Rising to challenges and reigniting growth

Hollywood Bowl Group plc
Annual report and accounts 2021

Driven by 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 and 29**

Our focus on sustainability

Managing our business in a sustainable way is a key element of our strategy and culture

We've identified three key areas where we can have the greatest positive impact

Comprehensively measuring and monitoring our activity to ensure that we achieve our objectives

Read more on **pages 36 to 43**

Our focus on stakeholders

Inspiring customers to become loyal fans of our brands

Read more on **pages 22 to 25**

Building energetic and engaging teams who share our values and are proud to be part of our culture

Creating value for our stakeholders by focusing on long-term, sustainable success

Our performance

+28.6%
LFL revenue growth[1]
(2020: +0.4%)

£71.9m
Revenue
(2020: £79.5m)

-9.6%
Total revenue vs PY
(2020: -38.9%)

£10.29
LFL average spend per game[1]

13.3%
Operating profit margin[1]
(2020: 12.4%)

£30.6m
Group adjusted EBITDA[1]
(2020: £29.8m)

£1.7m
Profit after tax
(2020: £1.4m)

1.05p
Earnings per share
(2020: 0.90p)

1 Definitions for these measures are in the key performance indicators section (pages 30 and 31). Management believe providing these specific financial highlights gives valuable supplemental detail regarding the Group's results, consistent with how management evaluate the Group's performance. A reconciliation between Group adjusted EBITDA and statutory operating profit is provided on page 34. Due to the restriction in FY2020 and FY2021, LFL calculations above are from 17 May and compared to the same period in FY2019.

In this report

Rolling out fun nationwide

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

Our brands

hollywood bowl

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

Centres
56

Read more on **page 8**

AMF BOWLING

Our secondary ten-pin bowling brand with centres in stand-alone locations.

Centres
5

Read more on **page 8**

PUTTSTARS

Our new indoor mini-golf brand with centres situated in prime locations on leisure or retail parks.

Centres
3

Read more on **page 12**

Our investment case

Hollywood Bowl Group is the market leader with national scale, operating a high-quality, well-invested estate with diverse revenue streams and multiple levers to drive further growth

People and leadership

A highly motivated and engaged team delivers our customer-focused experiences, led by stable and experienced management

Read more on **pages 20 and 21**

Market opportunities

As the clear leader in both the ten-pin bowling and the competitive socialising markets, we are best placed to capitalise on the growth opportunities available

Read more on **pages 20 and 21**

Our locations

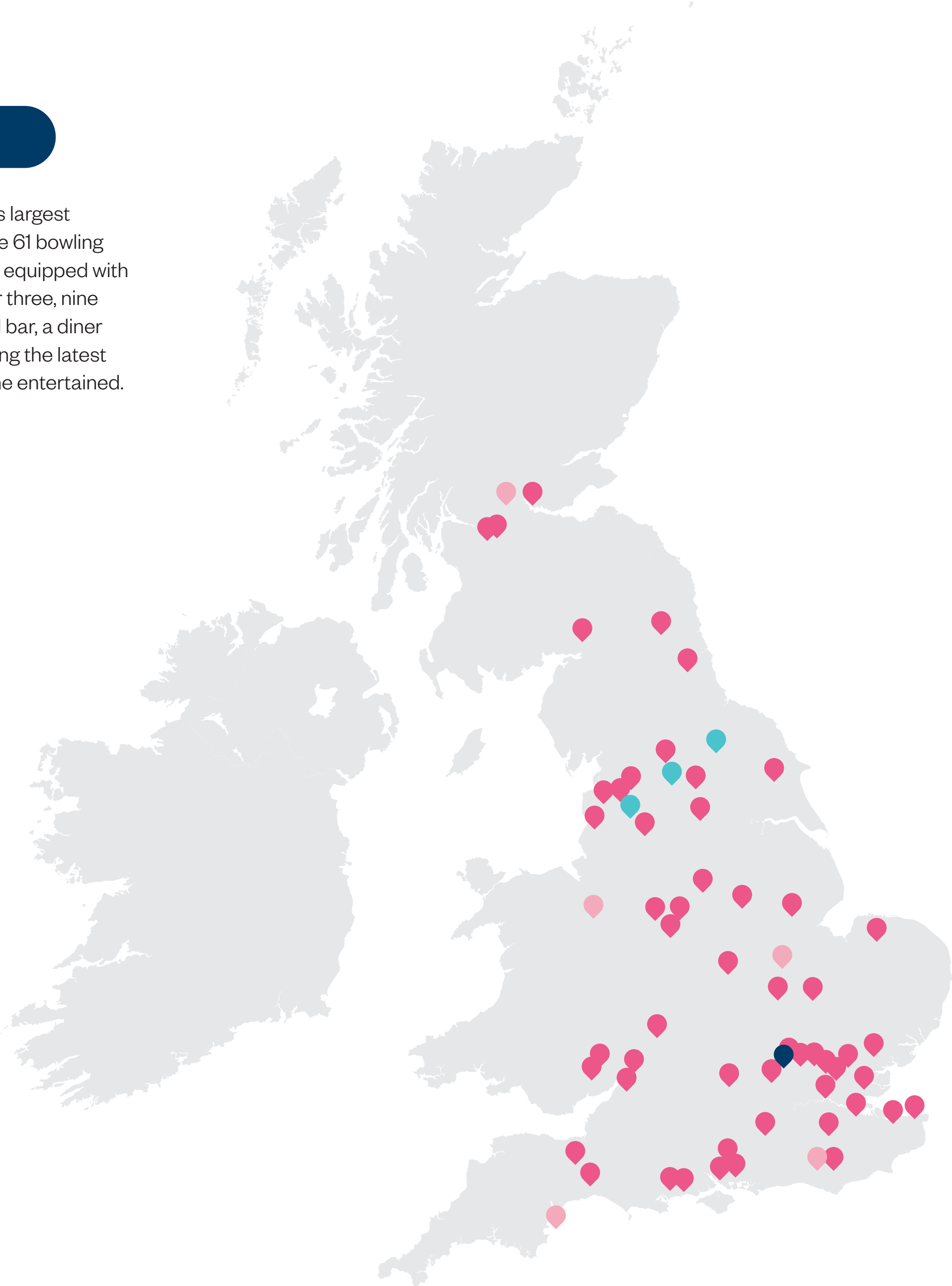
Hollywood Bowl Group is the UK's largest ten-pin bowling operator. We have 61 bowling and three mini-golf centres, each equipped with an average of 24 bowling lanes or three, nine hole mini-golf courses, a licensed bar, a diner and an amusements zone featuring the latest games designed to keep everyone entertained.

64

Centres open as of 30 September 2021

14–18

Target range of new centres opening before end of FY2024



Key

- Hollywood Bowl: 56
- AMF Bowling: 5
- Puttstars: 3
- Central support office: 1

Read more on **page 8**

Balance sheet strength

By driving revenues, continuing to achieve healthy margins and maintaining a strong balance sheet with low net debt, we continue to invest appropriately in enhancing and scaling our business

Read more on **pages 20 and 21**

Exciting growth pipeline

Alongside our ongoing centre refurbishment plan, we are targeting to open more new centres, which is backed by our rigorous and disciplined location selection process

Read more on **pages 20 and 21**

Customer focus

Our ten-pin bowling and mini-golf experiences provide fun and safe environments for people of all ages, and are evolved by customer insight and a culture of continuous improvement in all areas of the business

Read more on **pages 20 and 21**

Meeting challenges head on and delivering excellent results

"I was extremely proud of the way our team came together after another prolonged period of closure, and delighted that this summer, our centres were packed with happy and excited customers in a safe environment."

Peter Boddy, Non-Executive Chairman

Last year, I ended my statement with my belief that after an unprecedented year of disruption, it was the spirit and enthusiasm of our people that would be our greatest asset when it came to reigniting our momentum and success this year. My comments were proved right and I am extremely proud of the way our team came together after another prolonged period of closure, and also delighted that this summer, our centres across the country were packed with happy and excited customers in a safe environment.

In the face of two more nationwide lockdowns, we could have simply battened down the hatches and waited until the disruption had passed. Instead, we invested wisely, using the downtime to enhance our centres where possible and ensure that our offering was even stronger when our doors did reopen. Our strong performance since reopening in May and the enthusiastic feedback we have received from our customers and our team, shows that this was absolutely the right decision.

Just like last year, a large portion of FY2021 was spent with our centres closed and even when we were able to reopen in May, we did so with several COVID-19 restrictions in place. In July our centres were able to trade with no restrictions and we brought the whole of our team back to work, making the most of a remarkable summer period of trading.

The last two years have demanded strong and confident leadership from the Group's senior management, and the Board has been focused on supporting them and helping them make timely, well-informed decisions. The Board composition has remained stable in the post IPO period, and we decided to further strengthen the Board by appointing our Chief People Officer, Melanie Dickinson to the Board in October 2021. Melanie is a great asset to the team and I want to thank her and the other members of the Board for their valued contribution. We have a succession plan in place which will see new Non-Executives joining the Board, as existing Non-Executives rotate off, from FY2023. I look forward to the introduction of some new perspectives and ideas, as the Group begins another exciting period of growth.

> “I truly believe that we are best in class in our market when it comes to customer experience.”

Our CEO, Stephen Burns, and the rest of the senior management team have certainly had to make some strategically important decisions this year. Most notable amongst them was choosing to undertake an equity placing in March 2021. This bold move allowed the Group to raise gross proceeds of £30m from new and existing shareholders and has given us considerable scope in terms of executing our customer led strategy, doubling our new site pipeline, carrying out refurbishments on existing sites and restructuring our balance sheet as well as securing a new, more favourable bank debt facility. The decision has reinforced the underlying strength of our business and strategy and helped reaffirm the confidence our stakeholders have in our decision making and proven strategy. The Board and I are extremely grateful for their continued support.

A personal highlight for me has been the way the team has responded to another challenging year and embraced getting back to work and providing industry-leading leisure experiences for our customers. From having 98.6 per cent of our team furloughed in January, to bringing a large majority of our team back in May, our people have stood by the business and worked incredibly hard since our centres reopened. I have had the pleasure of visiting many of our centres this summer, and seeing them full of customers and enthusiastic team members was exhilarating.

28.6%
LFL revenue growth since May reopening

£20.1m
Record revenue month – August

1.97m
Record games / rounds played – August

Rewarding and supporting our team's hard work has always been a priority. This year, we introduced a new bonus scheme that rewards people for displaying the behaviours that align with our strategy, and provided all returning team members with a range of training and support to ensure they were ready to get back to work and felt safe in the working environment. We worked hard to make sure the whole Group was aligned around our purpose of bringing people together for affordable fun and safe, healthy competition, and there is a great sense of excitement around the opportunities ahead.

The last 18 months have provided a unique chance to reflect and strengthen the business. The work and investments we made during lockdown allowed us to hit the ground running when our centres reopened. We completed refurbishments on two centres and continued to roll out our innovative Pins on Strings system, which is reducing the number of faults by half and further enhance customer satisfaction. We have invested in our digital experience, including our website and CRM systems and the completion of the rollout of our new scoring system. I am also pleased with the progress we have made this year with our important sustainability initiatives and the development of our strategy in this area.

This summer saw very high demand from consumers. Despite only being open restriction free for two months, we achieved record activity for both a single day and an entire month and exceeded our FY2019 trading levels by 28.6 per cent on a like-for-like (LFL) basis. We saw an increase in the number of visits and an increase in the number of games played, as well as an increase in the average spend per game.

"We have a whole range of exciting opportunities for growth ahead of us."

17.4%

LFL games growth since May

£13.4m

Profit generated in H2 FY2021

Several factors contributed to this increased consumer demand, including weather conditions that encouraged indoor entertainment and the fact that many people opted for UK holidays rather than international travel. There also appeared to be pent-up consumer demand for safe, family-friendly and fun group activities. Positive feedback from customers shows that measures such as the lane seating dividers, as well as the exceptional service from our team, helped to create a relaxed and safe environment for our customers.

Looking forward to FY2022, we will continue to roll out new centres for both Hollywood Bowl and Puttstars, as well as driving improvements in our offering and customer service. We are constantly reviewing the opportunities available to us, and by ending the year in a strong cash and liquidity position, we are in a great place to move fast to capitalise on the opportunities ahead.

I truly believe that we are best in class in our market when it comes to customer experience, and with such a well-organised, high-quality and focused team, we can extend our leadership position further in FY2022.

When we look back on how important our team has been this year, I feel it is also important to acknowledge others that have contributed to our success. On behalf of the Board, I want to thank all the suppliers, landlords, partners, shareholders, government bodies and other stakeholders that have worked with us to ensure our business was not only able to weather the storm but emerge from it stronger. With a whole range of exciting opportunities for growth ahead of us, I hope you will continue to share in Hollywood Bowl Group's success in the years ahead.

Peter Boddy
Non-Executive Chairman

Image credit: Inspired Media

Q+A with Peter

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

Q

What do you think was driving customer demand in the summer?
At Hollywood Bowl Group we have always been fully committed to providing a welcoming, inclusive experience to everyone. From the young to the old, we always want our centres to be fun and safe places. This summer, fewer people were travelling abroad and many families were looking to maximise their time together after months spent in lockdown and continued pandemic-related restrictions. The wet weather also meant people were looking for indoor activities. Importantly, I think that the safety measures we had in place gave people the confidence to continue enjoying themselves in a fun environment as they always do in our centres.

Q

Why was continuing to invest in refurbishments and technology during the closures so important?
It was essential for the Group to keep moving forward and to take steps towards delivering on our strategic and operational goals for FY2022. Proactively improving our offering not only meant that when customers did return, our offering was better than ever, but it also demonstrated to our team that the business was still focused on continuous operational improvement. The ways we have invested will have lasting impacts on the business and have positioned us for a period of organic growth over the coming years. Evolving an efficient and streamlined digital journey, as well as continuing to apply innovative solutions like Pins on Strings to more centres, remains an ongoing focus.

Q

Are there any changes that were made as a response to COVID-19 that you think are going to remain in place?
There have been a range of health and safety measures introduced over the last 18 months, and customers have responded well to the majority of them. We will be continuing to have bowling balls available for individual lanes, and we will also be maintaining our increased cleaning measures. Overall, the lane seating area dividers have been the biggest hit. Although originally conceived as a temporary measure, we took the decision to integrate them into our interior design and customer feedback shows that it enhances the experience. The dividers are likely to remain in place for the foreseeable future.

Q

What are you most excited for in FY2022?
We are entering FY2022 in a really strong cash and liquidity position which means we can operate with confidence. As well as accelerating our new property pipeline and continuing to roll out our innovative Puttstars concept across the country, the Group is constantly reviewing the adjacent leisure space opportunities in the UK and further afield. The strength with which we ended the year means that we have the capability, capacity and ability to take on new challenges and exciting opportunities if and when they present themselves. For me, that is an incredibly exciting position to be in, particularly when taking into account the challenges we have overcome during the last 18 months.

The complete entertainment experience

The Group operates 1,453 ten-pin bowling lanes in 61 high-quality centres located across the UK

9.6%

LFL SPG growth since reopening in May 2021 compared to FY2019[1]

Games played (m) – bowling centres

2021	6,960,526
2020	7,826,716
2019	13,475,286
2018	13,068,664

Spend per game (£) – bowling centres

2021	10.06
2020	10.08
2019	9.64
2018	9.22

Market-leading brand

The ten-pin bowling market is part of the UK's diverse 'out of home' leisure sector. Its popularity is based around offering a competitively priced experience that appeals to a broad range of consumers.

Hollywood Bowl is the market leader in the UK and is our flagship brand. Its centres are predominantly located alongside cinemas and casual dining sites in out of town multi-use leisure parks, or adjacent to large retail parks. Our secondary AMF brand has centres in standalone locations.

Customer insight

Our market research and post-visit digital customer experience programmes provide clear and fast visibility on satisfaction levels. This means we are always ready to react quickly to any operational issue or respond to wider customer trends in our drive for continued improvement. Of note in FY2021, customer feedback directly led to the retention of our bespoke lane seating dividers after social distancing regulations were lifted.

Our teams

Our team members are key to delivering on our purpose and our sales and service ambitions. Our in-house development and training programmes attract, retain and nurture top talent. Our centre teams are rewarded for displaying our cultural behaviours through our coveted pin badge scheme and financially incentivised based on customer feedback, recycling targets and financial performance.

hollywood bowl

AMF BOWLING

£1.4m

Invested in COVID-19 secure measures for team and customers

77%

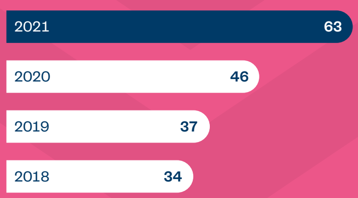
Of centre teams receiving a bonus since reopening in May 2021

1 LFL SPG is total bowling centre revenue divided by the number of games excluding any new centres and closed centres. New centres are included in the LFL growth calculation for the period after they complete the calendar anniversary of their opening date. Due to the restrictions in FY2020, LFL SPG is compared to the same period in FY2019.

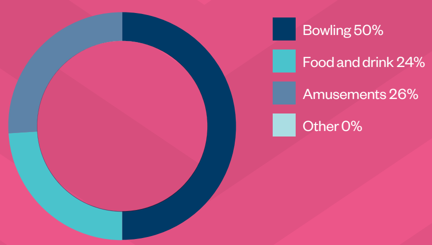
£8.0m

Record monthly online revenue – achieved in August

% of bowling revenue booked online



FY2021 revenue mix



Diverse revenue streams

Alongside bowling, our food, drink and amusements offerings give our customers a complete entertainment experience and provide more reasons to visit, increase dwell time and secondary spend.

We continue to enhance the bar and diner experience for our customers. The reduced menu, which was introduced in response to COVID-19 operating restrictions, has seen some evolution but continues to deliver strong quality and speed of service scores.

Amusements remains an area where innovation and new product development are key and we work closely with our partner, Namco, and our in-centre games keeper teams to drive further revenues from our family-focused offering, in addition to expanding the footprint of our amusement areas in high-lineage centres through reconfiguration as part of our centre refurbishment programme.

Digital customer journey

We continued to evolve and increase our investment in a wide range of digital solutions and marketing activities to enhance many stages of the Hollywood Bowl experience and customer journey.

These included the estate wide rollout of a new scoring system which is integrated with our CRM programmes, a new Customer Data Platform (which enables increased quality of engagement with our database of 1.79 million contactable contacts) and enhancements to our mobile-focused booking platform and infrastructure and in-centre food and drink ordering system. We also continued the rollout of digital leaderboards and bar and reception screens as an integral part of our refurbishments.

Our targeted customer awareness, acquisition and retention programmes use automated digital technology to engage prospects and customers before and after their centre visits through numerous social and digital media channels.

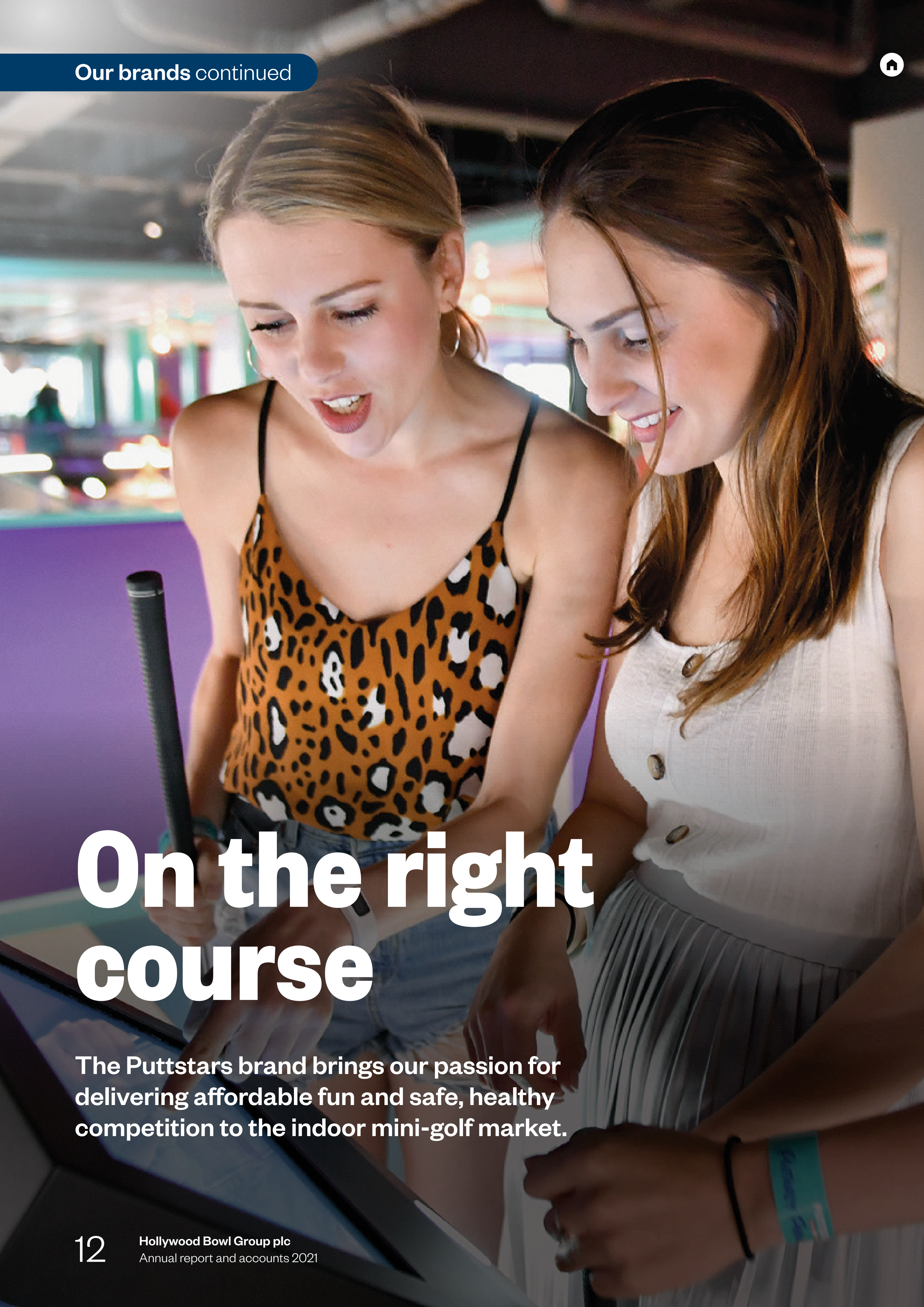
Digital channels remain a key strategic focus area and are an increasing source of revenue (accounting for 63 per cent of bowling revenue in FY2021), enhancement of the wider customer experience and increased brand engagement.

1.79m

Contactable contacts on database for use in CRM programmes

230,000

Hollywood Bowl Group and centre Facebook followers



On the right course

The Puttstars brand brings our passion for delivering affordable fun and safe, healthy competition to the indoor mini-golf market.

4

Centres exchanged for opening before end of FY2024

98%

Of customers were highly satisfied or satisfied with their experience since May reopening

30

Potential high-quality locations for UK market rollout

PUTTSTARS

11,000

The top score you can achieve with our digital scoring system

18,000 sq.ft

Typical unit size required for a three-course Puttstars centre

In line with our strategy of leveraging our indoor leisure experience to widen our profitable growth opportunities, we launched a new brand and opened three Puttstars mini-golf centres in FY2020.

As with bowling, mini-golf appeals to a broad range of consumers. The market is highly fragmented with more than 1,000 indoor and outdoor locations in the UK, with the vast majority run by independent operators.

An innovative offering

Each centre offers a diverse experience with three nine-hole interactive courses and bar, diner and amusement areas. Unique course designs are complemented by creative use of technology.

Using experience gained from our bowling operations, digital channels form an integral part of the Puttstars customer journey and marketing approach. A unique, bespoke scoring system introduces digital gamification and replaces the traditional pencil and scorecard method. In-centre installations, like our course leaderboards, encourage increased dwell time and ancillary spend on food and drink as well as giving our customers content for their social media accounts.

An encouraging launch

Since launch, customer and team member feedback has been overwhelmingly positive and the brand has traded in line with expectations since the centres reopened in May.

Outlook

We are very excited about the long-term opportunities the brand presents for organic and new centre growth. Whilst we will maintain the Group's focus on securing prime locations, mini-golf has more flexible space requirements than bowling.

We are pleased to have an exchanged pipeline of four new centres to the end of FY2024, including opening in some markets where we already have a bowling centre present.

A strong recovery to open the door for accelerated growth

"We are well positioned to accelerate the rollout and refurbishment programme of both the Hollywood Bowl and Puttstars brands."

Stephen Burns, Chief Executive Officer

We began the financial year with our centres trading under severe restrictions, then by the end of December all our centres were closed and nearly 99 per cent of our team were put on furlough. Ending the year, our position could not be more different. We enter FY2022 with all centres open and I am delighted with the strong start we have made to the new financial year; we have a strong balance sheet and significant free cash flow and are well positioned to accelerate the rollout and refurbishment programme of both the Hollywood Bowl and Puttstars brands. I believe that the growing demand for experiential leisure will continue and accelerate over the coming years. The Hollywood Bowl Group is ready to benefit from this demand with our high-quality, differentiated, all-inclusive and affordable experience, delivered in a well-invested and well-located estate.

Managing the continued impact of COVID-19

As a Group we spent over half of FY2021 closed due to prolonged lockdowns and have only operated restriction free for just over two months. This has had a significant impact on our financial performance, as it did in FY2020. Whilst continued government support through furlough, local government grants and business rates relief helped us mitigate the effects of six months of closure, this period still meant zero revenue for the Group. Unlike other businesses, we had no option to pivot to a takeaway business model or offer an online product or service, so it was essential that when we were finally able to reopen, we really made it count.

Our centres in England and Wales opened from 17 May 2021 with capacity and experience restrictions in place; these restrictions were lifted on 19 July, leaving just over two months of restriction-free trading during FY2021. Our revenue for the year was £71.9m, down 9.6 per cent compared to FY2020. Taking into account the fact that centres were closed for over half the year, as well as other trading restrictions, it was very pleasing to record Group adjusted EBITDA of £30.6m in FY2021. I am hugely proud of everything we have achieved this year, and especially to be able to report a profit in a financial year that presented us with one challenge after another.

Among those challenges were the well-documented supply chain and labour issues affecting the hospitality sector in the post-lockdown period. By bringing in the simplified food menu launched after the first lockdown, coupled with a very robust and well-practised COVID-19 rota plan, we were able to ensure that no centres were closed due to product or labour shortages.

Customers have been very positive about our COVID-19 secure measures like increased sanitation and cleaning, lane seating area dividers, unique bowling balls per lane and the at-lane and at-table food and drink order systems, so these will remain in place.

Capital allocations policy

1 Operating and capital productivity

2 Net operating cash flow

- Maintenance capital
- Strong balance sheet
- Minimum 50 per cent payout ratio dividend

3 Excess cash

4 Maximise returns and value

- Organic development
- Acquisitions and new developments
- Additional dividend amounts
- Share buy-backs
- Appropriate bank debt

What we said we'd do in FY2021

- Renegotiate banking facility
- Restart refurbishment process
- Strong cost discipline during lockdown

What we achieved in FY2021

- Successful equity placing
- New banking facility
- Continued investment in the estate
- Strong cost management

What to expect in FY2022

- Five to seven refurbishments and four new centre openings
- Accelerated rollout of Pins on Strings
- Continued digital investment

Capitalising on pent-up demand

Following the reopening of our business after the end of the third lockdown, our focus was on creating a safe, fun environment for both our customers and our team. We streamlined the online booking process and made sure our team members were well trained and engaged and had the support they needed to operate the centres. Initial demand over the summer was very high, and we have recorded both record days and months in terms of consumer activity.

We are grateful to the government for the success of the vaccine programme as well as the continued support it has offered businesses. The vaccine programme was a decisive factor in making consumers feel safer about getting back to the activities they love, but increased levels of staycations, wet weather, weaker competition and the safety measures we put in place also played a part in our success since reopening.

Trading during the months post the final lockdown in FY2021 was very encouraging with LFL sales vs FY2019, up 28.6 per cent for the period post 17 May. When all restrictions were relaxed, LFL sales continued to grow, with August up over 50 per cent compared to August 2019. Sales growth was primarily footfall driven, as new and returning customers visited our centres. LFL spend per game increased by 9.6 per cent compared to the same period in FY2019, to £10.29, as customers extended their dwell time and product and sales initiatives, launched at the time of the reopening, bore fruit. The LFL numbers were also marginally buoyed by the VAT benefit of circa 3.0 per cent on food and drink revenues.

> "Following the reopening of our business after the end of the third lockdown, our focus was on creating a safe, fun environment for both our customers and team."

A loyal and engaged team

The hard work and dedication shown by our team in every part of our business has not just been a source of inspiration and pride, but a vital part of our ability to take full advantage of the summer surge in demand. They stepped up to deliver incredible results and great customer experiences in some very challenging circumstances. A large part of this was the willingness of team members to lend a hand at all levels of the business.

We brought our teams back in May, two weeks before reopening, to make sure we were fully prepared and our team had all of the additional training and support they needed in order to reopen successfully.

Despite this, like most of the hospitality sector, we saw some pandemic-related disruption to our workforce. One of the creative solutions we implemented was a roaming team ready to drop in to plug capacity gaps wherever they were needed.

£10.29

LFL SPG +9.6% vs FY2019

£3.6m

Expansionary capital expenditure in FY2021

Q+A with Stephen

We ask CEO Stephen Burns about mini-golf, strategic progress and reopening the estate.

Q

How do you think Puttstars has performed, considering it only launched a few weeks before the pandemic?

I am really pleased with the way Puttstars has performed so far and I am excited about the opportunity ahead. It is testament to the strength of the underlying proposition but also the carefully considered strategy that we put in place. Whilst performance varied by centre, the overall brand delivered ahead of its pre-pandemic plan, which gives us confidence moving forward with our rollout. We have delivered against our KPIs, including dwell time and level of spend. Puttstars represents a fantastic opportunity to deliver an all-inclusive family experience which can also appeal to a younger adult market, and I look forward to seeing how it performs under hopefully more 'normal' circumstances.

Q

What were your priorities for the business whilst the centres were closed?

At the start of 2021, 98.6 per cent of our team were furloughed with the senior leadership team running the business. It was a challenging time for us professionally, but I felt it was really important to keep the wheels turning. We focused on some important strategic priorities, including the equity placing in March 2021, the development of our ESG strategy, expanding our new centre pipeline and evaluating UK and international acquisition opportunities. Alongside these, we invested in refurbishments and improving our digital experience as well as negotiating with landlords and government bodies to mitigate the impact of closure periods.

Q

Reopening the centres in May 2021 must have been an exciting period for you and the team. Can you walk us through your thoughts at the time?

Confidence was high for a number of reasons, both across our team and customer base. As a Group, we knew that we were well prepared and that the work we had done during the lockdowns meant our offering was stronger than ever. The success of the vaccine rollout, as well as the measures we put in place to protect consumers, gave people the confidence to have fun in our centres. Other factors were very clear guidance from the government, as well as both team members and customers being much more practised when it came to restrictions. This all came together to create a great environment when we opened.

Q

Do you expect the dividend to be reinstated next year?

The financial impact of COVID-19 on the Group was clearly significant, and required us to focus on cash conservation and readying the business for a return to trade. We finished the financial year with some excellent performance behind us and a healthy balance sheet. We have always managed our business for the long term and will continue to do so, and the Board will continue to assess the most appropriate use of the Group's financial resources to enhance shareholder returns, with a view to returning to our wider stated capital allocations policy as soon as is appropriate.

A loyal and engaged team continued

We have endeavoured to reward our team's exceptional hard work this year and to support them however we can. We launched a bonus scheme based on individual behaviour rather than financial targets and worked hard to make sure that success was recognised quickly. Additionally, a range of other ad-hoc measures were introduced, such as handing out food and drink packs at the start of the day and giving the entire Group time off to watch England playing in the final of Euro 2020. As part our ongoing reopening activities, we reinstated our talent development programmes, with 13 new candidates joining our Centre Manager in Training programme, and 47 candidates joining our Assistant Manager in Training programme.

All of this hard work over the last year has really paid off. Not only do we enter FY2022 in a strong position financially, but our customer feedback since reopening has been strong with an overall net promoter score 8 percentage points higher than that achieved in 2019.

> "Sustainability is about much more than ticking boxes. It cuts right to the heart of the way we want to operate as a business."

Continuing to invest in innovation and growth

The equity placing that took place in March 2021 was a very important accomplishment for the Group this year, raising £30m in gross proceeds. I am very grateful to the investors that supported us, as this equity finance gave us the headroom and flexibility we needed to continue pursuing our strategic goals. When combined with our available debt facilities and cash generation, we were well positioned to move forward with our investment programme during the lockdown period. We were also able to commit to cost-saving and revenue-generating capital projects and accelerate our new opening pipeline for Hollywood Bowl and Puttstars, while maintaining very low levels of leverage.

Despite the business being out of action for over half the year, we have been able to drive improvements at every level.

Full centre refurbishments were completed in Basildon and Stevenage with amusement enlarging works in The O2 and Cheltenham. The ongoing rollout of Pins on Strings is continuing to enhance the customer experience by reducing the number of game faults by half. Investment in optimising our digital customer journey, including our internal CRM and backend architecture, has improved the online booking process and our ability to engage with customers. This was essential this year, as we saw online bookings jump from pre-pandemic levels of circa 35 per cent of all bookings, to reaching levels in excess of 70 per cent. And, of course, we continued to invest in our people, including a variety of new roles across our support teams.

A special mention must go to the Puttstars team. Launching a new concept just before COVID-19 was not ideal, but for a brand that has only ever operated in a pandemic environment Puttstars has still managed to outperform our expectations.

33%

Self-generated electricity in centres with solar panels

71.6%

Of our waste was recycled in FY2021

> We have managed to lay the foundations for an exciting period of renewed growth for the Group."

In terms of customer type, dwell time, level of spend, quality of location and feedback, the three sites opened have been a great success. Part of this performance can be attributed to the favourable environment of increased consumer demand, but it also highlights the underlying strength of our proposition and strategy. We will continue to roll out new locations in FY2022 and beyond.

Moving forward with our sustainability strategy

Despite the disruption of the pandemic, we have continued to work towards our ambitious sustainability goals. During FY2020 and the lockdowns at the start of this financial year, we were unable to move forward with our programme of solar panel installations on our sites. I am pleased to report that the planning process has been restarted and three installations were completed in FY2021, with more planned in FY2022.

Sustainability is about much more than ticking boxes. It cuts right to the heart of the way we want to operate as a business. We are on track to meet our 70 per cent recycling target in FY2022, having achieved it in FY2021. Reaching this goal means making sure that the waste we generate, and the materials provided to customers, are sourced and dealt with in a sustainable way. This goal has been included in our team member incentive schemes to help build and keep momentum and to push for further improvements in the years to come.

We have also evolved our wider ESG strategy this year, highlighting the areas of our business where we can make the most impact. The key sustainability pillars of providing safe and inclusive leisure destinations, an outstanding workplace and sustainable centres are aligned to our overall business strategy. We have made good progress in all of these areas and our whole team is focusing on maintaining this momentum moving forward.

Ready for an exciting year

FY2021 has been a challenging year, but also a rewarding one. I want to thank everyone that has contributed to the Group's impressive performance this year.

Despite our business being closed for a large part of the year, we have laid the foundations for an exciting period of renewed growth for the Group. We are well placed to continue our exciting rollout programme for both Hollywood Bowl and Puttstars and are also reviewing domestic and international acquisition opportunities.

£55m

Liquidity available at end of FY2021

£21m-£23m

Planned capital expenditure for FY2022

It is fantastic to be entering FY2022 with a proven strategy, a motivated and engaged team and a strong cash and liquidity position for investment in technology, infrastructure and people.

Now is the time to celebrate our achievements and look forward to an exciting year ahead. We are very pleased with our first two months performance and expect to be in line with the Board's expectations for the financial year ending 30 September 2022.

Stephen Burns
Chief Executive Officer

An unrelenting focus on delivering the best experiences

What sets us apart

Successful brands
We operate a portfolio of bowling and mini-golf centres across the UK under our flagship 'Hollywood Bowl' brand, 'AMF Bowling' and our emerging 'Puttstars' brand.

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 and landlords ensure that we maintain a strong pipeline of potential new sites.

Strong balance sheet
By driving revenues, continuing to achieve healthy margins and maintaining a strong balance sheet with low net debt, 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 which enhances their visit and also increases reasons to visit, dwell time and secondary spend.

Read more on our purpose IFC

Our ESG strategy: 1. Safe and inclusive leisure destinations

Where we invest

Investment	Link to strategy
Customer experience • Safe and secure environments • Technology to enhance the wider customer journey • Centre maintenance and upgrades • Centre refurbishments and reconfigurations • Customer insight programme	1 Delivering like-for-like revenue growth 2 Actively refurbishing our assets
Growth • New centre developments • Broadening the appeal to new and existing customers through marketing programmes and market expansion • Acquisitions • Evaluating new markets	3 Developing new centres and acquisitions 5 Leveraging our indoor leisure experience
People • A fair deal for our team members • Extensive training and development • Team engagement and wellbeing programmes	4 Focusing on our people

Value creation

Our customers
We strive to deliver 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 and satisfaction measures to ensure our customers enjoy the best possible experience. Management programmes are in place to attract, retain and nurture top talent.

Our partners
We support a wide eco system 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.

2. Outstanding workplaces

3. Sustainable centres

Read more on **pages 36 to 43**

Working with our stakeholders Section 172

Effective engagement. Considered collaboration.

Considering all 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 long-term business success.

The disruption caused by the pandemic and the government restrictions to address it has made working as closely as possible with our stakeholders more important than ever.

Our key stakeholders

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

- **its team members (employees);**
- **customers;**
- **investors;**
- **suppliers and partners;**
- **lending banks; and**
- **the communities in which it operates and the environment**

Read more on the Business model on **pages 20 and 21**

Read more on Sustainability on **pages 36 to 43**

Read more on Governance on **pages 54 to 58**

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 will 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 54.

In response to the outbreak of 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.

Here are the details of our stakeholder groups, the activities in FY2021 and the outcome of the engagement.

Our team

Our team are key to our business success and the driving force behind our positive customer feedback. They are principally responsible for the experiences our customers look forward to, and revisit us for.

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.
- Whilst the Group has been unable to hold its annual conference during the COVID-19 pandemic, the Directors have remained in contact virtually using our communications platform.
- Due to lockdowns, the usual bi-annual feedback sessions between management and team members were reduced to one event in FY2021. Virtual Q&A sessions were held regularly throughout the year.
- The Board's diversity policy is detailed on page 60. Diversity is a key consideration of the Board's succession planning.

How we engaged with them during FY2021

- As the majority of team members were furloughed at some point during FY2021, our Fourth Engage platform enabled us to share regular updates as well as gather feedback.
- Virtual sessions were held nationally and regionally throughout the year.
- Virtual training sessions ensured team members were up to speed with changes being implemented due to COVID-19, as well as retraining all team members on the key areas of their roles.
- Since the reopening in May 2021, we have undertaken employee engagement surveys and pulse surveys. The results were presented to the Board in September 2021 and action plans are being compiled at all levels of the business.

Outcomes of engagement during FY2021

- Fourth Engage enabled us to launch our internal training and wellbeing initiatives to support our team throughout both lockdown and the return to work.
- Microsoft Teams and Fourth Engage were used to provide e-learning content and messages to all our team members.
- The outputs of the engagement surveys were considered by the Board and senior leadership team, resulting in actions being identified and put in place. A follow-up pulse survey will be undertaken within the first half of FY2022.

Our customers

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

What is important to them

- A great value visit every time.
- A COVID-19 safe environment.
- Excellent customer service.
- 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 parts of all bonus schemes from team member 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 FY2021

- We kept our customers updated through clear email and social media communications in the closure periods. We offered all booked customers the chance to reschedule their booking or receive a full refund in the event of closures. All gift card expiry dates were extended.
- We clearly communicated our COVID-19 secure protocols throughout the year.
- Regular feedback and monitoring ensured safety standards and expectations were being met.

Outcomes of engagement during FY2021

- We saw improved overall satisfaction scores from our customer visits after reopening.
- Our COVID-19 secure protocols were signed off by our health and safety experts and rolled out across the estate. The majority of our centres received visits from local authorities during the reopening period, and received positive feedback on our operating protocols.

Our investors

Our investors have provided capital for growth into a business that has consistently delivered returns through a proven strategy, led by an experienced senior leadership team.

Investors are also 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, the measures taken to mitigate the financial impact of COVID-19 and team member support.
- Regular engagement with management.
- Growth of share price and dividend returns data.
- 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 broker, Investec.
- The Board welcomes questions from our shareholders at any time.
- The Remuneration Chair continues to consult shareholders on any future major changes to its Policy. The Remuneration report can be found on pages 67 to 86.
- The Board remains focused on the Group's ESG initiatives. The sustainability report is on pages 36 to 43 and corporate governance report on pages 54 to 58.

How we engaged with them during FY2021

- The AGM was held virtually for the first time in January 2021, due to COVID-19 restrictions.
- Investor relations during the year consisted of meetings with our current and prospective shareholders, presentations given to shareholders upon the release of annual or interim results and feedback from brokers following investor engagement.
- A full roadshow was carried out in relation to the successful equity placing in March 2021.
- In FY2021, the Remuneration Chair met with many of our investors in relation to our remuneration policy.

Outcomes of engagement during FY2021

- We provided regular updates on our COVID-19 response to our shareholders.
- Our shareholders supported us in the equity placing in March 2021, in which we issued a further 13,043,480 shares. This funding allows us to continue with our investment programme into the core estate and new centres, as well as aiding in the new lending agreement outlined in the financial review on pages 33 to 35.
- The Board did not recommend a dividend for FY2020 and does not recommend a final dividend for FY2021, as a cash preservation measure due to COVID-19. The Board's view on future dividends is outlined in the financial review on page 35.
- Swift action was taken on remuneration including salary and fee reductions and deferrals. FY2021 will see no bonus or LTIP payments to Executive directors.
- We have made further progress in our ESG strategy and initiatives.

Our suppliers & partners

Our partnerships extend beyond the small number of main suppliers we have for IT services, amusements, food and beverages to also encompass our landlords.

We expect high ethical standards from every supplier and partner we work with.

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.
- Executive directors held discussions directly with our main suppliers to develop joint plans during the closure periods.
- 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 FY2021

- The Executive Directors continued to closely engage with landlords to agree revisions to payment schedules in relation to the March 2021 rent quarter.
- We actively manage our supplier relationships and have worked with our major suppliers through the pandemic to minimise costs and disruption.
- 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 Payment Practices Report twice a year and Gender Pay Gap report once a year.

Outcomes of engagement during FY2021

- We maintained positive relationships with our major suppliers and landlords throughout FY2021.
- During FY2021 we managed to reduce discretionary costs and rental payments by over £4m, through negotiations and agreed concessions.

Our lending banks

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

What is important to them

- Regular monthly reporting, including 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 FY2021

- We provided regular monthly updates on company performance and reported on debt covenant look forwards.
- During the second half of FY2021, we entered discussions with Lloyds Bank Group plc and Barclays plc to provide a new banking facility for the continued investment in the Group's strategy.

Outcomes of engagement during FY2021

- In July 2021 the Board agreed to proceed with Barclays on a new facility agreement.
- This new agreement was signed before the end of the financial year, for a term of 39 months.
- The new facility is a £25m revolving credit facility (RCF) with lower margin rates and looser leverage covenant tests than the previous facility. There is also an agreed £5m accordion.

Our communities & environment

We take pride in being an active part of our communities, with school outreach programmes, concession discounts and charity fundraising.

We always take into account the environmental impacts of business operations and strategy.

What is important to them

- A positive contribution to local communities through employment and amenity provision.
- Ongoing support for local and national charities.
- Energy efficiency and sustainable working practices.

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 FY2021

- We worked closely with all of our local authorities during COVID-19 visits, as well as actioning any points raised effectively.
- Our Sustainability report details our environmental strategy, activities undertaken and future initiatives. This can be found on pages 36 to 43.

Outcomes of engagement during FY2021

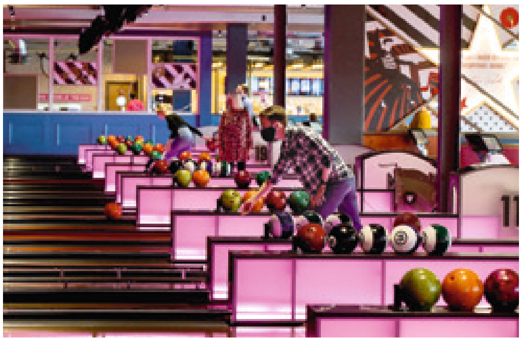
- Our COVID-19 secure protocols were developed in close conjunction with the DCMS, UK Hospitality and the TBPA as well as our Primary Authority.
- We continued with our investment into solar panels, with three installations completed during FY2021.

Responding to a changing landscape

Our position as UK market leader in both the ten-pin bowling and competitive socialising markets enhances our ability to respond to changing market dynamics. There are a number of emergent trends which we see as important opportunities for the Group.

Emergence of competitive socialising

As consumers are returning to pre-pandemic spending, they 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

Through our active refurbishment programme and the introduction of innovations like our scoring systems, leaderboards, and new mini-golf concept, we are continuing to set the standard for competitive socialising in our nationwide locations.

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 proactive and successful partnerships with landlords, alongside our unique customer experiences, means we are considered key existing and potential new anchor tenants alongside cinema and casual dining operators.

Link to strategy 1 3

Strategic report

Key to strategy

1. Driving like-for-like revenue growth
2. An active refurbishment programme
3. Development of new centres and acquisitions
4. Focusing on our people
5. Leveraging our indoor leisure experience

See our strategy on **pages 28 and 29**

Low market penetration

In the UK, ten-pin bowling has historically been a relatively low-frequency activity and, with 327 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

In the last year, we have worked closely with agents and landlords to double our new centre pipeline which will enable us to accelerate the expansion of our market coverage into prime locations for both the Hollywood Bowl and Puttstars brands.

Link to strategy 3 5

Sector consolidation

Well-capitalised businesses can increase their share of the wider leisure market as financially challenged operators become less competitive or exit the market.

Opportunity

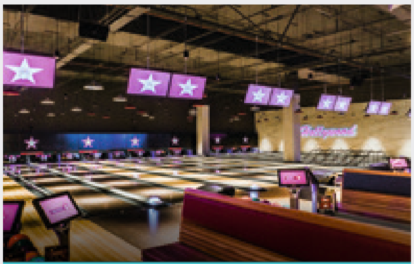
This trend and the associated opportunities are expected to accelerate due to the COVID-19 pandemic and the resultant trading and liquidity pressures experienced by many operators in the leisure and hospitality sectors.

Response

The wider leisure market remains highly fragmented with many independent operators in existence. Whilst in the bowling sector there are only 21 independent centres with more than 16 lanes, we continue to closely monitor wider opportunities of varying scale with our strict high-quality location criteria guiding our evaluations, both in the UK and internationally.

Link to strategy 3 5

A proven strategy



Driving like-for-like revenue growth

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

Progress in the year

- In FY2021 our LFL revenue (from May 2021 reopening vs same period in FY2019) was up by 28.6 per cent.
- Investments were made across the Group to improve customer experience – including the website, a new CRM platform and the rollout of a new scoring system
- During restriction-free trading the Group recorded both record days and months in terms of consumer activity and LFL revenue

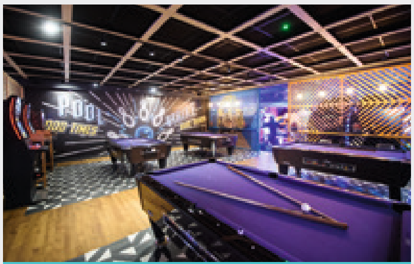
Priorities

- Further investments in technology, the digital customer journey, marketing, developing our people, optimising space and lane capacity

28.6%

LFL growth from May 2021 reopening vs same period in FY2019

Link to risks 1 3 6 7



Actively refurbishing our assets

Investing in the customer experience creates improved sales and profitability at existing centres. Our upgrades attract new customers and increase customer satisfaction and encourage repeat usage.

Progress in the year

- Full centre refurbishments were completed in Basildon and Stevenage, with amusement enlarging works in The O2 and Cheltenham
- Pins on Strings installed in a further six centres
- Glasgow Springfield Quay full refurbishment completed in November 2021

Priorities

- Six refurbishments to be carried out in FY2022
- The continued rollout of Pins on Strings to improve games per stop (GPS)

3

Centres refurbished in FY2021

Link to risks 1 6 7

Developing new centres & acquisitions

We actively explore growth opportunities via new build centres and through acquisition and rebranding of the sites of other operators.

Progress in the year

- We have doubled our new centre pipeline to take advantage of our leading position in the sector and favourable market trends
- On site in Birmingham Resorts World and Belfast (Hollywood Bowl) and Harrow (Puttstars), which will open in FY2022

Priorities

- Opening of four new centres in FY2022 and at least a further ten centres by the end of FY2024
- Continuing to work with landlords to grow our pipeline beyond FY2024
- Continuing review of UK and overseas acquisition opportunities

14-18

New centre openings targeted by end FY2024

Link to risks 2 7 9

Image credit: Inspired Media

Focusing on our people

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

Progress in the year

- The full team was brought back to work on full pay in June, after 98.6 per cent were furloughed in January
- All team members were provided with tailored training and support before centres were reopened
- New bonus and incentive schemes were introduced for all team members

Priorities

- Training, development, internal succession planning and team wellbeing
- Continuing to attract and retain the best talent in the leisure industry

49%

Of management positions filled internally

Link to risks 4 7 9

Leveraging our indoor leisure experience

We believe there are potential sustainable, profitable growth opportunities through acquisition or organic expansion into other indoor leisure sectors.

Progress in the year

- Strong trading levels for the new Puttstars brand when the centres have been open
- Excellent customer and team member feedback

Priorities

- Evolution of the Puttstars brand through insight led brand positioning, centre environment and customer proposition enhancements
- Opening of two Puttstars centres in FY2022, with five planned by FY2024
- Continuing the review of adjacent market opportunities

79%

Customer net promoter score since Puttstars reopened in May

Link to risks 2 4 5

Key to risks

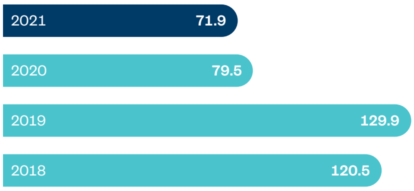
1 Revenue
2 Covenant breach
3 Business interruption (Finance)
4 Core systems
5 Supplier (non-amusements)
6 Amusement supplier
7 Management recruitment & retention
8 Food safety
9 Business interruption (Operations)
10 GDPR & cyber security
11 Compliance

See our risks on **pages 44 to 49**
See our markets on **pages 26 and 27**

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

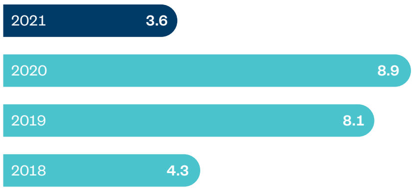
Revenue (£m)
-9.6%



Definition
Revenue is generated from customers visiting our centres to bowl or play mini-golf, and spending money on one of the ancillary offers – our amusements, diner or bar.

Comment
Revenue was impacted by the COVID-19 closure of over six months, as well as the restrictions once reopened. Revenue decreased by 9.6 per cent to £71.9m.

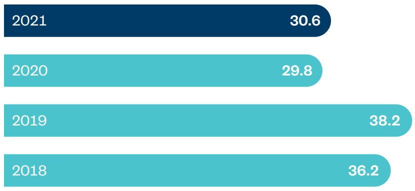
Revenue-generating capex (£m)
-59.0%



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

Comment
Revenue-generating capex decreased by 59.0 per cent (£5.3m) due to lower spends on new centres and refurbishments.

Group adjusted EBITDA (£m)
+2.5%



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 34. There are no exceptional items in FY2021 or FY2020.

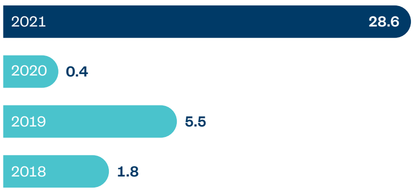
Comment
Group adjusted EBITDA increased by £0.8m. Government grant income of £2.8m is included in Group adjusted EBITDA for FY2021.

Profit before tax (£m)
-61.4%

Definition
Profit before tax as shown in the Financial Statements.

Comment
Profit before tax fell due to the impact of COVID-19.

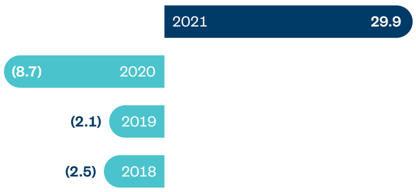
Like-for-like revenue growth (%)
+28.2% pts



Definition
LFL revenue growth is total revenue excluding any new centres and closed centres. New centres are included in the LFL growth calculation for the period after they complete the calendar anniversary of their opening date. Due to the restrictions in FY2020, LFL revenue is compared to the same period in FY2019.

Comment
LFL revenue has increased 28.6 per cent since the reopening on 17 May.

Net cash/(debt) (£m)
N/A



Definition
Net cash/(debt) is defined as cash and cash equivalents (£29.9m) 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 since reopening and tight cost controls during the lockdown, as well as the equity placing completed in March.

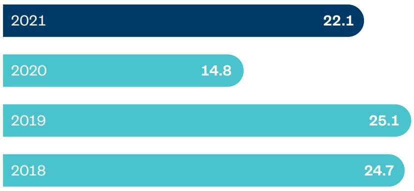
1 Some of the measures described are not financial measures under Generally Accepted Accounting Principles (GAAP), including International Financial Reporting Standards (IFRS), and should not be considered in isolation or as an alternative to the IFRS Financial Statements. These KPIs have been chosen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

Gross profit (%)
+0.2% pts

Definition
Gross profit percentage is calculated as revenue minus the cost of sales and any irrecoverable VAT, divided by revenue. Bowling has a gross profit of 100 per cent, with the costs of operating bowling in administrative costs, while each of the other revenue streams has an associated cost of sales.

Comment
Gross profit percentage increased year on year. This was due in the main to the lower output VAT rate on food and non-alcoholic drinks.

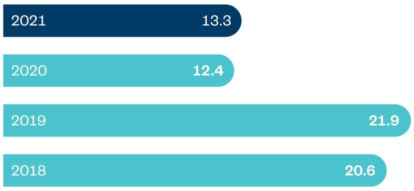
Group adjusted operating cash flow (£m) +49.4%



Definition
Group adjusted operating cash flow is calculated as Group adjusted EBITDA less working capital, maintenance capex and corporation tax paid. A reconciliation of Group adjusted operating cash flow to net cash flow is provided on page 35.

Comment
Group adjusted operating cash flow increased due to a combination of higher Group adjusted EBITDA, a positive movement in working capital and lower expansionary capital expenditure.

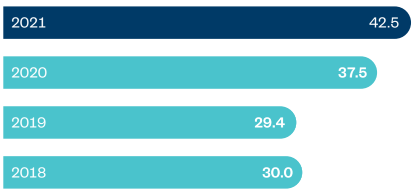
Group operating profit margin (%)
+0.9% pts



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

Comment
Operating profit margin increased year on year due to the strong cost discipline during the year.

Group adjusted EBIDA margin (%)
+5.0% pts



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

Comment
Group adjusted EBITDA margin percentage increased due to tight cost controls during lockdown as well as the strong EBITDA performance post reopening in May. Group adjusted EBITDA margin on a pre-IFRS 16 basis was 21.1 per cent.

Total average spend per game (£)
+1.7%

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

Comment
Average spend per game increased by 1.7 per cent, to £10.33, due to customers continuing to spend more during their visits.

We've proved our resilience and paved the way for a great 2022

"We have emerged as a strong, well-capitalised business ready to take full advantage of a wide range of future opportunities."

Laurence Keen, Chief Financial Officer

Group financial results

	FY2021	FY2020	Movement
Revenue	**£71.9m**	£79.5m	-9.6%
Gross profit	**£61.6m**	£67.9m	-9.3%
Gross profit margin	**85.7%**	85.5%	+0.2% pts
Administrative expenses	**£54.9m**	£58.1m	-5.5%
Group adjusted EBITDA[1]	**£30.6m**	£29.8m	+2.5%
Group adjusted EBITDA[1] pre-IFRS 16	**£15.1m**	£14.0m	+8.4%
Group profit after tax	**£1.7m**	£1.4m	+24.8%
Free cash flow[2]	**£8.7m**	(£4.1m)	n/a
Group expansionary capital expenditure[3]	**£3.6m**	£8.9m	-59.0%

1 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, 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. Government grant income of £2.8m is included in Group adjusted EBITDA for FY2021. The reconciliation to operating profit is set out below in this section of the report.

2 Free cash flow is defined as net cash flow pre-dividends, bank funding and any equity placing.

3 Group expansionary capital expenditure includes all capital on new centres, refurbishments and rebrands only.

Following the introduction of the new lease accounting standard IFRS 16, the Group has decided 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 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.

The trading periods for FY2020 and FY2021 were disrupted due to a combination of COVID-19 lockdowns and trading restrictions once open, as well as the local tiering system seen in the first half of the financial year. During FY2021, all of our English centres were closed for at least five and a half months, with many closed for longer than this due to the local tier restrictions.

The Group's operations were closed for a large proportion of the year, before opening with restrictions in place on 17 May 2021. Our centres have only operated without restrictions for just over two months since 19 July 2021. Given the closures and impacts during FY2020 and FY2021, we consider FY2019 to be the best comparable for revenue performance metrics for the periods where the centres were able to trade.

Despite the restrictions, performance has been strong since reopening in May. LFL revenue growth for the period post reopening was 28.6 per cent against the same period in FY2019, with August achieving a record monthly revenue of £20.1m, which is more than 40 per cent higher than the Group's previous record month. Total revenue for the period post reopening to the end of FY2021 was £61.3m, just £1.6m short of a record second half, even though centres traded for only four and a half months.

The total revenue for FY2021 was £71.9m (FY2020: £79.5m).

Gross profit margin

Despite the prolonged closure of the Group's centres, gross profit was £61.6m (FY2020: £67.9m), with a gross profit margin rate of 85.7 per cent. It is worth noting that there is a benefit to the gross margin due to the reduced VAT rate on food and non-alcoholic drinks. This increased gross profit margin by 0.3 percentage points during FY2021. Without this, gross profit margin rate was in line with historical trends and, barring changes in sales mix, we expect these trends to continue in FY2022.

Administrative expenses

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

Administrative expenses on a statutory basis were £54.9m, 5.5 per cent lower when compared to FY2020. On a pre-IFRS 16 basis, administrative expenses were £60.5m, compared to £64.6m during the corresponding period in the prior year.

Using the experience gained during the first lockdown in FY2020, the Group was able to continue to manage cash effectively during the lockdown period of FY2021. During this period, administrative expenses remained low, primarily due to a reduction in employee costs through the Coronavirus Job Retention Scheme (CJRS), a continuation of the rent savings agreed with landlords and the business rates suspension, as well as effective cost management of other cost lines.

Once centres reopened, the Group reduced its reliance on CJRS, before ending it at the end of June 2021. The total value of CJRS in the consolidated income statement for FY2021 was £8.3m. Centre employee costs for FY2021 were £13.9m.

There were significant costs to prepare the centres for the big reopening in May 2021, including, but not limited to, team training and the use of consumables for the continuation of the increased cleaning protocols in place since August 2020, as well as marketing costs.

Business rates remained suspended during FY2021 until the end of June, with the Group subject to the £2m exemption cap post this period. Business rates were £1.2m in FY2021, £2.4m lower than FY2020 and £5.9m lower than FY2019. Total property costs for FY2021, accounted for under pre-IFRS 16, were £23.2m – lower by £3.2m when compared to FY2020, and £7.4m when compared to FY2019.

Alongside all other costs, energy costs continue to be a focus for the Group. There are three components to this: reduction in usage, cost per unit and the implementation of solar panels on more centres. The central control of heating and cooling, as well as the use of LED lights in all centres, helps reduce usage in centres. Electricity costs are hedged out to 2024, and we have continued to work closely with our landlords to install solar panels on more centres. During FY2021 three more centres benefited from solar

Administrative expenses continued

panels, with plans for a further ten during FY2022. This will mean that by the end of FY2022, 15 centres will be utilising solar panels, resulting in 33 per cent of their electricity being self-produced.

The statutory depreciation, amortisation and impairment charge for FY2021 was £20.9m compared to £19.9m in FY2020. Excluding property lease assets' depreciation, this charge in FY2021 was £11.2m. This is due to the continued capital investment programme, including new centres, refurbishments and our centre scoring technology rollout.

During the year we have recognised an impairment charge for one centre of £299,000 against property, plant and equipment and £551,000 against right-of-use assets.

Group adjusted EBITDA and operating profit

Group adjusted EBITDA pre-IFRS 16 continued to be impacted by the COVID-19 closures. Group adjusted EBITDA pre-IFRS 16 in FY2021 increased by 8.4 per cent compared to the prior year, to £15.1m. Whilst Group adjusted EBITDA pre-IFRS 16 was negative during the months of closure, all months were positive from reopening in May onwards. Group adjusted EBITDA pre-IFRS 16 in the months of reopening totalled £23.9m, compared to £13.0m for the same months in FY2019.

The reconciliation between statutory operating profit and Group adjusted EBITDA is below.

Share-based payments

During the second half of the year, the Group granted further Long Term Incentive Plan (LTIP) shares to the senior leadership team. These awards vest in three years providing continuous employment during this period and attainment of performance conditions relating to earnings per share (EPS). Due to the EPS performance in FY2021, the LTIP granted in 2019 did not vest.

The Group recognised a total charge of £16,477 in relation to the Group's share-based payment arrangements.

Equity placing

In March 2021, the Group raised £29.2m of net proceeds on the stock market through an equity placing. The funds were raised to help the Group achieve its strategic goals in three key areas: investment in the property pipeline, centre refurbishments and IT investments, as well as securing future bank debt with enhanced terms.

Financing

Finance costs increased to £9.1m in FY2021 (FY2020: £8.7m) comprising the implied interest relating to the lease liability under IFRS 16 of £8.0m and £1.1m associated with our bank borrowing facilities.

The funds raised through the equity placing allowed the Group to review and renew its bank debt that was due to mature at the end of September 2022. We are pleased to announce the details of this new debt facility with Barclays. It is 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 leverage covenant is 1.75 times of net debt to a rolling 12-month Group adjusted EBITDA pre-IFRS 16. The loan term runs to the end of December 2024.

At the year end, this RCF remains fully undrawn, as well as at the time of signing the accounts. The Group also cancelled its £10m Coronavirus Large Business Interruption Scheme (CLBILS) RCF.

The liquidity position of the Group remains strong, with a cash position of £29.9m and £25m available through the RCF.

Taxation

The Group received a tax credit of £1.3m compared to a credit of £0.2m in the prior year. The Group has had to carry back losses of £384,000 for FY2019 and FY2020. We expect a tax refund from HMRC of £650,000 to be repaid in the early part of FY2022.

Earnings

Statutory profit before tax for the year was £0.5m. The Group delivered profit after tax of £1.7m (FY2020: £1.4m) and basic earnings per share was 1.05 pence (FY2020: 0.90 pence).

Cash flow and net debt

Net cash at 30 September 2021 was £29.9m compared to a net debt position of £8.7m at the end of FY2020. Detail on the cash movement in the year is shown in the table opposite.

Capital expenditure

During the financial year, net capex was £9.6m. Refurbishments were completed at Basildon, Stevenage and Cheltenham, with Glasgow Springfield Quay started during FY2021 and completed early in FY2022. Six more refurbishments are planned for FY2022. The returns on those investments are expected to all exceed the Group's hurdle rate of 33 per cent. As part of its best in class COVID-19 secure guidelines, the Group invested £1.3m in rolling out lane seating dividers across all bowling centres.

The Group continued implementing Pins on Strings technology across the centres, with six completed in FY2021, and a target of rolling this out to 16 more centres during FY2022. It is forecasted that 43 centres will benefit from Pins on Strings by the end of FY2022.Investments were also made in the Group's CRM, website and IT architecture to increase performance and improve our customers' digital experience.

Group adjusted EBITDA and operating profit

	FY2021 £'000	FY2020 £'000
Operating profit[1]	**9,580**	9,861
Depreciation and impairment	**20,472**	19,418
Amortisation	**477**	507
Loss on property, right-of-use assets, plant and equipment and software disposal	**29**	22
Group adjusted EBITDA under IFRS 16	**30,558**	29,808
IFRS 16 adjustment[2]	**(15,416)**	(15,840)
Group adjusted EBITDA pre-IFRS 16	**15,142**	13,968

1 Operating profit in FY2021 includes government grant income of £2.8m (FY2020: £0m)

2 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.

Cash flow and net debt

	FY2021 £'000	FY2020 £'000
Group adjusted EBITDA	**30,558**	29,808
Movement in working capital	**6,905**	(3,546)
Maintenance capital expenditure	**(5,951)**	(4,862)
Taxation	**—**	(3,117)
Payment of capital elements of leases	**(9,420)**	(3,500)
Adjusted operating cash flow (OCF)[1]	**22,092**	14,783
Adjusted OCF conversion	**72.3%**	49.6%
Expansionary capital expenditure[2]	**(3,631)**	(8,852)
Net bank loan interest paid	**(1,207)**	(858)
Lease interest paid	**(7,952)**	(7,770)
Debt repayments[3]	**(600)**	(1,500)
Free cash flow (FCF)[4]	**8,702**	(4,197)
Debt facility repayment[3]	**(24,900)**	—
(Repayment)/drawdown of RCF[3]	**(4,000)**	4,000
Dividends paid	**—**	(14,489)
Equity placing (net of fees)	**29,356**	10,541
Net cash flow	**9,158**	(4,145)

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 taking into account 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 Note 21 to the Financial Statements includes the aggregated amounts debt repayments, debt facility repayment and repayment/drawdown of the RCF.

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

The current liquidity will allow the Group to move forward with plans to open more locations during FY2022 and beyond. The Group is currently fitting out new sites in Birmingham Resorts World and Belfast (both Hollywood Bowl), as well as Harrow (Puttstars), with Liverpool (Puttstars) due on site during the second half of FY2022. A total of £2.5m net capex was incurred on new sites during FY2021.

In light of all of the above investments, as well as the continued maintenance capital expenditure, we expect capital expenditure to be in the region of £21m–£23m in FY2022.

We are also pleased to announce a further two centres have exchanged and will open before the end of FY2024. The pipeline of new high-quality sites will continue to grow throughout FY2022.

Dividend

Consistent with FY2020, the Board did not recommend a final dividend for FY2021 as a cash preservation measure due to COVID-19. However, should trading continue in line with expectations, the Group intends to resume its capital allocation policy, which will include the redistribution of funds in the most appropriate way.

Going concern

As part of the adoption of the going concern basis, the Directors have considered the Group's cash flow, liquidity, and business activities, as well as the ongoing uncertainty caused by the COVID-19 outbreak. The Group has taken a number of actions to improve overall liquidity to ensure it is well placed to operate and to achieve its strategic goals. During FY2021, the Group raised £29.2m on the stock market through an equity placing and entered into a new £25m RCF. At 30 September 2021, the Group had a net cash position of £29.9m.

The base case forecast assumes all centres remain open and there are no trading restrictions. In the base case forecast, there is no drawdown of the RCF, and financial covenants are passed.

As detailed in note 2 to the Financial Statements, the most severe downside scenario modelled includes an assumption of a two-month winter lockdown over December 2021 and January 2022. Under this severe but plausible downside scenario, the Group would still have sufficient liquidity within its cash position, no drawdown of the RCF and 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.

Outlook and guidance

We are excited about the year ahead. We have a strong, well capitalised business, ready to take full advantage of the new opportunities we have been presented with.

For the period October and November, LFL revenue growth is 38.1 per cent when compared to the same period in FY2019, and whilst we are mindful of the Omicron variant, we are optimistic looking ahead to the Christmas period and into the rest of the financial year, especially given we have seen no negative structural change in the consumer sentiment for our offering. With our strong liquidity position we will be able to continue with our successful capital deployment programme, investing in five to seven refurbishments in our core estate, opening four new centres in FY2022 and adding Pins on Strings to 16 further centres.

Laurence Keen
Chief Financial Officer

Our evolving approach to sustainability

Our business is inherently people focused and has social aims and social responsibility at its heart, but we also know it is vital to consider our impact on the environment and climate change, as well as to ensure that our governance approach is ethical and robust. Finding more sustainable ways of doing business isn't just important to us – we know that our customers, team members, investors and other stakeholders value it highly too.

Wider international trends in environment, social and governance issues are shaping the way the world will look in the future. From climate change to diversity and inclusion, and the focus on Company culture, we need to be aware of the trends that will impact our business. Meanwhile, huge leaps in technology continue to disrupt all sectors of the economy, with big data, artificial intelligence, virtual reality and the digital revolution transforming the world of entertainment and leisure.

To align the business with these challenges, throughout 2021 we worked with sustainability consultants to undertake a full environmental, social and governance (ESG) materiality assessment, and to evolve our sustainability strategy.

Our ESG strategy is based on three pillars:

1 Safe & inclusive leisure 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 to all, and positive local community relations.

2 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.

3 Sustainable centres

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

Our initiatives, metrics and current and future targets are measured against each of these pillars and we will continue to update our stakeholders on our progress.

Our purpose

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

1. Safe & inclusive leisure destinations

Addresses priority issues:
- Health & safety
- Responsible food & beverage
- Accessibility & wellbeing
- Community relations

Supports strategic objectives:
1 2 4 5

Helps mitigate principal risks:
Food safety and Compliance

Stakeholder value for:
Customers, People, Communities, Investors

2. Outstanding workplaces

Addresses priority issues:
- Talent attraction & retention
- Diversity & inclusion
- Training & development
- Team wellbeing

Supports strategic objectives:
1 4

Helps mitigate principal risks:
Employee retention and Compliance

Stakeholder value for:
Customers, People, Communities, Investors

3. Sustainable centres

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

Supports strategic objectives:
2 3 5

Helps mitigate principal risks:
Compliance

Stakeholder value for:
Environment, Customers, People, Communities, Investors, Partners & Suppliers

Underpinned by a dynamic Group culture, robust Board governance of ESG and progressive relationships with suppliers and partners

Key to strategy

1 Driving like-for-like revenue growth

2 An active refurbishment programme

3 Development of new centres and acquisitions

4 Focusing on our people

5 Leveraging our indoor leisure experience

Hollywood Bowl Group and the SDGs

The UN Sustainable Development Goals (SDGs) are the global blueprint to achieve a better and more sustainable future for all. The call for action is an urgent one and we want to play our part.

It is an important framework that we use to guide our approach and ensure that our strategy supports broader sustainable development priorities. All the goals are of the utmost importance but we believe our business is best placed to contribute to six goals which we have used to align our strategy as shown above.

Over the next year we will continue to use the SDGs, and the targets and indicators that sit under the goals, to guide us as we further develop the measurement, structures and plans that will support our ESG strategy.

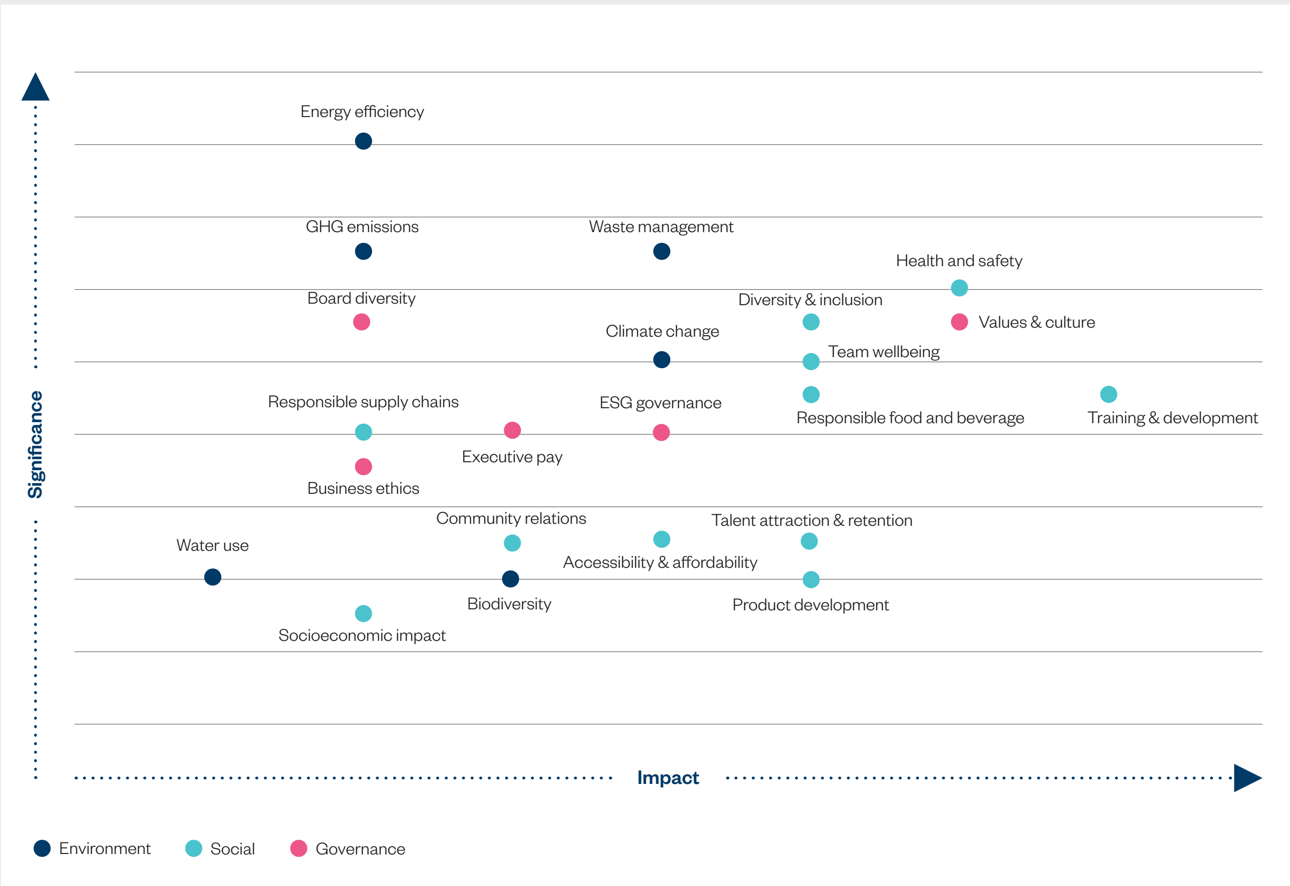
Evolving our strategy

We have developed our three pillar strategy through collaboration with internal stakeholders, interviews, research and a comprehensive review of our material ESG issues. Our materiality matrix shows our highest priority ESG issues, their significance to stakeholders and their impact on our business. The pillars are based on this materiality assessment and the materiality matrix below which captures the output of this process.

To develop the matrix, we worked with external consultants to conduct detailed analysis, drawing on industry intelligence and macro trends to create a long-list of material ESG topics. We then conducted risk and opportunity analysis against each topic to establish its potential to impact on the business (plotted on the x-axis, 'Impact'), and its significance to the business and stakeholders and prevalence in the market (plotted on the y-axis, 'Significance').

We already report against many of the material issues that rated highly, and will be developing reporting and targets against additional material issues. The matrix includes environmental issues such as waste management; social issues such as health and safety, diversity and inclusion, employee development, wellbeing and responsible food and drink; and governance issues such as values and culture.

Materiality matrix



Over the following pages, we describe our progress and approach to each strategic pillar of our strategy and our most material ESG issues.

1. Safe & inclusive leisure destinations

Accessibility, wellbeing and community relations

Bowling and mini-golf are fun, active, inclusive and sociable activities that enable families and friends to spend quality time together, contributing to their overall wellbeing. The COVID-19 pandemic highlighted the importance of these type of social activities, where people can enjoy some escapism and have fun together. We work hard to ensure that our centres are welcoming, and accessible to all in our communities. We aim to keep our activities as affordable as possible and offer concessionary discounts to different user groups through our local community engagement and outreach. The Group continued to support Barnardo's as our national charity partner.

Health and safety

There is nothing more important to us than the health and safety of our teams, customers and anyone visiting our centres. It is a critical part of our approach to business and the experience we offer. Operating through COVID-19 has reinforced the important role of strong policies and practices in protecting everyone who visits us.

Providing COVID-19 secure operations was a key priority during the year. From the outset of the pandemic, we have been integral in developing the government-approved guidelines for the sector, working with the sector trade body and the Department for Digital, Culture, Media & Sports (DCMS). We have continued to follow COVID-19 secure operating protocols, implementing comprehensive risk assessments and new safety innovations, including significant investment in lane seating dividers. We 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 continue to work with our suppliers to reduce the salt and sugar content of the food and beverages we offer. Although simplified to protect our customers through the COVID-19 pandemic, our food menu continues to offer a selection of healthier options and includes our popular range of sugar-free soft drinks.

We have strict protocols in place to mitigate the risk of food allergy, contamination and preparation-related incidents. These include robust policies, transparent communication, close management of long-term partnerships with established suppliers and regular team training. We also welcome new legislation that will require large businesses to display calorie information on menus and food labels from April 2022.

We think carefully about the food and drink options that we offer and communicate clearly to give customers the information they need to make choices that are right for them.

> "We work hard to ensure that our centres are welcoming, and accessible to all in our communities."

2. Outstanding workplaces

Talent attraction and retention

We are incredibly proud of our team members, who are the face of our business and critical to our success. Attracting and retaining top talent remains a key focus for our business and competition for talent is intense both inside and outside our sector. Our aim has always been to build a business with people at its heart and provide an outstanding workplace where all team members feel included, valued and nurtured. Diversity and inclusion, training, development and team member wellbeing are all vital to achieving this.

Communication and engagement with team members underpin our approach and we are constantly looking for new ways to improve. To do this, we use several ways to listen and capture ongoing feedback from our team. In FY2021, we undertook our 11th team member engagement survey, partnering with Best Companies for the third time. We also conduct regular centre and assistant manager listening sessions, female-only listening groups, video conference updates, leadership team visits to all our centres, and Q&A sessions with the leadership team that are open to all team members.

Our employee engagement app, Fourth Engage, continues to go from strength to strength with over 6,000 engagements in the year and we also launched a new intranet named HAPI, which has been well received.

Reward and recognition of our team members is an important part of our strategy to engage and retain great people. It's also an essential part of fostering a high performance, purpose led culture across the business. In addition to providing fair pay to all our team members, we also offer benefits such as free activities and discounted food and drink when they visit our centres with their friends and family.

During the year, we launched an innovative incentive scheme for all team members that is linked not only to financial performance and customer satisfaction but also to centre waste recycling targets. We continue to give our team members an opportunity to share in the success of the business through our Save-As-You-Earn (SAYE) Sharesave scheme, which, although it was postponed in FY2021, we plan to restart in FY2022.

Values and culture

Our culture and team member behaviours are a real differentiator for Hollywood Bowl Group and central to our ability to deliver long-term value to all of our stakeholders by promoting ethical behaviours and sustainable long-term performance. The Board and executive management team play a key role in living and shaping a values-based company culture.

The positive, fun, high-performance culture that we nurture through our engagement, training and reward and recognition programmes encourages the behaviours and attitudes needed to create an outstanding customer experience.

"The positive, fun, high-performance culture that we nurture through our engagement, training and reward and recognition programmes encourages the behaviours and attitudes needed to create an outstanding customer experience."

Diversity and inclusion

We are committed to fostering an inclusive culture and a welcoming and diverse workplace where differences are valued and no one experiences discrimination on the grounds of gender, race, ethnicity, religious belief, political affiliation, sexual orientation, age or disability.

We believe diversity is critical to our success, helping us innovate to provide the best experience for our customers and help make our centres accessible and welcoming to everyone. We have identified focus areas for improving our diversity including addressing why women are still under-represented in senior roles. Our female-only listening groups have helped us make progress in understanding and acting on the issues that prevent female team members seeking senior roles in the business. As a result, we've taken steps to embed more flexibility in the structure of senior roles.

In addition, we've continued to develop our employer branding. This includes the development of a new careers website designed to reach and appeal to a broad range of audiences.

Training and development

We want talented people to progress through our business and achieve a happy, fulfilling career at Hollywood Bowl Group.

To that end, we have continued to build on the success of our industry-leading talent development programmes. During FY2021, we were pleased to be able to fill 49 per cent of our management vacancies through internal promotions, including centre and regional manager appointments.

Every Hollywood Bowl career now begins with our virtual induction and training in our ways of working, ensuring all team members are supported to provide the best experience for our customers. Ongoing development is provided by our 23 module online learning system, which 93.5 per cent of team members completed during FY2021. Assistant managers and deputy managers are encouraged to develop their management skills via our Centre Manager in Training (CMIT) programme, with 13 high-potential candidates undertaking this training during FY2021.

Senior managers are offered a place on our i2i programme which we've been running since September 2019. This flagship 12-month intensive development course gives participants greater insight into how people work, and helps to accelerate their professional and personal potential.

Team wellbeing

We are acutely aware that, on average, one in five employees in the hospitality and leisure sector experiences work-related mental health issues. COVID-19 also added pressure on team members, many of whom experienced long periods out of the business while centres were closed and had to adapt to new ways of working on their return.

The pandemic has also demonstrated the importance of work life balance and having flexibility in the workplace. We are committed to providing training and support to our people to promote wellbeing and manage workplace stress. Not only is it our duty to protect team members, but it also helps us attract and retain talent as people look for greater support and understanding from their employer.

> "We want talented people to progress through our business and achieve a happy, fulfilling career at Hollywood Bowl Group."

3. Sustainable centres

As a Group we have a strong commitment to conduct each part of our operations in an ethical and responsible manner. This is demonstrated in our environmental and energy achievements. Centre closures prompted by COVID-19 impacted on our gas and electricity usage as well as the amount of waste generated.

Solar

Five solar array installs on our centres have now been completed and a further ten are planned for early 2022.

Site	Year installed	Output (kWp)	Onsite consumption	Yield (kWh)	Solar fraction
Rochester	2019	108.59	92%	100,861	29%
Bentley Bridge	2019	225.62	73%	186,603	35%
Birmingham Rubery	2021	170.94	78%	140,678	32%
Leeds	2021	211.40	79%	161,083	33%
Basildon	2021	186.30	79%	167,119	35%

Greenhouse gas

Greenhouse gas (GHG) emissions for FY2021 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 has been provided by Schneider Electric and Total. Conversion factors are taken from: https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021

Our Scope 1 emissions

Natural gas, company car (the Group no longer provides ICE company cars and has introduced an Electric Vehicle Scheme for regional support team members) and refrigerant gas loss emissions:

Natural gas	354 tCO_2e
Company car	0 tCO_2e
F gas losses	206 tCO_2e
Total	560 tCO_2e

Our Scope 2 Emissions

Emissions from electricity for the year are 12,192,555 x 0.21233 = 2,588,845 $kgCO_2e$ or 2,588.8 tCO_2e.

Intensity Ratio

Scope 1 emissions	560 tCO_2e
Scope 2 emissions	2,588.8 tCO_2e
Total Scope 1 and 2 emissions	3,148.8 tCO_2e
Intensity ratio (tCO_2e per centre)	50.8

Over 63.2 per cent of all Scope 1 emissions were from natural gas. This includes heating, hot water and cooking as it is not possible to accurately determine a percentage from each. 100 per cent of electricity emissions resulted from our UK operations.

An example of a fully installed solar array on the roof of Hollywood Bowl in Basildon

Our total electricity and gas usage

	Electricity (KWH)	Gas (KWH)
FY2016	17,380,346	4,866,065
FY2017	18,581,702	4,384,837
FY2018	18,849,729	5,260,995
FY2019	19,573,573	4,104,855
FY2020	11,560,010	2,830,792
FY2021	12,192,555	1,932,559

Data from centres where the landlord supplies electricity/gas have been excluded.

Electricity usage

We continue to increase the efficiently and ethically use of natural resources, particularly with regards to the electricity we source.

We have reduced our emission ratio for Scope 1 and 2 emissions by 111.5 or 68.7 per cent for FY2021 compared to the base year (FY2016).

	Scope 1	Scope 2	Scope 1 +2	Intensity ratio
FY2016	895.7	8,195	9,090.7	162.3
FY2017	807.5	6,532.6	7,340.1	132.9
FY2018	967.8	5,335.6	6,303.4	113.7
FY2019	773.6	5,003	5,776.6	102.6
FY2020	568.4	2,695	3,263.4	55.1
FY2021	560.0	2,588.8	3,148.8	50.8

In FY2021 we achieved the goal we set ourselves in FY2019 of an intensity ratio of under 100. However this was significantly impacted by the COVID-19 lockdowns and the challenge will be to maintain that level in FY2022.

Reducing our usage

Our action plan for reducing the environmental impact of our business includes increasing onsite generation of renewable electricity. To reduce our usage we will be:

- driving behaviour change within our teams such as conscious efforts to reduce electricity;
- continuing the roll out of more energy efficient air handling plant to replace old technology plant (plant changed in Liverpool and Branksome in FY2021);
- increasing our focus with ESG Meetings that are chaired by Board-level Directors;
- rolling out more solar panels on roofs; and
- developing our net zero targets to support the identification and elimination of carbon.

Climate change

We understand that climate change is likely to impact our business in a number of ways. So we welcome the framework and recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD) designed to improve and increase corporate reporting of climate-related financial information. From FY2022 we will integrate these recommendations into our reporting as we begin assessing climate-related risks and mitigations in greater depth as part of our ESG strategy.

Waste recycling

Recycling the waste we produce is part of our commitment to mitigate against the environmental impacts of our operations. In FY2016 we recycled 63.3 per cent of our waste and this has increased to 71.6 per cent for FY2021. All of our waste is 100 per cent diverted from landfill and in September 2021 we achieved over 75 per cent recycling for the month.

Waste volumes were impacted by the Covid-19 lockdown.

	General	Glass	Mixed recycling/ organic
FY2016	7,334.14	1,477.80	11,164.04
FY2017	7,443.72	1,621.44	12,695.88
FY2018	6,770.04	1,652.26	12,978.86
FY2019	7,096.24	1,831.92	12,745.42
FY2020	4,160.00	1,215.12	7,560.74
FY2021	2,536.16	914.4	5,472.76

	General	Recycling	Total waste	Recycling percentage
FY2016	7,334.14	12,641.84	19,975.98	63.3%
FY2017	7,443.72	14,317.32	21,761.04	65.8%
FY2018	6,770.04	14,631.12	21,401.16	68.4%
FY2019	7,096.24	14,577.34	21,673.58	67.3%
FY2020	4,160.00	8,775.86	12,935.86	67.8%
FY2021	2,536.16	6,387.16	8,923.32	71.6%

All waste data supplied by Biffa.

This excludes data from centres where the landlord manages the waste streams.

Our targets

We have set ourselves ambitious targets and the actions we undertook in FY2021 mean we are well on our way to achieving them:

1. 100 per cent of the electricity we purchase to come from renewable sources by 2022
2. 20 per cent of our electricity to be generated from onsite renewables by 2028
3. 75 per cent of waste generated to be recycled with 100 per cent diversion from landfill by 2025

Reaching net zero

We are committed to reducing our Scope 1 and 2 GHG emissions by FY2026, from a base year of FY2019, by 85 per cent, and to begin measuring and reducing our Scope 3 emissions from 2023.

Our approach to risk

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 28 and 29

We consider both short and long-term risks within a timeframe of up to three years. We consider social, operational, technical, governance and environmental risks, as well as financial 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.

COVID-19

The COVID-19 pandemic, the associated lockdown and the closure of our business significantly impacted our financial year. The pandemic, as well as the social and macroeconomic impact it brought, has created a risk event for the Group, which has been considered as set out in the Viability statement.

In our initial response phase to COVID-19, our priority was to safeguard the health and wellbeing of our colleagues and customers, and to mitigate the closure of our centres. We moved into a resilience phase early in the lockdown period following extensive modelling of the financial impact of COVID-19. A number of key decisions were made in relation to the pandemic, including the furloughing of colleagues and negotiating payment terms with our suppliers, as well as landlords in regard to rental support. We also received support from our new and existing shareholders through an equity raise in March 2021.

Where the impact of the pandemic has exacerbated a principal risk, we have incorporated commentary on the COVID-19 mitigation being taken, as well as new risks where relevant.

Our principal risks are described on the following pages, along with a summary of our mitigation activities.

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

Formally review their risks on a six-monthly basis to compile their 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

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

Challenges and agrees the Group's key risk, appetite and mitigation actions 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 48 and 49

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.

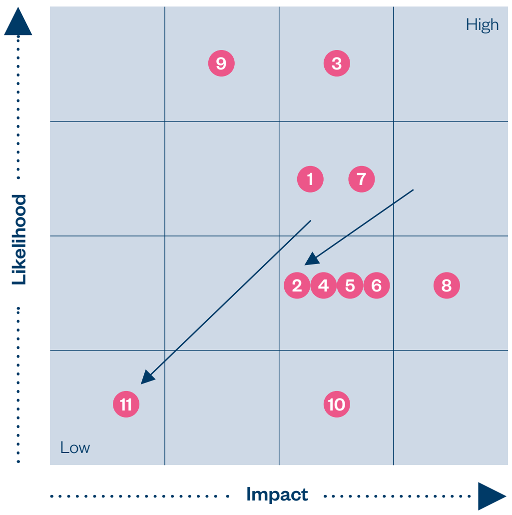
Risk management activities

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.

Since the reopening of our centres on 17 May 2021, we have undertaken a review of 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 – Business interruption (Finance)

Operational risks
4 – Core systems
5 – Suppliers (non-amusements)
6 – Amusement supplier
7 – Management retention and recruitment
8 – Food safety
9 – Business interruption (Operations)

Technical risks
10 – GDPR and cyber security

Regulatory risks
11 – Compliance

Financial risks

Risk	Risk and impact	Mitigating factors
1 **Economic environment**	• Change in economic conditions, in particular a recession, due to the after-effects of COVID-19, as well as inflationary pressures. • A prolonged period of uncertainty due to COVID-19. • Adverse economic conditions may affect Group results. • A decline in spend on discretionary leisure activity could negatively affect all financial as well as non-financial KPIs.	• An economic contraction is possible, 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. Therefore, whilst it would suffer in such a recession, the Board is comfortable that the majority of centre locations are based in high-footfall locations which should better withstand a recessionary decline. • Along with appropriate financial modelling and available liquidity, a focus on opening new centres 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, safety, quality and value, and are continuing to invest in our centres. Plans are developed to mitigate many cost increases.
2 **Covenant breach**	• The new banking facilities, with Barclays plc, have quarterly leverage covenant tests. • Covenant breach could result in a review of banking arrangements and potential liquidity issues.	• The potential for future pandemic lockdowns still exists, and financial resilience has therefore become central to our decision-making and will remain key for the foreseeable future. Further information on the impact to covenants due to a closure of the Group's centres is included in financial risk 3 below. • A new banking facility, with Barclays plc, has been agreed. The facility is a £25m RCF, with a margin of 175bps above SONIA as well as an accordion of £5m. Net leverage covenants are 1.75 times and will be tested quarterly from December 2021. The facility is currently undrawn. • Group revenue and profit performance since reopening in May 2021 has been above internal forecasts, which has resulted in a net cash position of £29.9m as at the end of the financial year. • 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, EBITDA and covenant forecasts to ensure risks are identified early. Tight controls exist over the approval for capital expenditure and expenses. • The Directors consider that the combination of events required to lower the profitability of the Group to the point of breaching bank covenants is unlikely.
3 **Business interruption (Finance) NEW**	• Extended periods of closure would result in a loss of revenue. • This was especially the case during the COVID-19 affected period. Over an extended period, a loss of revenue and the inability to remove elements of its cost base in a closure scenario could lead to a material uncertainty in the Group's ability to continue as a going concern.	• In relation to COVID-19, management identified and implemented a number of measures to preserve cash and reduce discretionary expenditure during the period when all of the Group's centres were closed, allowing them to reopen quickly. • Successful negotiation with the Group's new lender of new, less stringent financial covenants in the event of another lockdown which results in the closure of the Group's centres. • We have developed a comprehensive framework of protocols for operating our centres in a COVID-19 secure way. This framework was developed, and revised, in line with government guidelines for the wider hospitality and leisure sectors and also includes specific protocols for bowling.

Key to risk change

Increasing ▲ Decreasing ▼ Unchanged ▶

Operational risks

Risk	Risk and impact	Mitigating factors
4 **Core systems**	• 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.	• All core 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. The CRM/CDP system is hosted by a third party utilising cloud infrastructure with data recovery contingency in place. • The reservations system also has an offline mode, so in centres customers could still book but the CCC and online booking facility would be down. A back-up system exists for CCC to take credit card payments offline. A full audit process exists for offline functionality. • The business has migrated to Microsoft 365 for added resilience and to ensure that email is always available for communications. • All technology changes which affect core systems are authorised via change control procedures. • The Group undertakes periodic strategic reviews of its core system set-up with associated market comparisons of available operating systems to ensure that it has the most appropriate technology in place.
5 **Suppliers (non-amusements)**	• Operational business failures from key suppliers. • Unable to provide customers with a full experience.	• The Group has key suppliers in food and drink under contract with tight service level agreements (SLAs). Alternative suppliers that know our business could be introduced, if needed, at short notice. Centres hold between 14 and 21 days of food, drink and amusement product. Regular reviews and updates are held with external partners to identify any perceived risk and its resolution. This process has been required since reopening in May 2021, with substitute products available in all scenarios. • Regular reviews of food and drink menus are also undertaken to ensure appropriate stockturn and profitability.
6 **Amusement supplier**	• Any disruption which affects the Group's 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 and Inspired Gaming. There are half-yearly meetings between the CEO, CFO and Namco. • Namco is a long-term partner that has a strong UK presence and supports the Group with trials, initiatives and discovery visits.
7 **Management retention and recruitment**	• Loss of key personnel – centre managers. • Lack of direction at centre level with effect on customer experience. • More competitive recruitment landscape due to Brexit and COVID-19 pandemic. • 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, 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 Group's bonus schemes were reviewed for the estate reopening in May 2021, to ensure they were still a strong recruitment and retention tool. The incentives now benefit all team members in centres including hourly and salaried team members. These will continue for FY2022. • Performance-related pay has been introduced, as a trial, for hourly team members to make their salary packages more attractive. • Wellbeing guides were issued across the business during the pandemic, as well as frequent Group Zoom Q&A sessions and updates via our team member app, to improve team engagement.

Operational risks continued

Risk	Risk and impact	Mitigating factors
8 **Food safety**	• 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, as well as for health, safety and legal compliance. STRIKES training, which includes allergen and intolerance issues, is reviewed, understood and complied with by team members. • Allergen awareness is part of our team member training matrix which needs to 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.
9 **Business interruption (Operations) NEW**	• Loss of team members through isolation due to them either testing positive for COVID-19 or being deemed a close contact of such an individual.	• We train team members via the AMIT programme to run emergency shift cover. • Each regional support manager has a cover plan by clustering centres and adjusting team rotas accordingly. • Risk assessments are completed for back of house operations to minimise team member contact. • Resources will be used in the largest centres to minimise the risk.

Technical risks

Risk	Risk and impact	Mitigating factors
10 **GDPR and cyber security**	• Data protection or GDPR breach. Theft of customer email addresses and impact on brand reputation in the case of a breach. • Risk of cyber-attack/terrorism could impact the Group's ability to keep trading. More bookings are being taken online currently, which increases this risk.	• The Group 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 integrity of the firewalls. • A Data Protection Officer has been in position for a number of years and attends external courses to continue to build knowledge. • All team members have been briefed via online presentations. A training course on GDPR awareness was created on STRIKES and all team members have to complete this before being able to work on shift. • A cyber security partner is in place to handle any cyber security breaches and will work with the Group on a priority basis – 365x24x7 – if necessary. • Periodic penetration testing is conducted through a third-party cyber security company.

Regulatory risks

Risk	Risk and impact	Mitigating factors
11 **Compliance**	• 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.

Going concern

In assessing the going concern position of the Group for the Consolidated Financial Statements for the year ended 30 September 2021, the Directors have considered the Group's cash flow, liquidity, and business activities, as well as the ongoing uncertainty caused by the COVID-19 outbreak.

The outbreak of COVID-19 and its continued impact on the economy, and specifically the hospitality sector, casts uncertainty as to the future financial performance and cash flows of the Group. The Group has taken a number of actions to improve overall liquidity to ensure it is well placed to operate through the pandemic and to achieve its strategic goals. In March 2021, the Group raised £29.2m on the stock market through an equity placing. During September 2021, the Group repaid and cancelled its borrowing facilities with Lloyds Bank plc, negotiating a new £25m RCF, and agreed a £5m accordion, with Barclays Bank plc with a term to December 2024.

At 30 September 2021, the Group had cash balances of £29.9m, no outstanding loan balances, and with the undrawn RCF of £25m, has overall liquidity of £54.9m.

As part of the review of the potential impact of the COVID-19 outbreak on the Group's cash flows and liquidity over the next 12 months, a base case and a severe but plausible downside scenario were prepared.

The base case forecast assumes all centres remain open and there are no trading restrictions. In the base case forecast, the Group trades in line with market consensus, there is no drawdown of the RCF, and financial covenants are passed.

The most severe downside scenario was prepared using the following key assumptions:

- a national 'winter' lockdown in December 2021 and January 2022 resulting in the closure of all centres;
- revenue assumed at 18 percentage points down on the base case for FY2022;
- when centres are forced to close, taking advantage of a reinstated CJRS and business rates holiday, at the same rates seen during the most recent lockdown. No government grant income is assumed;
- reduced maintenance and marketing spend, as well as reducing all non-essential expenditure during the closure period, in line with that experienced during previous lockdowns in FY2020 and FY2021;
- no dividend payments in FY2022;
- deferral of non-committed capital expenditure to later months in FY2022, but no change to the new centre capital expenditure for FY2022; and
- trade to return to base case forecasts from February 2022.

Under this severe but plausible downside scenario, the Group would 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, and the Directors' expectation that they could negotiate an extension to the covenant should the need arise, 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 continues 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 three-year period to 30 September 2024. The Directors have determined that a three-year period 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 viability scenarios take into account the principal risks the Group faces across the three-year period. The Directors are mindful, however, of the heightened uncertainty driven by the COVID-19 pandemic and accept that forecasting across this timeframe 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 2021 and looking forwards over the next three-year period, including consideration of those risks that could threaten its business model, future performance, solvency or liquidity or sustainability. The assessment of viability has specifically considered risks that could threaten the Group's day to day operations and existence. The assessment considered how risks could affect the business now, and how they may develop over three years and financial analysis and forecasts showing current financial position and performance, cash flow and covenant requirements.

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

Context

The Group undertook a review of the previously approved financial plan and forecasts in light of the uncertainty caused by COVID-19, including, but not limited to, the potential of trading restrictions impacting on forecasts.

The Group established a base case model of financial performance over the three-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.

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 44 to 47 of this annual report. Particular regard was paid to the potential impacts of COVID-19 and the related government response to this.

The viability scenario takes into account all of the principal risks and uncertainties facing the Group across the three-year period in order to assess the Group's ability to withstand multiple challenges. The impacts of COVID-19 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 high single-digit LFL revenues when compared with FY2019, with FY2023 returning to low single-digit LFL growth when compared to FY2022. 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 resume from FY2022, with both interim and final dividends for the financial year.

The Board considers this scenario to be reasonable, especially given the performance since the start of the financial year, which has been exemplary, with LFL revenue increasing by 38.1 per cent compared with the same period in FY2019.

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 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 lockdown period of two months when all centres would be closed, over December and January in FY2022. The impact of the downside scenario on the revenue is an 18 percentage point reduction on the base case for FY2022. It is then forecasted that revenue will return to base case forecasts from February 2022 to September 2024.

Whilst the assumptions of a two-month 'winter' lockdown in this scenario is plausible, it does not represent our view of the likely outturn. However, the results of this scenario help to inform the Directors' assessment of the viability of the Group.

The new banking facility runs to December 2024.

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.

Supporting the Group's purpose

Our positive culture and robust governance framework have served us well in a challenging year."

Peter Boddy, Non-Executive Chairman

Read full biography on **page 52**

Dear shareholders,

On behalf of the Board, I am pleased to present our Corporate governance report for the year ended 30 September 2021.

The Board has maintained its focus on high standards of corporate governance and we continue to seek to ensure that our governance framework meets the needs of the business and is appropriately aligned with best practice. This section of the Annual Report sets out how we have applied the principles of the Code, highlighting the key activities of the Board and its Committees in the period. We routinely consider our approach to governance to ensure it is appropriate in supporting the long-term success of the Group and its stakeholders. Throughout the year ended 30 September 2021, the Company complied with the principles and applicable provisions of the Code.

COVID-19 related national lockdowns and social distancing measures (and therefore capacity restrictions) continued to create a challenging operating environment during the year. Despite those challenges, the business continued to adapt to the changing environment and performance has been strong since centres reopened in May 2021.

As a Board, we continued to meet remotely until measures were relaxed in May, but since then have reverted to meetings in person, with the Directors also getting back out into our centres to engage with our team. Our positive culture and robust governance framework enabled the Board to continue to effectively support the Executive team in making important decisions to ensure our continuing financial stability, to provide a COVID-safe environment for team members and customers, and to reignite our customer led growth strategy (through investment in new centre pipeline, refurbishments and the rollout of initiatives to enhance our customer proposition). In making those decisions, the Board was mindful of both the impact on stakeholders and likely long-term consequences; our statement setting out how the Directors have discharged their duty under s172 of the Companies Act 2006, which includes a description of how the Company has engaged with its key stakeholders, is set out on pages 22 to 25 of the Strategic report.

The culture and values of our business remain the key drivers of our success. The Board continuously monitors culture through our interactions with team members, and regular reports from the Executive team. We recognise that our team members are fundamental to the success of the business, and it is therefore essential that we continue to promote a culture and values that support them in providing a positive, safe and enjoyable environment for our customers.

We also recognise our responsibility to lead by example and demonstrate our culture and values in the way we conduct ourselves as a Board, and I'm pleased to report that this approach has been confirmed by all Board attendees through our annual performance evaluation process.

Throughout the year, we continued to consider the outputs from our robust employee engagement programme. This focused on team wellbeing and included engagement sessions, virtual training and re-induction sessions. More information on employee engagement is set out on page 23 of the Strategic report.

Although the advisory vote on our Directors' remuneration report at the 2021 AGM was passed, a significant minority of shareholders voted against the resolution. Since the AGM, both Claire Tiney (our Remuneration Committee Chair) and I have engaged and met with a number of our major shareholders to understand their concerns (which related principally to the Remuneration Committee's discretion to allow the vesting of LTIPs granted in 2018 for a pro-rated period). Claire provides an update on that engagement, and how the Remuneration Committee has responded, in the Directors' remuneration report from page 67.

Our ESG approach continues to evolve, with the Board discussing and approving the articulation of our ESG strategy (as set out in the Sustainability overview on pages 36 to 43) during the year. We will continue to monitor performance against our ESG goals in the coming year.

In order to refresh our approach to the Board evaluation process (described in more detail on page 57), we have moved away from a questionnaire-based approach this year and instead I met individually with all regular attendees of Board meetings. This method was used to encourage a broader range of discussion and feedback, although key themes arising from previous evaluations were used to set some context. Committee evaluations were conducted using questionnaires in the normal way. A summary of key discussion points and feedback from those meetings was presented and discussed by the Board at its meeting in December 2021, and showed that the Directors continue to believe that the Board and its Committees are operating well, and that each individual Director continues to be committed to the business and effective in their role. It is our intention that the evaluation process in FY2022 will be externally facilitated.

Peter Boddy
Non-Executive Chairman
15 December 2021

Committee key

A Audit committee

N Nomination committee

R Remuneration committee

Committee chair

N

Peter Boddy

Non-Executive Chairman

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. 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

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 was appointed Chairman at the Club Company Limited (operator of UK country clubs) in 2018.

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.

Laurence was appointed Non-Executive Director at Tortilla Mexican Grill Plc in 2021.

Top bowling score

191

Melanie Dickinson

Chief People Officer

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 post graduate diploma in Personnel and Development.

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

Top bowling score

144

A N R

Nick Backhouse

Senior Independent Non-Executive Director

Appointment

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

Skills and experience

Nick has extensive experience at board level, including non-executive roles at Guardian Media Group plc (2007–2017) where he was also the Senior Independent Director, All3Media (2011–2014) and Marston's PLC (2012–2018), and has chaired the Audit Committees of each of those businesses. He is currently Chairman at the Giggling Squid Restaurant Group, the Senior Independent Director at Loungers plc and a Non-Executive Director and chair of the Audit Committee at Hyve Group plc. 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 Fellow of the ICAEW and has an MA in economics from Cambridge University.

Top bowling score

203

A N R

Claire Tiney

Independent Non-Executive Director

Appointment

Claire joined the Group as an Independent Non-Executive Director in June 2016.

Skills and experience

Claire has over 20 years' board level experience encompassing executive and non-executive roles in blue-chip retailing, property development and the services sector across the UK and Western Europe. Claire spent 20 years as an executive director in a number of businesses including Homeserve plc, Mothercare plc and WH Smith Group plc. Most recently, Claire was HR Director at McArthurGlen Group, the developer and owner of designer outlet malls throughout Europe. Claire was previously Senior Independent Director at Topps Tiles and retired from the Board in June 2021 having served nine years. She is currently Non-Executive Director and Chair of the Remuneration Committee at Volution Plc. She has an MBA from Stirling University.

Top bowling score

144

A N R

Ivan Schofield

Independent Non-Executive Director

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, 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 2021, and as set out in the following report, the Company complied with all provisions of the Code.

Governance framework and structure

The Board is responsible for ensuring an appropriate system of governance is in operation throughout the Group. This includes a robust system of internal controls and a sound risk management framework. The Schedule of Matters Reserved to the Board and the Board Committees' terms of reference, 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.

Generation and preservation of value

The Group's business model and strategy are set out on pages 2 to 49 and detail how the Group strategy generates value in the long term.

The Board and culture

The Board establishes the Group's purpose, values and strategy, and is satisfied that these are aligned with the culture of the business and demonstrated throughout the Group. The Board also continuously monitors the culture of the Group, through interactions with team members, regular reports to the Board on team member and stakeholder engagement, and specific updates on team culture and development from the Operations and Talent Directors.

Key Board roles and responsibilities

The Chief Executive Officer, Chief Financial Officer and Executive Committee are responsible for executing the strategy determined by the Board. 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 52 and 53.

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

Nick provides a valuable sounding board for the Chairman and leads the Non-Executive Directors' annual appraisal of the Chairman. Nick 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

Nick Backhouse, Claire Tiney and Ivan Schofield

Nick, Claire 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.

Board independence

The Board consists of seven Directors (including the Chairman), three 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) (appointed October 2021)

Independent
Nick Backhouse (SID)
Claire Tiney
Ivan Schofield

Board and Committee attendance

The Board normally meets formally at least nine times per year, with ad-hoc meetings or calls convened to deal with urgent matters between formal Board meetings, but met formally on ten occasions during FY2021. Additional ad-hoc meetings (all held via conference call during periods when restrictions were in place) were also convened where specific Board approvals were required (e.g. in connection with the equity placing in March 2021). The table below shows the attendance 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
Peter Boddy	10/10			3/3
Stephen Burns	10/10			
Laurence Keen	10/10			
Nick Backhouse	10/10	4/4	4/4	3/3
Ivan Schofield	10/10	4/4	4/4	3/3
Claire Tiney	10/10	4/4	4/4	3/3

In addition to the Chief Executive and Chief Financial Officer, the Chief Marketing and Technology Officer, Chief People Officer and Chief Operating Officer were present at Board meetings during the year, to take questions from the Non-Executive Directors.

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.

All Directors attended a full strategy review session in June and 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.

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.

How the Board and Executive Committee work together

The Board and Executive Committee work closely together to ensure the robust governance of the business and successful execution of our strategy. Over the year, the Board and Executive Committee have managed issues related to COVID-19 impact and the reopening strategy for May 2021.

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 2021 is shown in the table below:

Board agenda for year to 30 September 2021	Oct	Dec	Jan	Mar	Apr	May	Jun	Jul	Sep
Corporate governance									
Directors' conflicts of interest	●	●	●	●	●	●	●	●	●
Board, Director and Committee performance evaluation		●							
Review Schedule of Matters Reserved to the Board									●
Approach to ESG							●		
Compliance and risk									
Reviewing the principal risks and uncertainties affecting the Group		●				●			
Risk register and risk heat map								●	
Review of internal controls matrix				●					
Going concern review and approval of long-term Viability statement		●				●			
Review and approval of Modern Slavery and Human Trafficking Statement				●					
Approve anti-bribery policy	●								
Review of Gender Pay Gap reporting					●				
Review of Disclosure Policy, Insider List & Share Dealing Code					●				
Group insurances								●	●
Operations, customers and suppliers									
Reviewing customer experience measures	●						●	●	
Pricing review					●				
COVID-secure reopening plans						●			
People									
Review results of team engagement survey									●
Review of team member incentive schemes	●				●				
Team training and engagement			●	●					
Support centre structure								●	
Culture and development update								●	
Performance									
Approval of full-year results, the Annual Report and Accounts, half-year results, the Notice of Annual General Meeting and dividends		●				●			
Investment review (refurbishments)			●	●					
Budget								●	●
Review of dividend policy		●				●			
Strategy									
IT projects update	●								
Review of progress on strategic projects	●			●				●	●

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 65).

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 performance of each Director was assessed through the Board evaluation process this year, with the feedback showing that the Board continues to consider each of the Directors to be effective and committed to their role. In accordance with provision 18 of the Code, all members of the Board will be offering themselves for re-election at the Company's AGM on 28 January 2022.

All of the Directors have a service agreement or a letter of appointment. The details of their terms are set out on page 76.

Induction

All new Directors appointed to the Board undertake a tailored induction programme designed by the Chairman and Executive Directors, with assistance from the Company Secretary. The purpose of the induction is to give new Directors an understanding and awareness of the Group, focusing on its culture, operations and governance structure.

Performance evaluation

In accordance with the principles and provisions of the Code, the Board is committed to conducting a thorough review of the effectiveness of the performance of the individual Directors, the Board as a whole and its Committees on an annual basis.

The 2021 Board evaluation was conducted by way of individual meetings between the Chairman and all regular attendees of Board meetings. The broad context for the discussions was framed by findings from previous evaluations, but the aim was to encourage an open discussion covering all areas of Board and individual Director relationships and effectiveness.

A summary of key discussion points and feedback from those meetings was presented and discussed by the Board at its meeting in December 2021, with the outcomes and suggested actions from the evaluations of the Board and its Committees summarised into an action plan for the coming year. The outcomes of the Board evaluation process indicated the general view that the Board continues to operate effectively.

Committee evaluations were conducted by way of specific questionnaires, with the results discussed separately in each of the Committee reports, and the Senior Independent Director met with the other Non-Executive Directors to appraise the Chairman's performance.

The outcomes of the evaluation process indicated that the Board and Committees continue to perform effectively, and their operation reflects the culture and values of the Group. Areas of focus for the coming year are highlighted in the table below. Progress in these areas will be reviewed and monitored by the Board and Nomination Committee, and assessed as part of the Board evaluation exercise next year.

The table below illustrates the areas of focus resulting from the 2021 performance evaluation and the proposed actions for 2022:

Areas of focus from 2021 performance evaluation	Proposed actions for 2022
Increase focus on risk	Deep dive reviews into key strategic risks to be built into the Board's annual activity schedule
Board pack contents	Periodic overview of Board pack to be conducted, with any agreed improvements to be implemented during the year

In accordance with provision 21 of the Code, during the year the Chairman and Board considered whether to conduct an externally facilitated evaluation process, but determined that due to the ongoing focus on cost preservation it would not be appropriate to do so during 2021. It was however agreed that there would be benefits from extending the evaluation cycle from a questionnaire based approach (FY2020), through a Chairman led interview process (FY2021) to an externally facilitated process (which we have agreed to operate in FY2022). The outcomes of that process will be disclosed in the FY2022 Annual Report.

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.

During the year, and in accordance with provision 15 of the Code, the Board gave prior approval to Laurence Keen to take on the role of Non-Executive Director (and Chair of the Audit and Remuneration Committees) of Tortilla Mexican Grill plc which was admitted to AIM on 8 October 2021. As part of the executive development plan discussed regularly by the Nomination Committee, the potential benefits (in terms of personal development and broader listed company exposure) of Laurence taking on an appropriate external Non-Executive role had previously been agreed. Having considered that the required time commitment would not detrimentally impact on Laurence's contribution to the Company the Board was comfortable supporting the appointment.

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 closure of our centres due to national lockdowns and localised tier restrictions affected the Board's ability to directly engage with team members in the normal way throughout the year. However, regular updates on team member engagement activity during centre closures or where restrictions were enforced were provided to the Board by the CEO, Chief People Officer and Chief Operating Officer. These included feedback from regular team member engagement sessions, operational training and re-induction sessions which were held for all team members to re-engage with the teams.

The Board receives regular presentations from the Chief Operating Officer on the output and feedback from centre management and team member listening sessions. In normal circumstances, the Chairman and Non-Executive Directors are also invited to attend the annual conference, which provides further opportunity to engage with team members in a more informal environment; however, the conference was again cancelled this year due to the ongoing impact of the COVID-19 pandemic.

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.

In response to the significant votes received against the Directors' Remuneration Report resolution at the 2021 AGM, the Chairman and Remuneration Committee Chair engaged with investors to understand the reasons behind the votes. More information on this engagement, and our response, can be found in the Directors' Remuneration Report on pages 67 to 86.

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 Friday 28 January 2022 and it is intended that the meeting will be held in person at Investec Bank plc, 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 52**

Nomination Committee	
Chair	Peter Boddy
Committee members	Nick Backhouse Claire Tiney Ivan Schofield
Number of meetings held in the year	3

Role and responsibilities

The role of the Nomination Committee is set out in its terms of reference, which were last updated in September 2020 and reviewed in September 2021 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.

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 for making recommendations on the composition of the Board Committees.

Activity during the year

The Nomination Committee has met on three occasions during the year and 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 2021

Performance evaluation	Review of results from Committee performance evaluation and discussion on related actions Review of the Committee's terms of reference
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
Board appointments and reappointments	Consideration and approval of the appointment of Melanie Dickinson to the Board as an Executive Director (effective 21 October 2021)
Succession planning	Consideration of succession planning for Executive Directors and senior management team Membership of Board and Committees
Diversity Policy	Review of Board Diversity Policy

Annual review of Board and Committee composition and Board appointments

The Committee reviews annually the composition of the Board and its Committees, and the independence of the Non-Executive Directors. As part of this review, the Committee also takes into account diversity considerations (in accordance with the Board Diversity Policy objectives discussed below). The Committee has recognised the need to improve gender diversity on the Board, but also the need to maintain appropriate Board independence and to avoid unnecessarily increasing the Company's cost base (particularly given the challenging operating environment that has been faced during the year). The Committee therefore recommended to the Board that Melanie Dickinson be appointed as an Executive Director of the Board with effect from 21 October 2021. Melanie, in her role as Chief People Officer, has routinely been invited to attend Board meetings since the Company's IPO, but it was the Committee's view that her formal appointment would encourage further diversity of thought and approach in the Board's decision-making process, as well as supporting the development of a statistically more diverse Board.

Following Melanie's appointment, the Committee remains satisfied that the balance of skills, experience, independence and knowledge on the Board and Committees is appropriate.

Diversity

The Board Diversity Policy that has operated during the year 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. The key objective of the policy is to set out the process to be followed by the Nomination Committee during the recruitment process in order to ensure that an appropriately diverse pool of candidates is considered to enhance the balance of skills and backgrounds on the Board. As there has been no formal Board recruitment process during the year (Melanie Dickinson's appointment was effective after the year end, and in any event was an internal appointment), there is no progress to report against that objective. However, the policy also sets out additional Nomination Committee responsibilities and objectives, and progress against those items is set out below:

Objective/responsibility	Progress/activity in FY2021
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 2021. In considering the structure of the Board the Committee agreed that the appointment of Melanie Dickinson as an Executive Director would broaden the Board's knowledge, skills and experience whilst also increasing female representation on the Board.
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.
Review the Board Diversity Policy annually, assessing its effectiveness and recommending any changes to the Board.	The Policy was reviewed by the Committee in November 2020, with no changes recommended. It has also been reviewed in December 2021, with some changes recommended to the Board as set out below.

Following the appointment of Melanie Dickinson, the Board consists of two female (28 per cent) and five male (72 per cent) Directors. The Committee recognises that this remains below the proportion of female representation recommended by bodies such as the Investment Association, and remains committed to continuing to improve Board diversity (both in terms of gender and other characteristics) through its succession planning process. The Committee reviews the Board Diversity Policy on an annual basis and further formalised that commitment by amending the Policy in FY2022 to include an aspiration to achieve longer-term targets of 40 per cent female representation, and at least one Director being from a non-white ethnic minority background.

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. Diversity considerations will be a factor of all future Board recruitment processes in line with the Board Diversity Policy described above.

Succession planning

The Committee's oversight of Executive succession planning continued during the year, 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 at least one potential internal successor for each key role. The usual programme of opportunities for potential executive successors to meet and present to the Board to further their development has been reinstated during FY2021 following the COVID-19 disruption of the prior year, and the Committee recognises the need to ensure that such opportunities continue to be made available in the future. Succession plans for all members of the senior management team were also presented and discussed during the year.

A Non-Executive succession planning matrix is used as a tool to support consideration of the timing for future appointments and to identify key search criteria (including skills, experience and diversity) for potential candidate shortlists. This includes a plan to ensure that the current Non-Executives do not stand down from the Board at the same time, and that the orderly succession of Committee Chairs is also considered.

Annual evaluation

The Committee has evaluated its own performance during the year through the completion by Committee members (and other regular attendees at Committee meetings) of a detailed questionnaire. The results were discussed at the Committee's meeting in December 2021, and generally confirmed that the Committee has operated effectively during the year, with good progress made in terms of succession planning and the broader approach to diversity considerations. It has been agreed that the 2022 Board evaluation process will be carried out by an external facilitator.

Peter Boddy
Chair of the Nomination Committee
15 December 2021

Report of the Audit Committee

Nick Backhouse

Audit Committee Chair

Read full biography on **page 53**

Audit Committee	
Chair	Nick Backhouse
Committee members	Claire Tiney Ivan Schofield
Number of meetings held in the year	4

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.

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.

Dear shareholders,

On behalf of the Board, I am pleased to present the Audit Committee report for the year ended 30 September 2021.

The COVID-19 pandemic continued to impact significantly on the business during the year, in particular with restrictions on trading due to lockdowns and social distancing measures during the first half. The Committee's role, in particular in monitoring the integrity of annual and half-year financial statements and monitoring the effectiveness of financial controls and risk management systems, is always important, but has continued to be heightened as a result, albeit the positive performance of our centres in the periods in which we have been able to trade, and the proactive and pragmatic approach of our management team, has ensured that our financial position at the year end is robust.

The Committee's formal schedule of annual activity ensures that we cover our key responsibilities and that we adhere to the Code and other regulatory requirements. Areas of focus this year include the significant financial judgements identified by the finance team (see more detail in the table on page 65), reviewing and supporting development of the internal controls matrix, re-instigating our engagement with our Internal Audit function (which had been reduced in FY2020 due to centre closures and furlough), and considering the accounting implications of actions taken both as a result of the pandemic (e.g. the installation of lane dividers) and to maximise opportunities as life returns to normal (e.g. the acceleration of the implementation of Pins on Strings).

Liquidity and cash remained key focuses during the year, in particular during the first half centre closures, and further steps were taken (including an equity placing and debt refinancing) to strengthen the cash position and to ensure that the Company is well placed to capitalise on opportunities as the economy recovers. As a result of those actions, and our strong operational performance, the Committee is satisfied that the financial position of the Group supports both the going concern basis of accounting and the long-term Viability statement (set out on pages 48 and 49). In the absence of an external audit review at the half year, the Committee ensured that the scenarios prepared by management to assess the impact of potential assumed risks on future forecasts, and the going concern assessment, were appropriately challenged and scrutinised.

Our annual review of the effectiveness of the external audit process is described in more detail on page 66. We have reviewed KPMG LLP's (KPMG) continuing independence, and the Committee is satisfied that KPMG continues to be independent and provides an effective audit service. The Committee also considered the report of the Financial Reporting Council's Audit Quality Review Team of KPMG's audit of our FY2020 annual report.

The Audit Committee has evaluated its own performance this year by way of a questionnaire completed by each member of the Committee and other regular attendees. We discussed the outcome of the evaluation process at our meeting in December 2021. The evaluation responses indicated that the Committee continues to operate effectively. Although no particular areas of concern were highlighted, some amendments have been made to the Committee's annual agenda to ensure all areas within its responsibility are allocated sufficient time for in-depth discussions and debate.

There have been no changes to the composition of the Committee during the year and we therefore continue to be comprised wholly of independent Non-Executive Directors. The Board has confirmed that it is satisfied that I have recent and relevant financial experience as recommended under the Code by virtue of my qualification as a chartered accountant, my executive background in finance roles, and my experience as an audit committee chair 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
15 December 2021

"The Committee's formal schedule of annual activity ensures that we cover our key responsibilities and that we adhere to the Code and other regulatory requirements."

Nick Backhouse, Chair of the Audit Committee

Meetings and attendees

The Audit Committee meets at least three times per year. The names of the attendees of the Audit Committee meetings are set out in the table on page 62.

The external auditor has the right to attend meetings. 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, the Chief Executive Officer, the Chief Financial Officer and the external audit lead partner.

Activity during the year

The Audit Committee met four times during the year, and discussed the topics set out in the table below:

Activities of the Committee during the year to 30 September 2021	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 and engagement				●
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				●
IFRS accounting standards update (in particular, review of the impact of IFRS 16)	●		●	●

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 2021 are set out in the table opposite:

Significant issues and judgements	How the issues were addressed
Valuation of property, plant and equipment and right-of-use assets	The Committee reviewed the calculations and assumptions (including growth rates of revenue and expenses, and discount rates applied) underlying the trigger tests for impairment of PPE and ROU assets at the Group's cash generating units (CGUs), and agreed with management's estimates of the recoverable amount of PPE and ROU assets, the recommended impairment in relation to the Cwmbran centre, and that there was no impairment in respect of other CGUs.

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.

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:

- development of a detailed internal controls matrix which addresses and tracks actions against items such as control deficiencies identified by KPMG;
- 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

The Group has an internal audit function which focuses on performing regular testing of the processes and controls implemented in centres. Internal audit findings are presented to the relevant centre manager and the Chief Financial Officer for review.

The remit of the internal audit function has been expanded over time to cover other operational processes, including supplier onboarding, employee expenses, and the issuance of customer refunds, and reports on the outcomes of those audits (none of which resulted in any significant areas of concern) were presented to the Committee's meeting in September 2021. A review of team loyalty benefits is due to be carried out during the first quarter of FY2022.

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 Committee has assessed the effectiveness of the internal audit function as part of its annual performance evaluation process and is satisfied that the current arrangements remain appropriate and effective for the Company.

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 FY2020 audit. 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 Committee also took into account its own interactions with the external auditor in forming its conclusion that, whilst there were practical challenges in the audit process, both KPMG and the external audit process were effective, and that KPMG provided an appropriate level of professional scepticism and openness to the process, as well as having a clear and unrestricted feedback process to the Audit Committee.

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 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 2021, KPMG was engaged to provide permitted non-audit services relating to EBITDA certification and turnover rent certificates for a fee of £10.5k, representing 3.3 per cent of the total audit fee. The external auditor is best placed to undertake other accounting, advisory and consultancy work in view of its knowledge of the business, as well as confidentiality and cost considerations. This is shown in further detail in note 6 to the financial statements.

Appointment and tenure

KPMG was first appointed as the Group's external auditor in 2007. Peter Selvey was appointed as the lead audit partner for the FY2017 audit and retired from his position in KPMG prior to commencement of the FY2021 audit work. Stuart Burdass was appointed as the lead audit partner for the FY2021 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 re-appointed as the Group's auditor at the 2022 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 concluded there was no immediate need to conduct a tender process.

Nick Backhouse
Chair of the Audit Committee
15 December 2021

Report of the Remuneration Committee

Claire Tiney

Remuneration Committee Chair

Read full biography on **page 53**

Remuneration Committee	
Chair	Claire Tiney
Committee members	Nick Backhouse Ivan Schofield
Number of meetings held in the year	4

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.

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.

Dear shareholders,

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 30 September 2021.

This report has been 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. The report is split into three parts:

- the annual statement by the Chair of the Remuneration Committee;
- the Directors' Remuneration Policy which is to be put to a binding shareholder vote at the AGM in January 2022 and will then apply for three years from the date of approval; and
- the annual report on remuneration which sets out payments made to the Directors and details the link between Company performance and remuneration for FY2021. The annual report on remuneration is subject to an advisory shareholder vote at the 2022 AGM.

Update on 2021 AGM vote and remuneration framework

Following a significant minority of shareholders voting against the Directors' Remuneration Report at the Company's AGM on 29 January 2021, Peter Boddy and I engaged with a number of our significant shareholders to seek to understand the reasons for the adverse feedback. We understand that this was primarily due to the Committee's decision to allow the 2018 LTIP award to partially vest. Although other feedback indicated that shareholders were generally supportive of our existing Remuneration Policy, we decided it would be appropriate to bring forward the normal three-yearly review of the Policy to this year. As part of this review, I also wrote to our major shareholders to gather their views on remuneration, and their feedback has been reflected in the key changes to the policy which are summarised below (and set out in detail in the full Remuneration Policy on pages 71 to 79. I am pleased that the feedback we received demonstrated that they were largely supportive of our proposals.

Update on 2021 AGM vote and remuneration framework continued

The Committee believes that the existing remuneration structure as a whole remains appropriate; however, there are a small number of areas in which we are proposing a change to ensure full compliance with the UK Corporate Governance Code and guidance issued by shareholder representative bodies, as follows:

- introduction of a post-employment shareholding requirement under which the Executive directors will be required to retain 100 per cent of their shareholding requirement for a period of two years post-cessation;
- reduction in on-target bonus payout from 62.5 per cent to 50 per cent of maximum in line with best practice; and
- diversification of bonus and LTIP performance conditions to move away from them being solely based on earnings-related measures, and introduce an element of non-financial performance. At least 50 per cent of bonus and LTIP awards will continue to be based on financial performance.

Performance in FY2021 and remuneration outcomes

During FY2021, national lockdowns and localised tier restrictions resulted in further restrictions on trading with capacity limitations and curfews in place for part of the year. However, trading since our centres reopened in May 2021 has been strong, and our Executive team has performed extremely well in ensuring that the Company is well positioned to take advantage of opportunities as the economy recovers.

As noted in the Annual Report on Remuneration on page 80, although our team has worked hard to deliver a positive Group adjusted EBITDA outcome for the year, given that the Company has benefited from government support through rates relief and furlough claims, and as shareholders have supported the Company through the equity placing in March 2021 and the continued suspension of dividends, we have agreed that no bonus will be payable to the Executive Directors in respect of FY2021.

The LTIP award granted in February 2019 was due to vest in February 2022, based on EPS performance over the three-year period to 30 September 2021. The EPS for the year ended 30 September 2021 was 1.05 pence, which fell below the threshold to maximum target range of 15.19 pence to 16.28 pence and therefore the formulaic outcome has resulted in the award lapsing in full. No discretion was exercised to adjust this formulaic outcome.

FY2022 remuneration

Salary and benefits

The Committee has approved salary increases of 5 per cent to the CEO and CFO (as set out in the Annual Report on Remuneration on page 85), which are below the average increase being awarded to the wider workforce.

FY2022 bonus

The maximum bonus opportunity for Executive Directors in FY2022 will be 100 per cent of salary. Subject to shareholder approval of the new Policy, the 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. In line with our usual practice, actual targets, performance achieved and awards made will be disclosed in the FY2022 annual report.

FY2022 LTIP

During FY2022, the Committee intends to grant LTIPs with a maximum opportunity of 100 per cent of salary. These levels are unchanged from previous years. The awards will vest three years after grant, and will be subject to a further two year holding period. The performance measures for the LTIP awards are set out in detail in the Annual Report on Remuneration on page 86.

Stakeholder engagement

The Committee is regularly updated on 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 wider company pay policy, is conducted through engagement sessions led by the CEO and COO and the wider team engagement survey.

I am always happy to engage with shareholders and investors on remuneration matters, in particular to ensure transparency around our decision-making on Executive pay. I have been very pleased with the level of engagement with our significant shareholders during the course of the year, and the support shown for our proposals.

Executive director appointment

I am delighted that Melanie Dickinson joined the Board effective from 21 October 2021. The Remuneration Committee was consulted in relation to her remuneration prior to the appointment being made, and the Executive Remuneration Policy will apply to Melanie in the same way as it does to Stephen Burns and Laurence Keen. The application of the Remuneration Policy in FY2022 is set out on page 81 of the Annual Report on Remuneration.

Annual General Meeting

On behalf of the Board, I would like to thank shareholders for their continued support. I look forward to meeting shareholders at the AGM on 28 January 2022. In the meantime, 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.

Claire Tiney
Chair of The Remuneration Committee
15 December 2021

As part of its review of the Remuneration Policy, the Committee has considered the factors set out in provision 40 of the Code. In our view, the proposed 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	The remuneration policy is clearly disclosed each year in the Annual Report. Engagement is sought from shareholders on remuneration matters, and the Committee receives regular updates on workforce pay and benefits during the course of its activity.
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 diversification of measures in both the annual bonus and LTIP scheme will allow for clearer alignment with our strategic pillars rather than reliance solely on earnings based-measures.
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 (see Remuneration Policy table on page 74, and awards are subject to malus and clawback decisions. The Committee also has overriding discretion to reduce awards where outturns 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;	See scenario charts on page 77. Maximum outturns are clearly set out in the 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	As shown in the scenario charts on page 77, variable, performance-related elements represent a significant proportion of the total remuneration opportunity for our Executive Directors. With the diversification of performance measures in both the bonus and LTIP schemes, the Committee will consider the appropriate financial and non-financial performance measures each year to ensure that there is a clear link to strategy. Discretions available to the Committee ensure that awards can be reduced if necessary to ensure that outcomes represent a fair and accurate reflection of business performance.
Alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy	The Committee seeks to ensure that personal performance measures under the annual bonus scheme incentivise behaviours consistent with the Group's culture, purpose and values. The LTIP clearly aligns Executive interest 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 three times since the year end, and discussed the topics set out in the table below:

Activities of the Committee during the year to 30 September 2021	**Dec**	**Mar**	**Jul**	**Sep**
Review of FY2020 performance and bonus outturn and approval of Directors' bonuses for FY2020	●			
Approval of Directors' bonus KPIs/targets for FY2021 and FY2021 pay	●			
Agreeing approach to FY2022 bonus targets				●
Proposed 2021 LTIP performance targets			●	
Share plan awards and vestings	●			
Review of Directors' Remuneration Report (including to ensure compliance with the Remuneration Reporting Regulations)	●			
Approval of implementation of the Remuneration Policy for FY2021	●			
Review of Remuneration Policy		●	●	●
Consideration of engagement and feedback from shareholders		●	●	
Consideration of pay and conditions across the Group		●		
Review of 2021 AGM and proxy advisory comments		●		
Review of the Committee's terms of reference				●
COVID-19 impacts on remuneration	●	●	●	●
Discussion of Committee evaluation results	●			

Introduction

The Policy as set out below will be put to a binding shareholder vote at the AGM on 28 January 2022 and will apply for the period of three years from the date of approval.

Policy summary

The Remuneration Committee determines the Policy for the Executive Directors, Chairman and senior executives for current and future years. The Remuneration Committee considers that a successful policy needs to be sufficiently flexible to take account of future changes in the Company's business environment and in remuneration practice.

The Policy is designed around the following key principles:

- Shareholder alignment – ensuring a strong link between reward and individual and Company performance aligns the interests of Executive Directors, senior management and employees with those of shareholders.
- Competitive remuneration – maintaining a competitive package against businesses of a comparable size and nature helps to attract, retain and motivate high-calibre talent to enable the Company's continued growth and success as a listed company.
- Strategic alignment – providing a package with an appropriate balance between short and longer-term performance targets linked to the delivery of the Company's business plan.
- Performance focused compensation – encouraging and supporting a high performance culture.
- Setting appropriate performance conditions in line with the agreed risk profile of the business.

The Remuneration Committee will review the remuneration arrangements for the Executive Directors and key senior management annually, drawing on trends and adjustments made to all employees across the Group and taking into consideration:

- business strategy over the period;
- overall corporate performance;
- market conditions affecting the Company;
- changing practice in the markets where the Company competes for talent; and
- changing views of institutional shareholders and their representative bodies.

Discretion

The Remuneration Committee has discretion in several areas of policy as set out in this section. The Remuneration Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders and as set out in those rules. In addition, the Remuneration Committee has the discretion to amend the Policy with regard to minor or administrative matters where it would be, in the opinion of the Remuneration Committee, disproportionate to seek or await shareholder feedback.

Differences in policy from the wider employee population

The Group aims to provide a remuneration package for all employees that is market competitive and operates the same reward and performance philosophy throughout the business. As with many companies, the Group operates variable pay plans primarily focused on the senior management level.

Proposed changes to the directors' remuneration policy

The Committee has undertaken a review of the remuneration policy, taking into account alignment with the business strategy and best practice. We believe that the structure as a whole remains appropriate and are therefore not proposing any significant changes to the package; however, there are a small number of areas in which we are proposing a change to ensure full compliance with the UK Corporate Governance Code and guidance issued by shareholder representative bodies.

The Committee is also aware that some shareholders have provided feedback on the metrics in our incentive plans, in particular the annual bonus and LTIP, which are based on earnings-related measures. In addition, we are conscious of developing market practice in relation to the incorporation of non-financial measures, in particular ESG metrics. We have reviewed the incentives in the context of the business strategy and are proposing to diversify the metrics to more closely align with our strategic pillars and provide more flexibility to amend the metrics from year to year to align with the strategy, while retaining a majority weighting to our core financial KPIs.

Proposed changes to the existing directors' remuneration policy continued

The proposed changes are set out in the table below.

Element of remuneration	Current Policy summary	Proposed amendment to Policy	Reason for change
Base salary and benefits	Salaries are reviewed annually and any changes are effective from 1 April. Base salaries will be set at an appropriate level with a comparator group of comparable sized listed companies and will normally increase with increases made to the wider employee workforce. A competitive level of benefits is provided, including company cars.	No change.	N/A
Pension	The maximum level of pension funding is either 5 per cent of salary (for the current Executive Directors) or the level received by the wider employee workforce (for future incoming Executive Directors), currently 5 per cent. The Remuneration Committee retains the discretion to provide pension funding in the form of a salary supplement.	No change.	N/A
Annual bonus plan	Up to 100 per cent of base salary based on performance against financial targets. Up to 65 per cent may be paid in cash and the balance deferred into shares for two years. The deferred element counts towards achieving the Executive Directors' shareholding requirements as appropriate.	No change to the maximum opportunity. The annual bonus will be based on a scorecard of financial and non-financial performance targets which are aligned to the business strategy. At least half of the bonus will be based on financial performance. The level of bonus payout for on-target performance will be reduced from 62.5 per cent to 50 per cent.	The diversification of performance metrics ensures closer alignment with our strategic pillars and reflects market practice to incorporate non-financial ESG measures. The reduction in on-target payout levels ensures alignment with market best practice and institutional investor guidelines.
Long Term Incentive Plan (LTIP)	Annual awards of up to 150 per cent of base salary. Awards vest at the end of the performance period subject to continued employment and performance against EPS targets, and are subject to a two-year post-vesting holding period. The Executive Directors currently receive LTIP awards equal to 100 per cent of base salary.	No change to maximum opportunity. The majority of the awards will be based on financial metrics, with the balance based on strategic metrics.	The diversification of performance metrics ensures closer alignment with our strategic pillars and reflects market practice to incorporate non-financial measures.
Shareholding requirement	200 per cent of base salary to be built up over a five-year period. Executive Directors are required to retain 50 per cent of any shares they acquire under the LTIP, after allowing for the sale of shares to pay tax and other deductions, until such time as they have built up the required holding level.	No change to overall shareholding requirement level. Introduction of a post-cessation shareholding requirement where, from FY2022, Executive Directors will be required to retain 100 per cent of their shareholding requirement (i.e. 200 per cent of base salary) for two years post-cessation (or full actual holdings if lower). For existing Executive Directors, the post-cessation shareholding requirement will apply only to shares acquired through the vesting of LTIP awards granted from FY2022 onwards.	Maximises longer-term alignment with shareholders and ensures full compliance with the UK Corporate Governance Code.

The following table sets out each element of remuneration and how it supports the Company's short- and long-term strategic objectives.

How the element supports our short and long-term strategic objectives	Operation	Opportunity	Performance metrics used, weighting and time period applicable
Salary 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.	Salaries are normally reviewed annually and any changes are effective from 1 April. 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.	Base salaries will be set at an appropriate level with a comparator group of comparable 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.	None
Benefits Provides a competitive level of benefits.	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.	The maximum will be set at the cost of providing the benefits described.	None
Pensions Provides market competitive retirement benefits.	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.	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.	None

Proposed changes to the existing directors' remuneration policy continued

How the element supports our short and long-term strategic objectives	Operation	Opportunity	Performance metrics used, weighting and time period applicable
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.	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 selldown 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.	The maximum bonus opportunity is 100 per cent of base salary.	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.
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.	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.	Award maximum of 150 per cent of base salary. The Executive Directors currently receive LTIP awards of 100 per cent of base salary.	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

How the element supports our short and long-term strategic objectives	Operation	Opportunity	Performance metrics used, weighting and time period applicable
All-Employee Plan To encourage wide employee share ownership and thereby align employees' interests with shareholders.	The Company has a Share Incentive Plan in which the Executive Directors are eligible to participate (which is HMRC approved and is open to all eligible staff). The Company also operates a Sharesave scheme.	UK scheme in line with HMRC limits as amended from time to time.	None
Shareholding Requirement To support long-term commitment to the Company and the alignment of Executive Director interests with those of shareholders.	The Remuneration Committee has adopted formal shareholding guidelines that will encourage the Executive Directors to build up over a five-year period, and then subsequently hold a shareholding equivalent to a percentage of base salary. Executive Directors must retain 50 per cent of any shares they acquire under the LTIP, after allowing for the sale of shares to pay tax and other deductions, until such time as they have built up the required holding level. Executive Directors must retain a shareholding on cessation of employment for two years, equal to the lower of 200 per cent of salary and the actual shareholding on cessation. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements.	200 percent of salary.	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.	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.	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.	None

Recruitment policy

The Company's approach when setting the remuneration of any newly recruited Executive Director will be assessed in line with the same principles for the Executive Directors, as set out in the Policy table. The Remuneration Committee's approach to recruitment remuneration is to pay no more than is necessary to attract candidates of the appropriate calibre and experience needed for the role from the market in which the Company competes. The Remuneration Committee is mindful that it wishes to avoid paying more than it considers necessary to secure the preferred candidate and will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short or long-term incentive payments made on recruitment and the appropriateness of any performance measures associated with an award.

The remuneration package for a new Executive Director would be set in accordance with the terms of the Company's approved Policy. Given a new Executive Director would not have the significant shareholding of the current Executive Directors, the base salary may be higher than the incumbent and they will be entitled to pension funding in line with the level received by the wider employee workforce, in line with the Policy. In the year of recruitment, the maximum variable pay will be 250 per cent of salary (other than in exceptional circumstances, where up to 350 per cent of salary may be made if sign-on compensation is provided).

Recruitment policy continued

The Remuneration Committee's policy is not to provide sign-on compensation. However, in exceptional circumstances where the Remuneration Committee decides to provide this type of compensation, it will endeavour to provide the compensation in equity, subject to a holding period during which cessation of employment will generally result in forfeiture and will be subject to the satisfaction of performance targets. The maximum value of this one-off compensation will be proportionate to the overall remuneration offered by the Company and in all circumstances is limited to 100 per cent of salary. The Committee will carefully consider this matter to ensure consistency with the principles outlined earlier, particularly in relation to shareholder alignment, and will take appropriate external advice before finalising a decision in this regard and, where practical, consult with the Company's key shareholders.

The Remuneration Committee's policy is not to provide buyouts as a matter of course. However, should the Remuneration Committee determine that the individual circumstances of recruitment justify the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of a Director's previous employment will be calculated, taking into account the following:

- the proportion of the performance period completed on the date of the Director's cessation of employment;
- the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; and
- any other terms and conditions having a material effect on their value (lapsed value).

The Remuneration Committee may then grant up to the same value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it was not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement would be used.

Where an existing employee is promoted to the Board, the Policy set out above would apply from the date of promotion but there would be no retrospective application of the Policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the person concerned. These would be disclosed to shareholders in the Remuneration Report for the relevant financial year.

The Company's policy when setting fees for the appointment of new Non-Executive Directors is to apply the Policy which applies to current Non-Executive Directors.

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. The Non-Executive Directors 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 28 January 2022 and to re-election at any subsequent AGM at which the Non-Executive Directors stand for re-election.

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 15 December 2021
Peter Boddy	13 June 2016	16 September 2019	9 months
Nick Backhouse	14 June 2016	14 June 2019	6 months
Claire Tiney	14 June 2016	14 June 2019	6 months
Ivan Schofield	1 October 2017	1 October 2020	1 year 10 months

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 Club Company Limited for which he receives an annual fee of £60,000. Laurence Keen was appointed as a Non-Executive Director (and Chair of the Audit and Remuneration Committees) of Tortilla Mexican Grill plc which was admitted to AIM on 8 October 2021, and for which he will receive an annual fee of £40,000.

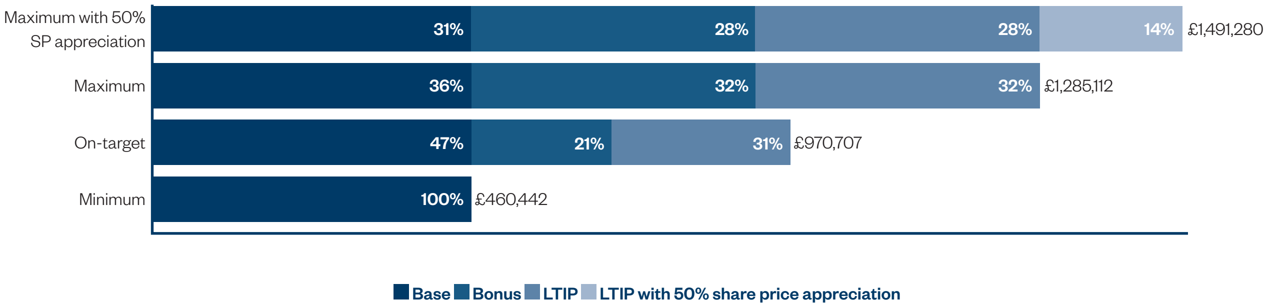
Illustrations of the application of the policy

The chart below illustrates the remuneration that would be paid to each of the Executive Directors on a forward-looking basis under the policy under the following performance scenarios: (i) minimum; (ii) on-target; (iii) maximum; and (iv) maximum with 50 per cent share price appreciation. The elements of remuneration have been categorised into three components: (i) fixed; (ii) annual bonus; and (iii) LTIP, with the assumptions set out below:

Element	Description	Minimum	On-target	Maximum
Fixed	Salary, benefits and pension	Included in full	Included in full	Included in full
Annual bonus	Annual bonus awards	No variable pay	Payout of 50 per cent of the maximum bonus	Full payout of the maximum bonus
LTIP	Awards under the LTIP	No variable pay	Vesting of 73.75 per cent of the maximum award	Full vesting of the maximum award

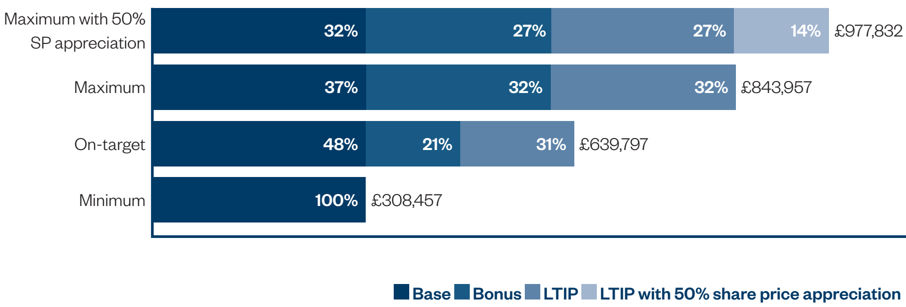
Dividend equivalents have not been added to LTIP share awards for the purpose of this illustration.

CEO



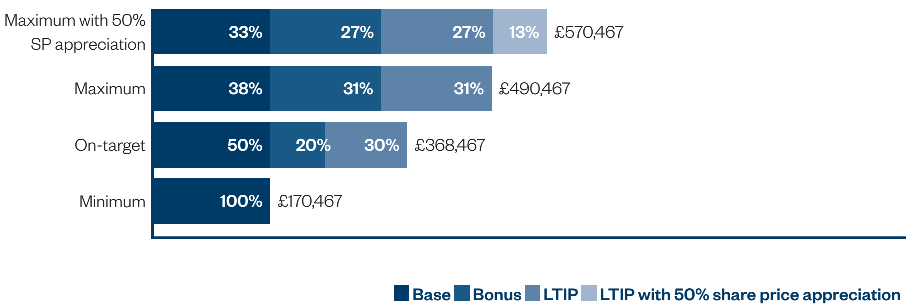
At minimum, variable remuneration is 0 per cent of base salary, at on-target, variable remuneration represents 110.8 per cent of base salary and at maximum, variable remuneration represents 179.1 per cent of base salary. At maximum, and accounting for a 50 per cent appreciation in share price, variable remuneration represents 223.9 per cent of base salary.

CFO



At minimum, variable remuneration is 0 per cent of base salary, at on-target, variable remuneration represents 107.4 per cent of base salary and at maximum, variable remuneration represents 173.6 per cent of base salary. At maximum, and accounting for a 50 per cent appreciation in share price, variable remuneration represents 217 per cent of base salary.

CPO



At minimum, variable remuneration is 0 per cent of base salary, at on-target, variable remuneration represents 116.2 per cent of base salary and at maximum, variable remuneration represents 187.7 per cent of base salary. At maximum, and accounting for a 50 per cent appreciation in share price, variable remuneration represents 234.7 per cent of base salary.

Payment for loss of office

The Remuneration Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Remuneration Committee will determine such mitigation as it considers fair and reasonable in each case. There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement. There is no agreement between the Company and its Executive Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid. The Remuneration Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment. When determining any loss of office payment for a departing individual, the Remuneration Committee will always seek to minimise cost to the Company whilst seeking to address the circumstances at the time.

Remuneration element	Treatment on exit
Salary, benefits and pension	Salary, benefits and pension will normally be paid over the notice period. The Company has discretion to make a lump sum payment on termination equal to the salary, value of benefits and value of Company pension contributions payable during the notice period. In all cases, the Company will seek to mitigate any payments due.
Annual bonus plan	**Good leaver reason –** pro-rated to time and performance for year of cessation. **Other reason –** no bonus payable for year of cessation.
LTIP	**Good leaver reason –** pro-rated to time and performance in respect of each subsisting LTIP award. A good leaver reason is defined as a cessation for a reason other than resignation (save in circumstances in which the participant successfully claims constructive dismissal) or dishonesty, fraud, gross misconduct or any other circumstances justifying summary dismissal. **Other reason –** lapse of any unvested LTIP awards. The Remuneration Committee has the following elements of discretion: • To determine that an executive is a good leaver. It is the Remuneration Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders. • To pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Remuneration Committee's policy is generally to pro-rate to time. It is the Remuneration Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders. • To reduce the level of vesting of an award from the formulaic level of vesting if, in the opinion of the Board, the performance of the Executive Director or the Company justifies such a reduction. • The post-vesting holding period for LTIP awards granted from 2019 onwards will continue to apply irrespective of employment status unless the Committee, in exceptional circumstances, determines otherwise.
Post cessation shareholding requirement	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.

Change of control

The Remuneration Committee's policy on the vesting of incentives on a change of control is summarised below:

Name of incentive plan	Change of control	Discretion
Annual bonus plan	Pro-rated to time and performance to the date of the change of control.	The Remuneration Committee has discretion to continue the operation of the plan to the end of the bonus year.
LTIP	The number of shares subject to subsisting LTIP awards vesting on a change of control will be pro-rated to time and performance to the date of the change of control.	The Remuneration Committee retains absolute discretion regarding the proportion vesting taking into account time and performance. There is a presumption that the Remuneration Committee will pro-rate to time. The Remuneration Committee will only waive pro-rating in exceptional circumstances where it views the change of control as an event which has provided a material enhanced value to shareholders which will be fully explained to shareholders. In all cases the performance conditions must be satisfied.

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.

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.

In formulating the 2021 remuneration policy the Committee also consulted directly with a number of the Company's significant shareholders regarding their views on remuneration practices and policies. The views expressed during these consultations were taken into consideration as part of the review of the policy, in particular feedback received on the performance metrics used within the incentive plans.

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 FY2021. Comparative figures for FY2020 have been provided. Figures provided have been calculated in accordance with the UK disclosure requirements: The Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (Schedule 8 to the Regulations).

Name		Salary £'000	Benefits[1] £'000	Pension £'000	Bonus £'000	LTIP £'000	Total	Total fixed pay £'000	Total variable pay £'000
Stephen Burns	**2021**	**392.7**	**2.5**	**19.6**	**—**	**—**	**414.8**	**414.8**	**—**
	2020	392.1	2.7	19.5	—	208.9[2]	623.2	414.3	208.9
Laurence Keen	**2021**	**255.0**	**2.3**	**12.7**	**—**	**—**	**270.0**	**270.0**	**—**
	2020	254.6	2.4	12.6	—	142.1[2]	411.7	269.7	142.1

1 Benefits include private medical insurance.

2 Truing up of 2020 single figure table numbers (audited). The 2020 LTIP figure was calculated based on the average of mid-market closing price of a share for each dealing day in the three-month period to 30 September 2020. The 2020 LTIP figure in the single figure table above has therefore been adjusted to reflect the actual share price of 198 pence on the vesting date of 6 February 2021.

Non-Executive Directors (audited)

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

	2021			2020		
Name	**Fees £'000**	**Taxable benefits £'000**	**Total £'000**	Fees £'000	Taxable benefits £'000	Total £'000
Peter Boddy – Chairman	**121.6**	**—**	**121.6**	123.5	—	123.5
Nick Backhouse – Senior Independent Director; Chair – Audit Committee	**48.3**	**—**	**48.3**	49.1	—	49.1
Ivan Schofield	**42.9**	**—**	**42.9**	43.6	—	43.6
Claire Tiney – Chair – Remuneration Committee	**43.6**	**—**	**43.6**	44.3	—	44.3

Bonus awards (audited)

Due to the uncertainty around the trading environment at the time of granting the FY2021 annual bonus awards, the Committee agreed to set the targets for the bonus awards on a quarterly basis, and to review those targets based on performance during the year. Despite the team's delivery of positive EBITDA performance for the year, in light of the fact that the Group has benefited from government grants and furlough credits, and that shareholders have supported the balance sheet position through the equity placing in March 2021 and the continued suspension of dividends, the Committee agreed that no bonus would be payable to the Executive Directors for FY2021.

Long Term Incentive Plan vesting of 2019 awards

The LTIP values included in the single total figure of remuneration table for 2021 relate to the 2019 LTIP award. Awards with a face value of 100 per cent of salary were granted to the Executive Directors on 14 February 2019 and, following a three-year performance period ending on 30 September 2021, were due to vest on 14 February 2022. Performance against the performance targets is set out below:

Adjusted EPS for the final year of the performance period	Vesting
15.19 pence	25%
15.19 pence – 16.28 pence	Vesting determined on a straight-line basis
16.28 pence	100%

Actual performance achieved was 1.05 pence (audited); therefore based on performance at the end of the vesting period, the awards will lapse in full.

Additional information regarding single figure table (audited)

The Remuneration Committee considers that performance conditions for all incentives are suitably demanding, having regard to the business strategy, shareholder expectations, the markets in which the Group operates and external advice.

Long-term incentives awarded in 2021 (audited)

Awards were made under the LTIP scheme on 22 July 2021. 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
Stephen Burns	Chief Executive Officer	100% of salary	£392,700	165,696
Laurence Keen	Chief Financial Officer	100% of salary	£255,000	107,594

A five-day average share price prior to grant of 237 pence was used to calculate the number of awards granted.

The vesting of these awards will be based on adjusted EPS performance measured in the final year of a three-year performance period commencing on 1 October 2020. The proportion of the awards vesting will be based on the following adjusted EPS targets and will vest three years from grant:

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%

Payments to past Directors/payments for loss of office (audited)

No payments were made to past Directors or for loss of office.

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 2021 are set out in the table below:

	Outstanding scheme interests 30 September 2021				Beneficially owned shares[3]		Total of all scheme interests and shareholdings at 30 September 2021
	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 2020	As at 30 September 2021	
Executive Directors							
Stephen Burns[3]	299,814	39,053	265,251	604,118	3,313,798	3,175,049	3,779,167
Laurence Keen[3]	194,684	26,861	180,370	401,915	1,530,594	1,368,348	1,770,263
Melanie Dickinson	105,129	2,378	116,710	224,217	678,797	589,591	813,808
Non-Executive Directors							
Peter Boddy	—	—	—	—	870,492	874,839	874,839
Nick Backhouse	—	—	—	—	17,348	18,784	18,794
Ivan Schofield[3]	—	—	—	—	140,344	154,691	154,691
Claire Tiney	—	—	—	—	4,848	7,021	7,021

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

2 LTIP awards that have vested but remain unexercised.

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

Directors' share ownership guidelines (audited)

Shareholding requirements in operation at the Company are currently 200 per cent of base salary for the CEO and the CFO. Executive Directors are required to build their shareholdings over a five-year period from appointment. 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 2020	Shareholding requirement met?
Stephen Burns	200	1,961%	3,175,049	Yes
Laurence Keen	200	1,301%	1,368,348	Yes
Melanie Dickinson	200	1,038%	589,591	Yes

1 The share price of 242.5 pence as at 30 September 2021 has been taken for the purpose of calculating 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 FY2020 (audited)

The tables below set out the Executive Directors' interests in deferred shares under the annual bonus plan, and their 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 page 86.

Face values for LTIP awards are calculated by multiplying the number of shares granted during FY2021 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 2020. Deferred shares are acquired on behalf of the Executive Directors by the Company's Employee Benefit Trust (EBT), which is provided with the appropriate post-tax value of the deferred element of bonus awards to effect the acquisition. Legal title to the shares is held by the EBT for a period of two years before being transferred to the Executive Directors.

	Date of award	Vesting, exercise or release date	No. of shares/ awards held as at 1 October 2020	Awarded	Exercised/ vested	Lapsed	No. of shares/ awards held as at 30 September 2021	Grant/award price in pence (exercise price for Sharesave)	Face value of awards granted during FY2021
Stephen Burns									
Deferred shares	04/01/2019	04/01/2021	17,113	—	—	—	17,113	—	—
	07/01/2020	07/01/2022	18,312	—	—	—	18,312	—	—
LTIP	27/02/2017	27/02/2020	159,744[1]	—	—	—	159,744	—	—
	06/02/2018	06/02/2021	130,256[2]	—	105,507	24,749	105,507	—	—
	14/02/2019	14/02/2022	165,948	—	—	165,948	—	—	—
	06/02/2020	06/02/2023	134,118	—	—	—	134,118	—	—
	22/07/2021	22/07/2024	—	165,696	—	—	165,696	237.0	£392,700
Sharesave	01/02/2018	01/02/2021	2,621	—	2,621	—	—	—	—
	01/02/2019	01/02/2022	2,378	—	—	—	2,378	—	—
	05/02/2020	01/02/2023	1,250	—	—	—	1,250	—	—
Laurence Keen									
Deferred shares	04/01/2019	04/01/2021	11,361	—	—	—	11,361	—	—
	07/01/2020	07/01/2022	11,872	—	—	—	11,872	—	—
LTIP	27/02/2017	27/02/2020	108,626[1]	—	—	—	108,626	—	—
	06/02/2018	06/02/2021	88,574[2]	—	71,744	16,830	71,744	—	—
	14/02/2019	14/02/2022	107,759	—	—	107,759	—	—	—
	06/02/2020	06/02/2023	87,090	—	—	—	87,090	—	—
	22/07/2021	22/07/2024	—	107,594	—	—	107,594	237.0	£255,000
Sharesave	01/02/2018	01/02/2021	2,621	—	2,621	—	—	—	—
	01/02/2019	01/02/2022	2,378	—	—	—	2,378	—	—
	05/02/2020	01/02/2023	1,250	—	—	—	1,250	—	—
Melanie Dickinson									
LTIP	27/02/2017	27/02/2020	70,287[1]	—	—	—	70,827	—	—
	06/02/2018	06/02/2021	57,313[2]	—	46,423	10,889	46,423	—	—
	14/02/2019	14/02/2022	60,345	—	—	60,345	—	—	—
	06/02/2020	06/02/2023	47,028	—	—	—	47,028	—	—
	22/07/2021	22/07/2024	—	58,101	—	—	58,101	237.0	£137,700
Sharesave	01/02/2018	01/02/2021	2,621	—	2,621	—	—	—	—
	01/02/2019	01/02/2022	2,378	—	—	—	2,378	—	—
	05/02/2020	01/02/2023	—	—	—	—	—	—	—

1 Vested but unexercised.

2 These awards will have a two-year holding period and the release of these awards will be subject to a requirement to remain in service until 6 February 2023.

LTIP awards vest on the basis of adjusted EPS performance measured in the final year of the performance period. Vesting of the awards shown in the table above will be based on the following adjusted EPS targets:

	Vested level		
Award year	25%	Straight line between 25% and 100%	100%
2020	17.26 pence	17.26 pence – 18.49 pence	18.49 pence
2021	13.91 pence	13.91 pence – 15.37 pence	15.37 pence

Chief Executive Officer historical remuneration

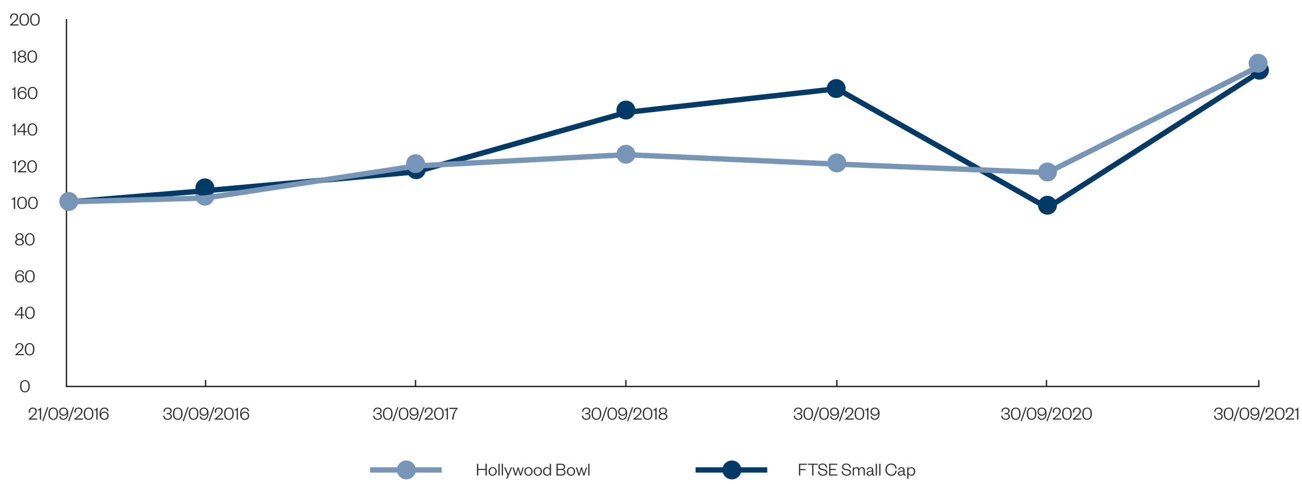
The table below sets out the total remuneration delivered to the Chief Executive Officer over the last five years, valued using the methodology applied to the single total figure of remuneration. The Remuneration Committee does not believe that the remuneration paid in earlier years as a private company 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 five most recent financial years:

Chief Executive Officer	**2021**	2020	2019	2018	2017
Total single figure (£'000)	**414.8**	623.2	1,061.1	536.1	514.6
Annual bonus payment level achieved (percentage of maximum opportunity)	**0%**	0%	74.3%	68.1%	100%
LTIP vesting level achieved (percentage of maximum opportunity)	**0%**	81%	100%	N/A	N/A

It should be noted that the Company only introduced the LTIP on admission to the London Stock Exchange in 2016.

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 period, 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.



Governance report

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 80) paid to each Director in respect of FY2020 and FY2021, compared to that of the average change for employees in the Group as a whole.

	% increase in element between FY2020 and FY2021		
	Salary and fees	Taxable benefits	Annual bonus
Executive Directors			
Stephen Burns	0.2	(9.1)	—
Laurence Keen	0.2	(2.4)	—
Non-Executive Directors			
Peter Boddy	(1.6)	—	—
Nick Backhouse	(1.6)	—	—
Ivan Schofield	(1.6)	—	—
Claire Tiney	(1.6)	—	—
All Group employees[1]	4.2	(2.5)	496.7

1 Reflects the change in average pay for all Group employees employed in both FY2019 and FY2020.

CEO pay ratio

The table below shows the ratio between the single total figure of remuneration of the CEO for FY2021 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 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	15.2	15.9	18.1
Total employee pay and benefits	15.4	16.4	18.9

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 2021. 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 2021, as set out in the table on page 80.

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.

Relative importance of the spend on pay

The table below sets out the relative importance of the spend on pay in FY2021 and FY2020 compared with other disbursements. All figures provided are taken from the relevant Company accounts.

	Disbursements from profit in FY2021 £m	Disbursements from profit in FY2020 £m	Percentage change
Profit distributed by way of dividend	—	—	—
Overall spend on pay including Executive Directors	17.9	18.9	(5.7)

Shareholder voting at General Meetings

The following table shows the results of the advisory vote on the Directors' Remuneration Report at our AGM held on 29 January 2021:

	Approval of the Directors' Remuneration Report (2021 AGM)		Approval of the Directors' Remuneration Policy (2020 AGM)	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	66,867,375	52.30	119,661,858	97.34
Against	60,978,534	47.70[1]	3,272,605	2.66
Votes withheld	3,694,864		4,477	

Notes

1. Following consultation with a number of our significant shareholders we understand that the primary reason for the significant minority votes against the approval of the FY2020 Directors' Remuneration Report was the Remuneration Committee's decision to allow the FY2018 LTIP award to partially vest. Although the Remuneration Committee believes that the existing remuneration structure as a whole remains appropriate, we have undertaken a review of the Policy following the AGM and consulted with major shareholders to ensure that their views were taken into consideration.

Implementation of the Policy in FY2022

The Remuneration Committee proposes to implement the Policy for FY2022 as set out below:

Salary:

The salaries for FY2022 (effective from 1 October 2021) are set out below:

	Salary		
Name	**2022**	**2021**	Percentage change
Stephen Burns	**£412,335**	**£392,700**	5.0%
Laurence Keen	**£267,750**	**£255,000**	5.0%
Melanie Dickinson (appointed as an Executive Director from 21 October 2021)	**£160,000**	**N/A**	N/A

Non-Executive Directors' fees

The Board approved the increase of fees for the Non-Executive Directors by two per cent with effect from 1 October 2021. The Committee approved an increase to the Chairman's fee of two per cent, also with effect from 1 October 2021.

Chairman fee	£135,252
Senior Independent Director fee	£5,000
Base fee	£48,620[1]
Chair of Audit Committee fee	No additional fee
Chair of Remuneration Committee fee	No additional fee

1 Ivan Schofield's base fee is set at £47,754.

Benefits and pension

No changes are proposed to benefits or pension.

Annual bonus plan

The maximum bonus opportunity for the Executive Directors will remain at 100 per cent of salary. Subject to approval of the new Remuneration Policy, annual bonus outcomes will be based on a scorecard of financial and non-financial performance targets which are aligned to the business strategy. At least 50 per cent of the bonus will be based on financial performance.

The Remuneration Committee considers that the detailed performance targets for the FY2022 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 in the FY2022 Annual Report so that shareholders can fully assess the basis for any payouts under the annual bonus plan.

LTIP award

Awards will be made in FY2022 under the LTIP. The LTIP awards for the Executive Directors will be:

- CEO 100 per cent of salary;
- CFO 100 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 FY2022 LTIP awards:

Measure	Description	Weighting	Threshold	Target	Max
Adjusted EPS[1]	Adjusted EPS for the final year of the performance period – FY2024	70%	14.65p (25% payout)	15.42p (62.25% payout)	16.19p (100% payout)
Return on centre invested capital	20% return on all centre invested capital (refurbs and new centres)	10%	N/A	20% return (100% payout)	N/A
Emissions ratio for Scope 1 and Scope 2	Intensity ratio (IR) of under 100	10%		IR under 100 (100% payout)	
Team member development	5% of team members progressed through internal development programmes	10%	N/A	5% (100% payout)	N/A

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

The Committee believes these targets are no less challenging in relative terms than the targets set for the FY2021 awards.

Composition and terms of reference of the Remuneration Committee

The Board has delegated to the Remuneration Committee, under 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, with no changes proposed, 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 PwC who were retained as an external independent advisers to the Committee. PwC advised the Company on all aspects of the Remuneration Policy for the Executive Directors and members of the Executive team, including the grant of the LTIP award.

The Remuneration Committee is satisfied that the advice received was objective and independent. PwC is a member of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure objective and independent advice is given to remuneration committees.

PwC received fees of £39,600 for its advice during the year to 30 September 2021.

On behalf of the Board

Claire Tiney
Chair of the Remuneration Committee
15 December 2021

The Directors present their report for the year ended 30 September 2021. 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 35
Greenhouse gas emissions	Sustainability – pages 42 and 43
People, culture and employee engagement	Sustainability – pages 40 and 41
Financial risk management objectives and policies (including hedging policy and use of financial instruments)	Note 30 to the Financial Statements – pages 126 and 127
Exposure to price risk, credit risk, liquidity risk and cash flow risk	Details can be found on pages 44 to 49 of the Strategic Report and note 30 to the Financial Statements
Details of long-term incentive schemes	Annual report on remuneration – pages 80 to 86
Directors' responsibilities statement	Page 90
Directors' interests	Details can be found on pages 81 and 82 of the Annual report on remuneration
s172 Statement	Details can be found on pages 22 to 25 of the Strategic Report
Stakeholder engagement in key decisions	Details can be found on pages 22 to 25

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)

Nick Backhouse (Senior Independent Director)

Claire Tiney (Non-Executive Director)

Ivan Schofield (Non-Executive Director)

The roles and biographies of the Directors in office as at the date of this report are set out on pages 52 and 53. There have been no changes to the Directors during the year and up to 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 99.

The Directors are not recommending the payment of a final dividend for the year ended 30 September 2021.

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 2021, the Company's share capital consisted of 170,631,183 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 29 January 2021, 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 15,750,000 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 28 January 2022, and accordingly has an unexpired authority to purchase up to 15,750,000 Ordinary shares with a nominal value of £15,750.00.

Directors' interests

The number of Ordinary shares of the Company in which the Directors were beneficially interested as at 30 September 2021 are set out in the Annual Report on Remuneration on page 81.

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 the Directors' Remuneration Policy set out on page 78.

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 2021 and 14 December 2021 (being the latest practicable date prior to publication of the Annual Report):

	At 30 September 2021		At 14 December 2021	
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	20,318,505	11.90%	21,273,387	12.90%
Ameriprise Financial, Inc. and its group (Columbia Threadneedle)	8,253,053	4.83%	8,413,257	4.93%
AXA Investment Managers	7,783,664	4.56%	7,783,664	4.56%
Invesco Ltd	7,504,478	4.40%	7,504,478	4.40%

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. The closure of our centres due to national lockdowns and localised tier restrictions affected the Board's ability to directly engage with team members in the normal way throughout the year. However regular updates on team member engagement activity during centre closures or where restrictions were enforced were provided to the Board by the CEO, Chief People Officer and Chief Operating Officer. These included feedback from regular team member engagement sessions, operational training and re-induction sessions which were held for all team members to re-engage with the teams. Further information about employees, including how they are incentivised, can be found in the Sustainability section on pages 40 and 41.

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 no branches outside of the UK.

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 auditors are 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 auditors are 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.

Auditors

KPMG has indicated its willingness to continue in office and a resolution seeking to re-appoint KPMG will be proposed at the forthcoming AGM.

Annual General Meeting

The 2022 AGM of the Company will be held on 28 January 2022 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 49, the Corporate governance report on pages 54 to 58 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
15 December 2021

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 international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the parent Company financial statements in accordance with UK Accounting Standards, including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. In addition the Group financial statements are required under the UK Disclosure Guidance and Transparency Rules to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applied in the European Union;
- 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 complies 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.

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
15 December 2021

Laurence Keen
Chief Financial Officer
15 December 2021

1. Our opinion is unmodified

We have audited the financial statements of Hollywood Bowl Group plc ("the Company") for the year ended 30 September 2021 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 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation to the extent applicable.

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 six financial years ended 30 September 2021. 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		£0.635m (2020: £0.800m) 4.3% of 5 year average of Group profit before tax (2020: 4.3% of 4 year average of Group profit before tax)
Coverage		100% (2020: 100%) of Group profit before tax
Key audit matters		**vs 2020**
Recurring risks	Valuation of property, plant and equipment and right of use assets	◀▶
	Recoverability of parent company investment in subsidiaries/amounts due from group entities	◀▶

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

	The risk	Our response
Valuation of property, plant and equipment and right of use assets £182 million (2020: £183 million). Impairment charge: £0.3m for property, plant and equipment (2020: £nil) and £0.6m for right of use assets (2020: nil). Refer to page 65 (Report of the Audit Committee), page 108 (accounting policy) and pages 116 and 118 (financial disclosures).	**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. Despite recent actual results, since the easing of restrictions and re-opening of centres to near full capacity, exceeding budget, there is still uncertainty regarding any future lockdowns that may be imposed, as well as uncertainty about economic recovery and the impact these factors will have on trading. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the VIU 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.	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 sector experience:** For the centres where indications of impairment existed, we evaluated the assumptions used in the forecasts and plans by the management, in particular those relating to revenue and 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 cash generating units. **Our results** We found the resulting estimate of the recoverable amount of PPE and right-of-use assets in each cash generating unit to be acceptable (2020: 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 £124 million (2020: £124 million). Refer to page 130 (accounting policy) and pages 132 and 133 (financial disclosures).	**Low Risk – High value:** The carrying amount of the parent company investments in subsidiaries and amounts due from group entities represent 91% (2020: 93%) of the 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 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: • **Historical comparisons:** We assessed the reasonableness of budgets by considering the historical accuracy of the previous forecasts; • **Benchmarking assumptions:** We compared the assumptions to externally derived and historical data, as well as our own assessments in relation to key inputs, in particular the discount and growth rates; • **Sensitivity analysis:** We performed breakeven analysis of the key assumptions noted above to assess whether a reasonably possible change in these assumptions could trigger an impairment charge; and • **Comparing valuations:** We compared the sum of the discounted cash flows to the Group market capitalisation to assess the reasonableness of those cash flows. **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 (2020: acceptable).

We continue to perform procedures over Going Concern. However, taking into consideration the cash position of the group as a result of the equity share issue and the available undrawn facility, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is no longer dealt with in the key audit matter section of our audit report, but is addressed in section 4 on page 95.

In addition, the application of IFRS 16 lease accounting identified previously was specific to the year of transition. Upon transition to IFRS 16 in 2020, there was a risk that existing leases were not completely identified, transition date recognition and measurement adjustments were not accurately recorded and that transition disclosures were incomplete, inaccurate or not fairly presented, due to it being the first year of application and the magnitude of the balance. We continue to perform procedures over new leases entered during the year, along with any lease modifications, but we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

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 £0.635 million determined with reference to a benchmark of Group profit before tax by averaging over the last five years (2020: £0.800 million determined with reference to benchmark of Group profit before tax by averaging over the last four years), of which it represents 4.3% (2020: 4.3% of Group profit before tax averaged over the last four years). This is due to continued fluctuations in the business cycle arising as a result of the impact of Coronavirus in the current year and prior year.

Materiality for the parent Company financial statements as a whole was set at £0.550 million (2020: £0.740 million), determined with reference to a benchmark of company total assets (2020: company total assets) of which it represents 0.4% (2020: 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% (2020: 75%) of materiality for the financial statements as a whole, which equates to £0.475 million (2020: £0.600m) for the group and £0.413m (2020: £0.555m) 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 £ 31,750 (2020: £40,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

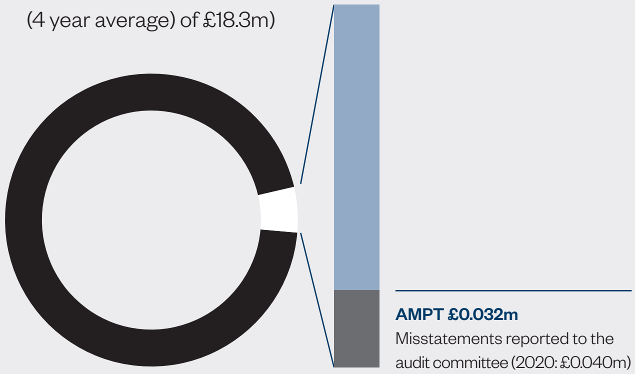
Of the group's 3 reporting components we subjected 2 to full scope audits for group purposes and 1 to specific risk-focused audit procedures over finance expenses. The latter was not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed.

For the prior year, the Group audit team performed the audit of the Group as if it was a single aggregated set of financial information, at the Group's Head office in Hemel Hempstead. Both the current year and prior year audit was performed using the materiality level set out on this page and covered 100% of the Group's profit before tax, total revenues and total assets.

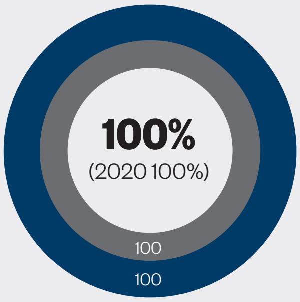
Our audit of the parent Company was undertaken to the materiality level specified above and was all performed at the company's head office in Hemel Hempstead.

Average profit before tax (5 year average) £ 14.9m (2020: Profit before tax (4 year average) of £18.3m)

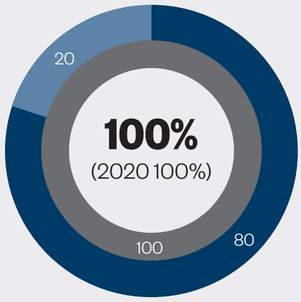
Group Materiality £ 0.635m (2020: £0.800m)



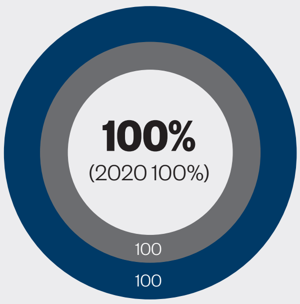
Group revenue



Total profits and losses that make up group profit before tax



Group total assets



- Full scope for group audit purposes 2021
- Specified risk-focused audit procedures 2021
- Full scope for group audit purposes 2020
- Specified risk-focused audit procedures 2020
- Residual components

4. 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 Company or to cease their operations, and as they have concluded that the Group's and the 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 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 Company's available financial resources and metrics is the demand for the Group's services being adversely impacted by closure of the Group's bowling and mini golf centres as a result of further government regulation to combat Covid-19.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the Directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

Our procedures also included:

- Critically assessing assumptions in the downside scenarios relevant to liquidity and covenant compliance, in particular in relation to profitability by comparing to historical performance prior to the impact of the Covid-19 pandemic, assessing the financial performance of the group during the current year, considering the potential timing of further lockdowns, and our knowledge of the entity and the sector in which it operates.
- Assessing whether downside scenarios applied mutually consistent assumptions in aggregate, using our assessment of the possible range of each key assumption and our knowledge of inter-dependencies.

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 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 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 54 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 Company will continue in operation.

5. 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 Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group and the 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 in response to possible pressures to present an optimistic outlook for the Group.

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 journals posted to unusual accounts.
- Assessing significant accounting estimates for bias.

5. 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 and employment law 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

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.

6. 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 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 48 that they have carried out a robust assessment of the 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 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 48 under the Listing Rules. Base on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our own knowledge.

6. We have nothing to report on the other information in the Annual Report continued

Disclosures of principal risks and longer-term viability continued

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 the parent Company's longer-term viability.

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 report to you if the Corporate Governance Statement does not properly disclose a departure from the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. 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 rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

7. 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.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 90, 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 other irregularities (see below), 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, other irregularities 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.

9. 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.

Stuart Burdass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
58 Clarendon Road,
Watford,
WD17 1DE.
15 December 2021

Consolidated income statement and statement of comprehensive income

Year ending 30 September 2021

	Note	30 September 2021 £'000	30 September 2020 £'000
Revenue	3	**71,878**	79,473
Cost of sales		**(10,257)**	(11,543)
Gross profit		**61,621**	67,930
Other income	4	**2,814**	—
Administrative expenses	6	**(54,855)**	(58,069)
Operating profit		**9,580**	9,861
Finance income	9	**—**	78
Finance expenses	9	**(9,118)**	(8,743)
Profit before tax		**462**	1,196
Tax credit	10	**1,266**	189
Profit for the year attributable to equity shareholders		**1,728**	1,385
Other comprehensive income		**—**	—
Total comprehensive income for the year attributable to equity shareholders		**1,728**	1,385
Basic earnings per share (pence)	11	**1.05**	0.90
Diluted earnings per share (pence)	11	**1.04**	0.90

The accompanying notes on pages 103 to 127 form an integral part of these Financial Statements.

Financial statements

Consolidated statement of financial position

As at 30 September 2021

	Note	30 September 2021 £'000	30 September 2020 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**49,036**	48,220
Right-of-use assets	13	**132,342**	135,176
Goodwill and intangible assets	14	**77,948**	78,173
Deferred tax asset	22	**6,290**	5,295
		265,616	266,864
Current assets			
Cash and cash equivalents	16	**29,942**	20,784
Trade and other receivables	17	**3,330**	1,720
Corporation tax receivable		**650**	285
Inventories	18	**1,461**	1,340
		35,353	24,129
Total assets		**300,969**	290,993
LIABILITIES			
Current liabilities			
Trade and other payables	19	**18,142**	9,940
Lease liabilities	13	**13,811**	14,404
Loans and borrowings	21	**—**	5,205
		31,953	29,549
Non-current liabilities			
Other payables	19	**565**	814
Lease liabilities	13	**160,129**	159,400
Loans and borrowings	21	**—**	23,833
Provisions	20	**3,635**	3,903
		164,329	187,950
Total liabilities		**196,282**	217,499
NET ASSETS		**104,687**	73,494
Equity attributable to shareholders			
Share capital	23	**1,706**	1,575
Share premium	24	**39,691**	10,466
Merger reserve	24	**(49,897)**	(49,897)
Retained earnings	24	**113,187**	111,350
TOTAL EQUITY		**104,687**	73,494

The accompanying notes on pages 103 to 127 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors on 15 December 2021.

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 2021

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Equity at 30 September 2019	1,500	—	(49,897)	150,038	101,641
Adjustment on initial application of IFRS 16	—	—	—	(31,696)	(31,696)
Taxation on IFRS 16 transition adjustment	—	—	—	5,388	5,388
Adjusted balance at 1 October 2019	1,500	—	(49,897)	123,730	75,333
Shares issued during the year	75	10,466	—	—	10,541
Dividends paid	—	—	—	(14,489)	(14,489)
Share-based payments (note 28)	—	—	—	724	724
Profit for the year	—	—	—	1,385	1,385
Equity at 30 September 2020	1,575	10,466	(49,897)	111,350	73,494
Shares issued during the year	131	29,225	—	—	29,356
Share-based payments (note 28)	—	—	—	16	16
Deferred tax on share-based payments	—	—	—	93	93
Profit for the year	—	—	—	1,728	1,728
Equity at 30 September 2021	**1,706**	**39,691**	**(49,897)**	**113,187**	**104,687**

The accompanying notes on pages 103 to 127 form an integral part of these Financial Statements.

Consolidated statement of cash flows

For the year ended 30 September 2021

	Note	30 September 2021 £'000	30 September 2020 £'000
Cash flows from operating activities			
Profit before tax		**462**	1,196
Adjusted by:			
Depreciation of property, plant and equipment (PPE)	12	**7,740**	7,247
Depreciation of right-of-use (ROU) assets	13	**11,882**	12,171
Amortisation of intangible assets	14	**477**	507
Impairment of PPE and ROU assets	12, 13	**850**	—
Net interest expense		**9,118**	8,665
Loss on disposal of property, plant and equipment and software		**29**	22
Share-based payments		**16**	724
Operating profit before working capital changes		**30,574**	30,532
Increase in inventories		**(121)**	(128)
(Increase)/decrease in trade and other receivables		**(1,446)**	1,727
Increase/(decrease) in payables and provisions		**8,456**	(5,868)
Cash inflow generated from operations		**37,463**	26,263
Interest received		**—**	85
Income tax paid – corporation tax		**—**	(3,117)
Bank interest paid		**(1,207)**	(943)
Lease interest paid		**(7,952)**	(7,770)
Net cash inflow from operating activities		**28,304**	14,518
Cash flows from investing activities			
Purchase of property, plant and equipment		**(9,330)**	(13,492)
Purchase of intangible assets		**(252)**	(223)
Net cash used in investing activities		**(9,582)**	(13,715)
Cash flows from financing activities			
Repayment of bank loan		**(29,500)**	(1,500)
Drawdown of borrowings		**—**	4,000
Payment of capital elements of leases		**(9,420)**	(3,500)
Issue of shares		**29,356**	10,541
Dividends paid		**—**	(14,489)
Net cash used in financing activities		**(9,564)**	(4,948)
Net change in cash and cash equivalents for the year		**9,158**	(4,145)
Cash and cash equivalents at the beginning of the year		**20,784**	24,929
Cash and cash equivalents at the end of the year	16	**29,942**	20,784

The accompanying notes on pages 103 to 127 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.

The Group's principal activities are that of the operation of ten-pin bowling and mini-golf centres 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 2021.

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 2021 and 30 September 2020.

Statement of compliance

The consolidated Financial Statements have been prepared in accordance with International Account Standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The functional currency of each entity in the Group is Pounds Sterling. 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.

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 111.

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.

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.

The adjusted earnings per share figures have also been calculated based on earnings before adjusting items that are significant in nature and/or quantum and are considered to be distortive. These have been presented to provide shareholders with an additional measure of the Group's year-on-year performance.

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 one type of dilutive potential ordinary shares, being those unvested shares granted under the Long Term Incentive 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 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
Annual improvements to IFRS Standards 2018–2020	The annual improvements include amendments to four Standards: IFRS 1 First-time adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture.	1 October 2022
IFRS 3 Reference to the conceptual framework	In May 2020, the IASB issued amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework.	1 October 2022
IAS 16 Property, plant and equipment: proceeds before intended use	In May 2020, the IASB issued property, plant and equipment: proceeds before intended use, which prohibits entities deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management.	1 October 2022
Interest rate benchmark reform: Phase 2	The amendments address issues that might affect IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 as a result of the reform of an interest rate benchmark.	1 October 2021

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

Going concern

In assessing the going concern position of the Group for the Consolidated Financial Statements for the year ended 30 September 2021, the Directors have considered the Group's cash flow, liquidity, and business activities, as well as the ongoing uncertainty caused by the COVID-19 outbreak. The outbreak of COVID-19 and its continued impact on the economy, and specifically the hospitality sector, casts uncertainty to the future financial performance and cash flows of the Group. The Group has taken a number of actions to improve overall liquidity to ensure it is well placed to operate through the pandemic and to achieve its strategic goals. In March 2021, the Group raised £29.2m on the stock market through an equity placing. In September 2021, the Group repaid and cancelled its borrowing facilities with Lloyds Bank plc and entered into a new £25m RCF and agreed £5m accordion with Barclays Bank plc to December 2024. At 30 September 2021, the Group had cash balances of £29.9m, no outstanding loan balances and undrawn financing facilities of £25m.

As part of the review of the potential impact of the COVID-19 outbreak on the Group's cash flows and liquidity over the next twelve months, a base case and a severe but plausible downside scenario were prepared. The base case forecast assumes all centres remain open and there are no trading restrictions. In the base case forecast, there is no drawdown of the RCF, and financial covenants are passed.

2. Accounting policies continued

Going concern continued

The most severe downside scenario was prepared using the following key assumptions:

- a national 'winter' lockdown in December 2021 and January 2022 resulting in the closure of all centres;
- revenue assumed at 18 percentage points down on the base case for FY2022;
- when centres are forced to close, taking advantage of a reinstated Coronavirus Job Retention Scheme and rates holiday, but no government grant income;
- reduced maintenance and marketing spend, as well as reducing all non-essential expenditure during the closure period in line with that experienced during previous lockdowns in FY2020 and FY2021;
- no dividend payments in FY2022;
- deferral of non-committed capital expenditure to later months in FY2022 and no change to the new centre capital expenditure for FY2022;
- trade to return to base case forecasts from February 2022.

This severe but plausible downside scenario would still provide sufficient liquidity within its cash position, no drawdown of the RCF and 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 twelve months from the date of this report. Accordingly, the Group continues 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 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 customers is disaggregated by major product and service lines, being bowling, food and drink, amusements and other. Disaggregated revenue from contracts with customers is disclosed in note 3 on page 112.

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 one operating and one reporting segment, being the provision of ten-pin bowling and mini-golf centres entirely in the United Kingdom, as defined under IFRS 8. Management review the performance of the Group by reference to total results against budget.

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.

2. Accounting policies continued

Employee benefits continued

(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 the services received in exchange for the equity instrument is recognised as an expense. The total amount expensed is determined by reference to the fair value of the instruments granted, including any market performance conditions and excluding the impact of any service and non-performance vesting 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.

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.

Lease liabilities are measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and variable lease payments that depend on an index or a rate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments).

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'impairment' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Amendments to IFRS 16: COVID-19 Related Rent Concessions

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions – amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19-related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The practical expedient was adopted by the Group and the impact on the consolidated Financial Statements is outlined in note 13.

2. Accounting policies continued

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

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:

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. Positive goodwill is capitalised. Goodwill is 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.

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
Hollywood Bowl brand	over 20 years
Trademark	over 20 years

The amortisation charge is recognised in administrative expenses in the income statement.

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.

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.

2. Accounting policies continued

Impairment

(i) Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) on financial assets measured at amortised cost. These are always measured at an amount equal to lifetime ECL. 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. 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.

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.

2. Accounting policies continued

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; and
- 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.

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

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. Accounting policies continued

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the income relates to a distinct identifiable expense, the income is offset against the relevant expense e.g. income received under the Coronavirus Job Retention Scheme has been offset against staff costs in administrative expenses. Where an expense is not distinctly identifiable or the income relates to multiple expenses, the income is recognised within other income.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as other income in the consolidated income statement in the period in which they become receivable.

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 either in the notes to the consolidated Financial Statements or on the face of the consolidated income statement.

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, net debt, Group operating cash flow, Group EBITDA, Group EBITDA margin, earnings per share and diluted earnings per share.

A reconciliation between key adjusted and statutory measures is provided on pages 34 and 35 of the Financial Review which 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

Determining the incremental borrowing rate used to measure lease liabilities

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. Judgement is applied in determining the components of the IBR used for each lease including risk-free rates, the Group's credit risk and any lease specific adjustments.

IBRs depend on the term and start date of the lease. The IBR is determined based on a series of inputs including: the risk-free rate based on government bond rates and a credit risk adjustment based on the average credit spread from commercial bank lenders.

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 reviewed 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 these would not lead to a material impairment.

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.

3. Segmental reporting

Management consider that the Group consists of a single segment, and operates within the UK. No single customer provides more than ten per cent of the Group's revenue. Within this one operating segment there are multiple revenue streams which consist of the following:

	30 September 2021 £'000	30 September 2020 £'000
Bowling	**34,769**	38,542
Food and drink	**17,396**	21,516
Amusements	**18,625**	18,819
Other	**1,088**	596
	71,878	79,473

4. Other income

	30 September 2021 £'000	30 September 2020 £'000
Government grant for the purpose of immediate financial support	**2,814**	—

Government grants totalling £2,814,000 (FY2020: £nil) were received as part of a government initiative to provide immediate financial support for businesses that were forced to close as a result of trading restrictions due to the pandemic.

5. Reconciliation of operating profit to Group adjusted EBITDA

	30 September 2021 £'000	30 September 2020 £'000
Operating profit	**9,580**	9,861
Depreciation of property, plant and equipment (note 12)	**7,740**	7,247
Depreciation of right-of-use assets (note 13)	**11,882**	12,171
Amortisation of intangible assets (note 14)	**477**	507
Impairment of property, plant and equipment (note 12)	**299**	—
Impairment of right-of-use assets (note 13)	**551**	—
Loss on disposal of property, plant and equipment, right-of-use assets and software (notes 12-14)	**29**	22
Group adjusted EBITDA	**30,558**	29,808

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 and loss on disposal of property, plant and equipment, right-of-use assets and software. Operating profit includes government grant income of £2.8m in FY2021.

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.

6. Profit from operations

Profit from operations includes the following:

	30 September 2021 £'000	30 September 2020 £'000
Amortisation of intangible assets	**477**	507
Depreciation of property, plant and equipment	**7,740**	7,247
Depreciation of right-of-use assets	**11,882**	12,171
Impairment of property, plant and equipment	**299**	—
Impairment of right-of-use assets	**551**	—
Operating leases	**43**	50
Loss on disposal of property, plant and equipment, right-of-use assets and software	**29**	22
Loss on foreign exchange	**16**	23
Auditor's remuneration:		
– Fees payable for audit of these Financial Statements	**228**	155
Fees payable for other services:		
– Audit of subsidiaries	**47**	45
– Audit of subsidiaries relating to prior year	**35**	20
– Other services	**11**	14
	321	234

7. Staff numbers and costs

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

	30 September 2021	30 September 2020
Directors	**6**	6
Administration	**58**	65
Operations	**1,723**	1,970
Total staff	**1,787**	2,041

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

	30 September 2021 £'000	30 September 2020 £'000
Wages and salaries	**15,853**	16,563
Social security costs	**1,648**	1,371
Pension costs	**336**	297
Share-based payments (note 28)	**16**	695
Total staff cost	**17,853**	18,926

FY2021 wages and salaries includes £8,287,000 (FY2020: £8,232,000) of CJRS government grant received.

8. Remuneration of Directors and key management personnel

A) Directors' emoluments

The Directors' emoluments and benefits were as follows:

	30 September[1] 2021 £'000	30 September[1] 2020 £'000
Salaries and bonuses	**909**	912
Pension contributions	**32**	32
Share-based payments (note 28)	**(38)**	472
Total	**903**	1,416

1 This includes two (FY2020: two) Executive Directors and four (FY2020: four) Non-Executive Directors.

The aggregate of emoluments of the highest paid Director was £392,000 (FY2020: £699,000) and company pension contributions of £20,000 (FY2020: £19,000) were made to a defined contribution scheme on their behalf.

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 2021 £'000	30 September 2020 £'000
Salaries and bonuses	**1,312**	1,265
Pension contributions	**51**	51
Share-based payments (note 28)	**(9)**	730
Total	**1,354**	2,046

9. Finance income and expenses

	30 September 2021 £'000	30 September 2020 £'000
Interest on bank deposits	—	78
Finance income	—	78
Interest on bank borrowings	**1,155**	904
Other interest	**3**	5
Finance costs on lease liabilities	**7,952**	7,770
Unwinding of discount on provisions	**8**	64
Finance expense	**9,118**	8,743

10. Taxation

	30 September 2021 £'000	30 September 2020 £'000
The tax (credit)/expense is as follows:		
– UK corporation tax	**(384)**	339
– Adjustment in respect of prior years	**20**	(24)
Total current tax	**(364)**	315
Deferred tax:		
Origination and reversal of temporary differences	**287**	39
Effect of changes in tax rates	**(1,202)**	(546)
Adjustment in respect of prior years	**13**	3
Total deferred tax	**(902)**	(504)
Total tax credit	**(1,266)**	(189)

Factors affecting current tax credit:

The tax assessed on the profit for the period is different to the standard rate of corporation tax in the UK of 19 per cent (30 September 2020: 19 per cent). The differences are explained below:

	30 September 2021 £'000	30 September 2020 £'000
Profit excluding taxation	**462**	1,196
Tax using the UK corporation tax rate of 19% (2020: 19%)	**88**	227
Change in tax rate on deferred tax balances	**(1,202)**	(546)
Non-deductible expenses	**22**	58
Effects of other reliefs	**(137)**	—
Share-based payments	**(69)**	93
Adjustment in respect of prior years	**32**	(21)
Total tax credit included in profit or loss	**(1,266)**	(189)

The Group's standard tax rate for the year ended 30 September 2021 was 19 per cent (30 September 2020: 19 per cent).

At Budget March 2021, the government confirmed that the corporation tax main rate would remain at 19 per cent and increase to 25 per cent from 1 April 2023. As such, the rate used to calculate the deferred tax balances as at 30 September 2021 has increased from 19 per cent to a blended rate up to 25 per cent depending on when the deferred tax balance will be released.

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, excluding invested shares held pursuant to Long Term Incentive Plans (note 28).

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 2021 and 30 September 2020, the Group had potentially dilutive ordinary shares in the form of unvested shares pursuant to Long Term Incentive Plans (note 28).

	30 September 2021	30 September 2020
Basic and diluted		
Profit for the year after tax (£'000)	**1,728**	1,385
Basic weighted average number of shares in issue for the period (number)	**164,607,791**	153,401,639
Adjustment for share awards	**859,432**	935,738
Diluted weighted average number of shares	**165,467,223**	154,337,377
Basic earnings per share (pence)	**1.05**	0.90
Diluted earnings per share (pence)	**1.04**	0.90

12. Property, plant and equipment

	Long leasehold property £'000	Short leasehold property £'000	Lanes and pinspotters £'000	Amusement machines £'000	Plant & machinery, fixtures and fittings	Total £'000
Cost						
At 1 October 2019	1,241	23,598	10,070	16,362	29,411	80,682
Adjustment on initial application of IFRS 16	—	—	—	(16,362)	—	(16,362)
Additions	—	5,125	2,537	—	6,780	14,442
Disposals	(1)	(71)	(338)	—	(34)	(444)
At 30 September 2020	1,240	28,652	12,269	—	36,157	78,318
Additions	—	1,435	1,489	—	6,406	9,330
Disposals	—	(424)	(448)	—	(406)	(1,278)
At 30 September 2021	**1,240**	**29,663**	**13,310**	**—**	**42,157**	**86,370**
Accumulated depreciation						
At 1 October 2019	245	8,664	4,021	10,050	10,337	33,317
Adjustment on initial application of IFRS 16	—	—	—	(10,050)	—	(10,050)
Depreciation charge	48	2,417	647	—	4,135	7,247
Disposals	(1)	(70)	(321)	—	(24)	(416)
At 30 September 2020	292	11,011	4,347	—	14,448	30,098
Depreciation charge	48	2,773	694	—	4,225	7,740
Impairment charge	—	—	—	—	299	299
Disposals	—	(38)	(428)	—	(337)	(803)
At 30 September 2021	**340**	**13,746**	**4,613**	**—**	**18,635**	**37,334**
Net book value						
At 30 September 2021	**900**	**15,917**	**8,697**	**—**	**23,522**	**49,036**
At 30 September 2020	948	17,641	7,922	—	21,709	48,220

Plant & machinery, fixtures and fittings includes £2,162,000 (30 September 2020: £nil) 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 sixty four centres. A detailed impairment test based on a base case was then performed on seven 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 seven 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 three-year period. This base case assumes all centres remain open during FY2022, and the financial years thereafter, and there are no further trading restrictions associated with the COVID-19 pandemic.

The key assumptions used in the value-in-use calculations were the outcome of the COVID-19 pandemic during FY2022 and the next two financial years. Cash flows beyond this three-year period are extrapolated over the length of the property lease using the estimated growth rates stated in the key assumptions. The other assumptions used in the value-in-use calculations were:

	2021	2020
Discount rate (pre-tax)	**12.7%**	8.5%
Growth rate (beyond three years)	**2.5%**	2.0%

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 resulted in the recognition of an impairment charge in the year of £299,000 against property, plant and equipment assets and £551,000 against right-of-use assets for one centre.

Sensitivity to changes in assumptions

The estimate of the recoverable amounts for six centres affords reasonable headroom over the carrying value of the property, plant and equipment and right-of-use asset, and an impairment charge of £850,000 for one centre under the base case. Management have sensitised the key assumptions in the impairment tests of these seven centres under the base case.

A reduction in revenue of 18 percentage points down on the base case for FY2022 and associated cost savings from a two month 'winter' lockdown in December 2021 and January 2022 would not cause the carrying value to exceed its recoverable amount for these six centres. Therefore, management believe that any reasonable possible changes in the key assumptions would not result in an impairment charge. A further impairment of £104,000 would arise under this sensitised case in relation to one centre where we have already recognised an impairment charge in the year.

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 eight 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 2019	130,227	6,110	136,337
Lease additions	1,762	1,995	3,757
Lease surrenders	—	(443)	(443)
Lease modifications	7,710	—	7,710
At 30 September 2020	139,699	7,662	147,361
Lease additions	2,581	587	3,168
Lease surrenders	—	(140)	(140)
Lease modifications	6,442	—	6,442
At 30 September 2021	**148,722**	**8,109**	**156,831**
Accumulated depreciation			
At 1 October 2019	—	—	—
Depreciation charge to profit or loss	9,481	2,690	12,171
Depreciation charge to PPE	261	—	261
Lease surrenders	—	(247)	—
At 30 September 2020	9,742	2,443	12,185
Depreciation charge	9,339	2,543	11,882
Impairment charge	551	—	551
Lease surrenders	—	(129)	(129)
At 30 September 2021	**19,632**	**4,857**	**24,489**
Net book value			
At 30 September 2021	**129,090**	**3,252**	**132,342**
At 30 September 2020	129,957	5,219	135,176

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 2019	161,161	6,221	167,382
Lease additions	1,762	1,995	3,757
Accretion of interest	7,609	161	7,770
Lease modifications	7,710	(203)	7,507
Payments[1]	(11,142)	(1,470)	(12,612)
At 30 September 2020	167,100	6,704	173,804
Lease additions	2,581	587	3,168
Accretion of interest	7,836	116	7,952
Lease modifications	6,442	(11)	6,431
Payments[1]	(15,429)	(1,986)	(17,415)
At 30 September 2021	**168,530**	**5,410**	**173,940**
Current	11,644	2,167	13,811
Non-current	156,886	3,243	160,129
At 30 September 2021	**168,530**	**5,410**	**173,940**
Current	11,438	2,966	14,404
Non-current	155,662	3,738	159,400
At 30 September 2020	167,100	6,704	173,804

1 As a result of COVID-19 rent concessions, £991,000 (FY2020: £3,591,000) of property payments and £745,000 (FY2020: £1,376,000) of amusement machine payments noted above were deferred during the year and are netted off the payments. A further £2,110,000 (FY2020: £1,400,000) of rent savings were taken to profit or loss as a credit to variable lease payments within administrative expenses.

The maturity analysis of lease liabilities is disclosed in note 30.

Financial statements

13. Leases continued

Group as a lessee continued

The following are the amounts recognised in profit or loss:

	2021 £'000	2020 £'000
Depreciation expense of right-of-use assets	**11,882**	12,171
Impairment charge of right-of-use assets	**551**	—
Interest expense on lease liabilities	**7,952**	7,770
Expense relating to leases of low-value assets (included in administrative expenses)	**43**	50
Variable lease payments (included in administrative expenses)	**581**	110
COVID-19 rent savings (included in administrative expenses)	**(2,110)**	(1,400)
Total amount recognised in profit or loss	**18,899**	18,701

The Group has contingent lease contracts for eight (FY2020: eight) sites. There is a revenue-based rent top-up on these sites. Variable lease payments include revenue-based rent top-ups at six (FY2020: three) centres totalling £320,000 (FY2020: £110,000). It is anticipated that top-ups totalling £343,000 will be payable in the year to 30 September 2022 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 £551,000 against right-of-use assets for one centre.

14. Goodwill and intangible assets

	Goodwill £'000	Brand[1] £'000	Trademark[1] £'000	Software £'000	Total £'000
Cost					
At 1 October 2019	75,034	3,360	798	1,637	80,829
Additions	—	—	—	223	223
At 30 September 2020	**75,034**	**3,360**	**798**	**1,860**	**81,052**
Additions	—	—	—	252	252
At 30 September 2021	**75,034**	**3,360**	**798**	**2,112**	**81,304**
Accumulated amortisation					
At 1 October 2019	—	852	266	1,254	2,372
Amortisation charge	—	168	50	289	507
At 30 September 2020	—	1,020	316	1,543	2,879
Amortisation charge	—	168	50	259	477
At 30 September 2021	—	**1,188**	**366**	**1,802**	**3,356**
Net book value					
At 30 September 2021	**75,034**	**2,172**	**432**	**310**	**77,948**
At 30 September 2020	75,034	2,340	482	317	78,173

1 This relates to the Hollywood Bowl brand and trademark only.

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 whole Group is considered to be one CGU, for the purposes of goodwill impairment testing, on the basis of the level at which goodwill is monitored by management and historical allocation of goodwill upon acquisition.

14. Goodwill and intangible assets continued

The recoverable amount of the CGU is determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by the Board covering a three-year period. This base case assumes all centres remain open during FY2022, and the financial years thereafter, and there are no further trading restrictions associated with the COVID-19 pandemic.

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:

	2021	2020
Discount rate (pre-tax)	**12.7%**	8.5%
Growth rate (beyond three years)	**2.5%**	2.0%

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 six percentage points on the base case for FY2022 to FY2024, 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 three years), would reduce the headroom by £86.1m. 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.

15. Investment in subsidiaries

Hollywood Bowl Group plc's operating subsidiaries as at 30 September 2021 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%
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%

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 2021. 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.

16. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	30 September 2021 £'000	30 September 2020 £'000
Cash at bank and in hand	**29,942**	20,784

17. Trade and other receivables

	30 September 2021 £'000	30 September 2020 £'000
Trade receivables	**611**	143
Other receivables	**89**	48
Prepayments	**2,600**	1,529
	3,300	1,720

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

18. Inventories

	30 September 2021 £'000	30 September 2020 £'000
Goods for resale	**1,461**	1,340

Goods bought for resale recognised as a cost of sale amounted to £6,207,000 (2020: £7,632,000).

19. Trade and other payables

	30 September 2021 £'000	30 September 2020 £'000
Current		
Trade payables	**5,121**	2,909
Other payables	**1,131**	1,251
Accruals and deferred income	**7,421**	4,229
Taxation and social security	**4,469**	1,551
Total trade and other payables	**18,142**	9,940

	30 September 2021 £'000	30 September 2020 £'000
Non-current		
Other payables	**565**	814

Accruals and deferred income includes a staff bonus accrual of £1,405,000 (30 September 2020: £410,000). Deferred income includes £746,000 (30 September 2020: £148,000) of customer deposits received in advance, all of which is recognised in the income statement during the following financial year.

20. Provisions

	30 September 2021 £'000	30 September 2020 £'000
Lease dilapidations provision	**3,635**	3,903

20. Provisions continued

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 2019	3,150
Change in discount rate[1]	714
Released during the year	(25)
Unwind of discounted amount	64
As at 30 September 2020	3,903
Change in discount rate[1]	(461)
Provided during the year	185
Unwind of discounted amount	8
As at 30 September 2021	**3,635**

1 There was an increase in the discount rate from 0.25 per cent at 30 September 2020 to 1.22 per cent at 30 September 2021 (FY2020: a reduction in the discount rate from 2.0 per cent at 30 September 2019 to 0.25 per cent at 30 September 2020), used in preparing the dilapidations provision for the year ended 30 September 2021. This resulted in a decrease in the provision of £461,000 (FY2020: an increase of £714,000), 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. The provision in FY2020 related to lease extensions at nine centres.

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

	30 September 2021 £'000	30 September 2020 £'000
Current		
Bank loan	—	5,205
Borrowings (less than 1 year)	—	5,205
Non-current		
Bank loan	—	23,833
Borrowings (greater than 1 year)	—	23,833
Total borrowings	—	29,038

Bank borrowings have the following maturity profile:

	30 September 2021 £'000	30 September 2020 £'000
Due in less than 1 year	—	5,500
Less issue costs	—	(295)
	—	5,205
Due 2 to 5 years	—	24,000
Less issue costs	—	(167)
Total borrowings	—	29,038

The bank loans were secured by a fixed and floating charge over all assets. The loans carried interest at LIBOR plus a variable margin.

Financial statements

21. Loans and borrowings continued

	30 September 2021 £'000	30 September 2020 £'000
Loans and borrowings brought forward	**29,038**	26,763
Repayment during the year	**(29,500)**	(1,500)
Drawdown during the year	**—**	4,000
Issue costs	**—**	(350)
Amortisation of issue costs	**462**	125
Loans and borrowings carried forward	**—**	29,038

On 29 September 2021, the Group repaid and cancelled its borrowing facilities with Lloyds Bank plc, and on the same day entered into a new £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 2021 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).

As at 30 September 2021, the outstanding loan balance, excluding the amortisation of issue costs, was £nil (30 September 2020: £29,500,000). As at 30 September 2020, the Group also had an undrawn £1m revolving credit facility and undrawn £10m CLBILS facility with Lloyds Bank plc.

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 adjusted EBITDA 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 adjusted EBITDA 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 2021 £'000	30 September 2020 £'000
Deferred tax assets and liabilities		
Deferred tax assets	**7,809**	6,115
Deferred tax liabilities	**(1,519)**	(820)
	6,290	5,295

	30 September 2021 £'000	30 September 2020 £'000
Reconciliation of deferred tax balances		
Balance at the beginning of the year	**5,295**	(596)
Deferred tax credit for the year – in profit or loss	**915**	500
Deferred tax credit for the year – in equity	**93**	—
IFRS 16 transition adjustment	**—**	5,388
Adjustment in respect of prior years	**(13)**	3
Balance at the end of the year	**6,290**	5,295

22. Deferred tax assets and liabilities continued

The components of deferred tax are:

	30 September 2021 £'000	30 September 2020 £'000
Deferred tax assets		
Fixed assets	**6,706**	5,740
Trading losses	**439**	—
Other temporary differences	**664**	375
	7,809	6,115
Deferred tax liabilities		
Property, plant and equipment	**(721)**	(376)
Intangible assets	**(798)**	(444)
	(1,519)	(820)

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 2021.

23. Share capital

	30 September 2021		30 September 2020	
	Shares	£'000	Shares	£'000
Ordinary shares of £0.01 each	**170,631,183**	**1,706**	157,500,000	1,575

The share capital of the Group is represented by the share capital of the Parent Company, Hollywood Bowl Group plc.

During the year 13,043,480 ordinary shares of £0.01 each were issued at a premium of £29,206,000, which is recorded in the share premium account. The net proceeds of the placing will be utilised to provide additional liquidity headroom during this unknown period of uncertainty relating to COVID-19 and provide the ability to continue investment in the Group's new centre pipeline and ongoing refurbishment programme.

In addition, 87,703 ordinary shares of £0.01 each were issued under the Group's SAYE scheme at an exercise price of £2.06 each. The premium is recorded in the share premium account.

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.

25. Lease commitments

The Group had total commitments under non-cancellable operating leases set out below:

	30 September 2021 Other £'000	30 September 2020 Other £'000
Within 1 year	**57**	50
In 2 to 5 years	**172**	49
	229	99

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 2021, the Group had entered into contracts to fit out new and refurbish existing sites for £3,041,000 (2020: £229,000). These commitments are expected to be settled in the following financial year.

27. Related party transactions

30 September 2021 and 30 September 2020

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 long-term incentive plans (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 2020	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 September 2021	Exercisable at 30 September 2021
LTIP 2017	2017	Equity	428,113	—	—	—	428,113	428,113
LTIP 2018	2018	Equity	349,087	—	(66,327)	—	282,760	282,760
LTIP 2019	2019	Equity	403,018	—	(403,018)	—	—	—
LTIP 2020	2020	Equity	358,809	—	—	—	358,809	—
LTIP 2021	2021	Equity	—	452,993	—	—	452,993	—

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 2019, 30 September 2020, 30 September 2021, 30 September 2022 and 30 September 2023, and the Executive Directors' continued employment at the date of vesting.

The awards will vest based on the following adjusted EPS targets:

LTIP 2019	LTIP 2020	LTIP 2021	Vesting
15.19	17.26	13.91	25%
15.19–16.28	17.26–18.49	13.91–15.37	Vesting determined on a straight-line basis
16.28	18.49	15.37	100%

During the year ended 30 September 2021, 452,993 (30 September 2020: 358,809) share awards were granted under the LTIP. For all LTIPs, the Group recognised a credit of £8,753 (30 September 2020: charge of £729,829) and related employer National Insurance credit of £1,208 (30 September 2020: charge of £100,716).

The following assumptions were used to determine the fair value of the LTIPs granted:

Financial year LTIP granted	2021	2020	2019	2018
Share price at date of grant	**2.370**	2.928	2.320	1.950
Discount rate/dividend yield	**3%**	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, no new SAYE scheme was launched. In the prior year (SAYE 2020), 126 employees took up a total of 117,143 options with an exercise date of 1 February 2023 and an exercise price of £2.88, being equal to the market price of the shares on the date of grant. 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. Employees can opt to leave the SAYE at any time, at which point their options will lapse.

The shares are not dilutive for the purposes of calculating diluted earnings per share.

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.

28. Share-based payments continued

Save-As-You-Earn schemes continued

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 2021, 30 September 2020 and 30 September 2019 was estimated on the date of grant using the following assumptions:

	SAYE 2020	SAYE 2019	SAYE 2018
Exercise price	£2.88	£2.27	£2.06
Dividend yield	3.0%	3.0%	3.0%
Expected volatility	56.1%	32.1%	28.3%
Risk-free interest rate	0.00%	0.28%	0.77%
Life of option	3 years	3 years	3 years
Anticipated number of options to vest	43%	43%	25%

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.

The assessed fair value of the options granted during the year ended 30 September 2021 was £nil (30 September 2020: £0.18).

For the year ended 30 September 2021, the Group has recognised £25,230 of share-based payment charge in the income statement (30 September 2020: credit of £5,965).

During the year, the SAYE 2018 scheme became exercisable and 87,703 ordinary shares of £0.01 each were issued at an exercise price of £2.06 each (see note 23).

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).

There were no transfers between levels throughout the periods under review.

Fair values

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 2021 £'000	30 September 2020 £'000
Financial assets – measured at amortised cost		
Cash and cash equivalents	**29,942**	20,784
Trade and other receivables	**700**	191
Financial liabilities – measured at amortised cost		
Trade and other payables	**14,238**	9,203
Borrowings	**—**	29,500

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.

30. Financial risk management continued

Credit risk continued

The Group held cash and cash equivalents with banks which are rated AA- to AA+ of £27,885,000 at 30 September 2021 (30 September 2020: £19,397,000).

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. 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	More than 5 years £'000	Total £'000
2021					
Trade and other payables	**12,877**	**339**	**226**	**—**	**13,442**
Lease liabilities	**13,811**	**10,184**	**28,265**	**121,680**	**173,940**
Borrowings	**—**	**—**	**—**	**—**	**—**
	26,688	**10,523**	**28,491**	**121,680**	**187,382**
2020					
Trade and other payables	8,179	460	354	—	8,993
Lease liabilities	14,404	10,713	26,985	121,702	173,804
Borrowings	1,184	29,472	—	—	30,656
	23,767	40,645	27,339	121,702	213,453

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.

30. Financial risk management continued

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 2021 and 30 September 2020, 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 movement in SONIA is as follows:

	2021 £'000	2020 £'000
Increase in interest rate of 1%	**(225)**	(251)
Decrease in interest rate of 1%	**22**	163

31. Dividends paid and proposed

	30 September 2021 £'000	30 September 2020 £'000
The following dividends were declared and paid by the Group:		
Final dividend year ended 30 September 2019 – 5.16p per ordinary share	—	7,739
Special dividend year ended 30 September 2019 – 4.50p per ordinary share	—	6,750
	—	14,489

Financial statements

Company statement of financial position

As at 30 September 2021

	Note	30 September 2021 £'000	30 September 2020 £'000
ASSETS			
Non-current assets			
Investments	5	**50,672**	50,644
Trade and other receivables	8	**72,934**	72,934
		123,606	123,578
Current assets			
Cash and cash equivalents	6	**10,959**	10,304
Deferred tax asset	7	**514**	173
Trade and other receivables	8	**257**	82
		11,730	10,559
Total assets		**135,336**	134,137
LIABILITIES			
Current liabilities			
Trade and other payables	9	**24,719**	52,089
Total liabilities		**24,719**	52,089
NET ASSETS		**110,617**	82,048
Equity attributable to shareholders			
Share capital	10	**1,706**	1,575
Share premium	10	**39,691**	10,466
Retained earnings		**69,220**	70,007
TOTAL EQUITY		**110,617**	82,048

These financial statements were approved by the Board of Directors on 15 December 2021.

The accompanying notes on pages 130 to 134 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 2021

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Equity as at 30 September 2019	1,500	—	84,702	86,202
Shares issued during the year	75	10,466	—	10,541
Dividends paid	—	—	(14,489)	(14,489)
Share-based payments (note 5, 11)	—	—	730	730
Total comprehensive loss for the year	—	—	(936)	(936)
Equity as at 30 September 2020	1,575	10,466	70,007	82,048
Shares issued during the year	131	29,225	—	29,356
Share-based payments (note 5, 11)	—	—	(9)	(9)
Total comprehensive loss for the year	—	—	(778)	(778)
Equity as at 30 September 2021	**1,706**	**39,691**	**69,220**	**110,617**

The accompanying notes on pages 130 to 134 form an integral part of these financial statements.

Company statement of cash flows

For the year ended 30 September 2021

	30 September 2021 £'000	30 September 2020 £'000
Cash flows from operating activities		
Loss before tax	**(1,118)**	(976)
Adjusted by:		
Share-based payments (note 11)	**(38)**	472
Operating loss before working capital changes	**(1,156)**	(504)
(Increase)/decrease in trade and other receivables	**(175)**	3,117
Decrease in trade and other payables*	**(27,370)**	(2,867)
Cash outflow generated from operations and net cash outflow from operating activities	**(28,701)**	(254)
Cash flows from financing activities		
Issue of shares	**29,356**	10,541
Net cash flows used in financing activities	**29,356**	10,541
Net change in cash and cash equivalents for the year	**655**	10,287
Cash and cash equivalents at the beginning of the year	**10,304**	17
Cash and cash equivalents at the end of the year	**10,959**	10,304

* In the year ended 30 September 2021, the decrease is driven by funds raised from the issue of shares being distributed to other Group companies in order to settle the Group's borrowing facilities. Dividends paid in year ended 30 September 2020 were paid by a subsidiary undertaking.

The accompanying notes on pages 130 to 134 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 2021 and 30 September 2020.

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 £778,000 (2020: loss £936,000).

Investments in subsidiaries

Investments in subsidiaries are held at cost, which is the fair value of the consideration paid. Investments in subsidiaries are reviewed for impairment at the end of each reporting date with any impairment charged to the income statement.

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 the services received in exchange for the equity instrument is recognised as an expense. The total amount expensed is determined by reference to the fair value of the instruments granted:

- including any market performance conditions; and
- excluding the impact of any service and non-performance vesting 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 provisions of section 11 and section 12 of FRS 102 in full.

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.

2. Summary of significant accounting policies continued

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 2021[1] £'000	30 September 2020[1] £'000
Salaries and bonuses	**909**	912
Pension contributions	**32**	32
Share-based payments (note 11)	**(38)**	472
Total	**903**	1,416

1 This includes two Executive Directors and four Non-Executive Directors.

The aggregate of emoluments of the highest paid Director was £392,000 (FY2020: £699,000) and company pension contributions of £20,000 (FY2020: £19,000) were made to a defined contribution scheme on their behalf.

4. Taxation

	30 September 2021 £'000	30 September 2020 £'000
The tax credit is as follows:		
– UK corporation tax	**—**	—
Total current tax	**—**	—
Deferred tax:		
Origination and reversal of temporary differences	**259**	23
Effect of changes in tax rates	**82**	16
Total deferred tax	**341**	39
Total tax credit	**341**	39

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 19 per cent (30 September 2020: 19 per cent). The differences are explained below:

	30 September 2021 £'000	30 September 2020 £'000
Loss excluding taxation	**(1,118)**	(976)
Tax using the UK corporation tax rate of 19% (2020: 19%)	**(212)**	(185)
Change in tax rate on deferred tax balances	**(82)**	(16)
Share-based payments	**(47)**	56
Group relief	**—**	106
Total tax credit included in profit or loss	**(341)**	(39)

The Group's standard tax rate for the year ended 30 September 2021 was 19 per cent (30 September 2020: 19 per cent).

In the March 2021 Budget, the government confirmed that the corporation tax main rate would remain at 19 per cent and increase to 25 per cent from 1 April 2023. As such, the rate used to calculate the deferred tax balances as at 30 September 2021 has increased from 19 per cent to a blended rate up to 25 per cent depending on when the deferred tax balance will be released.

5. Investments

Investments in subsidiary undertakings are as follows:

	30 September 2021 £'000	30 September 2020 £'000
At the beginning of the year	**50,644**	50,386
Additions	**28**	258
At the end of the year	**50,672**	50,644

Details of the investments in subsidiary undertakings are outlined in note 14 to the consolidated financial statements.

6. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	30 September 2021 £'000	30 September 2020 £'000
Cash and cash equivalents	**10,959**	10,304

7. Deferred tax asset

	30 September 2021 £'000	30 September 2020 £'000
Deferred tax asset		
Deferred taxation asset	**514**	173
	514	173

	30 September 2021 £'000	30 September 2020 £'000
Reconciliation of deferred tax balances		
Balance at beginning of year	**173**	134
Deferred tax credit for the year	**341**	39
Balance at end of year	**514**	173

7. Deferred tax asset continued

The components of deferred tax are:

	30 September 2021 £'000	30 September 2020 £'000
Deferred tax asset		
Temporary differences	**223**	173
Trading losses	**291**	—
	514	173

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 2021 £'000	30 September 2020 £'000
Other receivables	**88**	82
Prepayments	**169**	—
	257	82

Non-current	30 September 2021 £'000	30 September 2020 £'000
Amounts owed by Group companies	**72,934**	72,934

Amounts owed by and to Group companies are non-interest bearing and are repayable on demand.

9. Trade and other payables

	30 September 2021 £'000	30 September 2020 £'000
Amounts owed to Group companies	**23,873**	51,447
Trade and other payables	**488**	289
Accruals and deferred income	**358**	353
	24,719	52,089

10. Share capital

	30 September 2021		30 September 2020	
	Shares	£'000	Shares	£'000
Allotted, called up and fully paid				
Ordinary shares of £0.01 each	**170,631,183**	**1,706**	157,500,000	1,575

During the year 13,043,480 ordinary shares of £0.01 each were issued at a premium of £29,206,000, which is recorded in the share premium account. The net proceeds of the placing will be utilised to provide additional liquidity headroom during this unknown period of uncertainty relating to COVID-19 and provide the ability to continue investment in the Group's new centre pipeline and ongoing refurbishment programme.

In addition, 87,703 ordinary shares of £0.01 each were issued under the Group's SAYE scheme at an exercise price of £2.06 each.
The premium is recorded in the share premium account.

11. Share-based payments

Long-term employee incentive costs

The Company operates LTIPs for the Directors. The value of the awards is measured at fair value at the date of the grant. The fair value 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 2020	Granted during the year	Lapsed/cancelled during the year	Exercised during the year	Outstanding at 30 September 2021	Exercisable at 30 September 2021
LTIP 2017	2017	Equity	268,370	—	—	—	268,370	268,370
LTIP 2018	2018	Equity	218,830	—	(41,578)	—	177,252	177,252
LTIP 2019	2019	Equity	273,707	—	(273,707)	—	—	—
LTIP 2020	2020	Equity	221,208	—	—	—	221,208	—
LTIP 2021	2021	Equity	—	273,290	—	—	273,290	—

In accordance with the LTIP schemes outlined in the Group's Remuneration Policy, the vesting of these awards is conditional upon the achievement of a Group EPS target set at the time of grant, measured at the end of a three-year period ending 30 September 2019, 30 September 2020, 30 September 2021, 30 September 2022 and 30 September 2023 and the Executive Directors' continued employment at the date of vesting.

The awards will vest based on the following adjusted EPS targets:

LTIP 2019	LTIP 2020	LTIP 2021	Vesting
15.19	17.26	13.91	25%
15.19–16.28	17.26–18.49	13.91–15.37	Vesting determined on a straight-line basis
16.28	18.49	15.37	100%

During the year ended 30 September 2021, 273,290 (30 September 2020: 221,208) share awards were granted under the LTIPs. For all LTIPs, the Company recognised a credit of £37,588 (30 September 2020: charge of £472,366) and related employer National Insurance credit of £5,187 (30 September 2020: charge of £65,186).

The following assumptions were used to determine the fair value of the LTIPs granted:

Financial year LTIP granted	2021	2020	2019	2018
Share price at date of grant	**2.370**	2.928	2.320	1.950
Discount rate/dividend yield	**3%**	3%	3%	3%

12. Loans and borrowings

On 29 September 2021, the Group repaid and cancelled its borrowing facilities with Lloyds Bank plc, and on the same day entered into a new £25m revolving credit facility (RCF) with Barclays Bank plc. The outstanding balance at 30 September 2021 was £nil.

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 2021 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 8).

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 adjusted EBITDA 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 adjusted EBITDA 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 2021 will be exempt from audit (note 14 of the Group financial statements).

Company information

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