Hollywood Bowl Group plc

Final Results for the year ended 30 September 2021

IMPRESSIVE PERFORMANCE SINCE REOPENING

WELL POSITIONED TO CAPITALISE ON OPPORTUNITIES AHEAD

Hollywood Bowl Group plc, ("Hollywood Bowl" or the "Group"), the UK's largest ten-pin bowling operator, announces its audited results for the year ended 30 September 2021 ("FY2021").

Following the impact of multiple trading restrictions and the complete closure of the estate for just over 50 per cent of the financial year, the full year performance reflects the robust customer demand upon the reopening of all centres in England and Wales from 17 May 2021 and the subsequent lifting of Covid restrictions from 19 July 2021. The Group operated without restrictions for 10 weeks in the financial year to 30 September 2021.

Financial Summary

	12 months ended 30 September 2021	12 months ended 30 September 2020
Total revenues	**£71.9m**	£79.5m
Gross profit	**£61.6m**	£67.9m
Group adjusted EBITDA[1]	**£30.6m**	£29.8m
Group adjusted EBITDA[1] pre-IFRS 16	**£15.1m**	£14.0m
Operating profit	**£9.6m**	£9.9m
Operating profit margin	**13.3%**	12.4%
Group profit after tax	**£1.7m**	£1.4m
Basic earnings per share	**1.05 pence**	0.90 pence
Net cash/(debt)[2]	**£29.9m**	(£8.7m)

Key Highlights

- **Strong, pent-up consumer demand for fun, safe and family-friendly activities**
  - 28.6 per cent like-for-like[3] revenue growth since reopening on 17 May compared to FY2019 (last non COVID-19 impacted year)
  - Record revenue levels of £20.1m in August; like-for-like revenue up 50 per cent vs August 2019
  - Group adjusted EBITDA of £30.6m, with positive cash generation in all months since reopening

- **Focus on customer experience driving visits and spend**
  - 17.6 per cent like-for-like[3] game volume growth since reopening on 17 May compared to FY2019
  - Like-for-like[3] spend per game increased by 9.6 per cent to £10.29, since reopening on 17 May compared to FY2019
  - Retaining COVID-19 safety measures including identifiable bowling balls, lane seating dividers and at-lane and at-table food and drink order systems
  - Full retraining for all team members pre reopening and launch of combined sales, service and environmental incentives

- **Excellent progress with new centre rollout and refurbishments**
  - Three refurbishments completed and five to seven planned for FY2022
  - Two new Hollywood Bowl (including Resorts World, Birmingham) and two Puttstars centres opening in FY2022
  - On track to open a further 10-14 new centres by end of FY2024

- **Ongoing investment in customer initiatives and digital enhancements**
  - Pins on Strings installed in six centres in FY2021 and 16 more planned for FY2022
  - Completed roll out of the new scoring system with investments in CRM and website supporting increased online bookings to 63 per cent of bowling revenues
  - Continued investment in food, drink and amusement offerings to enhance customer experience

- **Further progress with sustainability strategy**
  - Three solar panel installations in FY2021
  - Achieved 71.6 per cent waste recycling, exceeding 70 per cent target
  - Sustainability targets integrated into team member incentive schemes

- **Strengthened balance sheet with strong cash and liquidity position**
  - Significant free cash flow generated since reopening
  - £30m equity placing in March
  - New, more favourable, £25m revolving credit facility to December 2024 agreed with Barclays
  - Net cash position at 30 September 2021 of £29.9m

- **Excellent start to FY2022, well positioned for the future**
  - Like-for-like revenue growth for October and November of 38.1% versus FY2019
  - Strong balance sheet allowing continued investment in the new centre rollout, refurbishment programme and customer initiatives
  - Financial and operational flexibility to move quickly to capitalise on organic and acquisition opportunities

Stephen Burns, Chief Executive Officer, said:

"The past year has been challenging but also rewarding. I am delighted about the excellent performance since reopening, including delivering record activity for both a single day and an entire month, exceeding our FY2019 trading levels on a like-for-like basis, and delivering a profit for the year. I am proud of all of our team members who have worked hard to achieve this success.

"Notwithstanding the ongoing uncertainties regarding COVID-19 restrictions, we remain confident in the continued strong ongoing demand for fun, safe and family-friendly experiences. Our strong balance sheet and highly cash generative business model means we are well positioned to continue our refurbishment programme and rollout of both the Hollywood Bowl and Puttstars brands."

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, impairment, 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.
2. Net cash/(debt) is defined as cash and cash equivalents less borrowings from bank facilities excluding issue costs.
3. 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.

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CHAIRMAN'S STATEMENT

Meeting challenges head on and delivering excellent results

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.

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.

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 rollout 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.

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
15 December 2021

CHIEF EXECUTIVE OFFICER'S REVIEW

A strong recovery to open the door for accelerated growth
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.

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.

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.

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.

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.
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.

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
15 December 2021

CHIEF FINANCIAL OFFICER'S REVIEW

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 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).

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
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 below.

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 14 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.

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.

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
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

	Note		
Revenue		**71,878**	79,473
Cost of sales		**(10,257)**	(11,543)
Gross profit		**61,621**	67,930
Other income		**2,814**	—
Administrative expenses	4	**(54,855)**	(58,069)
Operating profit		**9,580**	9,861
Finance income	6	**—**	78
Finance expenses	6	**(9,118)**	(8,743)
Profit before tax		**462**	1,196
Tax credit	7	**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)	8	**1.05**	0.90
Diluted earnings per share (pence)	8	**1.04**	0.90

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	9	**49,036**	48,220
Right-of-use assets	10	**132,342**	135,176
Goodwill and intangible assets	11	**77,948**	78,173
Deferred tax asset		**6,290**	5,295
		265,616	266,864
Current assets			
Cash and cash equivalents		**29,942**	20,784
Trade and other receivables	12	**3,330**	1,720
Corporation tax receivable		**650**	285
Inventories		**1,461**	1,340
		35,353	24,129
Total assets		**300,969**	290,993
LIABILITIES			
Current liabilities			
Trade and other payables	13	**18,142**	9,940
Lease liabilities	10	**13,811**	14,404
Loans and borrowings	14	**—**	5,205
		31,953	29,549
Non-current liabilities			
Other payables	13	**565**	814
Lease liabilities	10	**160,129**	159,400
Loans and borrowings		**—**	23,833
Provisions		**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		**1,706**	1,575
Share premium		**39,691**	10,466
Merger reserve		**(49,897)**	(49,897)
Retained earnings		**113,187**	111,350
TOTAL EQUITY		**104,687**	73,494

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	—	—	—	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	—	—	—	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**

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)	9	**7,740**	7,247
Depreciation of right-of-use (ROU) assets	10	**11,882**	12,171
Amortisation of intangible assets	11	**477**	507
Impairment of PPE and ROU assets	9, 10	**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		**29,942**	20,784

Notes to the financial statements
For the year ended 30 September 2021

1. General information

The financial information set out above does not constitute the company's statutory accounts for the years ended 30 September 2021 or 2020, but is derived from these accounts. Statutory accounts for 2020 have been delivered to the registrar of companies, and those for 2021 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Hollywood Bowl Group plc (together with its subsidiaries, 'the Group') is a public limited company whose shares are publicly traded on the London Stock Exchange and is incorporated and domiciled in England and Wales. The registered office of the Parent Company is Focus 31, West Wing, Cleveland Road, Hemel Hempstead, HP2 7BW, United Kingdom. The registered company number is 10229630.

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.

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.

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

Standard/interpretation	Content	Applicable for financial years beginning on/after
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.

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.

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 nonlease 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 10.

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 9 and 10 respectively.

3. 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 9)	**7,740**	7,247
Depreciation of right-of-use assets (note 10)	**11,882**	12,171
Amortisation of intangible assets (note 11)	**477**	507
Impairment of property, plant and equipment (note 9)	**299**	—
Impairment of right-of-use assets (note 10)	**551**	—
Loss on disposal of property, plant and equipment, right-of-use assets and software (notes 9-11)	**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.

4. 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

5. 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	**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.

6. 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

7. 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.

8. 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.

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.

	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

9. 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.

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.

10. 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.

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 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 9. 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.

11. 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.

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.

12. 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.

13. 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.

14. 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.

	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 12).

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.

15. 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

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.

16. Related party transactions

30 September 2021 and 30 September 2020

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

17. 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

RISK MANAGEMENT

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.

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 below, along with a summary of our mitigation activities.

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

Financial risks

Risk	Risk and impact	Mitigating factors
1 **Economic environment**	• Change in economic conditions, in particular a recession, due to the after-	• 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

Risk	Risk and impact	Mitigating factors
Unchanged	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.	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** Decreasing	• 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.

Operational risks

Risk	Risk and impact	Mitigating factors
4 **Core systems** Unchanged	• 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	• 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.

Risk	Risk and impact	Mitigating factors
	bookings compared to prior years. • Inaccuracy of data could lead to incorrect business decisions being made.	• 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)** Unchanged	• 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** Unchanged	• 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** Unchanged	• 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.
8 **Food safety** Unchanged	• 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** Unchanged	• 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** Decreasing	• 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.