.	1 October 2023
IAS 12 Deferred tax related to assets and liabilities arising from a single transaction	The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability.	1 October 2023
IFRS 17 Insurance contracts	In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.	1 October 2023
IAS 12 International tax reform pillar two model rules	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.	1 October 2023
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
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

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 set out on pages 58 to 59 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 on pages 76 and 77).

2. Accounting policies continued

Our TCFD disclosures on pages 60 to 69 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 quantifications do not therefore represent a likely financial forecast and are not directly incorporated into any projections of our long-term cash flows.

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 2023, 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 2023, the Group had cash balances of £52.5m, no outstanding loan balances and an undrawn RCF of £25m, giving an overall liquidity of £77.5m.

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 FY2024 as well as the first three months of FY2025 which forms part of the Board approved five-year plan. As noted above, the cost 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 adhere to its capital allocation policy as outlined on pages 40 and 41. 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 c.3 and 4 per cent from the assumed base case for FY2024 and FY2025 respectively and inflation continues at an even higher rate than in the base case, specifically around cost of labour.

The model still assumes that investments into new centres would continue, whilst refurbishments in the early part of FY2024 would be reduced. These are all mitigating factors 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.

Revenue

Revenue from customers is the total amount receivable by the Group for goods and services supplied, excluding VAT, other sales taxes and discounts, and excludes amounts collected on behalf of third parties. The Group's performance obligations in respect of individual revenue streams are outlined below.

Revenue arising from bowling and mini-golf is recognised when the customer actually plays, with deposits paid in advance being held on the balance sheet until that time and then recognised as income.

Revenue for food and drink is recognised when the product has been transferred to the buyer at the point of sale, which is generally when payment is received.

Revenue for amusements is recognised when the customer plays the amusement machine.

Revenue from installation of bowling equipment contracts is recognised over time using costs incurred to date relative to total estimated costs at completion to measure progress. Incurred costs represent work performed, which corresponds with and best depicts transfer of control or the enhancement of the customer's assets. Contract costs included in the calculation are comprised of materials and subcontracts' costs. This is not considered to be material revenue for the Group and is not therefore a significant area of judgement.

Revenue from customers is disaggregated by major product and service lines, being bowling, food and drink, amusements, mini golf, installation of bowling equipment and other. Disaggregated revenue from contracts with customers is disclosed in note 3 on page 141.

Given the nature of the Group's revenue streams, recognition of revenue is not considered to be a significant area of judgement.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers have been identified as the management team including the Chief Executive Officer and Chief Financial Officer.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. The Board considers that the Group's activity constitutes two operating and two reporting segments, being the provision of ten-pin bowling and mini-golf centres in the United Kingdom and the provision of ten-pin bowling and mini-golf centres and the installation of bowling equipment in Canada, as defined under IFRS 8. Management review the performance of the Group by reference to total results against budget.

2. Accounting policies continued

The total profit measures are operating profit and profit after tax for the period, both disclosed on the face of the consolidated income statement and statement of comprehensive income. No differences exist between the basis of preparation of the performance measures used by management and the figures in the Group's financial information, as adjusted where appropriate.

Employee benefits

(i) Short-term benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined contribution plans

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group. The annual contributions payable are charged to the income statement. The Group also contributes to the personal pension plans of the Directors.

(iii) Share-based payments

The Group operates equity-settled share-based payment plans for its employees, under which the employees are granted equity instruments of Hollywood Bowl Group plc. The fair value of services received in exchange for the equity instruments is determined by reference to the fair value of the instruments granted at grant date. The fair value of the instruments includes any market performance conditions and non-vesting conditions. The expense is recognised over the vesting period of the award taking into account any non-market performance and service conditions.

The cost of equity-settled transactions is recognised together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award.

(iv) Save-As-You-Earn plans

The Group operates two equity-settled SAYE plans. The fair value is calculated at the grant date using the Black-Scholes pricing model. The resulting cost is charged to the Group income statement over the vesting period. The value of the charge is adjusted to reflect expected and actual levels of vesting.

Cash and cash equivalents

Cash and cash equivalents includes cash held at centres, short-term deposits with banks and other financial institutions, and credit card payments received within 72 hours.

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 are 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.

2. Accounting policies continued

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.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

Dilapidation provision

A provision will be recorded, if as lessee, the Group has a commitment to make good the property at the end of the lease, which would be for the cost of returning the leased property to its original state. Changes to the dilapidation provision are recorded in property, plant and equipment.

Property, plant and equipment

Freehold land and building assets were included at fair value on the acquisition of Teaquinn. Subsequent additions are recorded at cost less accumulated depreciation and impairment charges. Freehold land is not depreciated.

All other property, plant and equipment is stated at historic cost, including expenditure that is directly attributable to the acquired item, less accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost of all property, plant and equipment evenly over their expected useful lives, calculated at the following rates:

Freehold property	over 50 years
Leasehold property	lesser of lease period and 25 years
Lanes and Pins on Strings	over 30–40 years
Plant and machinery and fixtures, fittings and equipment	over 3–25 years
Pinspotters	up to 10 years

The carrying value of the property, plant and equipment is compared to the higher of value-in-use and the fair value less costs to sell. If the carrying value exceeds the higher of the value-in-use and fair value less the costs to sell the asset, then the asset is impaired and its value reduced by recognising an impairment provision. New centre landlord contributions are offset against leasehold property expenditure where the related assets remain the property of the landlord. Refurbishment costs are included within plant and machinery and fixtures, fittings and equipment and are depreciated over the relevant useful economic life.

Residual values, remaining useful economic lives and depreciation periods and methods are reviewed annually and adjusted if appropriate.

Assets under construction represents the construction of centres and are included in property, plant and equipment. No depreciation is provided on assets under construction until the asset is available for use.

Goodwill and intangible assets

Goodwill arising on the acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Negative goodwill is recognised in the consolidated income statement immediately as a gain on bargain purchase. Positive goodwill is capitalised and stated at cost less any impairment losses. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial period following acquisition and at the end of every subsequent financial period; and
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Software which is not an integral part of hardware assets is stated at historic cost, including expenditure that is directly attributable to the acquired item, less accumulated amortisation and impairment losses.

Other intangible assets include assets acquired in a business combination and are capitalised at fair value at the date of acquisition. Following initial recognition, finite life intangible assets are amortised on a straight-line basis over their estimated useful lives, with the expense charged to the income statement through administrative expenses.

2. Accounting policies continued

Amortisation is provided to write off the cost of all intangible assets, except for goodwill, evenly over their expected useful lives, calculated at the following rates:

Software	over 3 years
Customer relationships	over 10–15 years
Brand names	over 5–20 years
Trademark	over 20 years

The amortisation charge is recognised in administrative expenses in the income statement.

Inventories

Inventories are carried at the lower of cost or net realisable value. Net realisable value is calculated based on the revenue from sale in the normal course of business less any costs to sell. Due allowance is made for obsolete and slow-moving items.

Impairment

(i) Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) on financial assets measured at amortised cost. The financial assets comprises trade and other receivables. These are always measured at an amount equal to lifetime ECL as these relate to trade and other receivables and a simplified approach can be adopted. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. There is limited exposure to ECLs due to the business model.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have the assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Impairment of non-financial assets

The carrying values of goodwill and intangible assets are reviewed at the end of each reporting period for impairment. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flows. These assets are grouped together into Cash Generating Units to assess impairment. A sensitivity analysis is also performed (see note 14). An impairment loss is recognised in the income statement immediately.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that future taxable profit will be available against which the asset can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities or assets are settled or recovered. Deferred tax balances are not discounted.

2. Accounting policies continued

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets and liabilities are expected to be settled or recovered.

Equity

The following describes the nature and purpose of each reserve within equity:

- share capital: the nominal value of equity shares;
- share premium account: proceeds received in excess of the nominal value of shares issued, net of any transaction costs;
- retained earnings: all other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere;
- merger reserve: represents the excess over nominal value of the fair value consideration for the business combination which arose during the Company's IPO listing. This was satisfied by the issue of shares in accordance with s612 of the Companies Act 2006; and
- foreign currency translation reserve: retranslation gains and losses of foreign currency denominated operations.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). A financial liability is classified as measured at either amortised cost or FVTPL.

(ii) Classification and subsequent measurement

Financial assets

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

All financial assets not measured at amortised cost or FVOCI are measured at FVTPL, irrespective of the business model. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: business model assessment

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

2. Accounting policies continued

Financial instruments continued

(ii) Classification and subsequent measurement continued

Financial assets: subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. The Group's financial assets at amortised cost include trade receivables.
Debt instruments at FVOCI	These assets are subsequently measured at fair value. Interest income, calculated using the effective interest method, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial liabilities: classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. All other financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net position presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Foreign currency transactions

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Pounds Sterling, which is the ultimate Parent Company's functional currency.

(ii) Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Exchange gains and losses are included within administrative expenses in the income statement.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the balance sheet date;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2. Accounting policies continued

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 debt, Group operating cash flow, 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 on pages 36 to 41. 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 critical accounting 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.

Critical accounting judgements

Dilapidation 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.

Key sources of estimation uncertainty

The key estimates are discussed below:

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

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 expenses, and discount rates. The carrying value of property, plant and equipment and right-of-use assets have been assessed to reasonable possible changes in key assumptions and the sensitivity of these assumptions is disclosed in note 12. Reasonable possible changes to the assumptions in the future in three mini-golf centres may lead to material adjustments to the carrying amount. The carrying amount of property, plant and equipment is £2,210,000 and right-of-use assets is £1,719,000 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 19.

Other estimates

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) has 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 (note 32). The fair value of the net assets identified were determined with assistance from independent experts using professional valuation techniques appropriate to the individual category of asset or liability. 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. These estimates are not considered key sources of estimation uncertainty as a material adjustment to the carrying value is not expected in the following financial year.

3. Segmental reporting

Management consider that the Group consists of 2 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 segment there are multiple revenue streams which consist of the following:

	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**

	Before exceptional income UK 30 September 2022 £'000	Exceptional income UK (note 5) 30 September 2022 £'000	Total UK 30 September 2022 £'000	Canada 30 September 2022 £'000	Total 30 September 2022 £'000
Bowling	86,409	5,792	92,201	2,253	94,454
Food and drink	46,660	—	46,660	1,067	47,727
Amusements	46,510	—	46,510	773	47,283
Mini-golf	1,973	—	1,973	—	1,973
Installation of bowling equipment	—	—	—	2,040	2,040
Other	176	—	176	88	264
	181,728	5,792	187,520	6,221	193,741

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

	Year ended 30 September 2023			Year ended 30 September 2022		
	UK £'000	Canada £'000	Total £'000	UK £'000	Canada £'000	Total £'000
Revenue	**192,609**	**22,473**	**215,082**	187,520	6,221	193,741
Group adjusted EBITDA as defined in note 4	**76,828**	**5,903**	**82,731**	76,289	1,166	77,455
Operating profit	**52,428**	**1,657**	**54,085**	54,673	776	55,449
Finance income	**1,296**	**144**	**1,440**	—	12	12
Finance expense	**9,291**	**1,154**	**10,445**	8,541	255	8,796
Depreciation and amortisation	**21,973**	**1,954**	**23,927**	20,965	390	21,355
Impairment of PPE and ROU assets	**2,210**	**—**	**2,210**	4,321	—	4,321
Profit before tax	**44,434**	**646**	**45,080**	46,132	533	46,665
Non-current asset additions – Property, plant and equipment	**18,844**	**3,157**	**22,001**	21,750	322	22,072
Non-current asset additions – Intangible assets	**1,057**	**—**	**1,057**	108	70	178
Total assets	**341,589**	**41,917**	**383,506**	338,278	24,874	363,152
Total liabilities	**207,798**	**27,768**	**235,566**	208,930	15,802	224,732

4. Reconciliation of operating profit to Group adjusted EBITDA

	30 September 2023 £'000	30 September 2022 £'000
Operating profit	**54,085**	55,449
Depreciation of property, plant and equipment (note 12)	**10,142**	8,721
Depreciation of right-of-use assets (note 13)	**12,965**	12,010
Amortisation of intangible assets (note 14)	**820**	624
Impairment of property, plant and equipment (note 12)	**1,392**	2,535
Impairment of right-of-use assets (note 13)	**818**	1,786
Loss on disposal of property, plant and equipment, right-of-use assets and software (notes 12–14)	**306**	18
Exceptional items (note 5)	**2,203**	(3,688)
Group adjusted EBITDA	**82,731**	77,455

4. Reconciliation of operating profit to Group adjusted EBITDA continued

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.

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 2023 £'000	30 September 2022 £'000
VAT rebate [1]	**253**	5,792
Administrative expenses [2]	**(2)**	(144)
Acquisition fees [3]	**(700)**	(1,557)
Gain on bargain purchase [4]	**—**	39
Contingent consideration [5]	**(1,979)**	(464)
Exceptional items before tax	**(2,428)**	3,666
Tax charge	**(63)**	(1,079)
Exceptional items after tax	**(2,491)**	2,587

1 During the prior year, 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 now 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, (30 September 2022: £5,792,000 relating to leisure bowling) 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 the year (30 September 2022: £nil).

2 Expenses associated with the VAT rebate, relating to additional profit share due to landlords, (30 September 2022: relating to additional turnover rent, profit share due to landlords and also professional fees), which are included within administrative expenses.

3 Legal and professional fees 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) during the year (note 32) and Lincoln Bowl post year end (note 33). (30 September 2022: acquisition of Teaquinn).

4 Prior year, gain on bargain purchase in relation to the acquisition of Teaquinn in May 2022.

5 Contingent consideration of £1,754,000 in administrative expenses and £225,000 of interest expense (30 September 2022: £442,000 in administrative expenses and £22,000 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 2023 £'000	30 September 2022 £'000
Amortisation of intangible assets	**820**	624
Depreciation of property, plant and equipment	**10,142**	8,721
Depreciation of right-of-use assets	**12,965**	12,010
Impairment of property, plant and equipment	**1,633**	2,535
Impairment reversal of property, plant and equipment	**(241)**	—
Impairment of right-of-use assets	**1,277**	1,786
Impairment reversal of right-of-use assets	**(459)**	—
Operating leases	**57**	57
Loss on disposal of property, plant and equipment, right-of-use assets and software	**306**	18
Exceptional items (note 5)	**2,428**	(3,666)
Loss on foreign exchange	**208**	154
Auditor's remuneration:		
– Fees payable for audit of these Financial Statements	**344**	317
Fees payable for other services:		
– Audit of subsidiaries	**71**	66
– Other services	**8**	16
	423	399

7. Staff numbers and costs

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

	30 September 2023	30 September 2022
Directors	**7**	7
Administration	**112**	91
Operations	**2,668**	2,432
Total staff	**2,787**	2,530

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

	30 September 2023 £'000	30 September 2022 £'000
Wages and salaries	**49,988**	42,808
Social security costs	**3,882**	3,600
Pension costs	**543**	475
Share-based payments (note 28)	**1,204**	944
Total staff cost	**55,617**	47,827

Staff costs included within cost of sales are £40,717,000 (30 September 2022: £33,713,000). The balance of staff costs are recorded within administrative expenses.

Wages and salaries includes £1,754,000 (30 September 2022: £442,000) of contingent consideration in relation to the acquisition of Teaquinn in May 2022.

8. Remuneration of Directors and key management personnel

A) Directors' emoluments

The Directors' emoluments and benefits were as follows:

	30 September[1] 2023 £'000	30 September[1] 2022 £'000
Salaries and bonuses	**2,165**	2,004
Pension contributions	**46**	41
Share-based payments (note 28)	**906**	691
Total	**3,117**	2,736

1 This includes three (FY2022: three) Executive Directors and four (FY2022: four) Non-Executive Directors.

The aggregate of emoluments of the highest paid Director was £1,388,000 (FY2022: £1,211,000) and Company pension contributions of £22,000 (FY2022: £21,000) were made to a defined contribution scheme on their behalf. More detail is on page 102 of the Annual report.

8. Remuneration of Directors and key management personnel continued

B) Key management personnel

The Directors and the senior managers of the Group are considered to be the key management personnel of the Group.

The remuneration of all key management (including Directors) was as follows:

	30 September 2023 £'000	30 September 2022 £'000
Salaries and bonuses	**2,871**	2,673
Pension contributions	**64**	58
Share-based payments (note 28)	**1,218**	940
Total	**4,153**	3,671

9. Finance income and expenses

	30 September 2023 £'000	30 September 2022 £'000
Interest on bank deposits	**1,440**	12
Finance income	**1,440**	12
Interest on bank borrowings	**200**	199
Other interest	**9**	2
Finance costs on lease liabilities	**9,808**	8,452
Unwinding of discount on contingent consideration	**225**	46
Unwinding of discount on provisions	**203**	97
Finance expense	**10,445**	8,796

10. Taxation

	30 September 2023 £'000	30 September 2022 £'000
The tax expense is as follows:		
– UK corporation tax	**7,704**	6,436
– Adjustment in respect of prior years	**312**	10
– Foreign tax suffered	**692**	250
– Effects of foreign exchange	**—**	3
Total current tax	**8,708**	6,699
Deferred tax:		
Origination and reversal of temporary differences	**1,996**	2,431
Effect of changes in tax rates	**161**	95
Adjustment in respect of prior years	**64**	(11)
Total deferred tax	**2,221**	2,515
Total tax expense	**10,929**	9,214

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 22 per cent (30 September 2022: 19 per cent). The differences are explained below:

	30 September 2023 £'000	30 September 2022 £'000
Profit excluding taxation	**45,080**	46,665
Tax using the UK corporation tax rate of 22% (2022: 19%)	**9,918**	8,866
Change in tax rate on deferred tax balances	**154**	95
Non-deductible expenses	**60**	388
Non-deductible acquisition related exceptional costs	**523**	296
Effects of overseas tax rates	**137**	66
Effects of capital allowances super deduction	**(182)**	(577)
Share-based payments	**(57)**	81
Adjustment in respect of prior years	**376**	(1)
Total tax expense included in profit or loss	**10,929**	9,214

10. Taxation continued

Factors affecting current tax charge: continued

The Group's standard tax rate for the year ended 30 September 2023 was 22 per cent (30 September 2022: 19 per cent).

The UK corporation tax main rate increased from 19 per cent to 25 per cent from 1 April 2023. As such, the rate used to calculate the deferred tax balances has increased from a blended rate depending on when the deferred tax balance would have been released, to 25 per cent.

11. 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 2023 and 30 September 2022, the Group had potentially dilutive ordinary shares in the form of unvested shares pursuant to LTIPs and SAYE schemes (note 28).

	30 September 2023	30 September 2022
Basic and diluted		
Profit for the year after tax (£'000)	**34,151**	37,451
Basic weighted average number of shares in issue for the period (number)	**171,468,034**	170,949,286
Adjustment for share awards	**833,880**	963,218
Diluted weighted average number of shares	**172,301,914**	171,912,504
Basic earnings per share (pence)	**19.92**	21.91
Diluted earnings per share (pence)	**19.82**	21.78

12. Property, plant and equipment

	Freehold property £'000	Long leasehold property £'000	Short leasehold property £'000	Lanes and pinspotters £'000	Plant and machinery, fixtures and fittings	Total £'000
Cost						
At 1 October 2021	—	1,240	29,663	13,310	42,157	86,370
Additions	—	—	8,127	5,238	8,707	22,072
Acquisition of Teaquinn Holdings Inc.	7,061	—	872	284	237	8,454
Disposals	—	—	(24)	(796)	(595)	(1,415)
Effects of movement in foreign exchange	345	—	48	14	12	419
At 30 September 2022	7,406	1,240	38,686	18,050	50,518	115,900
Additions	—	—	11,554	4,269	6,178	22,001
Acquisition (note 32)	—	—	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**
Accumulated depreciation						
At 1 October 2021	—	340	13,746	4,613	18,635	37,334
Depreciation charge	24	48	3,047	706	4,896	8,721
Impairment charge	—	—	2,088	—	447	2,535
Disposals	—	—	(24)	(785)	(522)	(1,331)
At 30 September 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**
Net book value						
At 30 September 2023	**6,803**	**823**	**27,945**	**17,051**	**25,657**	**78,279**
At 30 September 2022	7,382	852	19,829	13,516	27,062	68,641

Plant and machinery, fixtures and fittings includes £845,000 (30 September 2022: £2,916,000) of assets in the course of construction, relating to the development of new centres.

12. Property, plant and equipment continued

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 seventy eight centres assessing for indicators of impairment. A detailed impairment test based on a base case was then performed on ten 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 ten 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 and cost inflation assumptions and 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 FY2024 and FY2025. 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:

	2023	2022
Discount rate (pre-tax)	**12.7%**	16.0%
Growth rate (beyond five years)	**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 Group's weighted average cost of capital. 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 £1,633,000 (FY2022: £2,535,000) against property, plant and equipment assets and £1,277,000 (FY2022: £1,786,000) against right-of-use assets for three mini-golf centres (note 13), which form part of the UK operating segment. The impairment charge in the year was reduced by the reversal of a charge in a previous period of £241,000 against property, plant and equipment assets and £459,000 against right-of-use assets for one bowling centre. Following the recognition of the impairment charge, the carrying value of property, plant and equipment is £2,210,000 (30 September 2022: £3,456,000) and right-of-use assets is £1,719,000 (30 September 2022: £3,151,000) for these three UK mini-golf centres (note 13).

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 £2,910,000 (30 September 2022: £4,321,000) for three centres under the base case. Management have sensitised the key assumptions in the impairment tests of these ten centres under the base case.

A reduction in revenue of three and four percentage points down on the base case for FY2024 and FY2025 respectively and a one percentage point increase in operating costs on the base case for FY2024 and FY2025 to reflect higher inflation, would not cause the carrying value to exceed its recoverable amount for these 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 £530,000 would arise under this sensitised case in relation to three centres where we have already recognised an impairment charge in the year, but this could be as high as £1,788,000 if the revenue reduction were 10 percentage points.

13. 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 nine (FY2022: ten) 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.

13. Leases continued

Group as a lessee continued

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 2021	148,722	8,109	156,831
Lease additions	7,805	3,462	11,267
Acquisition of Teaquinn Holdings Inc.	11,510	—	11,510
Lease surrenders	—	(332)	(332)
Lease modifications	5,640	—	5,640
Effects of movement in foreign exchange	583	—	583
At 30 September 2022	174,260	11,239	185,499
Lease additions	2,452	5,522	7,974
Acquisition (note 32)	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**
Accumulated depreciation			
At 1 October 2021	19,632	4,857	24,489
Depreciation charge	9,846	2,164	12,010
Impairment charge	1,786	—	1,786
Lease surrenders	—	(241)	(241)
At 30 September 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**
Net book value			
At 30 September 2023	**143,425**	**7,386**	**150,811**
At 30 September 2022	142,996	4,459	147,455

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 2021	168,530	5,410	173,940
Lease additions	7,805	3,462	11,267
Acquisition of Teaquinn Holdings Inc.	11,510	—	11,510
Accretion of interest	8,354	98	8,452
Lease modifications	5,640	—	5,640
Lease surrenders	—	(157)	(157)
Payments[1]	(19,873)	(2,994)	(22,867)
Effects of movement in foreign exchange	584	—	584
At 30 September 2022	182,550	5,819	188,369
Lease additions	2,452	5,522	7,974
Acquisition (note 32)	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**
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**
Current	9,027	2,530	11,557
Non-current	173,523	3,289	176,812
At 30 September 2022	182,550	5,819	188,369

1 In FY2023, £179,000 (FY2022: £35,000) of rent payments were part of the working capital movements in the year.

13. Leases continued

Group as a lessee continued

The maturity analysis of the future undiscounted payments due under the above lease liabilities is disclosed in note 30.

The following are the amounts recognised in profit or loss:

	2023 £'000	2022 £'000
Depreciation expense of right-of-use assets	**12,965**	12,010
Impairment charge of right-of-use assets	**818**	1,786
Interest expense on lease liabilities	**9,808**	8,452
Expense relating to leases of low-value assets (included in administrative expenses)	**57**	57
Variable lease payments (included in administrative expenses)	**824**	788
Total amount recognised in profit or loss	**24,472**	23,093

The Group has contingent lease contracts for nine (FY2022: ten) sites. There is a revenue-based rent top-up on these sites. Variable lease payments include revenue-based rent top-ups at eight (FY2022: ten) centres totalling £619,000 (FY2022: £716,000). It is anticipated that top-ups totalling £962,000 will be payable in the year to 30 September 2024 based on current expectations.

Impairment testing is carried out as outlined in note 12. Detailed impairment testing resulted in the recognition of an impairment charge in the year of £1,277,000 (FY2022: £1,786,000) against right-of-use assets for three UK mini-golf centres (FY2022: three UK mini-golf centres). The impairment charge in the year was reduced by the reversal of a charge in a previous financial period of £459,000 against right-of-use assets for one bowling centre.

14. Goodwill and intangible assets

	Goodwill £'000	Brands[1] £'000	Trademark[2] £'000	Customer relationships £'000	Software £'000	Total £'000
Cost						
At 1 October 2021	75,034	3,360	798	—	2,112	81,304
Additions	70	—	—	—	108	178
Acquisition of Teaquinn Holdings Inc.	90	3,888	—	314	—	4,292
At 30 September 2022	75,194	7,248	798	314	2,220	85,774
Additions	—	—	—	—	1,057	1,057
Acquisition (note 32)	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**
Accumulated amortisation						
At 1 October 2021	—	1,188	366	—	1,802	3,356
Amortisation charge	—	335	50	8	231	624
At 30 September 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**
Net book value						
At 30 September 2023	**82,048**	**5,157**	**332**	**752**	**1,087**	**89,376**
At 30 September 2022	75,194	5,725	382	306	187	81,794

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 2023	30 September 2022
UK	**75,034**	75,034
Canada	**7,014**	160
	82,048	75,194

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

14. Goodwill and intangible assets continued

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 Group is considered to be the CGU, for the purposes of goodwill impairment testing, on the basis that the goodwill relates mainly to the UK operating segment. The goodwill acquisition in the year relates to the three centres acquired in Canada (note 32). These three centres are considered a CGU for the purpose of goodwill impairment testing for Canada. 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 used in the value-in-use calculations are:

	2023	2022
Discount rate (pre-tax)	**12.7%**	16.0%
Growth rate (beyond five years)	**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 Group's weighted average cost of capital. 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.

Sensitivity to changes in assumptions

Management has sensitised the key assumptions in the impairment tests of the CGU under the base case scenario. The key assumptions used and sensitised were forecast growth rates and the discount rates, which were selected as they are the key variable elements of the value-in-use calculation. The combined effect of a reduction in revenue of 3.5 percentage points on the base case for FY2024 and FY2025, an increase in the discount rate applied to the cash flows of the CGU of one per cent and a reduction of one per cent in the growth rate (beyond five years), would reduce the UK headroom by £52.2m. This scenario would not cause the carrying value to exceed its recoverable amount. Therefore, management believes that any reasonable possible change in the key assumptions would not result in an impairment charge.

The goodwill on the Canada acquisition in the year is included in note 32. Management believe that any reasonable change in the key assumptions would not result in an impairment charge.

15. Investment in subsidiaries

Hollywood Bowl Group plc's operating subsidiaries as at 30 September 2023 are as follows:

Name	Company number	Principal activity	Country of incorporation	Percentage of ordinary shares owned
Direct holdings				
Kanyeco Limited[1, 2]	09164276	Investment holding	England and Wales	100%
Hollywood Bowl EBT Limited[1, 2]	10246573	Dormant	England and Wales	100%
Teaquinn Holdings Inc.[1, 4]	725118608	Investment holding	Canada	100%
Indirect holdings				
Kendallco Limited[1, 2]	09176418	Investment holding	England and Wales	100%
The Original Bowling Company Limited[2]	05163827	Ten-pin bowling	England and Wales	100%
Original Bowling Company (NI) Limited[3]	NI679991	Dormant	Northern Ireland	100%
AMF Bowling (Eastleigh) Limited[2]	06998390	Dormant	England and Wales	100%
MABLE Entertainment Limited[2]	01094660	Dormant	England and Wales	100%
Milton Keynes Entertainment Limited[2]	01807080	Dormant	England and Wales	100%
Bowlplex Limited[2]	01250332	Dormant	England and Wales	100%
Bowlplex European Leisure Limited[2]	05539281	Dormant	England and Wales	100%
Wessex Support Services Limited[2]	01513727	Dormant	England and Wales	100%
Wessex Superbowl (Germany) Limited[2]	03253033	Dormant	England and Wales	100%
Bowlplex Properties Limited[2]	05506380	Dormant	England and Wales	100%
Xtreme Bowling Entertainment Corporation[4]	840672380	Ten-pin bowling	Canada	100%
Striker Installations Inc.[4]	853701399	Ten-pin bowling installations	Canada	100%
Striker Bowling Solutions Inc.[4]	889559019	Ten-pin bowling installations	Canada	100%

1 These subsidiaries are controlled and consolidated by the Group and the Directors have taken the exemption from having an audit of their financial statements for the year ended 30 September 2023. This exemption is taken in accordance with Section 479A of the Companies Act 2006.

2 The registered office of these subsidiaries is Focus 31, West Wing, Cleveland Road, Hemel Hempstead, Hertfordshire, HP2 7BW.

3 The registered office of this subsidiary is Cleaver Fulton Rankin, 50 Bedford Street, Belfast, BT2 7FW, Northern Ireland.

4 These subsidiaries are controlled and consolidated by the Group. The registered office of these subsidiaries is 505 Iroquois Shore Road, Suite 9, Oakville, Ontario, L6H 2R3, Canada.

16. Cash and cash equivalents

A) Reconciliation of cash and cash equivalents at the end of the reporting period

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	30 September 2023 £'000	30 September 2022 £'000
Cash at bank and in hand	**52,455**	56,066

B) Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	1 October 2022 £'000	Financing cash flows £'000	Lease additions, modifications and disposals £'000	Accruals and prepayments £'000	Foreign exchange £'000	Interest expense £'000	Interest paid £'000	30 September 2023 £'000
Loans and borrowings (note 21)	—	—	—	92	—	200	(292)	**—**
Lease liabilities (note 13)	188,369	(11,420)	18,158	179	(1,081)	9,808	(9,808)	**194,205**
Total liabilities from financing activities	188,369	(11,420)	18,158	271	(1,081)	10,008	(10,100)	**194,205**

	1 October 2021 £'000	Financing cash flows £'000	Lease additions, modifications and disposals £'000	Accruals and prepayments £'000	Foreign exchange £'000	Interest expense £'000	Interest paid £'000	30 September 2022 £'000
Loans and borrowings (note 21)	—	—	—	(84)	—	199	(115)	—
Lease liabilities (note 13)	173,940	(14,450)	28,260	35	584	8,452	(8,452)	188,369
Total liabilities from financing activities	173,940	(14,450)	28,260	(49)	584	8,651	(8,567)	188,369

17. Trade and other receivables

	30 September 2023 £'000	30 September 2022 £'000
Trade receivables	**2,356**	836
Other receivables	**129**	245
Prepayments	**5,631**	4,049
	8,116	5,130

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

18. Inventories

	30 September 2023 £'000	30 September 2022 £'000
Goods for resale	**2,445**	2,148

Goods bought for resale recognised as a cost of sale amounted to £24,400,000 (2022: £18,700,000).

19. Trade and other payables

	30 September 2023 £'000	30 September 2022 £'000
Current		
Trade payables	**7,025**	5,306
Other payables	**1,366**	1,310
Accruals and deferred income	**15,421**	17,000
Taxation and social security	**5,297**	5,065
Total trade and other payables	**29,109**	28,681

	30 September 2023 £'000	30 September 2022 £'000
Non-current		
Other payables	**5,208**	3,000

Accruals and deferred income includes a staff bonus accrual of £4,955,000 (30 September 2022: £7,758,000) and deferred consideration of £nil (30 September 2022: £164,000) in relation to the acquisition of Teaquinn Holdings Inc. Deferred income includes £801,000 (30 September 2022: £983,000) of customer deposits received in advance and £1,870,000 (30 September 2022: £160,000) relating to bowling equipment installations, all of which is recognised in the income statement during the following financial year.

Non-current other payables includes £2,359,000 (30 September 2022: £464,000) of contingent consideration and £1,862,000 (30 September 2022: £1,841,000) 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 £9,084,000 (undiscounted) to a payment in FY2026 of £10,300,000 (undiscounted), using the FY2023 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 FY2023, this re-assessment resulted in an additional charge of £485,000 being recognised in exceptional administrative expenses.

20. Provisions

	30 September 2023 £'000	30 September 2022 £'000
Lease dilapidations provision	**5,084**	4,682

The dilapidations provision relates to potential rectification costs expected should the Group vacate its retail locations. There are no onerous leases within the estate. The movements in the dilapidations provision are summarised below:

	Dilapidations £'000
As at 30 September 2021	3,635
Change in discount rate[1]	(480)
Provided during the year	1,430
Unwind of discounted amount	97
As at 30 September 2022	4,682
Change in discount rate[1]	(67)
Provided during the year	266
Unwind of discounted amount	203
As at 30 September 2023	**5,084**

1 There was an increase in the discount rate from 4.40 per cent at 30 September 2022 to 4.64 per cent at 30 September 2023 (FY2022: an increase in the discount rate from 1.22 per cent at 30 September 2021 to 4.40 per cent at 30 September 2022), used in preparing the dilapidations provision for the year ended 30 September 2023. This resulted in a decrease in the provision of £67,000 (FY2022: a decrease of £480,000), and will unwind over the term of the property leases.

A provision is made for future expected dilapidation costs on the opening of leasehold properties not covered by the Landlord and Tenant Act 1985 (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. The provision in the year relates to one new centre (FY2022: three new centres). 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 on these centres is not considered to be probable.

It is not anticipated that the provision will be utilised within the foreseeable future as there are no sites currently earmarked for closure that have a dilapidations provision.

21. Loans and borrowings

On 29 September 2021, the Group entered into a £25m revolving credit facility (RCF) with Barclays Bank plc. The RCF has a termination date of 31 December 2024.

Interest is charged on any drawn balance based on the reference rate (SONIA), plus a margin of 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 2023 and 30 September 2022 was therefore 0.6125 per cent.

Issue costs of £135,000 were paid to Barclays Bank plc on commencement of the RCF. These costs are being amortised over the term of the facility and are included within prepayments (note 17).

The terms of the Barclays Bank plc facility include the following Group financial covenants:

(i) For the 7-month period ending 31 December 2021, the ratio of total net debt to Group adjusted EBITDA pre-IFRS 16 shall not exceed 1.75:1.

(ii) For the 12-month period ending on each reference date, commencing 31 March 2022 and each quarter thereafter, the ratio of total net debt to Group adjusted EBITDA pre-IFRS 16 shall not exceed 1.75:1.

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

22. Deferred tax assets and liabilities

	30 September 2023 £'000	30 September 2022 £'000
Deferred tax assets and liabilities		
Deferred tax assets - UK	**6,500**	7,050
Deferred tax assets - Canada	**244**	
Deferred tax liabilities - UK	**(5,191)**	
Deferred tax liabilities - Canada	**(2,204)**	(5,403)
	(651)	1,647

	30 September 2023 £'000	30 September 2022 £'000
Reconciliation of deferred tax balances		
Balance at the beginning of the year	**1,647**	6,290
Deferred tax credit for the year – in profit or loss	**(2,157)**	(2,543)
Deferred tax credit for the year – in equity	**8**	(29)
On acquisition	**(148)**	(2,040)
Effects of foreign exchange	**63**	(43)
Adjustment in respect of prior years	**(64)**	12
Balance at the end of the year	**(651)**	1,647

The components of deferred tax are:

	30 September 2023 £'000	30 September 2022 £'000
Deferred tax assets		
Fixed assets	**6,080**	6,314
Trading losses	**15**	—
Other temporary differences	**649**	736
	6,744	7,050
Deferred tax liabilities		
Property, plant and equipment	**(5,857)**	(3,694)
Intangible assets	**(1,538)**	(1,709)
	(7,395)	(5,403)

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 2023.

23. Share capital

	30 September 2023		30 September 2022	
	Shares	£'000	Shares	£'000
Ordinary shares of £0.01 each	**171,712,357**	**1,717**	171,070,790	1,711

The share capital of the Group is represented by the share capital of the Parent Company, Hollywood Bowl Group plc.

During the year 641,567 ordinary shares of £0.01 each were issued under the Group's LTIP scheme (note 28).

The ordinary shares are entitled to dividends.

24. Reserves

Share premium

The amount subscribed for share capital in excess of nominal value.

Retained earnings

The accumulated net profits and losses of the Group.

Merger reserve

The merger reserve represents the excess over nominal value of the fair value consideration for the business combination which arose during the Company's IPO listing; this was satisfied by the issue of shares in accordance with Section 612 of the Companies Act 2006.

Foreign currency translation reserve

The foreign currency translation reserve represents the retranslation gains and losses of foreign currency denominated operations.

25. Lease commitments

The Group had total commitments under non-cancellable operating leases set out below:

	30 September 2023 Other £'000	30 September 2022 Other £'000
Within 1 year	**57**	57
In 2 to 5 years	**58**	115
	115	172

These operating leases are not included as IFRS 16 assets as the Group applies the low-value assets recognition exemption to leases of office equipment.

26. Capital commitments

As at 30 September 2023, the Group had entered into contracts to fit out new and refurbish existing sites and to complete the installation of solar panels for £5,450,000 (2022: £4,728,000). These commitments are expected to be settled in the year to 30 September 2024.

27. Related party transactions

30 September 2023 and 30 September 2022

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

28. Share-based payments

Long-term employee incentive costs

The Group operates LTIPs for certain key management. In accordance with IFRS 2 Share-based payment, the values of the awards are measured at fair value at the date of grant. The exercise price of the LTIPs is equal to the market price of the underlying shares on the date of grant. The fair value is determined based on the exercise price and number of shares granted, and is written off on a straight-line basis over the vesting period, based on management's estimate of the number of shares that will eventually vest.

A summary of the movement in the LTIPs is outlined below:

Scheme name	Year of grant	Method of settlement accounting	Outstanding at 1 October 2022	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 September 2023	Exercisable at 30 September 2023
LTIP 2018	2018	Equity	282,760	—	—	(282,760)	—	—
LTIP 2020	2020	Equity	358,809	—	—	(358,809)	—	—
LTIP 2021	2021	Equity	452,993	—	—	—	453,993	—
LTIP 2022	2022	Equity	463,436	—	—	—	463,436	—
LTIP 2023	2023	Equity	—	627,678	—	—	627,678	—

In accordance with the LTIP schemes outlined in the Group's Remuneration Policy, the vesting of these awards is conditional upon the achievement of an EPS target set at the time of grant, measured at the end of a three-year period ending 30 September 2020, 30 September 2022, 30 September 2023, 30 September 2024 and 30 September 2025, and the Executive Directors' continued employment at the date of vesting. The LTIP 2022 and 2023 also have performance targets based on return on centre invested capital, emissions ratio for Scope 1 and Scope 2 and team member development. Further details on LTIP 2022 and 2023 are available on the Hollywood Bowl Group corporate website at www.hollywoodbowlgroup.com/investors/regulatory-news dated 7 February 2022 and 16 February 2023.

The awards will vest based on the following adjusted EPS targets:

LTIP 2021	LTIP 2022	LTIP 2023	Vesting
13.91	14.65	18.11	25%
13.91–15.37	14.65 – 16.19	18.11 – 20.01	Vesting determined on a straight-line basis
15.37	16.19	20.01	100%

During the year ended 30 September 2023, 627,678 (30 September 2022: 463,436) share awards were granted under the LTIP. For all LTIPs, the Group recognised a charge of £1,218,431 (30 September 2022: charge of £939,812) and related employer National Insurance of £168,143 (30 September 2022: credit of £129,694).

During the year ended 30 September 2023, 641,567 (30 September 2022: 428,113) share awards were exercised under LTIP 2018 and 2020 and a total of 641,567 shares were issued pursuant to an existing block listing in order to satisfy the exercise of the nil-cost options (see note 23).

The following assumptions were used to determine the fair value of the LTIPs granted:

Financial year LTIP granted	2023	2022	2021
Share price at date of grant	**2.600**	2.514	2.370
Discount rate/dividend yield	**3%**	3%	3%

The shares are dilutive for the purposes of calculating diluted earnings per share.

Save-As-You-Earn (SAYE) schemes

The Group currently operates three SAYE schemes, available to all employees of the Group. The SAYEs permit the grant to employees of options in respect of ordinary shares linked to a bank SAYE contract for a term of three years with contributions from employees of an amount between £5 and £500 per month. During the year, a new SAYE scheme (SAYE 2023) was launched with 133 employees taking up 186,764 options with an exercise date of 1 February 2026 and an exercise price of £2.430, being equal to the market price of the shares on the date of grant. In the prior year, 115 employees took up 158,778 options with an exercise date of 1 February 2025 and an exercise price of £2.845. The options vest if the employee remains in employment by the Group on the exercise date; otherwise, the options lapse on the date the employee leaves. The options are exercisable for a period of six months from the date of vesting. Employees can opt to leave the SAYE at any time, at which point their options will lapse.

The shares are dilutive for the purposes of calculating diluted earnings per share.

28. Share-based payments continued

Save-As-You-Earn (SAYE) schemes continued

In accordance with IFRS 2 Share-based payment, the values of the awards are measured at fair value at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period, based on management's estimate of the number of shares that will eventually vest.

The fair value at grant date is estimated using a Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted. The contractual life of each option granted is three years. The fair value of options granted during the years ended 30 September 2023, 30 September 2022 and 30 September 2020 was estimated on the date of grant using the following assumptions:

	SAYE 2023	SAYE 2022	SAYE 2020
Exercise price	£2.430	£2.845	£2.880
Dividend yield	3.0%	3.0%	3.0%
Expected volatility	35.4%	34.4%	56.1%
Risk-free interest rate	3.14%	1.10%	0.00%
Life of option	3 years	3 years	3 years
Anticipated number of options to vest	50%	30%	0%

The expected volatility is based on the annualised standard deviation of the continuously compounded rates of return on the share over a period of time. A summary of the movement in the SAYEs is outlined below:

Scheme name	Year of award	Outstanding at 1 October 2022	Granted during the year	Lapsed/cancelled during the year	Exercised during the year	Outstanding at 30 September 2023	Exercisable at 30 September 2023
SAYE 2019	2019	1,109	—	(1,109)	—	—	—
SAYE 2020	2020	36,209	—	(34,709)	—	1,500	1,500
SAYE 2022	2022	124,499	—	(60,346)	—	64,153	—
SAYE 2023	2023	—	186,764	(33,541)	—	153,223	—

The assessed fair value of the options granted during the year ended 30 September 2023 was £0.54 (30 September 2022: £0.55).

For the year ended 30 September 2023, the Group has recognised £13,989 of share-based payment credit in the income statement (30 September 2022: charge of £3,813).

During the year, the SAYE 2020 scheme became exercisable and no options were exercised (30 September 2022: 11,494 ordinary shares of £0.01 each were issued at an exercise price of £2.27 each). The weighted average share price at the date of exercise relating to the share options exercised in the prior year was £2.63.

The weighted average remaining contractual life of share options outstanding at 30 September 2023 was 747 days (30 September 2022: 690 days).

29. Financial instruments

Fair value hierarchy

IFRS 7 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the value measurements:

Level 1: inputs are quoted prices in active markets.

Level 2: a valuation that uses observable inputs for the asset or liability other than quoted prices in active markets.

Level 3: a valuation using unobservable inputs (i.e. a valuation technique).

29. Financial instruments continued

There were no transfers between levels throughout the periods under review.

Fair value

All financial assets held at the balance sheet date, which comprise trade and other receivables and cash and cash equivalents, are classified as financial assets held at amortised cost. All financial liabilities, which comprise trade and other payables and borrowings, are classified as financial liabilities held at amortised cost. The following table shows the fair value of financial assets and financial liabilities within the Group at the balance sheet date. The fair value of all financial assets and liabilities are categorised as Level 2.

	30 September 2023 £'000	30 September 2022 £'000
Financial assets – measured at amortised cost		
Cash and cash equivalents	**52,455**	56,066
Trade and other receivables	**2,485**	1,081
Financial liabilities – measured at amortised cost		
Trade and other payables	**29,021**	26,616

There is no difference between the carrying value and fair value of any of the above financial assets and financial liabilities.

30. Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (fair value interest rate and price risk).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimise this risk the Group endeavours to deal only with companies which are demonstrably creditworthy. In addition, a significant proportion of revenue results from cash transactions. The aggregate financial exposure is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount of trade receivables. Management does not consider that there is any concentration of risk within either trade or other receivables.

The Group held cash and cash equivalents with banks which are rated AA- to AA+ of £50,520,000 at 30 September 2023 (30 September 2022: £53,862,000).

The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Trade receivables have not been impaired as any ECL is deemed to be insignificant.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as is possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Cash flow and fair value interest rate risk

The Group's borrowings are variable rate bank loans. As at 30 September 2023, £nil (30 September 2022: £nil) of the available facility has been drawn down. The Directors monitor the Group's funding requirements and external debt markets to ensure that the Group's borrowings are appropriate to its requirements in terms of quantum, rate and duration.

The Group currently holds cash balances to provide funding for normal trading activity. The Group also has access to both short-term and long-term borrowings to finance individual projects. Trade and other payables are monitored as part of normal management routine.

The table below summarises the maturity profile of the Group's financial liabilities:

	Within 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	5 to 10 years £'000	More than 10 years £'000	Total £'000
2023						
Trade and other payables	**22,916**	**1,182**	**5,233**	**670**	**3,208**	**33,209**
Lease liabilities	**21,394**	**21,286**	**59,684**	**87,486**	**97,129**	**286,979**
	44,310	**22,468**	**64,917**	**88,156**	**100,337**	**320,188**
2022						
Trade and other payables	22,544	361	3,224	934	3,163	30,226
Lease liabilities	19,461	18,355	51,514	75,934	91,593	256,857
	42,005	18,716	54,738	76,868	94,756	287,083

30. Financial risk management continued

Capital risk management

The Group's capital management objectives are:

(i) to ensure the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

(ii) to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

To meet these objectives, the Group reviews the budgets and forecasts on a regular basis to ensure there is sufficient capital to meet the needs of the Group through to profitability and positive cash flow.

The capital structure of the Group consists of shareholders' equity as set out in the consolidated statement of changes in equity. All working capital requirements are financed from existing cash resources and borrowings.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risk

Operating across two territories increases the Group's exposure to currency risk. Wherever possible, overseas operations will fund their day to day working capital requirements in local currency with cash generated from operations, naturally hedging the currency risk exposure to the Group. Management will continually monitor the level of currency risk exposure, and consider hedging where appropriate. Currently the Group considers the currency risk on consolidation of the assets and liabilities of its foreign entities to be of low materiality.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by entering into interest rate derivatives when it is considered appropriate to do so by management. At 30 September 2023 and 30 September 2022, none of the Group's borrowings were at fixed rates of interest.

The effect on the profit after tax of a notional one per cent increase or decrease in SONIA is £nil (30 September 2022: £nil).

31. Dividends paid and proposed

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

During the year to 30 September 2024, the Group is considering a share buyback of up to £10m if it falls in line with the Group's cash allocation policy.

32. 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)

On 15 February 2023, the Group acquired 100 per cent of the issued share capital and voting rights of HLD Investments Inc. (operating as YYC Bowling & Entertainment), Mountain View Bowl Inc and Wong and Lewis Investments Inc. (operating as Let's Bowl), based in Canada. All three businesses are operators of ten-pin bowling centres. The purpose of the acquisition was to grow the Group's core ten-pin bowling business in the region.

HLD Investments Inc. (operating as YYC Bowling & Entertainment), Mountain View Bowl Inc and Wong and Lewis Investments Inc. (operating as Let's Bowl) are consolidated in Hollywood Bowl Group plc's interim financial statements with effect from the completion of the acquisition on 15 February 2023.

Since acquisition, these three entities have been dissolved and amalgamated into Xtreme Bowling Entertainment Corporation (Note 15).

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

	£'000
Fair value of consideration transferred	
Amount settled in cash	7,716
Recognised amounts of identifiable net assets	
Property, plant and equipment	197
Right-of-use assets	4,911
Intangible assets	503
Inventories	46
Trade and other receivables	178
Cash and cash equivalents	319
Trade and other payables	(276)
Lease liabilities	(4,911)
Deferred tax liabilities	(116)
Identifiable net assets	851
Goodwill arising on acquisition	6,865
Consideration for equity settled in cash	7,716
Cash and cash equivalents acquired	(319)
Net cash outflow on acquisition	7,397
Acquisition costs paid charged to expenses	453
Net cash paid in relation to the acquisition	7,850

Acquisition related costs of £453,000 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 £503,000 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 £178,000. 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 £6,865,000 was recognised on acquisition (note 14). 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 three centres into the Hollywood Bowl Group.

In the period since acquisition to 30 September 2023, the Group recognised £2,956,000 of revenue and £1,330,000 of profit before tax in relation to the acquired businesses. Had the acquisition occurred on 1 October 2022, the contribution to the Group's revenue would have been £5,407,000 and the contribution to the Group's profit before tax for the period would have been £2,406,000.

33. Events after the reporting date

Three acquisitions were completed in early FY2024. In the UK, on 2 October 2023, the Group purchased the assets, including the long leasehold, of Lincoln Bowl for total consideration of £4.375m.

In Canada, the Group completed two acquisitions. The first was the acquisition of a family entertainment centre in Guelph, Ontario, called Woodlawn Bowl Inc, for CAD 4.71m on 7 November 2023. The second was the acquisition of the assets and lease of a family entertainment centre in Vancouver, called Lucky 9 Bowling Centre Limited as well as its associated restaurant and bar, Monkey 9 Brewing Pub Corp, for a total consideration of CAD 0.425m on 11 November 2023.

Company statement of financial position

As at 30 September 2023

	Note	30 September 2023 £'000	30 September 2022 £'000
ASSETS			
Non-current assets			
Investments	5	**69,745**	61,125
Trade and other receivables	8	**73,224**	74,190
Deferred tax asset	7	**244**	343
		143,213	135,658
Current assets			
Cash and cash equivalents	6	**24,876**	44,912
Trade and other receivables	8	**253**	256
		25,129	45,168
Total assets		**168,342**	180,826
LIABILITIES			
Current liabilities			
Trade and other payables	9	**92,915**	77,266
		92,915	77,266
Non-current liabilities			
Other payables	9	**—**	2,305
		—	2,305
Total liabilities		**92,915**	79,571
NET ASSETS		**75,427**	101,255
Equity attributable to shareholders			
Share capital	10	**1,717**	1,711
Share premium	10	**39,716**	39,716
Retained earnings		**33,994**	59,828
TOTAL EQUITY		**75,427**	101,255

These financial statements were approved by the Board of Directors on 17 December 2023.

The accompanying notes on pages 160 to 165 form an integral part of these financial statements.

Signed on behalf of the Board

Laurence Keen
Chief Financial Officer
Company registration number: 10229630

Company statement of changes in equity

For the year ended 30 September 2023

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Equity as at 30 September 2021	1,706	39,691	69,220	110,617
Shares issued during the year	5	25	—	30
Share-based payments (note 5, 11)	—	—	940	940
Dividends paid	—	—	(5,132)	(5,132)
Total comprehensive loss for the year	—	—	(5,200)	(5,200)
Equity as at 30 September 2022	1,711	39,716	59,828	101,255
Shares issued during the year	6	—	—	6
Share-based payments (note 5, 11)	—	—	1,218	1,218
Deferred tax on share-based payments	—	—	25	25
Dividends paid	—	—	(25,338)	(25,338)
Total comprehensive loss for the year	—	—	(1,739)	(1,739)
Equity as at 30 September 2023	**1,717**	**39,716**	**33,994**	**75,427**

The accompanying notes on pages 160 to 165 form an integral part of these financial statements.

Company statement of cash flows

For the year ended 30 September 2023

	30 September 2023 £'000	30 September 2022 £'000
Cash flows from operating activities		
Loss before tax	**(1,615)**	(5,030)
Adjusted by:		
Net interest (income)/expense	**(685)**	453
Share-based payments (note 11)	**753**	567
Operating loss before working capital changes	**(1,547)**	(4,010)
Decrease/(increase) in trade and other receivables	**29**	(1,295)
(Decrease)/increase in trade and other payables	**(675)**	1,059
Cash outflow generated from operations	**(2,193)**	(4,246)
Interest received	**796**	—
Bank interest paid	**(198)**	(115)
Net cash outflow from operating activities	**(1,595)**	(4,361)
Cash flows from investing activities		
Acquisition of subsidiaries	**(7,716)**	(8,099)
Investment in existing subsidiary	**(2,280)**	—
Repayment of loan by subsidiary	**966**	—
Net cash used in investing activities	**(9,030)**	(8,099)
Cash flows from financing activities		
Issue of shares	**6**	30
Dividends paid	**(25,338)**	(5,132)
Loan from subsidiary	**15,921**	51,515
Net cash flows used in financing activities	**(9,411)**	46,413
Net change in cash and cash equivalents for the year	**(20,036)**	33,953
Cash and cash equivalents at the beginning of the year	**44,912**	10,959
Cash and cash equivalents at the end of the year	**24,876**	44,912

The accompanying notes on pages 160 to 165 form an integral part of these financial statements.

1. General information

Hollywood Bowl Group plc is a public limited company which is listed on the London Stock Exchange and is domiciled and incorporated in the United Kingdom under the Companies Act 2006. The Company was incorporated on 13 June 2016, registered number 10229630.

2. Summary of significant accounting policies

A summary of the significant accounting policies is set out below; these have been consistently applied throughout the period.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The functional and presentational currency of the Company is Pounds Sterling. The financial statements are presented in Pounds Sterling and all values are rounded to the nearest thousand, except where otherwise indicated.

The financial statements have been prepared on a going concern basis under the historical cost convention.

The financial information presented is at and for the years ended 30 September 2023 and 30 September 2022.

As the consolidated financial statements of the Company include the equivalent disclosures, the Company has taken the exemptions under FRS 102 available in respect of the following disclosures:

- certain disclosures required by FRS 102.26 Share-based payment; and
- certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of paragraph 36(4) of Schedule 1.

As permitted by Section 408 of the Companies Act 2006, an entity income statement and statement of comprehensive income are not included as part of the published consolidated financial statements of Hollywood Bowl Group plc. The loss for the financial period dealt with in the financial statements of the Parent Company is £1,739,000 (FY2022: loss £5,200,000). See note 5.

Investments in subsidiaries

Investments in subsidiary undertakings are initially recorded at cost, being the fair value of the consideration paid. Subsequently investments are reviewed for impairment on an individual basis annually or if events or changes in circumstances indicate that the carrying value may not be fully recoverable with any impairment charged to the income statement.

Receivables due from subsidiary undertakings

Amounts owed by subsidiaries are classified and recorded at amortised cost and reduced by allowances for ECLs. Estimated future credit losses are first recorded on initial recognition of a receivable and are based on estimated probability of default. Individual balances are written off when management deems them not to be collectible.

Employee benefits

Share-based payments

The Company operates an equity-settled share-based payment plan for its Directors, under which the Directors are granted equity instruments of Hollywood Bowl Group plc. The fair value of services received in exchange for the equity instruments is determined by reference to the fair value of the instruments granted at grant date. The fair value of the instruments includes any market performance conditions and non-vesting conditions.

The expense is recognised over the vesting period of the award taking into account any non-market performance and service conditions.

The cost of equity-settled transactions is recognised together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award.

Financial instruments

The Company has elected to apply the recognition and measurement provisions of IFRS 9 Financial Instruments together with the disclosure and presentation requirements of sections 11 and 12 of FRS 102.

Cash and cash equivalents

Cash and cash equivalents includes cash held in short-term deposits with UK banks.

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Exchange gains and losses are included within administrative expenses in the income statement.

2. Summary of significant accounting policies continued

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxation

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference.

Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

3. Directors' remuneration

The Company has no employees other than the Directors.

The Directors' emoluments and benefits were as follows:

	30 September 2023[1] £'000	30 September 2022[1] £'000
Salaries and bonuses	**2,165**	1,697
Pension contributions	**46**	34
Share-based payments (note 11)	**753**	567
Total	**2,964**	2,298

1 This includes three (FY2022: two) Executive Directors and four (FY2022: four) Non-Executive Directors.

The aggregate of emoluments of the highest paid Director was £1,388,000 (FY2022: £1,211,000) and Company pension contributions of £22,000 (FY2022: £21,000) were made to a defined contribution scheme on their behalf.

4. Taxation

	30 September 2023 £'000	30 September 2022 £'000
The tax expense is as follows:		
– UK corporation tax	**21**	—
Total current tax	**21**	—
Deferred tax:		
Origination and reversal of temporary differences	**7**	443
Adjustment in respect of prior years	**116**	—
Effect of changes in tax rates	**(20)**	(272)
Total deferred tax	**103**	171
Total tax expense	**124**	171

4. Taxation continued

Factors affecting current credit

The tax assessed on the loss for the period is different to the standard rate of corporation tax in the UK of 22 per cent (30 September 2022: 19 per cent). The differences are explained below:

	30 September 2023 £'000	30 September 2022 £'000
Loss excluding taxation	**(1,615)**	(5,030)
Tax using the UK corporation tax rate of 22% (2022: 19%)	**(355)**	(956)
Change in tax rate on deferred tax balances	**(19)**	70
Share-based payments	**(26)**	—
Non-deductible expenses	**(102)**	255
Adjustments in respect of prior years	**116**	—
Group relief	**510**	802
Total tax expense included in profit or loss	**124**	171

The Group's standard tax rate for the year ended 30 September 2023 was 22 per cent (30 September 2022: 19 per cent).

The corporation tax main rate would increased from 19 per cent to 25 per cent from 1 April 2023. As such, the rate used to calculate the deferred tax balances has increased from a blended rate depending on when the deferred tax balance would have been released, to 25 per cent.

5. Investments

Investments in subsidiary undertakings are as follows:

	30 September 2023 £'000	30 September 2022 £'000
At the beginning of the year	**61,125**	50,672
Additions	**10,461**	10,453
Derecognition of contingent and deferred consideration in subsidiary[1]	**(1,841)**	—
At the end of the year	**69,745**	61,125

Details of the investments in subsidiary undertakings are outlined in note 15 to the consolidated financial statements.

1 In the prior year, one of the Company's subsidiaries made an acquisition of Teaquinn Inc. which was recorded in the Company's accounts rather than the subsidiary's:

- within additions of £10,453,000 above, an amount of £1,841,000;
- within other payables an amount of £464,000 related to contingent consideration and an amount of £1,841,000 related to deferred consideration (see note 9); and
- within profit and loss, contingent consideration of £464,000 related to post-acquisition employee remuneration.

The prior year has not been restated on the grounds of materiality but the current year has been adjusted to derecognise these amounts.

6. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	30 September 2023 £'000	30 September 2022 £'000
Cash and cash equivalents	**24,876**	44,912

7. Deferred tax asset

	30 September 2023 £'000	30 September 2022 £'000
Deferred tax asset		
Deferred tax asset	**244**	343
	244	343

	30 September 2023 £'000	30 September 2022 £'000
Reconciliation of deferred tax balances		
Balance at beginning of year	**343**	514
Deferred tax charge for the year - in profit or loss	**(124)**	(171)
Deferred tax charge for the year - in equity	**25**	—
Balance at end of year	**244**	343

The components of deferred tax are:

	30 September 2023 £'000	30 September 2022 £'000
Deferred tax asset		
Temporary differences	**244**	343
	244	343

The Group will shortly be implementing a policy in relation to the payment for tax losses surrendered between Group companies under the Group relief provisions. The Company has therefore recognised a deferred tax asset in respect of its accumulated tax losses on the basis it expects to receive economic benefits in the form of payments for amounts surrendered as Group relief in future accounting periods.

8. Trade and other receivables

Current	30 September 2023 £'000	30 September 2022 £'000
Other receivables	**97**	66
Prepayments	**156**	190
	253	256

Non-current	30 September 2023 £'000	30 September 2022 £'000
Amounts owed by Group companies	**73,224**	74,190

Amounts owed by and to Group companies are non-interest bearing and are repayable on demand.

9. Trade and other payables

Current	30 September 2023 £'000	30 September 2022 £'000
Amounts owed to Group companies	**91,207**	75,286
Trade and other payables	**340**	538
Accruals	**1,368**	1,442
	92,915	77,266

Non-current	30 September 2023 £'000	30 September 2022 £'000
Other payables	**—**	2,305

See note 5 for details on non-current other payables.

10. Share capital

	30 September 2023		30 September 2022	
	Shares	£'000	Shares	£'000
Allotted, called up and fully paid Ordinary shares of £0.01 each	**171,712,357**	**1,717**	171,070,790	1,711

During the year 641,567 ordinary shares of £0.01 each were issued under the Group's LTIP scheme (note 28 of the consolidated financial statements).

The ordinary shares are entitled to dividends.

11. Share-based payments

Long-term employee incentive costs

The Company operates LTIPs for the Directors. In accordance with IFRS 2 Share-based payment, the values of the awards are measured at fair value at the date of grant. The exercise price of the LTIPs is equal to the market price of the underlying shares on the date of grant. The fair value is determined based on the exercise price and number of shares granted, and is written off on a straight-line basis over the vesting period, based on management's estimate of the number of shares that will eventually vest.

A summary of the movement in the LTIPs is outlined below:

Scheme name	Year of grant	Method of settlement accounting	Outstanding at 1 October 2022	Granted during the year	Lapsed/cancelled during the year	Exercised during the year	Outstanding at 30 September 2023	Exercisable at 30 September 2023
LTIP 2018	2018	Equity	177,252	—	—	(177,252)	—	—
LTIP 2020	2020	Equity	221,208	—	—	(221,208)	—	—
LTIP 2021	2021	Equity	273,290	—	—	—	273,290	—
LTIP 2022	2022	Equity	270,518	—	—	—	270,518	—
LTIP 2023	2023	Equity	—	423,490	—	—	423,490	—

In accordance with the LTIP schemes outlined in the Group's Remuneration Policy, the vesting of these awards is conditional upon the achievement of an EPS target set at the time of grant, measured at the end of a three-year period ending 30 September 2020, 30 September 2022, 30 September 2023, 30 September 2024 and 30 September 2025, and the Executive Directors' continued employment at the date of vesting. The LTIP 2022 and 2023 also have performance targets based on return on centre invested capital, emissions ratio for Scope 1 and Scope 2 and team member development. Further details on LTIP 2022 and 2023 are available on the Hollywood Bowl Group corporate website at www.hollywoodbowlgroup.com/investors/regulatory-news dated 7 February 2022 and 16 February 2023.

The awards will vest based on the following adjusted EPS targets:

LTIP 2021	LTIP 2022	LTIP 2023	Vesting
13.91	14.65	18.11	25%
13.91–15.37	14.65–16.19	18.11–20.01	Vesting determined on a straight-line basis
15.37	16.19	20.01	100%

During the year ended 30 September 2023, 423,490 (30 September 2022: 270,518) share awards were granted under the LTIPs. For all LTIPs, the Company recognised a charge of £753,427 (30 September 2022: £567,148) and related employer National Insurance charge of £103,973 (30 September 2022: £78,266).

The following assumptions were used to determine the fair value of the LTIPs granted:

Financial year LTIP granted	2023	2022	2021
Share price at date of grant	**2.600**	2.514	2.370
Discount rate/dividend yield	**3%**	3%	3%

12. Loans and borrowings

On 29 September 2021, the Group entered into a £25m revolving credit facility (RCF) with Barclays Bank plc. The RCF has a termination date of 31 December 2024.

Interest is charged on any drawn balance based on the reference rate (SONIA), plus a margin of 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 2023 and 30 September 2022 was therefore 0.6125 per cent.

Issue costs of £135,000 were paid to Barclays Bank plc on commencement of the RCF. These costs are being amortised over the term of the facility and are included within prepayments (note 17).

The terms of the Barclays Bank plc facility include the following Group financial covenants:

(i) For the 7-month period ending 31 December 2021, the ratio of total net debt to Group adjusted EBITDA pre-IFRS 16 shall not exceed 1.75:1.

(ii) For the 12-month period ending on each reference date, commencing 31 March 2022 and each quarter thereafter, the ratio of total net debt to Group adjusted EBITDA pre-IFRS 16 shall not exceed 1.75:1.

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

13. Guarantee

The Company has given a guarantee over certain subsidiaries under Section 479A of the Companies Act 2006 such that the financial statements of these subsidiaries for the year ended 30 September 2023 will be exempt from audit (note 15 of the consolidated financial statements).

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