

The Complete **ENTERTAINMENT EXPERIENCE**

ANNUAL REPORT AND ACCOUNTS 2019



hollywood bowl
group plc



HOLLYWOOD BOWL GROUP IS THE **UK'S
LARGEST** TEN-PIN BOWLING OPERATOR.

WE HAVE A PASSION FOR **BRINGING
FAMILIES AND FRIENDS TOGETHER** FOR
AFFORDABLE FUN AND HEALTHY COMPETITION.

WE HAVE **60 CENTRES** ACROSS THE UK
EACH EQUIPPED WITH AN AVERAGE OF
**24 BOWLING LANES, A LICENSED BAR,
A HOLLYWOOD DINER AND AN
AMUSEMENTS ZONE** FEATURING
THE LATEST GAMES DESIGNED TO KEEP
EVERYONE ENTERTAINED.

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FINANCIAL HIGHLIGHTS



OPERATIONAL HIGHLIGHTS

- Six centres refurbished and a further two AMF centres refurbished and rebranded to Hollywood Bowl in FY2019, with returns above targeted 33 per cent
- Strong progress in new centre programme: two opened in the year and ten centres in the development pipeline to FY2023
- Ongoing innovation of the customer proposition with our new scoring system being rolled out across the estate with 24 centres completed at the end of FY2019; 'Pins on strings' now installed in 11 centres; cashless change machines now in 35 centres and Play for Prizes in 52 centres
- Continued investment in our sector-leading technology platform and marketing programmes driving improved e-commerce revenue and yield performance
- Our team member development programme continues to deliver excellent results: six assistant managers promoted to centre manager and overall team member turnover reduced by 13% pts year-on-year
- A strong balance sheet and excellent cash generation underpin our business model

¹ Definitions for these measures are in the key performance indicators section (pages 24 and 25). Management believe providing these specific financial highlights gives valuable supplemental detail regarding the Group's results, consistent with how management evaluate the Group's performance. A reconciliation between Group adjusted EBITDA and statutory operating profit is provided on page 32.

A HIGH-QUALITY PORTFOLIO OF PROFITABLE CENTRES AND A STRONG NEW CENTRE PIPELINE TO 2023

Our centres are typically co-located with cinema and casual dining restaurants in large, high-footfall, edge of town leisure and retail developments. Our three new trial mini-golf 'Puttstars' centres (opening in FY2020) were also selected with these location criteria.

Leeds

PUTTSTARS – OPENING 2020

The centre will be a key leisure anchor alongside an Odeon Luxe and Pure Gym, in the new Springs retail and leisure development which is located adjacent to Junction 46 of the M1 at Thorpe Park

Facilities



Key stats

21,000 sq ft
27 holes

York

HOLLYWOOD BOWL – OPENING 2020

Located in the new leisure extension to the successful York Vanguard Way retail scheme, co-located with a Cineworld cinema, Puttstars and multiple restaurants

Facilities



Key stats

28,000 sq ft
24 lanes

PUTTSTARS – OPENING 2020

Located in the new leisure extension to the successful York Vanguard Way retail scheme, co-located with a Cineworld cinema, Hollywood Bowl and multiple restaurants

Facilities



Key stats

18,000 sq ft
27 holes

Rochdale

PUTTSTARS – OPENING 2020

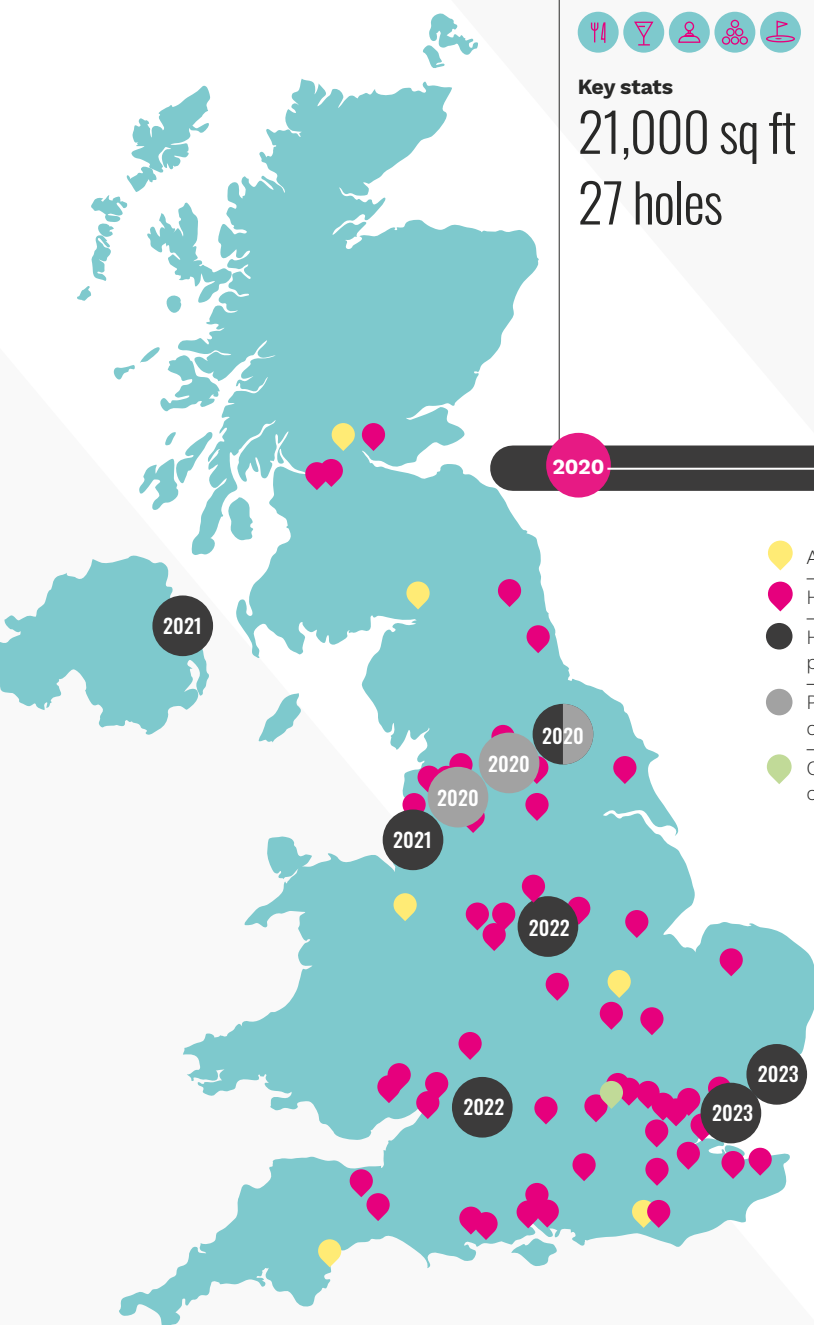
Located in the Riverside development, the centre will be positioned below a brand new cinema and in close proximity to several restaurants, in a new leisure extension

Facilities



Key stats

20,000 sq ft
27 holes



CURRENTLY
60
CENTRES

10
NEW OPENINGS BY
END OF FY2023

Belfast

HOLLYWOOD BOWL – OPENING 2021

The centre will be the first Hollywood Bowl to open in N. Ireland and will be located on an upgraded leisure scheme with a cinema, W5 museum and the Odyssey arena

Facilities



Key stats

29,000 sq ft
20 lanes

Nottingham

HOLLYWOOD BOWL – OPENING 2022

Forming part of a new £150m refurbishment of the existing Broadmarsh centre which has a 13m annual footfall

Facilities



Key stats

19,500 sq ft
16 lanes

Colchester

HOLLYWOOD BOWL – OPENING 2023

The centre will be located on a large, out of town leisure complex which also includes a Cineworld cinema, trampoline park, indoor golf and restaurants

Facilities



Key stats

21,000 sq ft
18 lanes

2021

2022

2023

Liverpool

HOLLYWOOD BOWL – OPENING 2021

Relocation of our existing centre to a new leisure section of the Edge Lane development, co-located with a Vue cinema and multiple restaurants

Facilities



Key stats

23,000 sq ft
24 lanes

Swindon

HOLLYWOOD BOWL – OPENING 2022

Opening on a large out of town leisure and retail development. The centre will be co-located with a cinema, indoor ski slope, restaurants and retail

Facilities



Key stats

21,000 sq ft
19 lanes

Southend

HOLLYWOOD BOWL – OPENING 2023

Forming part of a new out of town leisure complex, the centre will be co-located with an Empire cinema, restaurants and a hotel

Facilities



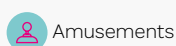
Key stats

22,000 sq ft
20 lanes

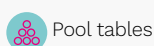
Key



Bowling



Amusements



Pool tables



Diner



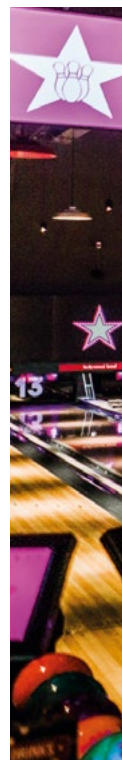
Bar area



Mini-golf

HOLLYWOOD BOWL OPENS THE UK'S LARGEST BOWLING CENTRE IN THE LAST TEN YEARS

We opened our new 24-lane Hollywood Bowl entertainment centre at intu Lakeside, Essex, in March 2019. This was a milestone 60th centre opening for the Group and, at £3.5m, it represents our largest single-centre investment. Hollywood Bowl at intu Lakeside, co-located with a cinema, mini-golf, a Nickelodeon centre and casual dining restaurants amid a large plaza-style setting, forms an integral part of an exciting new £72m leisure extension.



INTU

LAKESIDE

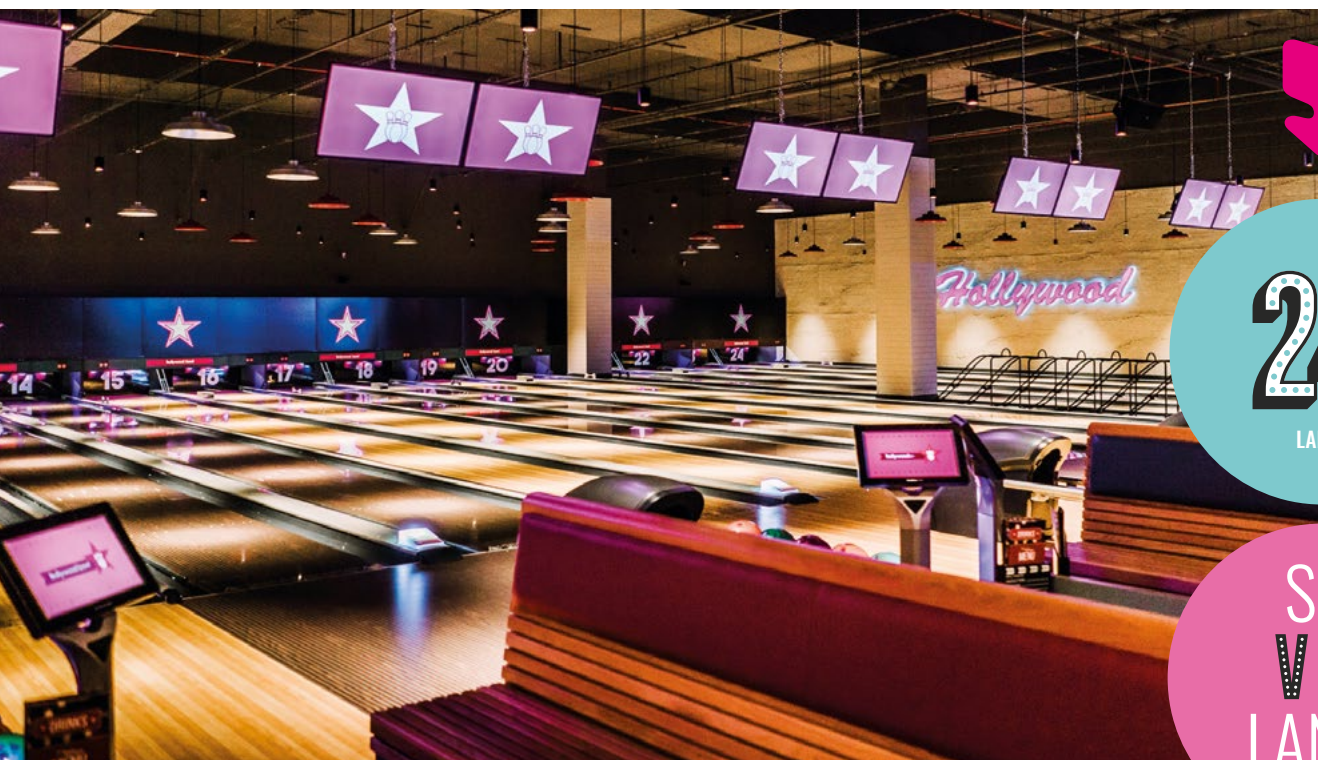


Our Lakeside centre was the first Hollywood Bowl to feature large-scale external digital screens to drive footfall. Once inside, digital installations in the form of leaderboards, encourage increased dwell time, and bar, diner and reception merchandising screens promote upselling and ancillary spend.

NEW JOBS CREATED

40

[Read more on page 15](#)



24

LANES

**SIX
VIP
LANES**

FLOORSPACE AT
INTU LAKESIDE

34,000

SQ FT

£3.5M

DEVELOPMENT
COST

DE

OUR 60TH CENTRE

Our Lakeside centre offers a complete entertainment experience. Six of its 24 bowling lanes are new look VIP lanes giving visitors the Hollywood Bowl star treatment and the ability to try out 'Hyper Bowl' against a backdrop of American décor. Other centre highlights include a Hollywood Diner with a vintage pink Chevy car seating area, serving gourmet burgers and hot dogs, while the stylish bar offers speciality cocktails and five American pool tables.

Aside from bowling, visitors can enjoy the extensive amusements area, with its leading games and the opportunity to redeem tickets for fun prizes.

Performance since opening has been in line with management's expectations.



Lakeside photography provided by Inspired Media.

ANOTHER GREAT YEAR



Peter Boddy

CHAIRMAN

 [Read biography on page 40](#)

Following our third full year as a listed business, I am delighted to report another strong financial and operational performance. The Group has continued to make good progress with its customer-led strategy, delivering returns from product innovations, new centre openings and its refurbishment and rebrand programme.

Our unwavering focus on this established strategy, coupled with the continued effective deployment of capital, has resulted in the delivery of like-for-like (LFL)¹ revenue growth of 5.5 per cent, Group adjusted EBITDA² growth of 5.7 per cent and profit before tax growth of 15.3 per cent.

A myriad of activities come together to deliver excellent customer experience, but there are key components that drive the successful implementation of our strategy. At the heart of what we do are our team members who operate the centres and the support centre on a daily basis. I am pleased to say that with our industry-leading team member retention figures, we have established ourselves as a great company to work for. But we do not rest on our laurels, and strive to be ranked amongst the very best. This year we have launched a number of initiatives focused on team member engagement and on delivering competitive team member benefits. We are seeing a clear response to this with our continually improving customer experience scores, improvements in team member retention and market-leading financial performance.

We continue to invest in our centres too; in some cases revisiting centres we first invested in some five or more years ago. The returns delivered continue to be excellent, with an average return² on refurbishments and rebrands this year of 46.1 per cent. This has been achieved through continued innovation in our refurbishment programme including reconfiguring layouts and maximising the space available. A great example is the recent investment in Leicester, one of our top-performing centres, where, by combining the bar and diner, we created space for two additional lanes, increased the number of amusement machines and improved customer service. Leicester is on track to deliver payback within two years.

Another terrific example of continued investment into our existing portfolio can be seen at our Peterborough centre. We have invested £300,000 to create a more modern and contemporary feel by removing internal walls, opening up the concourse, expanding the amusement offering, adding modern finishes and colours and applying the Hollywood Bowl branding. The result has been a revitalised centre delivering a return above our expectations.

These investments have been combined with product innovations including, but not limited to, 'Pins on strings' and a new scoring system. Both initiatives deliver an improved customer experience. 'Pins on strings' is a great example of industry norms being challenged and, through careful and methodical installation, we are seeing improving customer experience scores around our core bowling product, operational efficiencies and increased acceptance from even the most hardened league bowlers.

- 1 Definitions for these measures are in the key performance indicators section (pages 24 and 25). Management believe providing these specific financial highlights gives valuable supplemental detail regarding the Group's results, consistent with how management evaluate the Group's performance. A reconciliation between Group Adjusted EBITDA and statutory operating profit is provided on page 32.
- 2 Returns are calculated as the incremental EBITDA in the first 12 months post the completion and relaunch of the refurbishment, divided by the capital expenditure spent on the refurbishment. The incremental EBITDA is calculated by comparing the refurbished centres LFL revenue growth post refurbishment, against the centres that have not been invested in during the previous 18 months, and then applying the gross profit % for each revenue line.

Two new centres have been added during the year – at intu Watford and intu Lakeside. Both are the embodiment of product innovation and evolution, providing the opportunity to test new technology and our ever-improving digital application and strategy. Given the opportunity, I urge you to visit these sites to see the latest iterations in bowling – they are very exciting both for the customer experience they offer and for their financial payback.

As a team, we thrive on the challenge of maximising returns from our strategy. We review the competitive landscape constantly and investigate all opportunities that are for sale or potentially for sale. Currently these are of limited interest, as we believe we can generate higher returns from our organic rollout strategy. We have also developed a new mini-golf concept, 'Puttstars', which represents an exciting opportunity to create an additional but complementary aspect to our Hollywood Bowl centres. The three trial sites in Leeds, York and Rochdale, will open in FY2020 and we look forward to reporting on progress.

At our recent year-end centre manager conference – where we report on, and celebrate, the year just completed and launch the year ahead – we talked at length about “continuous improvement” and “incremental marginal gains”. The leadership teams created strategies and actions to implement changes and improvements in our operational model to deliver another year of successful performance. An important aspect of this conference is the celebration of achievements, resulting in a team of winners going to the Disney Institute to discover new ideas for our continuous improvement.

Our position as market leader continues to be reinforced by our performance. The significant cash generation from our business and returns from our ongoing investment programme, have enabled the Board to recommend a special dividend of 4.50 pence per share for FY2019 alongside an increase in the final ordinary dividend to 5.16 pence per share. Along with the interim dividend, this will mean a total dividend of 11.93 pence for FY2019, up 12.7 per cent on FY2018.

I look forward to the year ahead with great enthusiasm and optimism. We are well placed to increase shareholder value through the continued execution of our customer-led strategy, planned effective investment and our highly motivated and engaged team. As well as to our wider team, my thanks go to the senior leadership team of Stephen, Laurence, Mat, Mel and Darryl, whose leadership and example are the personification of the culture and determination to succeed that defines Hollywood Bowl Group.

PETER BODDY

CHAIRMAN

13 December 2019

OUR INVESTMENT CASE



MARKET-LEADING OPERATOR WITH NATIONAL SCALE

With 60 high-quality, all profitable centres, Hollywood Bowl Group operates a high-quality, well-invested estate led by an experienced management team



SIGNIFICANT MARKET OPPORTUNITY

Current ten-pin bowling penetration, usage rates and competitive price position in the growing competitive socialising and leisure sectors are supporting future expansion and organic growth



CUSTOMER-FOCUSED

Revitalising the ten-pin bowling experience and driving engagement levels and revenue through strong customer-focused insight, product innovation and continuous operational improvement



CORE FOCUS ON TEAM AND CULTURE

Our customer-focused culture promotes consistent behaviours and attitudes from the best people, attracted, retained and nurtured through talent management and incentive programmes



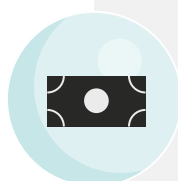
DIVERSIFIED REVENUE STREAMS

We offer a complete entertainment experience for our customers. Bowling accounts for half of Group revenue. The other half comprises amusements, food and drink



MULTIPLE LEVERS TO DRIVE FURTHER GROWTH

Strong returns and excellent customer feedback through ongoing refurbishments and customer innovations. A strong new centre pipeline is backed by a disciplined and rigorous site selection process for both bowling locations and the new 'Puttstars' mini-golf concept trial



ATTRACTIVE FINANCIAL MODEL

Consistent strong financial performance and returns, driven by an ongoing capital investment programme and unrelenting focus on the customer experience

CONTINUOUSLY IMPROVING



Stephen Burns

CHIEF EXECUTIVE OFFICER

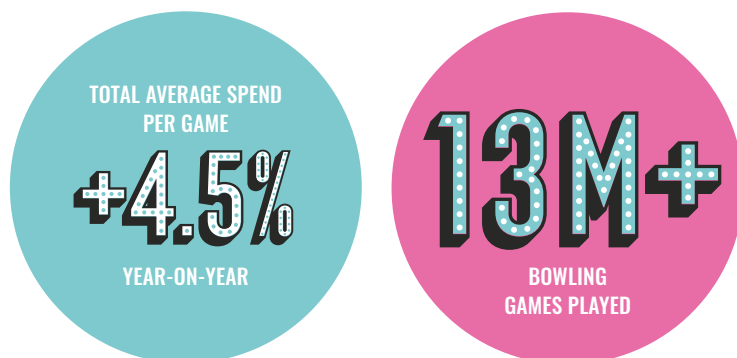
[+ Read biography on page 40](#)

It is pleasing to report on another very successful year for Hollywood Bowl Group, which continues to be a dynamic and ambitious business that delivers a fantastic value-for-money family entertainment experience to its customers. We maintain a daily focus to improve the quality of our environments and the experience we provide for those who choose to spend their leisure time with us. Our continued growth has been delivered by executing a clear and consistent strategy to provide a customer-led product delivering a best-in-class experience, tailored to the different needs of our customer groups. Our growth provides further evidence of our ability to grow market share, refine our offering through our rebrand and refurbishment programme, and provide an industry-leading competitive socialising experience to a wide customer demographic.

The Group saw all revenue lines increase on a LFL basis for FY2019. Our continued strong sales and profitability has come as a result of:

REVENUE GROWTH

- We grew game volumes by 3.1 per cent in FY2019 and our bowling spend per game increased by 2.6 per cent.
- This was supported by the continued enhancements to our dynamic pricing structure, including offering deeper discounts for the lower demand periods.
- Bar & diner spend per game grew by a combined 3.1 per cent last year as a result of the bar product changes made during the second half of last year. This, coupled with investment in our diner layouts, helped extend customer dwell time.
- Continued innovation and investment in our ancillary product offering helped drive an increase in overall spend per game from £9.22 to £9.64 in FY2019.



INNOVATION

- New competitive gaming concepts in both video and the redemption offer, coupled with a fantastic plush product range following a strong cinema film slate, helped drive amusement spend per game up 10.6 per cent year-on-year.
- Learnings from the cashless trials put in place last year continue to drive returns, with contactless change machines reducing the barriers to play.

CUSTOMER ENGAGEMENT

- The way we attract new customers and re-engage with existing guests through our digital marketing and Customer Relationship Management (CRM) activity. Our programmatic advertising campaign has driven increased revenues and improved return on spend ratios against last year. Our automated and tactical email campaigns also delivered increased revenues driven by the expansion of our database, which now stands at over two million contacts, improved targeting and further investment in the digital marketing team.
- Continuing to provide the highest levels of customer service. This drives up spend per game, the quality of our database and customers' propensity to recommend Hollywood Bowl to their friends. Our overall customer satisfaction levels have increased once again this year which has helped drive up spend per game.

MARKET

Hollywood Bowl Group remains the UK's top ten-pin bowling operator, trading from 60 high-quality, all profitable, family entertainment centres located throughout the length and breadth of the country. Competitive socialising has cemented itself as its own sub-sector in the leisure market over the last two years, and we are well positioned to capitalise on this trend. Bowling is unique in that it appeals to a wide demographic, has a relatively low price point which makes it a family-accessible activity and is simple to understand and play (albeit tricky to truly master!), which makes it appealing to all ages.

Our strong covenant, reinvestment profile and portfolio track record make us an attractive tenant for landlords. With the increase in space available from the market realignment in retail and casual dining, continued consumer interest and relatively low penetration rates compared with cinema, our opportunity to continue to grow the overall bowling market is strong.

ENHANCING OUR ESTATE AND CUSTOMER EXPERIENCE

The quality of our estate is a Hollywood Bowl hallmark. We completed six refurbishments and two AMF rebrands in the year and are on track to deliver on our targeted 33 per cent return on investment. From the learnings made over the last cycle of investment, we have made a number of changes to the latest centres to benefit from a refurbishment; combining the bar and diner, creating a smoother customer journey and freeing up space for enlarged amusement areas. This also enabled us to add additional bowling lanes in two centres this year, with similar plans for three other centres in FY2020, including Sheffield pre-Christmas 2019.

We opened two new centres during the period. Hollywood Bowl Watford, located at the intu shopping centre scheme, boasting 14 lanes over 20,000 square feet, was opened in December 2018. We also celebrated the opening of our 60th Hollywood Bowl site, at intu Lakeside, in March 2019. At 34,000 square feet and 24 lanes, Lakeside is the largest bowling centre to be opened in the UK in the last ten years. Both centres are trading well and in line with our expectations. The centre in Lakeside saw the first trial installation of 'Hyper Bowl' across six lanes. Hyper Bowl is an innovative product that has different game formats and scoring technology. We plan to install Hyper Bowl as an option across all the lanes at our centre in Norwich in FY2020 to fully test the concept.

INVESTMENT IN PEOPLE

Hollywood Bowl is a people business, from our customers to our team, and the attraction and retention of top talent is at the top of the leadership agenda. I am incredibly fortunate to be supported by an entrepreneurial team who look for continuous improvement in our customer offering, and I thank them for their hard work and determination over the last twelve months.

Our industry-leading top talent programmes have helped support our growth this year, with 48 per cent of all management roles filled internally and 184 team members joining one of our management development programmes. With record low unemployment, competition for team members for entry-level roles continues to be high within the market. As a consequence, we have improved our pay and reward structures to ensure we are offering a competitive basic salary with the opportunity to earn service and profit-related bonuses throughout the organisation.

INVESTMENT IN TECHNOLOGY

We continue to innovate, enhancing the customers' digital journey adding to their 'real world' bowling fun. We have made some big improvements to our proposition this year including the launch of a new mobile-first website which has supported continued revenue growth through our online sales channel. The rollout of our new scoring system continues at pace, with 24 centres now benefiting from the technology that joins the scoring system in-centre with our CRM capabilities; 50 per cent of the estate will have the new system by the end of calendar year 2019, with the rollout to be completed across the estate over the next 18 months. Our in-centre digital merchandising has been well received by our customers, with digital leader boards linked to the scoring system, dynamic advertising of products and data capture kiosks adding to the overall experience and atmosphere of our contemporary environments.

We have installed the latest pinsetter technology, version three of the 'Pins on strings' machine, in a further four centres this year after working in partnership with the manufacturer to iron out early issues. We will continue to install this machine in those centres where the freefall pinsetters are reaching the end of their useful economic life, and have plans for installation in a further six centres over the coming year. The returns we have seen from this investment are in line with guidance at 25-30 per cent.

Supporting our growth in bowling revenue has been the dynamic pricing technology we built into our website and contact centre booking channels. Version four of the initiative launched in 2017 was rolled out to the estate in July 2019.

CEO'S REVIEW CONTINUED

STRATEGY AND NEW CENTRE OPENINGS

We have a strong pipeline of new bowling and mini-golf centres secured, with an average of two new centres per year to be opened through to FY2023 as anchor leisure tenants. We have also been working hard with our landlords to extend a number of our leases, securing tenure and protecting our property cost exposure.

We are pleased with the progress we have made developing our new indoor mini-golf concept, 'Puttstars'. We believe we have a real opportunity to leverage our knowledge and experience of indoor leisure to create something truly differentiated for our core customer groups as we look to expand our value-for-money offering and benefit from a larger share of the leisure pound. We have agreed leases on three locations – in Thorpe Park, Leeds; York; and Rochdale – that will each open in FY2020 to allow us to robustly test the concept.

BREXIT

Continued political uncertainty has had a number of low-level impacts on our business, mainly in the areas of refurbishments, food imports and the recruitment of team members for entry-level roles. But given our low level of reliance on a transient European workforce and the UK or non-European sourcing of the majority of our products, as well as our value-for-money price point, we do not believe the impact of Brexit to be material to our business operations.

OUTLOOK

We are a dynamic and ambitious business and have a well-thought-out, and proven, long-term capital investment strategy to continue the refurbishment of our estate with a target of seven to ten investments in FY2020, as well as the opening of one new bowling centre and three mini-golf centres, that will continue to enhance the quality of our portfolio. Investment in technology will further boost our industry-leading proposition. I am confident that our plan for the coming year will continue our strong growth trajectory, enhance our customer experience even further, strengthen the business and deliver value for our shareholders and other stakeholders.

STEPHEN BURNS

CHIEF EXECUTIVE OFFICER

13 December 2019

Q&A

Q WHAT MAKES HOLLYWOOD BOWL GROUP THE UK'S TEN-PIN BOWLING MARKET LEADER?

SB Everything we do is focused on delivering the best possible experience for our customers. We are the biggest in terms of number of centres, and although we are also the cheapest of all of the branded UK bowling operators, we lead the market in margins and profitability. We achieve this by ongoing investment in our centres, in new technology and other innovations, and through the continued efforts of, and engagement with, our excellent team members.

Q CONSUMER CONFIDENCE LEVELS CAN BE FICKLE AT TIMES OF UNCERTAINTY. DO THEY GIVE YOU CAUSE FOR CONCERN?

LK We track consumer confidence closely and work hard to ensure that anyone who walks through our doors gets great value for their money. When consumer confidence is lower, it is more important than ever that we make sure our customers can come to our centres, to eat, drink and play, and have a fantastic time without compromising on quality. It's what we are good at.

Q HOW DO YOU CONTINUE TO ATTRACT TOP TALENT TO YOUR BUSINESS?

LK Our team is a big part of our success and we want to make sure that they continue to be motivated and incentivised. As a result of our strategy to support team members in developing a rewarding career, 45 team members successfully completed our internal management training programmes during the year. We also give all of our management teams the opportunity to share in the success of their centre's performance through a significant bonus scheme. We have also implemented Long Term Incentive Plans for centre managers, assistant managers and senior support centre team members.

IN CONVERSATION WITH STEPHEN BURNS, CEO & LAURENCE KEEN, CFO



Q WHAT IMPACT HAS THE ONGOING BREXIT UNCERTAINTY HAD?

SB We are solely a UK business, our supply chain is mostly UK based and less than four per cent of our team members come from EU countries outside of the UK. Although we have seen cost increases in certain food lines, we have not passed these on to our customers. Other low-level impacts include slightly increased costs for refurbishments and in recruiting team members for entry-level roles. We have limited international exposure but Brexit – and any related impact – is certainly something we keep an eye on.

Q IS THIS YEAR'S PERFORMANCE FLATTERED BY A WEAKER COMPARATIVE DUE TO LAST YEAR'S EXTREME WEATHER CONDITIONS?

LK In FY2018, we performed well as a result of our clear and consistent strategy which is not influenced by short-term factors like the weather. This year's performance also reflects the benefits of that continued strategy and our ability to drive game volumes, and average spend, while carefully managing costs and protecting margins.

Q YOU'RE WORKING ON A NEW MINI-GOLF TRIAL CONCEPT. HOW IS THAT PROGRESSING?

SB It is still early days but we have secured three locations and these will open in FY2020 under the new brand name 'Puttstars'. Mini-golf is another highly accessible family leisure experience and we believe that we can leverage our customer-led operating model and CRM to provide another value-for-money activity and grow our presence within the UK leisure market. Bowling remains our main focus but mini-golf allows us to occupy spaces in high-quality locations unsuitable for bowling from a configuration perspective. We are excited about the opportunity but, as with any initiative or concept, we will test it fully before rolling it out.

Q HAVE YOU CONSIDERED INTERNATIONAL EXPANSION?

LK There is still a great deal of opportunity within the UK bowling market, but we do look elsewhere for opportunities. We have secured a new site in Belfast, due to open in FY2021, which gives us the chance to test our offer in Northern Ireland.

Q CAN YOU TELL US WHAT'S NEXT FOR HOLLYWOOD BOWL GROUP?

SB Well, we certainly have a lot to be getting on with at the moment! Our focus for now is on continuing to deliver against our growth plan through the successful execution of our customer-led strategy. We are focused on innovating to ensure we offer our customers the best possible experience. We look forward to launching our mini-golf trial in the three chosen locations in the new year, and have a pipeline of new bowling centres up to and including FY2023, targeting an average of two openings a year, all of which are on high-quality retail and leisure parks.

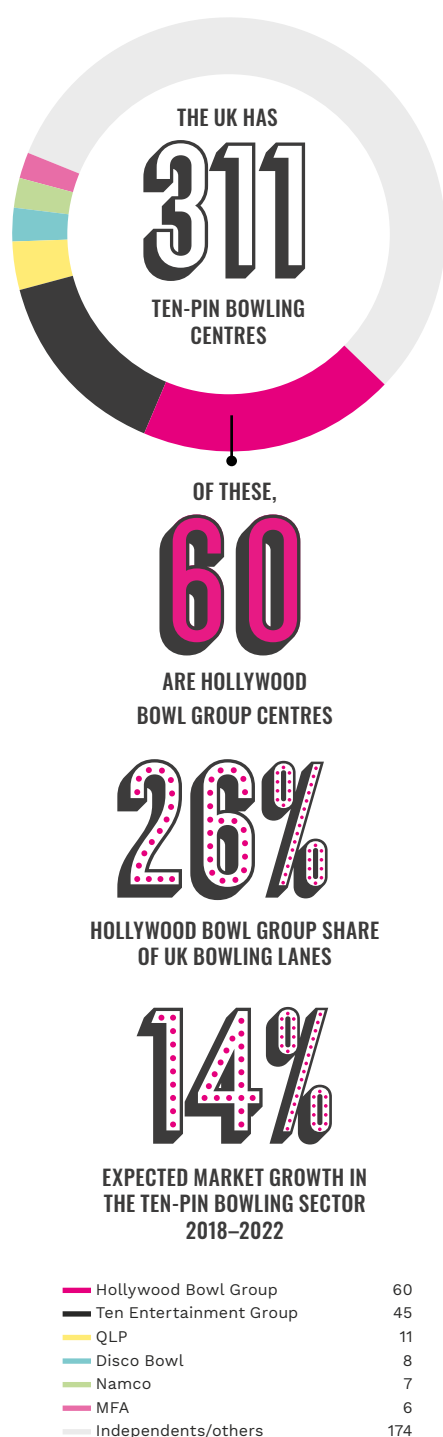
Q SUSTAINABILITY IS INCREASING IN PROFILE IN THE BUSINESS WORLD. HOW IMPORTANT IS IT TO THE GROUP?

LK Very – sustainability has always been a key part of our culture and our strategy to deliver value for our customers, team and shareholders. As a business with sites all over the UK, we seek to take care of, and improve, the wellbeing of our people, our customers and the communities in which we operate. We have implemented several sustainability initiatives across the business, from our charity engagement programme to cutting the amount of waste we generate, for example by eradicating all plastic straws from our drinks proposition. Furthermore, we are also working with our landlords and external partners to install solar panels on our roofs. We have completed two projects so far and have plans for more.

Q WHAT ARE YOU MOST PROUD OF?

SB I am extremely proud that we have achieved everything we said we would at IPO three years ago. We are a people business, and I am grateful and proud to lead such a hard-working, supportive and determined team. Together, we have continued to deliver the best possible customer experience while achieving sustainable, profitable growth that benefits our teams and delivers returns for our shareholders. It is also fantastic to see that our overall customer satisfaction levels have increased once again this year. We remain focused on growing the business organically and through effective investment in our existing centres, customer innovations and new centres. We are pleased with the continued progress made this year.

AS A CLEAR LEADER IN BOTH TEN-PIN BOWLING AND THE EMERGENT COMPETITIVE SOCIALISING MARKET, WE ARE BEST PLACED TO CAPITALISE ON THE GROWTH OPPORTUNITIES IN THESE SECTORS



A GROWTH SECTOR

The ten-pin bowling market forms a small, but fast-growing, part of the UK's expanding and increasingly diverse 'out of home' leisure sector, offering a competitively priced experience and broad customer appeal.

It is estimated that the UK ten-pin bowling market was worth £311m¹ in 2018 and grew at an annual rate of 4 per cent. This marked the sixth consecutive year of growth¹.

As with the wider UK leisure market, growth in ten-pin bowling has been driven by macroeconomic factors, such as increases in GDP, consumer disposable income levels, as well as the spending shift towards experiential leisure.

Alongside this, a key historical growth factor has been corporate consolidation and significant investment by leading branded operators, primarily in the refurbishment of existing centres and, in part, in the opening of new centres.

Hollywood Bowl Group has driven much of the market growth through its investment in reinvigorating customer engagement through digital platforms, refocusing the bowling proposition towards family leisure, improving ancillary product offerings and driving operating and service improvements.

CLEAR MARKET LEADER

As at 30 September 2019, the UK had 311 ten-pin bowling venues, four more than a year ago. 60 are owned and operated by Hollywood Bowl Group which has also increased its market share since 2018, and is the clear market leader in terms of centres, lane numbers, customer proposition and revenues. While some independently owned centres and smaller chains have closed or reduced the size of their estate, the process of consolidation and reinvestment amongst the leading players has led to the branded centres offering a greater number of lanes.

There is scope for the major operators to increase their share of the ten-pin bowling market as weaker operators, particularly the independents and other multiples, become less competitive or exit the market.



HOLLYWOOD BOWL GROUP IS THE CLEAR MARKET LEADER IN TERMS OF CENTRES, LANE NUMBERS, CUSTOMER PROPOSITION AND REVENUES.



EVOLVING CUSTOMER BEHAVIOUR – COMPETITIVE SOCIALISING

An important trend supporting the growth in the leisure sector is that consumers are increasingly preferring to have fun with friends, families and colleagues over investing in material items. In other words, people are favouring 'experiences' more than 'things'. Participation and social competition are important elements of social capital, and this is shaping how consumers allocate their discretionary budget and leisure time as they seek to create more enjoyment in life and more fun-filled memories to share.

The 'competitive socialising market' is rapidly evolving due to strong consumer appetite for unique and challenging experiences including updated takes on traditional activities such as bowling, mini-golf, table tennis and bingo. While this emergent market is being driven by younger consumers and concepts are being targeted specifically at them by many of the new operators in the market, there is also an opportunity for more family focused operators such as Hollywood Bowl Group to extend their appeal to this market through their ability to change environment, atmosphere and proposition in their venues during evening sessions.

OPPORTUNITIES TO INCREASE PARTICIPATION

In the UK, ten-pin bowling is a relatively low-frequency activity compared with other forms of leisure such as going to the cinema. Almost 70 per cent of consumers have not participated in ten-pin bowling over the past 12 months, compared with a figure of 32 per cent for cinema visits².

The accessibility of bowling locations is a factor – an estimated 47 per cent of the UK's population live within a 15-minute drive of a bowling centre, compared with 69 per cent living within a 15-minute drive of a cinema². Distance may be a factor in deterring some consumers from visiting centres and may also impact negatively on repeat visits.

These figures, and the fact that in the UK there is low penetration of bowling centres per head of population relative to some

other international markets, indicate that there is significant potential for further ten-pin bowling centre rollout. Opportunities also exist to increase participation through improved customer propositions and competitive pricing relative to other leisure experiences. Ten-pin bowling retains a wide demographic appeal and the highest level of participation interest when compared to other offerings in the competitive socialising sector.

RETAIL AND LEISURE EXPERIENCES COMBINE

Traditional retail outlets are under increasing pressure from online channels and the rise of the 'experience economy'.

Larger retail property developers are responding to this by expanding their leisure offering to create a wider customer

experience, increase footfall and extend dwell time. Leisure areas are being created by reformatting existing space or via purpose-built extensions.

As the UK's market-leading operator, Hollywood Bowl Group is the 'go-to' tenant in the sector securing attractive developer contributions on new centres, most recently into Watford and into Lakeside, and has secured a strong pipeline of centres up to and including FY2023.

From our established operating model, relationships with landlords, strong covenant and continued maintenance programme across the estate, Hollywood Bowl Group is well positioned to capitalise on the potential growth in the merging of retail and leisure customer propositions.

OUTLOOK

Growth in the value of the ten-pin bowling market is expected to continue over the coming years, stimulated by ongoing investment, an overall improvement in the quality of the customer proposition and a wider demographic appeal as competitive socialising gathers pace.

Ten-pin bowling is a competitively priced and highly accessible form of family entertainment. The cost to a family of a visit to one of our bowling centres compares favourably with other leisure activities and gives bowling more resilience to challenges from the economy.

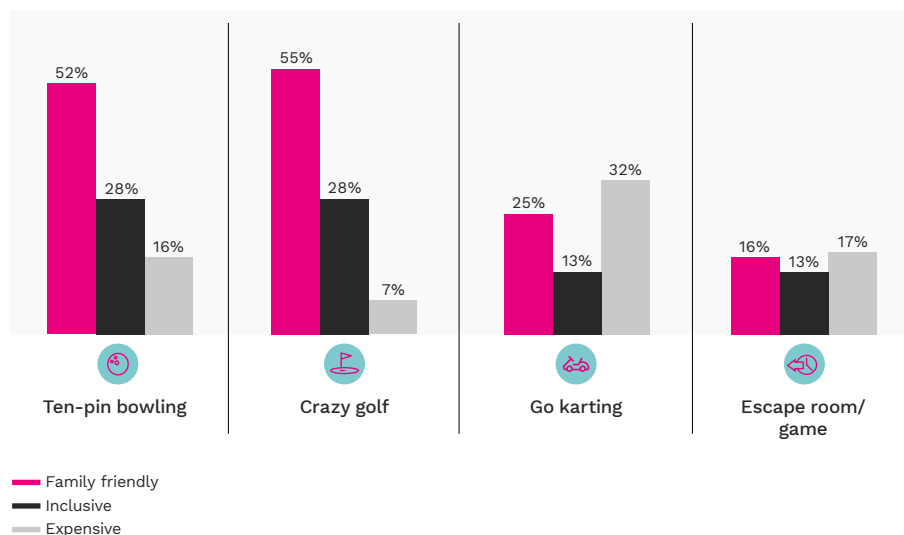
Consumer leisure spending could be tempered if rising inflation and slowing wage growth begin to impact household budgets and UK economic growth slows amid ongoing Brexit uncertainty. However, barring a more severe economic slowdown than is anticipated, it is estimated that the value of the ten-pin bowling market will grow by 14 per cent between 2018 and 2023¹. It is anticipated that this growth will be underpinned by the development of new centres, the continued refurbishment of existing centres and associated improvement in the customer experience. We expect that participation in ten-pin bowling, visit frequency and spend per game will all increase in line with these activities and the underlying consumer trend favouring shared experiences and competitive socialising.

¹ Mintel Competitive Socialising Report 2019

² Mintel Ten-pin Bowling Report 2017

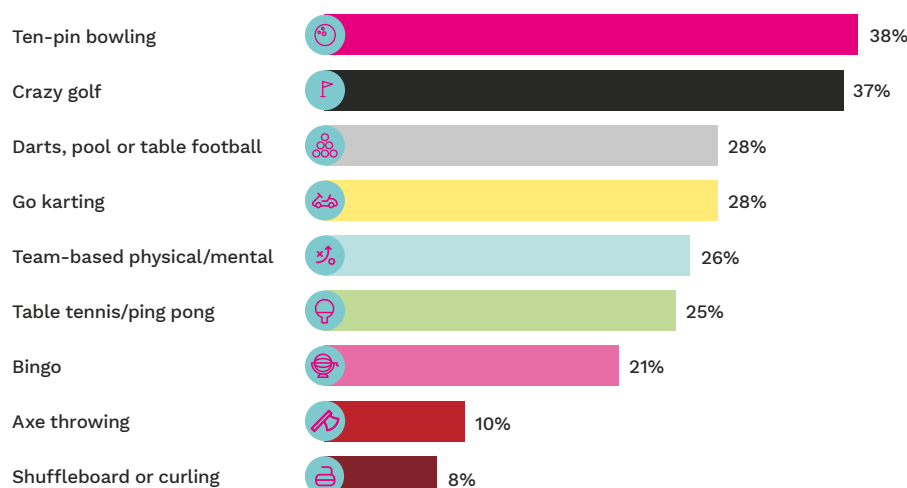
PERCEPTIONS OF COMPETITIVE SOCIALISING ACTIVITIES¹

"Which of the following words/phrases do you associate with these leisure/social activities?"



ACTIVITIES INTERESTED IN PARTICIPATING IN THE FUTURE¹

"Which of the following leisure/social activities would you be interested in taking part in outside of home in future?"



LISTENING TO, WORKING WITH, AND ENGAGING WITH OUR STAKEHOLDERS IS KEY TO OUR SUCCESS

HOW THE BOARD GATHERS FEEDBACK FROM OUR STAKEHOLDERS

Engaging effectively with our various stakeholder groups is a key enabler for the long-term success of Hollywood Bowl Group. The Board ensures that the interests and views of stakeholders are always considered as part of its decision-making process.



OUR CUSTOMERS

Consistently delivering fun-filled, great value-for-money leisure experiences for our customers is what we do as a business.

WHY WE LISTEN

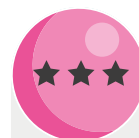
- To remain passionately focused on the customer
- To assess our performance
- To respond to customer needs and demands
- To stimulate innovation in our leisure offering

151,000

Customer satisfaction surveys gathered and analysed during FY2019

HOW WE TAKE FEEDBACK

- Customer satisfaction surveys
- Mystery shopping programmes
- Social media
- Via our team members and customer contact centre
- Focus groups and other primary research
- Regular Board member visits to our centres



OUR PEOPLE

Our teams are key to ensuring our customers have the best possible experience. We strive to maintain the positive and inclusive environment in which our people thrive.

WHY WE LISTEN

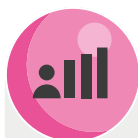
- Because we value the thoughts and opinions of our team members
- To maintain our high level of team member engagement
- To attract and retain top talent
- To develop the skills and capabilities of our teams
- To ensure consistent culture and behaviours across the business

2,297

Team members awarded pin badges during FY2019 in recognition of their demonstrating great behaviours and delivering exceptional customer service

HOW WE TAKE FEEDBACK

- Annual team member survey
- Bi-annual centre manager listening sessions
- Bi-annual assistant manager listening sessions
- New 1:1 framework
- Female-only listening groups
- Annual management conference
- Regular Board member visits to centres



INVESTORS

As a listed business on the main market of the London Stock Exchange, we provide investors with detailed and transparent information which aids their understanding of our strategy and performance.

WHY WE LISTEN

- To maintain our excellent relationships with our loyal and supportive shareholder base
- To assist investors in making informed decisions
- To enhance long-term shareholder value

£47.7M

Total dividend that will have been returned to our shareholders since IPO in September 2016

HOW WE TAKE FEEDBACK

- Individual investor meetings and calls
- Annual General Meeting
- Participation in investor conferences



PARTNERS & SUPPLIERS

We work hard to build open and strong relationships with our key strategic partners, landlords and suppliers.

WHY WE LISTEN

- To ensure that our strategic partnerships are collaborative
- To ensure cultural alignment
- To foster trust-based relationships
- To access innovations as the opportunities arise
- To access new property opportunities
- To maintain competitive advantage

£3.0M

Investment in new amusement machines across the estate

HOW WE TAKE FEEDBACK

- Contract negotiation process
- Regular meetings to discuss contract performance
- External benchmarking



COMMUNITIES

As a multi-site business, we provide an important leisure facility and employment opportunity in the communities in which we operate.

WHY WE LISTEN

- To support local economies through employment opportunities
- To develop charity relationships with a family focus
- To build a relationship with the community

70

Local jobs created in our new Watford and Lakeside centres

HOW WE TAKE FEEDBACK

- Charity relationships and events
- School engagement events
- Centre managers meeting local bowling clubs and concessionary groups
- Recruitment events

1

CUSTOMER-FOCUSED

AT HOLLYWOOD BOWL GROUP, WE HAVE AN UNRELENTING FOCUS ON DELIVERING THE BEST LEISURE EXPERIENCE FOR EVERY CUSTOMER. OUR BUSINESS MODEL DELIVERS VALUE THROUGH CONTINUAL INVESTMENT IN ENHANCING OUR CUSTOMERS' EXPERIENCE.

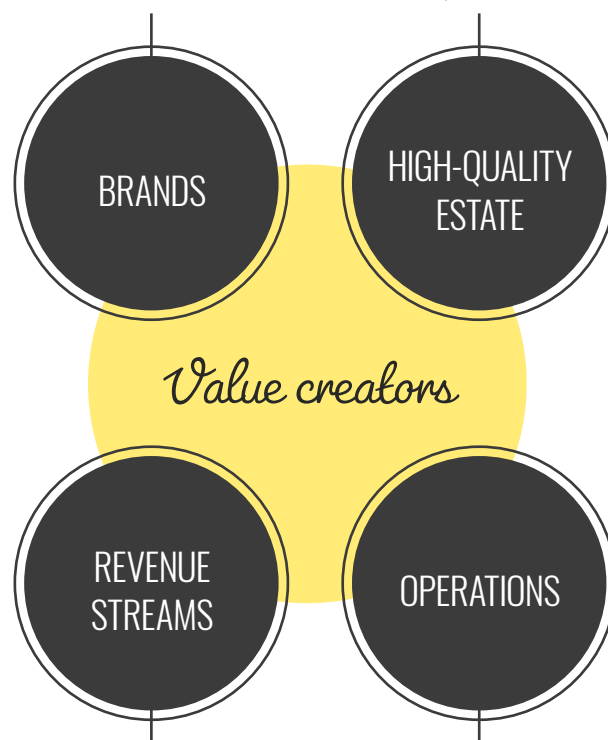
THE FINANCIAL RETURNS GENERATED ARE REINVESTED IN OUR BUSINESS, USED TO REWARD OUR EMPLOYEES AND FORM THE DIVIDENDS PAID TO OUR SHAREHOLDERS.

2

FOUR KEY LEVERS

Hollywood Bowl is the Group's flagship brand. It has centres in prime locations and benefits from the highest levels of investment. AMF centres are generally in secondary locations. 'Puttstars', our new mini-golf brand, will launch in FY2020.

Our centres are predominantly located in out of town multi-use leisure parks, alongside cinema and casual dining sites, and adjacent to large retail parks. Our centres have an average of 24 bowling lanes and a footprint of 30,000 square feet.



Alongside bowling, our customers can enjoy amusements, food and beverages. These give an all-round entertainment experience and increase reasons to visit, dwell time and secondary spend.

Our high-quality centres provide innovative, fun-filled experiences delivered by our enthusiastic teams. Our support office includes a 55 seat customer contact centre (CCC) that manages all calls and takes bookings.

OUR BUSINESS MODEL DRIVES THE SUCCESS OF OUR STRATEGIC OBJECTIVES

[+ Read more on pages 18 and 19](#)



TO DRIVE LIKE-FOR-LIKE REVENUE GROWTH



OUR ACTIVE REFURBISHMENT PROGRAMME

3

OUTPUTS THAT DELIVER VALUE

GREAT CUSTOMER EXPERIENCE

Delivering a fun-filled, safe and great-value experience on each visit builds our reputation and attracts new customers. It also increases the likelihood of customers visiting us again sooner and more often, and of recommending us to friends and family.

MOTIVATED AND ENGAGED TEAMS

We strive to ensure our teams deliver a positive customer experience every time. We invest constantly in ensuring that team members are motivated and engaged with our culture and behaviours.

FINANCIAL AND KPI PERFORMANCE

The Group's financial performance and the progress we are making against our key performance indicator (KPI) metrics are the principal ways we measure our achievements.

SHAREHOLDER RETURNS

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

4

OUR BUSINESS MODEL IS UNDERPINNED BY

PEOPLE AND CULTURE

Our people are the face of our business. They are focused and incentivised to ensure our customers have the best possible experience. Management programmes are in place to attract, retain and nurture top talent. We have a highly targeted incentive structure for our centre managers based on customer feedback as well as financial performance. Our positive culture promotes consistent behaviours and attitudes across the business.

TECHNOLOGY AND CUSTOMER INSIGHT

We invest in market research and ongoing customer experience programmes to continually monitor customer satisfaction. This enables us to react quickly to any operational issue or respond to wider customer trends.

We use our sector-leading CRM systems and our new scoring system to facilitate targeted marketing programmes before and after customer visits. Our digital channels are a key strategic focus area and an increasing source of revenue and enhanced customer experience. We continue to enhance our dynamic pricing, based on available capacity and booking lead time, to improve yield management.

CAPITAL INVESTMENT PROGRAMME

As well as delivering our new centres, our capital investment programme supports centre refurbishments and our ongoing maintenance spend.

We continually invest in technology-led innovation including our CRM and reservation system, our scoring system, our back-of-house equipment and our amusement offering.

PROPERTY AND SUPPLIER RELATIONSHIPS

We have strong relationships with developers and landlords which help to ensure that we maintain a pipeline of potential new sites. We are starting to see the benefits of wider strategic partnerships with these organisations.

We work closely with our technology suppliers to ensure that we are delivering the best possible experience across the customer journey. Strong relationships with our principal product suppliers, such as Namco, Molson Coors, Brakes and Coca-Cola, enable us to deliver promotions that help drive retail sales and ensure we have the latest product offerings in our centres.

STRONG BALANCE SHEET

By driving revenues, continuing to achieve healthy margins and maintaining a strong balance sheet with low net debt, we can continue to invest in all areas of our business – expanding and improving our estate, rewarding our team members and creating value for our shareholders and other stakeholders.

RISK MANAGEMENT AND GOVERNANCE

Through our Board governance, the Group maintains an effective system of risk management. We have the appropriate internal controls to ensure that our business is always operating to deliver long-term, sustainable growth.

[+ Read more on pages 26-28](#)



DEVELOPMENT OF NEW CENTRES AND ACQUISITIONS



TO FOCUS ON OUR PEOPLE



TO LEVERAGE OUR INDOOR LEISURE EXPERIENCE

INVESTMENT-LED GROWTH

WE ACHIEVE STRONG RETURNS ON CAPITAL INVESTED THROUGH OUR UNRELENTING FOCUS ON PROVIDING A GREAT CUSTOMER EXPERIENCE AND BY MAXIMISING THE MULTIPLE GROWTH OPPORTUNITIES AVAILABLE TO US.



TO DRIVE LIKE-FOR-LIKE REVENUE GROWTH

OVERVIEW

We drive LFL revenue growth by attracting new customers, increasing the frequency of visits of existing customers and stimulating higher spend per game. LFL revenue is defined on page 25.

PROGRESS

In FY2019, our LFL revenue grew by 5.5 per cent. LFL spend per game was the key driver for this, being up 4.0 per cent, to £9.61. Our approach is to increase dwell time and gain a greater share of customers' leisure spend. This resulted in LFL revenue growth in all areas of the business.

KPIs

LFL growth (%)

2019		5.5
2018		1.8
2017		3.5

PRIORITIES

Continued unrelenting focus on improving the customer experience through planned investments in technology, the digital customer journey, marketing, developing our people and ensuring we have the right products available.



OUR ACTIVE REFURBISHMENT PROGRAMME

Our refurbishment programme generates improved sales and profitability at existing centres through investment in the customer experience – including the introduction of VIP lanes, our new scoring system, new external signage, an upgraded bar offer and the Hollywood Diner concept. Our upgrades attract new customers and increase customer satisfaction, encourage repeat usage and drive revenue, for example encouraging higher spend per game.

In FY2019, we refurbished/rebranded eight centres and have an average return on investment (ROI) greater than 33 per cent.

Number of centres refurbished/rebranded

2019		8
2018		9
2017		10

Continue to enhance our existing estate so we deliver a consistent level of quality across the Group by undertaking seven to ten centre refurbishments per year through a rolling capital investment programme.

We have seven to ten refurbishments planned for FY2020 and we are confident we can maintain this level of ROI as we continue to invest in our family-focused model.



DEVELOPMENT OF NEW CENTRES AND ACQUISITIONS

There are growth opportunities via new-build centres and from the acquisition and rebranding of bowling sites from other operators.

New centres opened in the intu developments in Watford and Lakeside in FY2019, both performing to expectations.

Leases are signed for new centres in ten locations including three for the 'Puttstars' concept, which secures our pipeline to FY2023, and have a number of other opportunities in strong stages of negotiation.

Number of new centres opened



We will continue to expand our estate and look for profitable opportunities to grow, opening an average of two new bowling centres per annum, dependent on meeting our opening criteria and rental expectations, and will continue to consider selective acquisition opportunities.



TO FOCUS ON OUR PEOPLE

Our people underpin our business. Attracting and retaining top talent is a key priority for the Group.

We continue to build on the success of our centre manager- and assistant manager-in-training programmes. In FY2019, 55 management positions were filled internally.

Number of management positions filled internally



Our team members are the face of our business and are responsible for ensuring that our customers enjoy the best possible experience every time they visit. Training, development and internal succession remain key focus areas for the Group.



TO LEVERAGE OUR INDOOR LEISURE EXPERIENCE

We recognise that other types of leisure activities could benefit from our customer-led operating model and believe there are potential sustainable, profitable growth opportunities through acquisition or organic expansion into other indoor leisure sectors.

We have signed leases on three trial centres in Leeds, York and Rochdale for our new indoor mini-golf brand, 'Puttstars', which will open in FY2020.

Number of leases signed for Puttstars openings

3

We have developed a unique concept in the family focused indoor mini-golf market featuring unique hole design and use of technology.

Our initial focus will be launching and operating the three trial centres and fully evaluating the customer feedback and financial performance in FY2020 before considering rolling out the concept to other locations.

EXCITING DEVELOPMENTS ACROSS THE BUSINESS



TEAM PRODUCTIVITY

We have introduced a productivity tool allowing our teams to better schedule the right people in the right place at the right time. As part of this initiative, our team use an app to view their rotas and to receive information from their centre and the wider business. Connecting with our team via the app is proving to be the quickest and most efficient way to keep in touch as regards schedules and rotas.

73

ASSISTANT MANAGERS
IN TRAINING

OUR TEAM

95%

ON-LINE TRAINING MODULE
COMPLETION RATE

OUR TEAM ARE KEY TO THE SUCCESS OF OUR
BUSINESS AND ARE FUNDAMENTAL TO DELIVERING
OUR CUSTOMER SERVICE AMBITIONS



TEAM MEMBER BENEFITS

Following team member feedback, we introduced a team member 50% discount scheme for all food and drink purchased on shift and a 30% discount for use when team members are visiting with their friends and family. We run a Hollywood Gold incentive scheme through which all team members can benefit if their centre meets our customer service standards.



CENTRE MANAGER AWARDS

A highlight of the calendar are our annual awards which are attended by all of our centre managers and several members of our Hemel Hempstead support team. Alongside setting the operational agenda for the upcoming year, it is a great opportunity to celebrate successes and recognise exceptional performances. Our top centre managers are rewarded with a trip to the Disney Institute in Florida.



8M

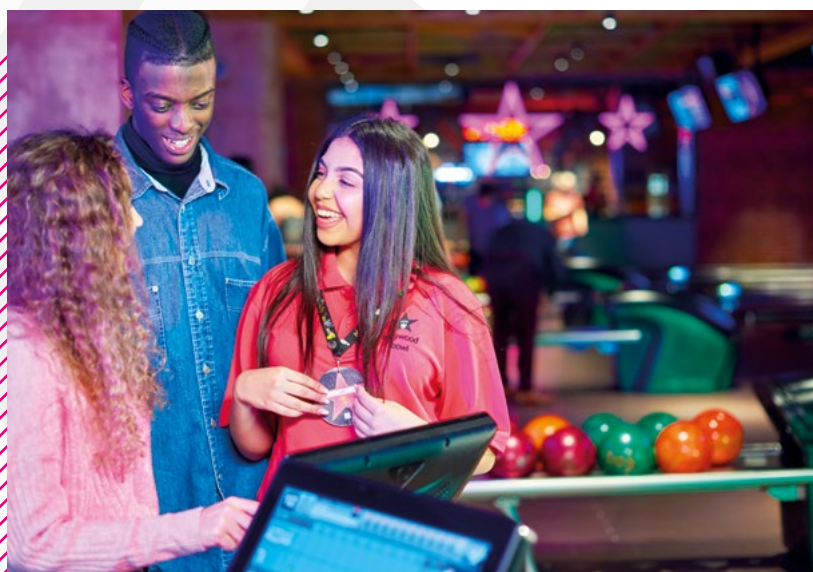
VISITS TO THE WEBSITE
IN FY2019**MOBILE WEBSITE**

We continue to invest in e-commerce technology and launched a new mobile-first website in FY2019 which has improved online navigation and usability for our customers. 78% of our website visits are now made from mobile devices.

DIGITAL

WE ARE INCREASINGLY USING DIGITAL TECHNOLOGY
TO ENHANCE THE HOLLYWOOD BOWL EXPERIENCE
RIGHT ACROSS THE CUSTOMER JOURNEY

37%

BOWLING REVENUE VIA
ONLINE BOOKINGS**COMMUNICATIONS FRAMEWORK**

We introduced a new brand communications framework in FY2019 which was created 'digital first'. With engaging photography and film content, this has allowed us to better showcase our offering across all of our digital channels.

**NEW SCORING SYSTEM**

Our in-centre scoring system allows us to capture customers bowling scores and create in-centre digital leader boards – great for sharing on Instagram! We also use these scores to create content for post-visit emails sent to customers as part of our wider automated and tactical CRM programmes.



3.1%

INCREASE IN SPEND
PER GAME



ISERVE

iServe handheld ordering technology has helped our team members improve service levels and increased our customer spend per game at the lanes. iServe is now used in every centre following a successful trial earlier in the year.

FOOD & DRINK

WE LAY ON A GREAT CHOICE OF FOOD AND DRINK
FOR OUR CUSTOMERS, FROM BIRTHDAY PARTIES TO
NIGHTS OUT WITH FRIENDS

500K

CHILDREN'S MEALS SERVED



HOLLYWOOD DINER

The updated Hollywood Diner menu is now available in all of our 60 centres. Reducing the number of lines featured by 15 per cent has enabled us to improve our cost management and the speed, quality and consistency of our offering.



FOOD AND DRINK TRIALS

We are always looking to improve our customer offering. Throughout the year, we undertake food and drink product trials to allow us to make adjustments to our menus and processes. Whilst not all trials lead to full rollout, successes in the year include the introduction of Roband grills and Kitchen IQ order-management technology in our high lineage centres, a new Cadbury impulse range and an enlarged range of gin.



OPTIMISING SPACE

At one of our highest-lineage centres, in Sheffield, we reconfigured part of the centre to combine the bar and diner areas and enlarge the amusements area. This has enabled us to increase our range of games and to introduce larger-scale, big-impact machines. This successful initiative has helped increase Group amusement spend per game by 10.6 per cent and will be emulated in several other suitable centres.



£3.0M

INVESTMENT IN NEW
MACHINES

AMUSEMENTS

OUR FAMILY-FOCUSED AMUSEMENT AREAS ARE THE
PERFECT PLACE FOR SOME EXTRA COMPETITION



10.6%

INCREASE IN SPEND
PER GAME



PLAY FOR PRIZES

We have extended our successful Play for Prizes redemption offer so that it is now available in 52 centres. Our team work hard to ensure we have the highest merchandising standards and have the latest movie-related plush toys as engaging prizes.



TEAM FUN ACADEMY

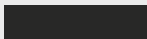
Our amusement areas are operated by our centre management teams and our dedicated games keepers. They are assisted by 'Team Fun', our amusements support team who are responsible for machine line ups and product lines, and who also provide training for our in-centre teams through our successful academies. These take place around the country on a regular basis to ensure we maintain our high standards.

KEY FINANCIAL PERFORMANCE INDICATORS

WE MONITOR OUR PERFORMANCE BY REGULARLY REVIEWING KPI METRICS¹. WE USE THESE TO GAIN A THOROUGH UNDERSTANDING OF THE DRIVERS OF OUR PERFORMANCE, OF OUR OPERATIONS AND OF OUR FINANCIAL CONDITION.

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

REVENUE (£M)

2019		129.9
2018		120.5
2017		114.0

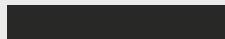
DEFINITION

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

COMMENT

Revenue increased by 7.8 per cent, to £129.9m, as the Group continued to drive its investment-led strategy.

REVENUE-GENERATING CAPEX (£M)

2019		8.1
2018		4.3
2017		6.9

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

Revenue-generating capex increased by 87.6 per cent due to an increase in new centre opening capital to £5.4m (FY2018: £1.0m).

GROUP ADJUSTED EBITDA (£M)

2019		38.2
2018		36.2
2017		33.4

DEFINITION

Group adjusted EBITDA is calculated as operating profit before depreciation, amortisation, loss on disposal of property, plant, equipment and software and exceptional items. A reconciliation between Group adjusted EBITDA and statutory operating profit is provided on page 32.

COMMENT

Group adjusted EBITDA increased by £2.0m (5.7 per cent), largely due to revenue growth and strong cost management.

PROFIT BEFORE TAX (£M)

2019		27.6
2018		23.9
2017		21.1

Profit before tax as shown in the financial statements.

Profit before tax grew due to growth in EBITDA, as well as a reduction in depreciation.

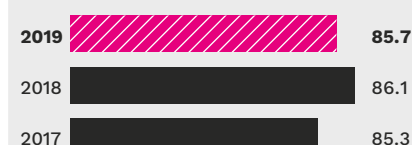
LIKE-FOR-LIKE REVENUE GROWTH (%)



NET DEBT/(CASH) (£M)



GROSS PROFIT (%)



LFL revenue growth is total revenue excluding any new centres, closed centres, acquisitions and any leap year effect. New centres are included in the LFL growth calculation or the period after they complete the calendar anniversary of their opening date. The comparable results of these new centres for the prior period are also included. Closed centres are excluded in the year of closure and prior year.

Net debt is defined as borrowings from bank facilities (£27.0m) excluding issue costs, less cash and cash equivalents (£24.9m).

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

LFL revenue growth increased 5.5 per cent. All areas of the business showed LFL revenue growth.

Net debt has continued to reduce.

Gross profit percentage reduced slightly year-on-year. This was due to a higher amusement revenue mix and customers trading up to more premium drink products within our packages.

GROUP ADJUSTED OPERATING CASH FLOW (£M)



GROUP ADJUSTED EBITDA MARGIN (%)



TOTAL AVERAGE SPEND PER GAME (£)



Group adjusted operating cash flow is calculated as adjusted EBITDA less working capital, less maintenance capex, less corporation tax paid. A reconciliation of Group adjusted operating cash flow to net cash flow is provided on page 33.

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

Total average spend per game is defined as total revenue divided by the number of bowling games played.

Group adjusted operating cash flow increased due to higher Group adjusted EBITDA offset in part by an increase in maintenance capital expenditure.

Group adjusted EBITDA margin percentage decreased in the main due to a lower gross profit margin percentage.

Average spend per game increased by 4.5 per cent, to £9.64, due to customers continuing to spend more during their visits across all areas of the business.

PRINCIPAL RISKS - EFFECTIVE 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 (see pages 6 to 37).

We consider both short- and long-term risks within a timeframe of up to three years. We consider social, 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.

OUR RISK MANAGEMENT PROCESS

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

- Department heads formally review their risks on a six-monthly basis to compile their department risk register. They consider the impact each risk could have on the department and overall business, as well as the mitigating controls in place. They assess the likelihood and impact of each risk.
- The Executive team reviews each departmental risk register. Any risks which are deemed to have a level above our appetite are added to/retained on the Group risk register ('GRR') which provides an overview of such risks and how they are being managed. The GRR also includes any risks the Executive team is managing at a Group level. The Executive team determines mitigation plans for review by the Board.
- The Board challenges and agrees the Group's key risk, appetite and mitigation actions twice yearly and uses its findings to finalise the Group's principal risks.
- The principal risks are taken into account in the Board's consideration of long-term viability as outlined in the viability statement (see page 29).
- We acknowledge that risks and uncertainties of which we are unaware, or which we currently believe are immaterial, may have an adverse effect on the Group.

RISK MANAGEMENT ACTIVITIES

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

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

We have undertaken an extensive review of the organisation's risk profile to verify that all risks have been identified and considered by management.

Each risk has been scaled as shown on the risk heat map below:



TREND CHANGE



Increasing



Unchanged



Decreasing



New risk

RISK TYPE	RISK AND IMPACT	MITIGATING FACTORS
FINANCIAL 1		
	- Adverse economic conditions may affect Group results. - A decline in spend on discretionary leisure activity could lead to a reduction in profits.	- The Board is comfortable that the majority of locations are based in high-footfall areas which should stand up to a recessionary decline. This continues to be a focus as can be seen by the new centre openings and their performance. Recent new openings continue to provide strong returns. - A focus on opening new centres only with appropriate property costs remains high on the new-opening agenda. - We have an unrelenting focus on service, quality and value and are continuing to invest in our centres. Plans are developed to mitigate many types of cost increase.
FINANCIAL 2		
	- Adversely impacted by a failure to review funding arrangements when they become due, or a failure to meet banking covenants. - Covenant breach would result in a review of banking arrangements and potential liquidity issues.	- The Group has considerable headroom on the current facility with net debt and cash flow cover significantly below 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 capex and expenses. - The Group has a retained excess cash facility which allows for retained cash each year to be used to fund capital, dividends, exceptional costs and permitted acquisitions – without being taken into account for consolidated cash flow covenant tests.
FINANCIAL 3		
	The result of Brexit could cause disruption to business conditions and increase input costs for certain food and drink, due to additional import costs.	- Collaborative relationships with key suppliers, Brakes and Molson Coors, to help identify any potential cost increases. - Minimal fresh ingredients in the business which are likely to see the largest financial cost impact. - Increased stock holdings on all identified risk lines upon consultation with suppliers. - Scoring system for rollout is bought from Italy, but all Euros have already been purchased.
OPERATIONAL 1		
	- Failure in the stability or availability of information through IT systems could affect Group business and operations. - Customers not being able to book through website. Inaccuracy of data could lead to incorrect business decisions being made.	- All core systems (non-cloud based) are backed up to our disaster recovery centre. - The reservation/CRM systems, provided by a third party, are hosted by Microsoft Azure Cloud for added resilience and performance. This has full business continuity provision and scalability for peak trading periods. - The reservations system has an offline mode, so 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. - All technology changes which affect core systems are authorised via change control procedures.
OPERATIONAL 2		
	- Operational business failures from key suppliers (non-IT). - Unable to provide customers with a full experience.	The Group has key suppliers in food and drink under contract to tight service level agreements (SLAs). Other suppliers that know our business could be introduced, if needed, at short notice. Centres hold between a 14 and 21 day supply of food, drink and amusement product. Regular reviews and updates are held with external partners to identify any perceived risk and its resolution.

PRINCIPAL RISKS **CONTINUED**

RISK TYPE	RISK AND IMPACT	MITIGATING FACTORS
OPERATIONAL 3		
	- Any disruption which affects Group relationship with amusement suppliers. - Customers would be unable to utilise a core offer in the centres.	- Regular key supplier meetings between our Head of Amusements, and Namco and Inspired Gaming. There are biannual meetings between the CEO, CFO and Namco. - Namco are a long-term partner that has a strong UK presence and supports the Group with lots of trials, initiatives and discovery visits.
OPERATIONAL 4		
	- Loss of key personnel – centre managers. - Lack of direction at centre level with effect on customers. - 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 potential centre talent and develop staff ready for these roles. CMIT participants run centres, with assistance from the regional support manager as well as experienced centre managers from across the region, when a vacancy needs to be filled at short notice. - The centre manager bonus scheme has been reviewed this year to ensure it is still a strong recruitment and retention tool. Small amends to make it more attractive include a long-term retention plan. - Introduced a 'floating' centre manager role which ensures cover when needed.
OPERATIONAL 5		
	- 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 health and safety and legal compliance. STRIKES online e-training, which includes allergen and intolerance issues, to be reviewed, understood and complied with. - Allergen awareness has been updated and remains a focus for the centres. This has been enhanced further in the new menu, along with an online allergens list. Local authority partnership set up with South Gloucestershire covering health and safety, including food safety.
TECHNICAL 1		
	- Data protection or GDPR breach. - Obtaining customer email addresses and impact on reputation with customer database. The Group does not hold any customer payment information.	- The Group's IT networks are protected by firewalls and secure passwords. Vulnerability scans are frequently run on firewalls to ensure their integrity. - A data protection officer has been in position for 18 months and attended 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 completed an online training course. - A cyber security partner has been appointed to handle any cyber security breaches and will work with the Group on a priority basis, if any circumstance arises. - Regular penetration testing is conducted through a third-party cyber security company.
REGULATORY 1		
	- 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 continuous 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.

VIABILITY STATEMENT

Strategic planning process

The Group's strategy and business model, articulated on pages 6 to 37, are well established. The Group has a market-leading position in the UK through its 60 centres and, more importantly, the profitability per centre. The Group continues to open new centres, invest in the core estate – including eight refurbishments/rebrands in FY2019 – drive LFL revenue, and has demonstrated strong profit growth over several years.

The CEO, alongside the leadership team, is responsible for the Group's strategic planning process. This is undertaken every six months, and is informed by market trends and analysis, as well as external market research where required. The process results in an annual draft strategic plan, with financial modelling, which is debated at the Board's annual strategy awayday, alongside the principal risks outlined on pages 26 to 28.

The Board's role is to consider whether the plan appropriately considers the financial, technical and human issues of the business, as well as its external risks, and to challenge the plan appropriately. Subsequently, the strategic plan is finalised and is generally prepared on a three-year basis. The latest strategic plan was agreed by the Board in July 2019 and used to build the FY2020 budget which was approved by the Board in September 2019.

Assessment of viability

In accordance with the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a period longer than 12 months, taking into account the Group's current position and future projections, its strategy and principal risks. The Directors have determined, in accordance with the strategic planning process outlined above, that a three-year period from the date of approving the financial statements constitutes an appropriate period over which to provide its viability statement. Three years was determined as an appropriate period

based on the new centre pipeline, refurbishment plans, investment in new technology and relationships with key suppliers. We have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity.

The Group has explored the impact of each risk from a financial perspective and modelled its impact, and has considered the effect of a combination of several risks. It has also included potential mitigating actions, should they be needed, to manage capital expenditure to lower levels. As a result of this, sensitivities against the three-year plan have also been reviewed, as has the Group's strong balance sheet and low levels of debt. The scenarios assumed that external debt is repaid as it becomes due and committed facilities renewed as they become due.

The scenarios applied included:

- reducing LFL revenue growth through a combination of adjustments to price, yield and games volumes;
- no further refurbishment expenditure;
- continued expansion of the centre estate; and
- a combination of the above.

In performing the scenario assessments, as well as access to undrawn facility agreements, the Directors have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due for the three years ending 30 September 2022.

GOING CONCERN

The Group meets its day to day working capital requirements through cash generated from operations. The Group has considerable financial resources. At 30 September 2019, it had net debt of £2.1m, which included cash balances of £24.9m and bank debt of £27.0m. The Group has undrawn financing facilities of £10.0m which are available to fund new centres, capital expenditure and working capital.

The Group's forecasts and projections, in terms of cash forecasts and profit, have been stress-tested for reasonably possible adverse variations in economic trading conditions and performance. The Directors are of the opinion that the Group's forecasts and projections show that the Group can operate within its current facilities and would not breach its facility covenants for the foreseeable future.

Taking the above and the principal risks faced by the Group into consideration, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the Group's financial information. Further information regarding the Group's business activities, together with the factors likely to affect its future growth, performance and position is set out in the Strategic Report on pages 6 to 37. The financial position, cash flows and borrowing facilities are shown in the Finance Review on pages 30 to 33.



Laurence Keen

CHIEF FINANCIAL OFFICER

[+ Read biography
on page 40](#)



THE GROUP HAS DELIVERED
EXCELLENT RESULTS IN THE
YEAR WITH TOTAL REVENUES
OF £129.9M, UP 7.8 PER CENT
AND A RECORD PROFIT
AFTER TAX OF £22.3M,
UP 18.6 PER CENT



	30 September 2019	30 September 2018	Movement
Number of centres	60	58	+2
Average spend per game	£9.64	£9.22	+4.5%
Revenue	£129.9m	£120.5m	+7.8%
Gross profit margin	85.7%	86.1%	-0.4%pts
Group adjusted EBITDA ¹	£38.2m	£36.2m	+5.7%
Group profit before tax margin	21.2%	19.9%	+1.3%pts
Group profit before tax	£27.6m	£23.9m	+15.3%
Net debt	£2.1m	£2.5m	-15.7%
Group adjusted operating cash flow ²	£25.1m	£24.7m	+1.2%
Group expansionary capital expenditure ³	£8.1m	£4.3m	+87.6%

¹ 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, loss on disposal of property, plant and equipment and software, and any exceptional costs, and is considered by management to be a measure investors look at to reflect the underlying business. A reconciliation between Group adjusted EBITDA and statutory operating profit is provided on page 32.

² Group adjusted operating cash flow (page 33) is calculated as Group adjusted EBITDA less working capital movements, less corporation tax paid and maintenance capital expenditure.

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

The Group has delivered excellent results for the year to 30 September 2019, with total revenues of £129.9m (+7.8 per cent), Group Adjusted EBITDA¹ of £38.2m (+5.7 per cent) and a record profit after tax of £22.3m (+18.6 per cent).

The Group's highly cash-generative business model continued to deliver strong results, with Group adjusted operating cash flow² of £25.1m (FY2018: £24.7m). The increase was driven by a higher Group adjusted EBITDA¹ offset in part by the expected increase of £2.2m, in maintenance capital. This increase comprised the rollout of the new scoring system to 24 centres, as well as the 'Pins on strings' installations in four existing centres, during FY2019. Free cash flow ('FCF') of £14.7m was generated in the year, representing a conversion of 66.1 per cent of profit after tax. FCF is defined as net cash flow pre dividends and exceptional items.

GROWTH DRIVERS

We are pleased to have delivered record revenues in the year of £129.9m and continue to be encouraged by the LFL performance of the whole estate, as well as our new centres. The total 7.8 per cent revenue growth has been driven through LFL revenues growing at 5.5 per cent as well as 3.1 per cent from new centre openings, offset by the closure of our AMF centre in Gravesend in July 2018 (0.9 per cent).

The increase in LFL revenues, which was seen across all revenue streams, was driven by a combination of growth in game volumes and an increase in average spend per game year-on-year. A total of 13.1m games (FY2018: 12.9m) were played in LFL centres, with LFL average spend per game at £9.61 (FY2018: £9.24).

Total bowling revenue was £64.0m, up 5.7 per cent year-on-year, reflecting increased volume, the continued benefits we have seen from our evolution of dynamic pricing, as well as a small average headline price increase where we have earned the right to do so through our investment programme. This increase was only marginal, as the headline price for an adult game increased from £6.12 to £6.24 (+1.9 per cent), maintaining our position as the cheapest and best value of the three largest branded operators.

Food and drink revenue was £35.0m, up 6.3 per cent on the prior year, as we saw more people choose to spend in this area following the introduction of our new menu and our enhanced bar and diner experience. We are also pleased to see our amusement revenues grow to £30.4m, up 14.0 per cent year-on-year, which followed on from a very strong FY2018. This continues to be an area where innovation is key and we will continue to work with our partners to drive this further in FY2020.

Our investment strategy continues to pay back, in both financial terms and customer satisfaction. The benefit of being in the right location, with the right team driving the performance in centres, means we are able to continue to make these transformational investments, with an average spend of £322,000 and paybacks above our target of 33 per cent. During FY2019, we reviewed a number of centres' space utilisation across day parts, which resulted in two centres adding two lanes each, removing the existing bar and diners, creating a new combined offer, which in turn increased the amusements capacity. We are reviewing the portfolio to see where this model can be replicated, with two further centres planned for additional lanes in FY2020.

LFL is defined throughout as excluding any new centre openings 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. The comparable results of these new centres for the prior period are also included. Closed centres are excluded in the year of closure and prior year.

GROSS PROFIT

Gross profit in the year was up 7.3 per cent, to £111.4m driven through revenue growth in all revenue streams. Gross profit margin of 85.7 per cent was in line with our expectations. This marginal reduction was due to higher growth of our amusement revenue, 6.0 percentage points above the overall LFL growth, with a lower than average margin percentage. Cost of sales includes the cost of food and drink, as well as amusements.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 5.1 per cent on the prior year, to £82.9m (FY2018: £78.9m).

LFL centre administrative expenses increased by £2.6m (4.7 per cent), driven in the main by an increase in employee costs. New centres contributed an increase of £2.0m. These increases were partly netted off by a decrease in depreciation of £1.5m.

The largest cost within administrative expenses continues to be property costs - £30.6m, of which rent accounts for £14.9m (2018: £14.1m). Property costs increased by £1.1m, with LFL only accounting for £0.4m of this, and the balance coming from new centres.

Centre employee costs are the second largest cost within administrative expenses and increased from £22.3m to £25.0m for the 12-month period to 30 September 2019. On a LFL basis, employee costs increased by £2.1m, driven by higher centre level bonuses (£0.8m) and the effect of the April

2019 National Living/National Minimum Wage increases, as well as other centre level inflationary increases (£1.3m). We expect constant centre employee costs in FY2020 to increase by 3.8 per cent.

Corporate costs were in line with our expectations at £11.9m, with the increase year-on-year driven through higher training costs, bonuses due to Group performance and the higher profit share payout on our London O2 management agreement.

GROUP ADJUSTED EBITDA AND OPERATING PROFIT

LFL EBITDA continued to grow and increased by 6.2 per cent (£2.6m) compared with the prior period. This, along with new centres contributing £1.1m and the adjustments noted above, resulted in Group adjusted EBITDA of £38.2m (FY2018: £36.1m), an increase of 5.7 per cent year-on-year. Since listing on the Main Market in September 2016, EBITDA has grown by 30.2 per cent.

Management use EBITDA adjusted for exceptional items (Group adjusted EBITDA¹) as a key performance measure of the business. With the introduction of IFRS 16 in FY2020, management will be reviewing this measure and its effectiveness as a guide to its investors, given the fact that property rent will be excluded. The Group plans to adopt IFRS 16 using the modified retrospective approach – see below for more detail.

Depreciation and amortisation decreased by £1.5m to £9.5m. As part of the introduction of 'Pins on strings' within the estate, we have reviewed the useful economic life of our current mechanical pinspotters to ensure that we are depreciating them appropriately. This review has led to management determining a shorter life for these assets, and therefore an accelerated depreciation charge in the year of £245,899 for FY2019. This, in turn, should mean there is no write-off necessary when the mechanical pinspotters are removed.

Operating profit margin increased to 21.9 per cent from 20.6 per cent in the prior year, whilst operating profit grew to a record £28.4m in FY2019, up 14.3 per cent compared with the same period last year.

	30 September 2019 £'000	30 September 2018 £'000
Operating profit	28,444	24,892
Depreciation	9,041	10,494
Amortisation	502	504
Loss on property, plant and equipment and software	596	148
EBITDA	38,583	36,038
Exceptional items	(380)	118
Group adjusted EBITDA	38,203	36,156

EXCEPTIONAL COSTS

Exceptional costs for the period continue to be recognised in adherence with the policy stated in the FY2018 Annual Report. The VAT rebate shown in the period relates to a one-off retrospective reclaim in respect of unclaimed input VAT on professional fees.

	30 September 2019 £'000	30 September 2018 £'000
VAT rebate ¹	380	–
Non-recurring expenditure on strategic projects ²	–	(118)
	380	(118)

1 The Group was able to make a non-recurring retrospective reclaim in respect of unclaimed input VAT on professional fees.

2 Costs (comprising legal and professional fees) relating to an aborted acquisition.

SHARE-BASED PAYMENTS

During the year, the Group granted further Long term Incentive Plan ('LTIP') shares to the senior leadership team, including the CEO and CFO. These awards vest in three years providing continuous employment during this period and certain performance conditions are attained relating to earnings per share (EPS), as outlined in the remuneration report on pages 63 and 64. The Group recognised a charge of £633,075 (FY2018: £403,537) in relation to these non-cash share-based payments.

We opened our second Sharesave scheme to all team members in February 2019, which will vest in three years subject to continued employment. The Group recognised a charge of £28,707 (FY2018: £15,498) in relation to the Sharesave scheme. None of the non-cash costs are classified as exceptional costs.

FINANCE COSTS

Finance costs decreased from £1.1m to £1.0m as a result of margin reductions in line with the bank quarterly covenant tests. The Group currently has gross debt of £27.0m with a further £1.5m to be repaid during FY2020. The Group has an undrawn revolving credit facility of £5.0m and capital expenditure facility of £5.0m. The current facilities agreement matures in September 2021.

TAXATION

The tax charge for the year increased to £5.3m, as a result of the higher profits. This charge represents an effective tax rate on statutory profit before tax of 19.2 per cent.

EARNINGS

Profit before tax for the year was £27.6m, which was £3.7m (+15.3 per cent) higher than the comparable period in the prior year, as a result of the factors discussed above.

The Group delivered an increased profit after tax of £22.3m (2018: £18.8m) and basic earnings per share was 14.86 pence (FY2018: 12.52 pence).

CAPITAL EXPENDITURE

Total net capital expenditure for the year amounted to £16.7m (FY2018: £11.0m), including £5.4m (net of landlord contributions) compared with £1.0m (net of landlord contributions) in the prior year, in relation to the opening of two new centres as well as some costs for the FY2020 openings (£1.3m).

During FY2019 we also continued with our refurbishment and rebrand programme, spending a total of £2.7m on the eight centres that were invested in. As highlighted at the FY2018 results, the Group is rolling out a new scoring system across the estate, with 24 centres benefiting during this financial year. We rolled out the new 'Pins on strings' version to four further existing centres this year. Combined, these two initiatives cost £2.6m. This now gives us the confidence to continue with the 'Pins on strings' rollout, and at least six further existing centres will receive these machines during FY2020, adding to the 11 centres already so equipped. Both the scoring and 'Pins on strings' capital expenditures are classified within maintenance capital expenditure.

CASH FLOW

The Group continues to be highly cash generative, driven by its strong operating margins and low annual working capital movements. Group adjusted operating cash flow for the year ended 30 September 2019 was £25.1m and FCF was £14.7m.

	30 September 2019 £'000	30 September 2018 £'000
Group adjusted EBITDA	38,203	36,156
Movement in working capital ¹	971	278
Maintenance capital expenditure ²	(8,606)	(6,660)
Taxation	(5,518)	(5,030)
Adjusted operating cash flow (OCF)³	25,050	24,744
Adjusted OCF conversion	65.6%	68.4%
Expansionary capital expenditure	(8,098)	(4,316)
Disposal proceeds	-	24
Net interest paid	(711)	(606)
Cash flows from financing activities	(1,500)	(1,500)
Free cash flow	14,741	18,347
Exceptional items	390	(234)
Dividends paid	(16,244)	(13,964)
Net cash flow	(1,113)	4,148

1 Working capital excludes any exceptional items. These are noted separately above. Working capital includes an amount relating to share based payments for LTIPs of £0.6m in FY2019 (FY2018: £0.4m).

2 In this table, maintenance capital expenditure includes amusements capital expenditure and amusement disposal proceeds.

3 Adjusted operating cash flow is calculated as Group adjusted EBITDA less working capital, maintenance capital expenditure and taxation. 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 one-off exceptional items and net interest paid.

This cash generation in the past 12 months has resulted in a decrease in net debt to £2.1m, compared to the period to 30 September 2018.

DIVIDEND AND SPECIAL DIVIDEND

As set out at IPO in September 2016, the Board has adopted a progressive ordinary dividend for the Group, reflecting its strong cash flow and profit, whilst allowing it to retain sufficient capital to fund its investment in existing centres as well as new centres, all to drive the long-term sustainable profitability of the business.

Reflecting the Board's continued confidence in the Group, as well as the strong results for the year ended 30 September 2019, the Board is recommending a final ordinary dividend of 5.16 pence per share, giving a total ordinary dividend for the year of 7.43 pence per share.

The final dividend will be paid, subject to shareholder approval at the Company's AGM on 30 January 2020, on 19 February 2020 to shareholders on the register on 31 January 2020.

Our capital and cash allocation policy remains as below, with our top priority being to maintain a strong balance sheet. As at 30 September 2019, net debt stood at £2.1m (0.05 times Group adjusted EBITDA).

OUR PRIORITIES FOR USE OF CASH

- capital investment in existing centres as well as new centre opportunities;
- appropriate acquisition opportunities;
- to pay and grow the ordinary dividend every year within a cover ratio of approximately two times; and
- thereafter, any excess cash will be available for additional distribution to shareholders as the Board deems appropriate.

To the extent that there is surplus cash within the business, the Board continues to expect to return the surplus to shareholders. In line with this strategy, this year the Board has proposed a special dividend of 4.50 pence per share be paid to shareholders alongside the ordinary dividend. All the dividend will be paid using cash on the balance sheet.

This will mean that the since IPO, up to and including FY2019, the Group has returned a total of £47.7m in dividends to shareholders.

IFRS 16

The financial statements for FY2019 have been prepared based on the application of IAS 17, and the Group will adopt IFRS 16, the new financial reporting standard for leases, for FY2020.

IFRS 16 has no effect on how the business is run; there will be no change to the Group's cash flows and its growth plans. IFRS 16 does, however, have an effect on the assets, liabilities and income statement of the Group, and there are also changes to the classification of cash flows relating to lease contracts.

IFRS 16 permits a choice on the method of implementation and, after careful consideration, the Group has decided to adopt the modified retrospective approach. This adoption means that all prior year comparatives are not restated, but the cumulative effect of adoption is recognised as an adjustment to reserves in the opening balance sheet for FY2020.

More detail on the impact of IFRS 16 on our FY2020 financial statements can be found in note 2 to the Financial Statements.

LAURENCE KEEN

CHIEF FINANCIAL OFFICER

13 December 2019

A KEY ELEMENT OF THE GROUP'S CULTURE IS THE PROMOTION OF SUSTAINABILITY, WHICH ENHANCES OUR ABILITY TO EXECUTE OUR STRATEGY AND DELIVER INCREASED VALUE FOR OUR DIFFERENT STAKEHOLDER GROUPS

As a nationwide multi-site business, we seek to enhance the wellbeing of our team members, our customers and the communities in which we operate and are always looking for ways to minimise the impact of our operations on the environment.

TEAM MEMBERS

Our team are at the heart of everything we do and the Group is constantly looking at new ways to ensure we recruit, engage and retain the best talent in the industry.

Employing just over 2,000 team members, we place a huge importance on offering rewarding careers to all of our team and providing them with training and development opportunities throughout their employment.

We embark on a robust induction which starts as soon as a new team member begins their career with us. We believe this is essential for setting our new recruits up for success and improving our retention levels.

As well as giving an insight into the centre they are working in and customer service skills training, the induction programme covers our culture and ways of working. Team members' continuous development is supported by our 27-module online learning system for which we maintained a 95 per cent completion rate throughout the year.

We run a number of top talent programmes to help our team members develop their careers with us. Our AMIT programme offers team members the support and development to move into a successful management career – 73 team members enrolled on this programme in FY2019. For those junior managers who aspire to run their own centres, we have a CMIT programme. We are delighted to have been able to offer six managers their own centres as a result of the programme in FY2019. Our centre managers have the opportunity to apply to join our senior leadership development programme – ten are

on the current scheme, with one of these already promoted to a regional support role.

In addition, we launched a management skills development programme to develop all our assistant managers and deputy managers to prepare them for the CMIT programme.

Centre managers are given the autonomy to run their centres as their own business and are key to the success of the Group. We give all of our management teams the opportunity to share in the success of their centre performance by offering a significant bonus scheme.

A key part of our wider engagement and retention strategy is to recognise and reward great performance and the right behaviours. We do this at centre level through a 'team member of the month' scheme in which everyone has the opportunity to nominate their peers. We also recognise great behaviours with our pin badges, which our teams wear with pride on their lanyards. We were pleased to award 2,297 pins to team members during the year.

In addition, we introduced a new incentive scheme that our team members could participate in during peak trading periods and were pleased to make 1,880 additional payments through it.

At centre manager level, a highlight is our annual awards ceremony and conference. Following the FY2019 awards, four of our centre manager winners will attend a business excellence course at the Disney Institute in Florida.

At Hollywood Bowl Group, we pay all of our teams the relevant National Living/National Minimum Wage (NL/NMW) or in excess of this and are committed to ensuring our team members have a fair pay deal. We also commit to maintaining the differential between other roles in the business whenever there is a NL/NMW increase.

We offer our team members benefits which they have told us that they value. These include free bowling and discounted food and drink when they visit the centres socially with their friends and family, as well as an at-work 50 per cent discount on food and drink.

We launched our second Save-As-You-Earn (SAYE) sharesave scheme in February 2019, giving all of our team members another opportunity to share in the financial success of the business. 262 employees have signed up across the first two schemes and we plan to launch a third SAYE scheme in FY2020.

We are committed to providing an inclusive environment and firmly believe that no-one should suffer discrimination on the grounds of race, colour, ethnicity, religious belief, political affiliation, gender, sexual orientation, age or disability. We have introduced wellbeing training for our managers and team members and hold all-female listening groups to support achieving a more equal gender balance at a senior level in the Group.

A breakdown of our Board, senior management and all employees by gender is as follows:

FY2019 NUMBER OF EMPLOYEES

BOARD



SENIOR MANAGERS



TEAM



HEALTH AND SAFETY

Bowling is a fun, inclusive and safe way to keep active and we like to keep it that way. We design our centres and train our teams with this in mind, both for our customers' and our teams' welfare. We comply with all safety legislation and act on all reported incidents. As part of our internal audit reviews, we undertake safety audits. The output from these reviews, as well as any incident reports, are reviewed by the Board on a monthly basis.

Hollywood Bowl Group has a primary authority agreement with South Gloucestershire Council covering both health and safety generally, and food safety.

CUSTOMERS

Bowling is an activity that promotes healthy competition and provides an inclusive, interactive experience, enabling families and friends to spend quality social time together and improve their general wellbeing.

All of our centres have access for disabled customers and we are committed to delivering an inclusive fun-filled experience for customers of all abilities. In FY2019, over £1.7m of concessionary discounts were redeemed across a number of user groups.

We recognise that the consequences of a poor diet remain an important health challenge in the UK and we continue to work with our food and drink suppliers to reduce the salt and sugar content of their products.

Our Hollywood Diner menu offers a selection of healthier eating options, including salads and, for children, vegetable options in their menu range. Our customers continue to respond favourably to the range of sugar-free options across our drinks ranges including carbonated soft drinks, sugar-free slush and low-calorie mixers.

We maintain contact with regulatory bodies and our key partners such as Namco to ensure the correct decisions are taken in terms of our amusement area game content, quantity and age-appropriate mix.

COMMUNITY AND CHARITY ENGAGEMENT

As a business operating in multiple locations around the UK, we believe that we should support the communities we operate in by offering employment and through charity fundraising, awareness and access.

In FY2019, we partnered with 61 charities and community projects local to each of our bowling centres and our Hemel Hempstead support centre.

The chosen charities primarily focused on benefiting families or younger people. Many fantastic fundraising events have taken place across the country, including the ever popular 'Hero Pin' evenings, during which strike-scoring customers earn a donation to their centre's charity. Following feedback from our team we introduced a £15 donation to charity for each team member successfully completing their induction programme.

Through these donations and fundraising activities, in excess of £35,000 has been raised for our charities and projects. Our centre managers have direct responsibility for their local charity partnerships and the top-performing centres in this area were given recognition at our annual centre manager conference.

We are pleased to be continuing with our charity engagement programme in FY2020 and are taking a new approach by moving to work with a single nationwide charity – Barnardo's.

ENVIRONMENTAL INITIATIVES

Hollywood Bowl Group is committed to conducting its operations in an ethical and responsible manner. This is demonstrated in our environmental and energy achievements and strategic plans.

FY2019 saw Phase 2 of the Energy Saving Opportunity Scheme (ESOS) and this has been completed. This included a review of

recommendations from Phase 1 as well as those from Phase 2. All short/medium-term recommendations from both reports that were appropriate have been actioned.

GREENHOUSE GAS EMISSIONS

Greenhouse gas (GHG) emissions for FY2019 have been measured as required under the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013. The GHG Protocol Corporate Accounting and Reporting standards (revised edition) and the electricity and gas consumption data have been provided by Schneider Electric and Total. Conversion factors are taken from <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2019>.

SCOPE 1 EMISSIONS

These are made up of natural gas, company car and refrigerant gas losses.

Natural gas	748.9 tCO ₂ e
Company car	4.0 tCO ₂ e
FGas losses	20.7 tCO ₂ e
Total	773.6 tCO ₂ e

SCOPE 2 EMISSIONS

Emissions from electricity are 19,573,573 x 0.2556 = 5,003,005.2 kgCO₂e or 5,003 tCO₂e

Scope 1 emissions	773.6 tCO ₂ e
Scope 2 emissions	5,003 tCO ₂ e
Total Scope 1 and 2 emissions	5,776.6 tCO ₂ e
Intensity ratio (tCO ₂ e per centre)	102.6

Over 96 per cent of all Scope 1 emissions were from natural gas. This includes heating, hot water and cooking as it is not possible to accurately determine the percentage from each.

100% of electricity was from UK operations.



SOLAR PANELS



We are working with landlords and external partners to install solar roof panels. In July 2019, our first solar array, of 108.6 kWp, was installed at Hollywood Bowl Rochester.

A rollout to other centres is planned, starting with our centre at Bentley Bridge, which will be complete pre Christmas 2019. The rollout will include self-funded projects and also power purchase agreements.

TOTAL ELECTRICITY AND GAS USAGE

	Electricity (kWh)	Gas (kWh)
FY2016	17,380,346	4,866,065
FY2017	18,581,702	4,384,837
FY2018	18,849,729	5,260,995
FY2019	19,573,573	4,104,855

Data from centres where the landlord supplies electricity/gas has been excluded. Gas usage has decreased in FY2019 through a combination of more normalised weather in Q1 FY2019 and the move away from gas usage in kitchens and for heating.

ELECTRICITY USAGE

Our commitment to efficiently and ethically using natural resources is ongoing.

We have reduced our intensity ratio for Scope 1 and 2 emissions by 59.7 or 36.8 per cent for FY2019 compared to the base year (FY2016).

	Scope 1	Scope 2	Scope 1+2	Intensity ratio
FY2016	895.7	8,195.0	9,090.7	162.3
FY2017	807.5	6,532.6	7,340.1	132.9
FY2018	967.8	5,335.6	6,303.4	113.7
FY2019	773.6	5,003.0	5,776.6	102.6

We plan to further reduce our intensity ratio with a target of achieving under 100 within the next two years.

USAGE

We have an action plan for reducing environmental impact and increasing onsite generation of renewable electricity. This includes:

- Behaviour change within our teams, such as conscious efforts to reduce electricity usage
- Continuation of the rollout of more energy-efficient air handling plant
- Rollout of solar roof panels
- Corporate Social Responsibility (CSR) steering group meetings, chaired by the CEO

WASTE RECYCLING

We recycle the waste that we produce as part of our commitment to mitigate against the environmental impact of our operations. In FY2016, we recycled 63.3 per cent of our waste and this has increased to 67.3 per cent for FY2019. Our top-performing centre for recycling was Basildon, with a 92 per cent recycling level which saw the team there take the accolade of Group CSR champion at the annual centre manager awards.

	General	Glass	Mixed recycling/ organic
FY2016	7,334.14	1,477.80	11,164.04
FY2017	7,443.72	1,621.44	12,695.88
FY2018	6,770.04	1,652.26	12,978.86
FY2019	7,096.24	1,831.92	12,745.42

	General	Recycling	Total waste	Recycling percentage
FY2016	7,334.14	12,641.84	19,975.98	63.3%
FY2017	7,443.72	14,317.32	21,761.04	65.8%
FY2018	6,770.04	14,631.12	21,401.16	68.4%
FY2019	7,096.24	14,577.34	21,673.58	67.3%

All waste data supplied by Biffa measured in tonnes.

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



UTILITY AND RECYCLING TARGETS

1

100 per cent of the electricity we purchase to come from renewable sources by 2022

2

By 2025, 20 per cent of our electricity to be generated from onsite renewables

3

By 2020, 75 per cent of waste to be recycled with 100 per cent diversion from landfill

4

By 2025, 85 per cent of waste to be recycled with 100 per cent diversion from landfill

NON-FINANCIAL INFORMATION STATEMENT

We aim to comply with the new Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The below table, and information it refers to, is intended to help stakeholders understand our position on key non-financial matters.

Requirement	Policies and standards which govern our approach	Risk management and additional information
Environment	- Environmental statement - Health and Safety policy	Health and Safety and food safety disclosures page 35 ; Stakeholders pages 14 and 15 ; Environment, greenhouse gas emissions and electricity usage disclosures pages 35 and 36 ; Case study on Reducing Environmental Impacts page 35
Employees	- Equal opportunities policy - Diversity policy - Board diversity policy approved post financial year end	Stakeholders pages 14 and 15 ; Our people page 34 ; Employee numbers by gender page 34 ; Employee involvement and policy regarding disabled persons page 68 ; Board engagement with the business page 46 ; Diversity policy and Board diversity policy page 48 ; CEO's remuneration compared to employees page 65 ; Gender pay gap report published on the Company's website
Human rights	- Data protection policy - Slavery and human trafficking policy - Whistleblowing policy - IT and Information security policy	Review and approval of the Group's modern slavery and human trafficking statement page 44 ; Stakeholders pages 14 and 15 ; Whistleblowing page 45
Social matters	The Company does not have a social matters policy per se but works with suppliers to reduce salt and sugar content and offer healthier eating options on food and drink menus; works with regulatory bodies and suppliers to ensure correct decisions are made on amusement area games; and provides a community charity engagement programme page 35	Stakeholders pages 14 and 15 ; Our customers and Engaging with the local community page 35
Anti-corruption and anti-bribery	- Anti-corruption policy - Audit services policy	Non-audit services page 51
Policy embedding, due diligence and outcomes		Governance framework and structure page 42 ; Board activity during the year page 44 ; Audit Committee report page 49
Principal risks and impact on business activity		Principal risks and effective risk management pages 26 to 28 ; Risk management and regulatory disclosure page 44
Description of business model		Our business model pages 16 and 17 ; Strategy in action pages 4 and 5
Non-financial key performance indicators		Strategy at a glance pages 18 and 19 ; Operational highlights pages 1, 22 and 23 ; Stakeholders pages 14 and 15

The Strategic Report was approved by the Board on 13 December 2019 and signed on its behalf by:

STEPHEN BURNS
CHIEF EXECUTIVE OFFICER
 13 December 2019

WE CAN A N R E V O

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Peter Boddy

CHAIRMAN

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MY AIM IS TO ENSURE THE
CULTURE WE CREATE ACROSS
THE BUSINESS IS REFLECTED IN
THE WAY WE CONDUCT
OURSELVES AS A BOARD.



DEAR SHAREHOLDERS,

On behalf of the Board, I am pleased to present our Corporate Governance report for the year ended 30 September 2019. During the year, the Board has maintained its focus on high standards of corporate governance, and I am happy to report that we continue to comply with the principles of the 2016 UK Corporate Governance Code (the 'Code') insofar as it applies to smaller companies (i.e. those below the FTSE 350). This section of the Annual Report sets out how we have applied the principles of the 2016 version of the Code during the year, highlighting the key activities of the Board and its Committees in the period. Our established governance structure is robust, but we are not complacent and routinely consider our approach to governance to ensure it supports the long-term success of the Group and its stakeholders.

As noted in our Corporate Governance report last year, although the 2018 version of the Code (the 'New Code') does not strictly apply to us until FY2020, the Board has spent some time this year considering its requirements and any changes required to our governance to support ongoing compliance. In particular, we have considered our approach to workforce engagement (see page 54 for more details) and how the Board will assess and monitor the culture of the Group, and will report on activity in those areas in next year's Annual Report. As a Board, we recognise that our team members are fundamental to the success of the business, and it is therefore essential that we create and promote a culture and values that support them in providing a positive and enjoyable environment for our customers.

As Chairman, my aim is to ensure that the culture we promote across the business is reflected in the way we conduct ourselves as a Board. Open and transparent debate is encouraged around the Board table, and the Non-Executive Directors have access to team members at all levels across the Group.

Our Board and Committee evaluation process (described on page 45) was again conducted by way of detailed questionnaires. The Board has discussed and reviewed the responses to those questionnaires, and has agreed an action plan to take forward some of the recommendations arising from the process. The responses have shown that the Directors continue to believe the Board and its Committees are operating well, and that each individual Director continues to be committed to the business and effective in their role.

PETER BODDY
CHAIRMAN

13 December 2019

BOARD OF DIRECTORS



Peter Boddy

NON-EXECUTIVE CHAIRMAN

APPOINTMENT

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

SKILLS AND EXPERIENCE

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

COMMITTEE MEMBERSHIP

N



Stephen Burns

CHIEF EXECUTIVE OFFICER

APPOINTMENT

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

SKILLS AND EXPERIENCE

Before joining the Group, Stephen worked within the health and fitness industry, holding various roles within Cannons Health and Fitness Limited from 1999. He became Sales and Client Retention Director in 2007 upon the acquisition of Cannons Health and Fitness Limited by Nuffield Health, and became Regional Director in 2009. In 2011, Stephen was appointed to the operating board of MWB Business Exchange, a public company specialising in serviced offices, meeting and conference rooms, and virtual offices. Stephen was appointed Chairman at the Club Company Limited (operator of UK country clubs) in June 2018.

COMMITTEE MEMBERSHIP

N/A



Laurence Keen

CHIEF FINANCIAL OFFICER

APPOINTMENT

Laurence joined the Group as Finance Director in 2014.

SKILLS AND EXPERIENCE

Laurence has a first-class degree in business, mathematics and statistics from the London School of Economics and Political Science. He qualified as a chartered accountant in 2000 and has been an ICAEW Fellow since 2012. Previously, Laurence was UK development director for Paddy Power from 2012. He has held senior retail and finance roles for Debenhams PLC, Pizza Hut (UK) Limited and Tesco PLC.

COMMITTEE MEMBERSHIP

N/A

COMMITTEE MEMBERSHIP

- A** Audit Committee
- N** Nomination Committee
- R** Remuneration Committee
- Chair**
- Member**



Nick Backhouse

**SENIOR INDEPENDENT
NON-EXECUTIVE DIRECTOR**

APPOINTMENT

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

SKILLS AND EXPERIENCE

Nick has extensive experience at board level, including non-executive roles at Guardian Media Group plc (2007–2017) where he was also the Senior Independent Director, All3Media (2011–2014) and Marston's PLC (2012–2018), and has chaired the Audit Committees of each of those businesses. He is currently the Senior Independent Director at Loungers plc, a Non-Executive Director at Hyve Group plc and Eaton Gate Gaming and a Trustee of Chichester Festival Theatre. In his executive career, Nick was the Deputy Chief Executive Officer of the David Lloyd Leisure Group and was previously Group Finance Director of NCP, Chief Financial Officer of the Laurel Pub Company and CFO of Freeserve PLC. Prior to that, he was a Board Director of Baring Brothers. Nick is a Fellow of the ICAEW and has an MA in economics from Cambridge University.

COMMITTEE MEMBERSHIP



Claire Tiney

**INDEPENDENT
NON-EXECUTIVE DIRECTOR**

APPOINTMENT

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

SKILLS AND EXPERIENCE

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

COMMITTEE MEMBERSHIP



Ivan Schofield

**INDEPENDENT
NON-EXECUTIVE DIRECTOR**

APPOINTMENT

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

SKILLS AND EXPERIENCE

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

COMMITTEE MEMBERSHIP



UK CORPORATE GOVERNANCE CODE – COMPLIANCE STATEMENT

The Company has applied all of the main principles of the Code as they apply to it as a ‘smaller company’ (defined in the Code as being a company below the FTSE 350) and has complied with all relevant provisions of the Code during the year.

The New Code applies in respect of financial years beginning on or after 1 January 2019, and therefore did not apply to the Company during the year under review. As we reported last year, following an analysis of the impact of the New Code, the Board and Committee schedule of activity for FY2019 was updated to ensure a move towards compliance with the New Code, in particular ensuring appropriate Board time is devoted to monitoring the culture of the Company and considering the views of its workforce and other stakeholders. No changes have been required to the Group’s governance framework, and we will report on the application of the New Code in next year’s Annual Report.

GOVERNANCE FRAMEWORK AND STRUCTURE

The Board is responsible for ensuring an appropriate system of governance is in operation throughout the Group. This includes a robust system of internal controls and a sound risk management framework. The Schedule of Matters Reserved to the Board and the Board Committees’ terms of reference, which are available to view on the Group’s website www.hollywoodbowlgroup.com, as well as Group policies and procedures which address specific risk areas, are core elements of the Group’s governance framework. These are reviewed annually by the Board and Committees, to ensure that they remain appropriate to support effective governance processes.

Matters outside of the Schedule of Matters Reserved or the Committee terms of reference fall within the responsibility and authority of the CEO, including all executive management matters.

KEY BOARD ROLES AND RESPONSIBILITIES

The Chief Executive Officer, Chief Financial Officer and Executive Committee are responsible for executing the strategy determined by the Board. There is a clear division of responsibilities between the Chairman and Chief Executive Officer. The key responsibilities of members of the Board are set out on this page. Biographies of each director, which describe the skills and experience he or she brings to the Board, can be found on pages 40 and 41.

NON-EXECUTIVE CHAIRMAN

PETER BODDY

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

CHIEF EXECUTIVE OFFICER (CEO)

STEPHEN BURNS

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

SENIOR INDEPENDENT DIRECTOR (SID)

NICK BACKHOUSE

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

CHIEF FINANCIAL OFFICER (CFO)

LAURENCE KEEN

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

NON-EXECUTIVE DIRECTORS

NICK BACKHOUSE, CLAIRE TINEY, IVAN SCHOFIELD

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

BOARD INDEPENDENCE

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

Non-Independent

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

Independent

Nick Backhouse (SID)
Claire Tiney
Ivan Schofield

The Company has complied with provision B.1.2 of the Code throughout the year as more than half the Board (excluding the Chairman) has comprised independent Directors.

BOARD AND COMMITTEE ATTENDANCE

The Board normally meets formally at least nine times per year. Ad hoc meetings are called as and when appropriate, but no such ad hoc meetings were required during FY2019. The table below shows the attendance of each Director at meetings of the Board and of the Committees of which they are a member:

Membership and attendance of Board committees

Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Peter Boddy	9/9			
Stephen Burns ¹	8/9			
Laurence Keen ¹	8/9			
Nick Backhouse ²	8/9	4/4	4/4	3/3
Ivan Schofield	9/9	4/4	4/4	3/3
Claire Tiney	9/9	4/4	4/4	3/3

- 1 The Executive Directors each missed one meeting during the year due to personal commitments. However in both cases their written reports were circulated to the Board in accordance with the normal timetable, and both were available prior to, and following, the meeting to answer any questions on their reports.
- 2 Nick Backhouse missed one meeting during the year due to a family bereavement.

In addition to the Chief Executive and Chief Financial Officer, the Chief Marketing and Technology Officer, Talent Director (or her deputy during the Talent Director's maternity leave) and the Operations Director (from September 2019) were present at Board meetings during the year to take questions from the Non-Executive Directors.

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

In addition to the formal scheduled meetings, all Directors attended a full strategy review session in June 2019. Non-Executive Directors remain in regular contact with the Chairman, whether in face to face meetings or by telephone, to discuss matters relating to the Group without the Executives present.

EXECUTIVE COMMITTEE



Mathew Hart

CHIEF MARKETING AND TECHNOLOGY OFFICER

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

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



Melanie Dickinson

TALENT DIRECTOR

Melanie was appointed Talent Director in October 2012. She has 19 years of HR experience across the leisure and hospitality sectors.

Starting her career in retail operations before moving into HR, Melanie has held HR roles at Pizza Express, Holmes Place Health Clubs and Pizza Hut UK, as well as obtaining a post-graduate diploma in personnel and development. Most recently, she headed the people function at Zizzi Restaurants, part of the Gondola group.



Darryl Lewis

OPERATIONS DIRECTOR

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

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

CORPORATE GOVERNANCE REPORT **CONTINUED**

ACTIVITY DURING THE YEAR

The Board approves an annual calendar of agenda items to ensure that all matters are given due consideration and are reviewed at the appropriate point in the regulatory and financial cycle. The activity of the Board during 2019 is shown in the table below:

Board agenda for year to 30 September 2019	Oct	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Corporate Governance									
Consideration of the New Code (in particular – culture and workforce engagement)	●								
Detailed feedback on Dynamic Operations and Team Member Listening Sessions (workforce engagement)				●					
Directors' conflicts of interest	●	●	●	●	●	●	●	●	●
Board, Director and Committee performance evaluation		●							●
Adoption of Board Diversity Policy		●							
Compliance and risk									
Reviewing the principal risks and uncertainties affecting the Group		●					●		
Going concern review and approval of long-term viability statement		●					●		
Review and approval of Modern Slavery and Human Trafficking Statement			●						
Review of Gender Pay Gap reporting			●						
Review of Disclosure Policy and Insider List						●			
Group insurances									●
Customers									
Reviewing customer experience measures						●			
People									
Review of results of Team Engagement Survey			●						
Review of recruitment function structure							●		
Performance									
Approval of full-year results, the Annual Report and Accounts, half-year results, the Notice of Annual General Meeting and dividends		●					●		
Budget								●	
Review of Dividend Policy		●					●		
Strategy									
IT projects update					●				
Strategy Day								●	
Review of progress on strategic projects	●	●	●				●	●	●

INFORMATION AND SUPPORT

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

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

The Board and the Audit Committee receive regular and specific reports to allow the monitoring of the adequacy of the Group's systems of internal controls (described in more detail in the Audit Committee report on page 51).

APPOINTMENT AND ELECTION

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

During the year, the Board agreed to Nick Backhouse's appointment as a Non-Executive Director of Hyve Group plc and Loungers plc, Nick having confirmed that these appointments would not impact on his time commitment to the Company.

The performance of each Director was assessed as part of the Board evaluation process this year, with the results showing that the Board continues to consider each of the Directors to be effective and committed to their role. In accordance with provision 18 of the New Code, all members of the Board will be offering themselves for re-election at the Company's Annual General Meeting (AGM) on 30 January 2020.

All of the Directors have a service agreement or a letter of appointment. The details of their terms are set out on page 59.

INDUCTION

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

PERFORMANCE EVALUATION

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

The 2019 evaluation was conducted by way of detailed questionnaires designed to assess the effectiveness and assist in the objective review of the performance of the individual Directors, the Board and the Committees. Separately, the Senior Independent Director conducted interviews with other Board members in order to evaluate the performance of the Chairman.

The findings of these questionnaires were reviewed and discussed at the Board's meetings in October 2019, with the outcomes and suggested actions from the evaluations of the Board and its Committees summarised into an action plan for the coming year.

The outcomes of the evaluation process indicated that the Board and Committees continue to perform effectively, and that the Board reflects the culture and values of the Group. Specific areas of focus for the coming year concern monitoring culture, stakeholder engagement (in particular ensuring that the Board is appropriately appraised and involved in the Company's practice in these areas) and succession planning.

Progress in these areas will be reviewed and monitored by the Board and Nomination Committee, and assessed as part of the Board evaluation exercise next year.

In accordance with provision 21 of the New Code, the Chairman has considered, in consultation with the Company Secretary and other members of the Board, whether it would be appropriate to conduct an externally facilitated evaluation process in the near future. The Board has agreed that there is no immediate requirement for an externally facilitated evaluation, but that such a process may add value as more formal Board succession plans are developed over the next few years.

CONFLICTS OF INTEREST

In accordance with the Board-approved procedure relating to Directors' conflicts of interest, all Directors have confirmed that they did not have any conflicts of interest with the Group during the year.

WHISTLEBLOWING

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

STAKEHOLDER ENGAGEMENT

ENGAGEMENT WITH THE WORKFORCE

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

The Board receives a bi-annual presentation from the Operations Director on the output and feedback from centre management and team member listening sessions. The Chairman and Non-Executive Directors are also invited to attend the annual Company conference, held every September, which provides further opportunity to engage with team members in a more informal environment.

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

RELATIONS WITH SHAREHOLDERS

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

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

As stated in the Remuneration Report on page 53, the Remuneration Committee Chair has also consulted with major shareholders during the year on the Directors' Remuneration Policy which is submitted to shareholders for approval at the AGM.

The Company's AGM will take place at 9.30am on Thursday 30 January 2020, at 30 Gresham Street, London, EC2V 7QP. The Chairman, and the Chairs of the Audit and Remuneration Committees, will be present to answer questions put to them by shareholders. Electronic proxy voting will be available to shareholders through both our registrar's website and the CREST service. Voting at the AGM will be conducted by way of a poll and the results will be announced through the Regulatory News Service and made available on the Company's website.



Peter Boddy
NOMINATION COMMITTEE CHAIR

[+ Read biography on page 40](#)

Nomination Committee

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

ROLE AND RESPONSIBILITIES

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

SPECIFIC DUTIES OF THE COMMITTEE INCLUDE:

- regularly reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations to the Board with regard to any changes;
- keeping under review the leadership needs of the organisation, both Executive

and Non-Executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace; and

- reviewing annually the time commitment required of Non-Executive Directors.

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

ACTIVITY DURING THE YEAR

The Nomination Committee has met on three occasions during the year and once since the year end. Committee meetings have focused on the matters set out in the table on page 48.

REPORT OF THE NOMINATION COMMITTEE **CONTINUED**

Activities of the Committee during the year to 30 September 2019

Performance evaluation	Review of results from Committee performance evaluation and discussion on related actions
	Review of the Committees terms of reference
Board and Committee composition	Review of composition of the Board
	Review of Non-Executive Directors' independence
	Review of time commitment requirements, including each Director's external interests
Board appointments and re-appointments	Reviewed the re-appointments of Peter Boddy, Claire Tiney and Nick Backhouse as Non-Executive Directors for their second three-year term.
Talent mapping and succession planning	Consideration of succession planning organisation structure
	Consideration of Personal Development Plan for Executive Directors
	Reviewing Non-Executive Director succession plans in place

Following its annual review of Board and Committee composition, the independence of Non-Executive Directors and their time commitment, the Committee confirmed to the Board that it remains satisfied that the balance of skills, experience, independence and knowledge on the Board and Committees is appropriate.

DIVERSITY

In November 2018, the Committee recommended a Board Diversity Policy which was approved by the Board. The Committee is responsible for monitoring compliance with the objectives of that Policy. The Policy recognises the benefits of greater diversity, including gender diversity and sets out the Board's commitment to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives to Hollywood Bowl Group. The key objective of the Policy is to set out the process to be followed by the Nomination Committee during the recruitment process in order to ensure that an appropriately diverse pool of candidates is considered to enhance the balance of skills and backgrounds on the Board. As there has been no Board recruitment process during the year, there is no progress to report against that objective, however the policy also sets out additional Nomination Committee responsibilities and objectives, and progress against those items is set out below:

Objective/Responsibility	Progress/activity in FY2019
Review regularly the structure, size, and composition of the Board (including the balance of skills, knowledge, and experience), taking into account this Policy, and make recommendations to the Board for any changes.	This is an annually recurring item on the Committee's agenda, and was reviewed by the Committee at its meeting in September 2019. No changes to the composition of the Board were proposed.
When considering Board succession planning, have regard to the Board Diversity Policy.	The Non-Executive Director succession planning matrix has been developed to highlight current diversity statistics on the Board, and will be considered against the Board Diversity Policy in future.
Review the Board Diversity Policy annually, assessing its effectiveness and recommending any changes to the Board.	The Policy was approved by the Board in November 2018 and will be reviewed by the Committee annually in future.

The Board currently consists of one female (17 per cent) and five male (83 per cent) Directors. No Board appointments are anticipated in the near term.

SUCCESSION PLANNING

During the year, the Committee continued its oversight and review of Executive succession planning to ensure that the Group's future leadership will have the qualities necessary to support the delivery of our strategic objectives. The Executive team maintains a detailed succession planning matrix identifying at least one potential internal successor for each key role. The matrix is reviewed by the Committee, which has recommended that potential successors are given opportunities to meet and present to the Board to further their development. Members of the Committee have also given specific advice and support to assist in development plans for potential successors.

As two of the Non-Executive Directors (and the Chairman) have now entered their second three-year term, the Committee has undertaken to increase its focus on Board succession planning. A Non-Executive succession planning matrix has been prepared and will be used as a tool to support consideration of the timing for future appointments and to identify key search criteria (including skills, experience and diversity) for potential candidate shortlists.

ANNUAL EVALUATION

The Nomination Committee has evaluated its own performance during the year by way of a questionnaire completed by each member of the Committee and key contributors to Nomination Committee meetings. The evaluation indicated that the Committee continues to operate effectively. Key themes arising, which will be addressed by the Committee during FY2020, included the need to further enhance Board succession planning, and for the Committee to consider the appropriate timing for any externally facilitated Board evaluation exercise.

PETER BODDY

CHAIR OF THE NOMINATION COMMITTEE

13 December 2019



Nick Backhouse

AUDIT COMMITTEE CHAIR

[+ Read full biography on page 41](#)

ROLE AND RESPONSIBILITIES

The Audit Committee's duties and responsibilities are set out in full in its terms of reference, which are available on the Company's website. The terms of reference were reviewed by the Committee during the year and were updated with the approval of the Board.

SPECIFIC DUTIES OF THE COMMITTEE INCLUDE:

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

The Committee also monitors the effectiveness of the Group's risk management systems.

Audit Committee

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

DEAR SHAREHOLDERS,

On behalf of the Board, I am pleased to present the Audit Committee report for the year ended 30 September 2019. During the year, the Committee has continued to play an important role in the governance structure of the Group. We maintain a formal schedule of annual activity which ensures that we cover our key responsibilities under our terms of reference and that we adhere to the Code and other regulatory requirements. Areas of particular focus this year have been the significant financial judgements identified by the finance team and external auditor (including a review of the useful economic life of existing pinpotters and 'Pins on strings'), preparations for the adoption of IFRS 16 Leases, and various internal controls (including reviewing the Group's incident response plan and Anti-bribery Policy).

We have continued to engage with the Group's internal audit function to increase its scope and provide additional assurance over specifically identified controls and procedures. We reviewed the outcome of an externally facilitated review of our risk register to identify potential areas where the internal audit function could best add value, leading this year to a review of the

Group's expenses procedures, which was presented as part of the internal audit update to the Committee's meeting in September 2019 and identified no significant issues with the operation of the Expenses Policy.

Our review of the effectiveness of the external audit process is described in more detail on page 51. We have reviewed KPMG LLP's (KPMG) continuing independence, and the Committee is satisfied that KPMG continues to be independent and provides an effective audit service.

Preparing for the adoption of IFRS 16 Leases has been on the agenda for each of our meetings during the year. We have received and discussed a number of presentations to support the calculation method adopted by the Company, the preparation and approval of our IFRS 16 policy document, and the discount rate to be applied in our calculations.

The Audit Committee has evaluated its own performance this year by way of a questionnaire completed by each member of the Committee and other regular attendees. We discussed the outcome of the evaluation process at our

meeting in September 2019. The evaluation confirmed the view that the Committee continues to operate effectively, and that the focus on monitoring the internal control environment (in particular continuing to develop the breadth of scope of the Internal Audit function) should be maintained.

There have been no changes to the composition of the Committee during the year, and we therefore continue to be comprised wholly of independent Non-Executive Directors. The Board has confirmed that it is satisfied that I have recent and relevant financial experience as recommended under the Code by virtue of my qualification as a chartered accountant, my executive background in finance roles, and my experience as an audit committee chair in other non-executive positions. As all members of the Committee have experience as Directors of other companies in the retail and leisure sector, the Board is also satisfied that the Audit Committee as a whole continues to have competence relevant to the sector in which the Company operates.

NICK BACKHOUSE
CHAIR OF THE AUDIT COMMITTEE
13 December 2019

REPORT OF THE AUDIT COMMITTEE CONTINUED

MEETINGS AND ATTENDEES

The Audit Committee meets at least three times per year. The names of the attendees of the Audit Committee meetings are set out in the table on page 43.

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

ACTIVITY DURING THE YEAR

The Audit Committee met on four occasions during the year and has met once since the year end, and discussed the topics set out in the table below.

Activities of the Committee during the year to 30 September 2019	Nov	Mar	May	Sep
Financial Statements and reports				
Review and recommendation to the Board of full-year results, the Annual Report and Accounts and half-year results	●		●	
Going concern assessment	●		●	
Fair, balanced and understandable assessment	●		●	
Review of significant accounting policies	●		●	
Risk register and viability statement process	●			
External audit				
External audit plan and engagement	●			●
External auditor reports to the Committee (including half-year and full-year reports)	●		●	●
Assessment of external auditor effectiveness		●		
Independence confirmation and review of non-audit services, spend and policy	●			●
Internal Controls				
Annual review of internal audit function requirement	●			●
Review of risk management and internal controls	●			
Internal audit reports	●	●	●	●
Assessment of internal audit effectiveness	●			●
Review of the scope of internal audit work		●		
Incident response plan review		●		
Review of whistleblowing arrangements	●			
Other				
Review of results from Committee performance evaluation and discussion on related actions	●			●
Review of the Committee's terms of reference	●			●
Review of useful economic life of existing pinspotters and 'Pins on strings'				●
Review of Anti-Bribery and Corruption Policy				●
IFRS accounting standards update (in particular review of the impact of IFRS 16)		●	●	●

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

SIGNIFICANT ISSUES CONSIDERED IN RELATION TO THE FINANCIAL STATEMENTS

Significant issues and accounting judgements are identified by the finance team and the external audit process and are reviewed by the Audit Committee. The significant issues considered by the Committee in respect of the year ended 30 September 2019 are set out in the table below:

Significant issues and judgement	How the issues were addressed
Accounting for the acquisition of amusement machines	The Audit Committee reviewed and considered the accounting policy and is satisfied that these arrangements should be accounted for as purchase of property, plant and equipment under IAS 16, with an associated creditor with respect to the extended credit. Refer to note 2 to the Financial Statements on page 87 for further information.
Useful economic life (UEL) of pinspotters and Pins on strings	The Audit Committee reviewed management's estimate of the UEL on mechanical pinspotters and 'Pins on strings' and in particular the decision to determine a shorter life (and therefore accelerated depreciation charge) on mechanical pinspotters (for more information, see note 2 to the Financial Statements on page 87). The Committee is satisfied with the approach adopted by management.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

- a rigorous review of the Group's risk register compiled and maintained by senior managers within the Group;
- reviewing the system of financial and accounting controls, and considering the view of the external auditor in relation to the effectiveness of such controls;
- reporting to the Board on the risk and control culture within the Group; and
- considering the Financial Reporting Council's 2014 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.

The Audit Committee has not identified, or been made aware of, any significant failings or weaknesses in the risk management and internal control systems and is satisfied that the systems are effective. The Committee will continue to challenge management to further improve risk identification, evaluation and management processes across the Group.

INTERNAL AUDIT

The Group has an internal audit function which focuses on performing regular testing of the processes and controls implemented in centres. Internal audit findings are presented to the relevant centre manager and the Chief Financial Officer for review. A member of the internal audit team attends Audit Committee meetings at least once per year to provide updates on the activities of the internal audit function. The Committee has assessed the effectiveness of the internal audit function as part of its annual performance evaluation process, and is satisfied that the current arrangements remain appropriate and effective for the Company. The Committee will keep under review the remit of the internal audit function.

EXTERNAL AUDITOR

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

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

EXTERNAL AUDIT EFFECTIVENESS REVIEW

The Committee reviewed the effectiveness of the external audit process following completion of the FY2018 audit. A report was prepared by the finance team summarising its view of KPMG's effectiveness based on interactions during the audit and set out under three headings: Mindset and Culture; Skills, Character and Knowledge; and Quality Control. The Committee also took into account its own interactions with the external auditor in forming its conclusion that both KPMG and the external audit process were effective, and that KPMG provide an appropriate level of professional scepticism and openness to the process.

NON-AUDIT SERVICES

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

During the year ended 30 September 2019, KPMG was engaged to provide permitted non-audit services relating to the interim financial statements (£25,000), and the issuance of turnover and covenant certificates (£9,000), for a total fee of £34,000, representing 34 per cent of the total audit fee. The external auditor is best placed to undertake other accounting, advisory and consultancy work, in view of its knowledge of the business, as well as confidentiality and cost considerations. This is shown in further detail in note 6 to the Financial Statements.

APPOINTMENT AND TENURE

KPMG was first appointed as the Group's external auditor in 2007. Peter Selvey was appointed as the lead audit partner for the FY2017 audit, and in line with the policy on lead partner rotation is anticipated to rotate off the Group's audit in FY2021.

The Audit Committee continues to be satisfied with the scope of the external auditor's work, the effectiveness of the external audit process, and that KPMG continues to be independent and objective. The Committee is therefore pleased to recommend that KPMG be re-appointed as the Group's auditor at the 2020 AGM.

During the year, the Committee considered the appropriate timing to put the external audit contract out to tender but concluded there was no immediate need to do so. In accordance with the Code and EU legislation, it remains the Committee's intention that the external audit contract will be put out to tender at least every ten years (commencing on the date of the Group's IPO at which point it became a 'public interest entity' for the purpose of EU audit tendering requirements).

NICK BACKHOUSE

CHAIR OF THE AUDIT COMMITTEE

13 December 2019

REPORT OF THE REMUNERATION COMMITTEE



Claire Tiney

REMUNERATION COMMITTEE CHAIR

[+ Read full biography on page 41](#)



OVER THE COURSE OF FY2019, THE COMMITTEE UNDERTOOK A DETAILED REVIEW OF THE DIRECTORS' REMUNERATION POLICY TO ENSURE IT SUPPORTS OUR REMUNERATION PRINCIPLES



Remuneration Committee

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

ROLE AND RESPONSIBILITIES

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

SPECIFIC DUTIES OF THE COMMITTEE INCLUDE:

- setting the Remuneration Policy for Executive Directors, Chairman and senior management;

- determining individual pay awards within the terms of the agreed Policy; and
- ensuring that the Remuneration Policy operates to align the interests of management with those of shareholders.

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

DEAR SHAREHOLDERS,

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 30 September 2019.

This report has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the UKLA Listing Rules and the Code. The report is split into three parts:

- the annual statement by the Chair of the Remuneration Committee;
- the Directors' Remuneration Policy which is to be put to a binding shareholder vote at the AGM in January 2020 and will then apply for three years from the date of approval; and
- the annual report on remuneration which sets out payments made to the Directors and details the link between Company performance and remuneration for FY2019. The annual report on remuneration is subject to an advisory shareholder vote at the 2020 AGM.

REMUNERATION FRAMEWORK

Over the course of FY2019, the Committee undertook a detailed review of the Directors' Remuneration Policy (the 'Policy') to ensure it supports our remuneration principles which are to:

- attract and retain the best talent;
- drive behaviours which support the Group's strategy and business objectives which are developed in the long-term interests of the Company and its shareholders;
- reward senior management appropriately for their personal and collective achievements;
- provide incentives that help to maintain commitment over the longer term and align the interests of senior management with those of shareholders; and
- ensure that a significant percentage of the overall package for the Executives and senior managers remains at risk dependent upon performance and that their pay and benefits adequately take account of reward versus risk.

The Committee is satisfied that, following the increases made to base salaries during FY2018, the overall structure of the Policy remains fit for purpose in this context.

The Committee is proposing to make a number of small changes to reflect developing market best practice over the last three years since the current policy was approved, as well as to ensure

compliance with the New Code and emerging investor expectations.

I wrote to our major shareholders in August with an outline of our proposed Policy and I would like to thank those who provided feedback. This has been considered by the Committee prior to coming to the final proposal as outlined on pages 54-61.

PERFORMANCE IN FY2019 AND REMUNERATION OUTCOMES

It has been another strong year of financial and operational performance for Hollywood Bowl Group. The Group has delivered a 7.8 per cent increase in overall revenues, which resulted in an increase in Group adjusted EBITDA to £38.2m. The Board is recommending a final ordinary dividend of 5.16 pence per share to shareholders.

The annual bonus plan for Executive Directors was based on target performance of Group adjusted EBITDA of £37.55m with a maximum payment of 100 per cent of salary for achieving an EBITDA of £39.43m in FY2019. Consequently, the Executive Directors will receive a payment of 74.3 per cent of salary.

As it is three years since listing, this is the first year that awards made under the LTIP can vest. The maximum target was set at 13.75 pence adjusted EPS. The actual performance was adjusted EPS of 14.86 pence (audited), therefore the award will vest in full.

REMUNERATION DECISIONS FOR FY2019-2020

During the year, the Committee reviewed the Executive Directors' base salaries and, as part of that review, considered the remuneration of the wider workforce. It was concluded that the Executive Directors should be awarded an increase in base salary of 2.0 per cent in line with the wider workforce. This increase was effective from 1 November 2019. No other changes are being proposed to the remuneration of the Executive Directors and the variable incentive opportunity levels will remain the same as those set in FY2019.

ANNUAL GENERAL MEETING

On behalf of the Board, I would like to thank shareholders for their continued support. I look forward to meeting shareholders at the AGM on 30 January 2020.

In the meantime, I am always happy to hear from the Company's shareholders. You can contact me via the Company Secretary if you have any questions on this report or more generally in relation to the Company's Remuneration Policy.

CLAIRE TINEY

CHAIR OF THE REMUNERATION COMMITTEE

13 December 2019

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

Activities of the Committee during the year to 30 September 2019	Nov	Mar	Jul	Sep
Review of FY2018 performance and bonus outturn and approval of Directors' bonuses for FY2018	●			
Impact of IFRS16 on LTIP targets			●	
Approval of Directors' bonus KPIS/targets for FY2019 and FY2019 Pay	●			
Agreeing provisional targets for FY2020				●
Proposed 2019 LTIP performance targets	●			
Share plan awards and vestings				●
Review of share schemes	●			
Approval of Centre Managers FY2018 bonus outturn			●	
Review of Directors' Remuneration Report (including to ensure compliance with the Remuneration Reporting Regulations)				●
Remuneration Policy		●	●	●
Review of results from Committee performance evaluation and discussion on related actions	●			●
Writing to shareholders regarding the change in remuneration arrangements for Executive Directors and the change in fees for the Chairman	●			
Outcomes from shareholder consultation				●
Consideration of pay and conditions across the Group		●		
Review of 2019 AGM and Proxy Advisory comments		●		
Updates on Corporate Governance developments		●		
Change to LTIP Rules in line with the new UK Corporate Governance Code			●	
Review of the Committees Terms of Reference				●

DIRECTORS' REMUNERATION POLICY

INTRODUCTION

The Policy as set out below will be put to a binding shareholder vote at the AGM on 30 January 2020 and will apply for the period of three years from the date of approval.

POLICY SUMMARY

The Remuneration Committee determines the Policy for the Executive Directors, Chairman and senior executives for current and future years.

The Remuneration Committee considers that a successful policy needs to be sufficiently flexible to take account of future changes in the Company's business environment and in remuneration practice. The Policy is designed around the following key principles:

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

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

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

UK CORPORATE GOVERNANCE CODE

The Committee has considered in detail the requirements of the New Code which applies to the Company from 1 October 2019 and is comfortable that the proposed Policy is in line with these.

Having early-adopted the New Code's requirement for total vesting and holding periods to be at least five years by introducing a two-year post-vesting holding period to the FY2019 long-term incentive awards, this has been formalised in the proposed Policy so that this will apply to all future awards under the Long Term Incentive Plan. A number of other changes have been made to the proposed Policy to ensure compliance with the New Code, including reducing the potential maximum level of pension funding for current Executive Directors, aligning the pension contribution for incoming Executive Directors with the pension provision for the wider employee workforce, and establishing a policy in relation to post-cessation shareholdings, further details of which are set out in the payments for loss of office section on page 59. In addition, the Committee has reviewed the Long Term Incentive Plan rules to ensure sufficient discretion to override formulaic outcomes is available and the Board has approved the necessary amendments to the rules to achieve this.

The Committee has had responsibility for setting remuneration for the senior executives and oversight of the remuneration of the workforce as a whole since the Company's IPO in 2016, and so is satisfied that it is already compliant with the Code's new requirement in this respect. The Committee takes both of these into account when setting remuneration for the Executive Directors.

The Committee has also supported the Board's initiative to deliver a robust framework for employee engagement and regular communication, and is building its understanding of pay and benefits for all team member levels in the Group. Additionally, it has supported management with the implementation of a Group sharesave scheme, the second of which was launched in February 2019.

DISCRETION

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

DIFFERENCES IN POLICY FROM THE WIDER EMPLOYEE POPULATION

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

PROPOSED CHANGES TO THE EXISTING DIRECTORS' REMUNERATION POLICY

Following the Company's transition into a more mature business over the last three years since IPO and in light of the New Code, the Committee has undertaken a review of the existing Directors' Remuneration Policy to ensure it supports the Company's continued growth and success over the next three years. The Committee believes that the overall structure of the Policy does remain fit for purpose but is proposing to make a number of small changes to ensure compliance with the New Code and reflect current market best practice.

The proposed changes are set out in the table on pages 56 and 57.

Element of remuneration	Current Policy summary	Proposed amendment to Policy	Reason for change
BASE SALARY AND BENEFITS	Salaries are reviewed annually and any changes are effective from 1 November. Base salaries will be set at an appropriate level with a comparator group of comparable sized listed companies and will normally increase with increases made to the wider employee workforce. A competitive level of benefits is provided.	No change.	N/A
PENSION	Up to 15 per cent of base salary. The current Executive Directors receive pension funding equal to 5 per cent of base salary.	The maximum level of pension funding has been reduced to either 5 per cent of salary (for the current Executive Directors) or the level received by the wider employee workforce (for future incoming Executive Directors). The Remuneration Committee retains the discretion to provide pension funding in the form of a salary supplement.	Provides continued alignment between the Executive Directors and the wider employee workforce as well as ensuring compliance with the Code and reflecting emerging investor expectations.
ANNUAL BONUS PLAN	Up to 100 per cent of base salary based on performance against financial targets. Up to 65 per cent may be paid in cash and the balance deferred into shares for two years. The deferred element counts towards achieving the Executive Directors' shareholding requirements as appropriate.	No change to the maximum opportunity.	N/A
LONG TERM INCENTIVE PLAN (LTIP)	Annual awards of up to 150 per cent of base salary. Awards vest at the end of the performance period subject to continued employment and performance against EPS targets. The Executive Directors currently receive LTIP awards equal to 100 per cent of base salary.	No change to maximum opportunity, performance measure or vesting period. A two-year post-vesting holding period will apply.	Formalises the post-vesting holding period which was introduced in FY2019 to reflect the requirements of the Code, ensure that performance is sustained over the longer term and more closely align with market best practice.
SHAREHOLDING REQUIREMENT	200 per cent of base salary to be built up over a five-year period.	No change to overall shareholding requirement level. Introduction of a requirement that Executive Directors will retain 50 per cent of any shares they acquire under the LTIP, after allowing for the sale of shares to pay tax and other deductions, until such time as they have built up the required holding level.	Maximises longer-term alignment with shareholders.

DIRECTORS' REMUNERATION POLICY CONTINUED

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

How the element supports our short- and long-term strategic objectives	Operation	Opportunity	Performance metrics used, weighting and time period applicable
SALARY Provides a base level of remuneration to support the recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	Salaries are normally reviewed annually and any changes are effective from 1 November. When determining an appropriate level of salary, the Remuneration Committee considers: • remuneration practices within the Company; • the performance of the individual Executive Director; • the individual Executive Director's experience and responsibilities; • the general performance of the Company; • salaries within the ranges paid by companies in the comparator group used for remuneration benchmarking; and • the economic environment.	Base salaries will be set at an appropriate level with a comparator group of comparable sized companies and will normally increase with increases made to the wider employee workforce. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted Policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the average until the target positioning is achieved.	None
BENEFITS Provides a competitive level of benefits.	The Executive Directors receive benefits which include, but are not limited to, family private health cover, death in service life assurance, income protection insurance and travel expenses for business-related travel (including tax if any). The Remuneration Committee recognises the need to maintain suitable flexibility in the determination of benefits that ensure it is able to support the objective of attracting and retaining employees. Accordingly, the Remuneration Committee would expect to be able to adopt benefits such as relocation expenses, tax equalisation and support in meeting specific costs incurred by the Directors.	The maximum will be set at the cost of providing the benefits described.	None
PENSIONS Provides market competitive retirement benefits.	The Committee retains discretion to provide pension funding in the form of a salary supplement or a direct contribution to a pension scheme. Any salary supplement would not form part of the salary for the purposes of determining the extent of participation in the Company's incentive arrangements.	The current Executive Directors receive pension funding equal to 5 per cent of base salary. Future incoming Executive Directors will receive pension funding in line with the level received by the wider employee workforce.	None

How the element supports our short- and long-term strategic objectives	Operation	Opportunity	Performance metrics used, weighting and time period applicable
ANNUAL BONUS PLAN Provides a significant incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders.	The Remuneration Committee will determine the bonus payable after the year end based on performance against objectives and targets. Bonus payments per individual will be both proportionate to the overall size of the bonus pot and each individual's performance versus their personal objectives. Annual bonuses are paid part in cash and part in shares deferred for two years. The maximum proportion of an annual bonus which may be paid in cash is 65 per cent. It should be noted that the Remuneration Committee has taken the view that due to their considerable shareholdings in the Company, automatic deferral of annual bonuses into shares is unnecessary for the current Executive Directors. As such the Remuneration Committee intends to pay annual bonuses to the current Executive Directors in cash, but will retain the ability to apply an appropriate level of deferral following any material sell-down to ensure that shareholding requirements continue to be met. On change of control, the Remuneration Committee may pay bonuses on a pro-rata basis measured on performance up to the date of change of control. Malus and clawback provisions will apply to enable the Company to recover sums paid or withhold the payment of any sum in the event of a material misstatement resulting in an adjustment to the audited consolidated accounts of the Company or action or conduct which, in the reasonable opinion of the Board, amounts to employee misbehaviour, fraud or gross misconduct.	The maximum bonus opportunity is 100 per cent of base salary.	The bonus payout is based on Group financial performance measured over the financial year. The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance year if there is a significant and material event which causes the Remuneration Committee to believe that the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Remuneration Committee believe that the bonus outcomes is not a fair and accurate reflection of business performance. The Remuneration Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the bonus plan in advance would not be in shareholder interests. Actual targets, performance achieved, and awards made will be published at the end of the performance periods so shareholders can fully assess the basis for any payouts under the annual bonus.
LONG TERM INCENTIVE PLAN (LTIP) Awards are designed to incentivise the Executive Directors to maximise total shareholder returns by successfully delivering the Company's objectives and to share in the resulting increase in total shareholder value. The current use of EPS as a performance metric ensures Executive Directors are focused on ensuring the annual profit performance targeted by the annual bonus plan flows through to long-term sustainable EPS growth.	Awards are granted annually in the form of nil cost options or conditional awards of shares. These will vest at the end of a three-year period subject to: - the Executive Directors' continued employment at the date of vesting; and - satisfaction of the performance conditions. A further two-year holding period will apply post-vesting. The Remuneration Committee may award dividend equivalents on awards to the extent that these vest. Malus and clawback provisions will apply to enable the Company to recover sums paid or withhold the payment of any sum in the event of a material misstatement resulting in an adjustment to the audited consolidated accounts of the Company or action or conduct which, in the reasonable opinion of the Board, amounts to employee misbehaviour, fraud or gross misconduct.	Award maximum of 150 per cent of base salary. The Executive Directors currently receive LTIP awards of 100 per cent of base salary.	The awards will be subject to performance targets aligned with the Group's strategy of delivering strong returns to shareholders and earnings performance. The awards for this financial year will be subject to EPS in the final year of the performance period. No material change will be made to the type of performance conditions without prior shareholder consultation. The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance period if there is a significant and material event which causes the Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Remuneration Committee believes that the vesting outcome is not a fair and accurate reflection of business performance.

DIRECTORS' REMUNERATION POLICY **CONTINUED**

How the element supports our short- and long-term strategic objectives	Operation	Opportunity	Performance metrics used, weighting and time period applicable
ALL-EMPLOYEE PLAN To encourage wide employee share ownership and thereby align employees' interests with shareholders.	The Company has a Share Incentive Plan in which the Executive Directors are eligible to participate (which is HMRC approved and is open to all eligible staff). The Company also operates a sharesave scheme.	UK scheme in line with HMRC limits as amended from time to time.	None
SHAREHOLDING REQUIREMENT To support long-term commitment to the Company and the alignment of Executive Director interests with those of shareholders.	The Remuneration Committee has adopted formal shareholding guidelines that will encourage the Executive Directors to build up over a five-year period, and then subsequently hold a shareholding equivalent to a percentage of base salary. Executive Directors will be required to retain 50 per cent of any shares they acquire under the LTIP, after allowing for the sale of shares to pay tax and other deductions, until such time as they have built up the required holding level. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements.	200 per cent of salary.	None
CHAIRMAN AND NON-EXECUTIVE DIRECTOR FEES Provides a level of fees to support recruitment and retention of Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Company's strategic objectives.	The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors, other than the Chairman whose remuneration is considered by the Remuneration Committee and recommended to the Board. Non-Executive Directors are paid a base fee. An additional payment is paid to the Senior Independent Director in respect of the additional duties of this role. No additional fees are paid to Non-Executive Directors or the Chairman of the Company for the membership or chairmanship of Committees. Fees are reviewed annually, based on equivalent roles in an appropriate comparator group used to review salaries paid to the Executive Directors. Non-Executive Directors do not participate in any variable remuneration or benefits arrangements.	The base fees for Non-Executive Directors are set with reference to the market rate. In general, the level of fee increase for the Non-Executive Directors will be set taking account of any change in responsibility and will take into account the general rise in salaries across the UK workforce. The Company will pay reasonable expenses incurred by the Chairman and Non-Executive Directors.	None

RECRUITMENT POLICY

The Company's approach when setting the remuneration of any newly recruited Executive Director will be assessed in line with the same principles for the Executive Directors, as set out in the Policy table. The Remuneration Committee's approach to recruitment remuneration is to pay no more than is necessary to attract candidates of the appropriate calibre and experience needed for the role from the market in which the Company competes. The Remuneration Committee is mindful that it wishes to avoid paying more than it considers necessary to secure the preferred candidate and will

have regard to guidelines and shareholder sentiment regarding one-off or enhanced short or long-term incentive payments made on recruitment and the appropriateness of any performance measures associated with an award.

The remuneration package for a new Executive Director would be set in accordance with the terms of the Company's approved Policy. Given a new Executive Director would not have the significant shareholding of the current Executive Directors, the base salary may be higher than the incumbent and they

will be entitled to pension funding in line with the level received by the wider employee workforce, in line with the Policy. In the year of recruitment, the maximum variable pay will be 250 per cent of salary (other than in exceptional circumstances, where up to 350 per cent of salary may be made if sign-on compensation is provided).

The Remuneration Committee's policy is not to provide sign-on compensation. However, in exceptional circumstances where the Remuneration Committee decides to provide this type of compensation, it will endeavour to provide the compensation in

equity, subject to a holding period during which cessation of employment will generally result in forfeiture and will be subject to the satisfaction of performance targets. The maximum value of this one-off compensation will be proportionate to the overall remuneration offered by the Company and in all circumstances is limited to 100 per cent of salary. The Committee will carefully consider this matter to ensure consistency with the principles outlined earlier, particularly in relation to shareholder alignment, and will take appropriate external advice before finalising a decision in this regard and, where practical, consult with the Company's key shareholders.

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

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

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

Where an existing employee is promoted to the Board, the Policy set out above would apply from the date of promotion but there would be no retrospective application of the Policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing

employee would be honoured and form part of the ongoing remuneration of the person concerned. These would be disclosed to shareholders in the Remuneration Report for the relevant financial year.

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

SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

Each of the Executive Directors' service agreements is for a rolling term and may be terminated by the Company or the Executive Director by giving six months' notice.

The Remuneration Committee's policy for setting notice periods is that a six-month period will apply for Executive Directors. The Remuneration Committee may in exceptional circumstances arising on recruitment allow a longer period, which would in any event reduce to six months following the first year of employment.

Name	Position	Date of service agreement	Notice period by Company (months)	Notice period by Director (months)
Stephen Burns	CEO	24 June 2016	6	6
Laurence Keen	CFO	24 June 2016	6	6

The Non-Executive Directors of the Company (including the Chairman) do not have service contracts. The Non-Executive Directors are appointed by letters of appointment. Their terms are subject to their re-election by the Company's shareholders at the AGM scheduled to be held on 30 January 2020 and to re-election at any subsequent AGM at which the Non-Executive Directors stand for re-election.

The details of each Non-Executive Director's current terms are set out below:

Name	Date of appointment	Commencement date of current term	Unexpired term as at 13 December 2019
Peter Boddy	13 June 2016	16 September 2019	2 years 9 months
Nick Backhouse	14 June 2016	14 June 2019	2 years 6 months
Claire Tiney	14 June 2016	14 June 2019	2 years 6 months
Ivan Schofield	1 October 2017	1 October 2017	10 months

EXTERNAL BOARD APPOINTMENTS

Where Board approval is given for an Executive Director to accept an outside non-executive directorship, the individual is entitled to retain any fees received. Stephen Burns is non-executive chairman of Club Company Limited for which he receives an annual fee of £60,000.

ILLUSTRATIONS OF THE APPLICATION OF THE POLICY

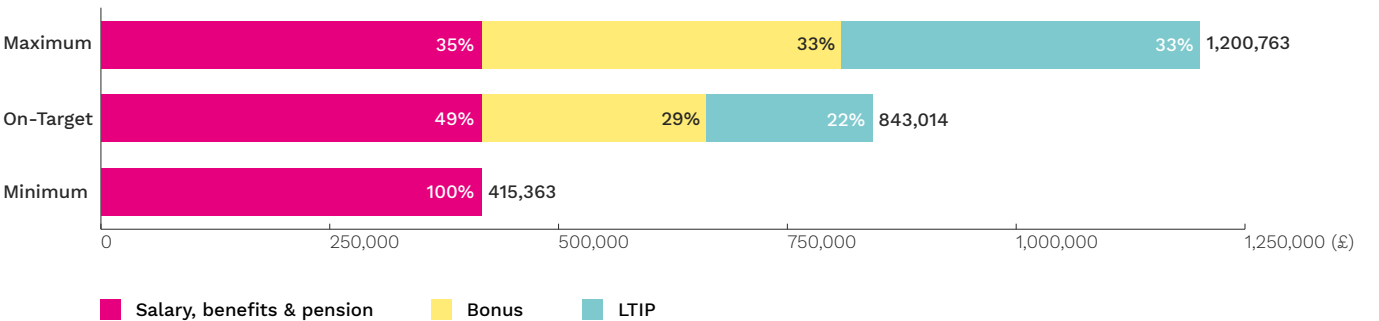
The chart below illustrates the remuneration that would be paid to each of the Executive Directors, based on salaries as at 30 September under three different performance scenarios: (i) minimum; (ii) on-target; and (iii) maximum. The elements of remuneration have been categorised into three components: (i) fixed; (ii) annual bonus; and (iii) LTIP, with the assumptions set out below:

Element	Description	Minimum	On-target	Maximum
Fixed	Salary, benefits and pension	Included in full	Included in full	Included in full
Annual bonus	Annual bonus awards	No variable pay	Payout of 62.5 per cent of the maximum bonus	Full payout of the maximum bonus
LTIP	Awards under the LTIP	No variable pay	Vesting of 46.4 per cent of the maximum award	Full vesting of the maximum award

DIRECTORS' REMUNERATION POLICY CONTINUED

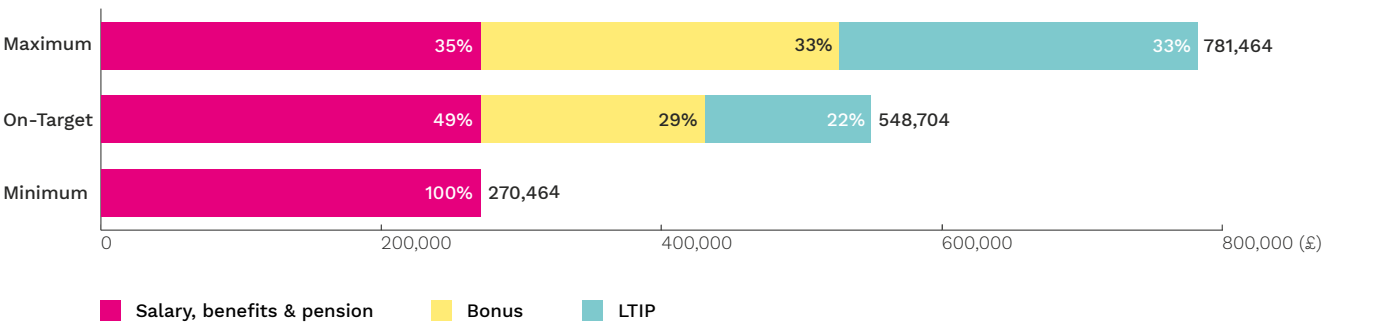
In accordance with the regulations, share price growth has not been included. In addition, dividend equivalents have not been added to LTIP share awards for the purpose of this illustration.

CEO



At minimum, variable remuneration is 0% of base salary, at on-target, variable remuneration represents 109% of base salary and at maximum, variable remuneration represents 200% of base salary.

CFO



At minimum, variable remuneration is 0% of base salary, at on-target, variable remuneration represents 109% of base salary and at maximum, variable remuneration represents 200% of base salary.

PAYMENT FOR LOSS OF OFFICE

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

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

CHANGE OF CONTROL

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

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

STATEMENT OF CONDITIONS ELSEWHERE IN THE COMPANY

The Remuneration Committee considers pay and employment conditions across the Company when reviewing the remuneration of the Executive Directors and other senior employees. In particular, the Remuneration Committee considers the range of base pay increases across the Group.

The Committee supports the Board's initiative to implement a robust framework for employee engagement and regular communication, and is building its understanding of pay and benefits at all team member levels in the Group.

The Company does not use remuneration comparison measurements.

CONSIDERATION OF SHAREHOLDER VIEWS

The Remuneration Committee takes the views of shareholders seriously and these views are taken into account in shaping policy and practice. Shareholder views are considered when evaluating and setting remuneration strategy and the Remuneration Committee commits to consulting with key shareholders prior to any significant changes to the Policy.

ANNUAL REPORT ON REMUNERATION

SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED)

Executive Directors (audited)

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in respect of FY2019. Comparative figures for FY2018 have been provided. Figures provided have been calculated in accordance with the UK disclosure requirements: the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (Schedule 8 to the Regulations).

Name	Salary ¹ £'000		Benefits £'000		Bonus £'000		LTIP £'000		Pension £'000		Total £'000	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Stephen Burns	389.6	308.3	3.4	2.5	286.1	210.0	353.0	Nil	14.6	15.3	1,046.7	536.1
Laurence Keen	251.3	204.7	2.4	2.1	185.8	139.5	240.1	Nil	11.2	10.2	690.8	356.5

1 Executive Director salaries were reviewed on 1 November 2019 and increased by 2.0 per cent (in line with increases to wider employees) to £392,700 for Stephen Burns and £255,000 for Laurence Keen.

Non-Executive Directors (audited)

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

	2019			2018		
	Fees £'000	Taxable benefits £'000	Total £'000	Fees £'000	Taxable benefits £'000	Total £'000
Peter Boddy – Chairman	130.0	–	130.0	101.5	–	101.5
Nick Backhouse – Senior Independent Director, Chair – Audit Committee	51.6	–	51.6	50.7	–	50.7
Ivan Schofield	45.8	–	45.8	45.0	–	45.0
Claire Tiney – Chair – Remuneration Committee	46.6	–	46.6	45.7	–	45.7

Additional information regarding single figure table (audited)

The Remuneration Committee considers that performance conditions for all incentives are suitably demanding, having regard to the business strategy, shareholder expectations, the markets in which the Group operates and external advice. To the extent that any performance condition is not met, the relevant part of the award will lapse. There is no retesting of performance.

Bonus awards (audited)

Total bonuses awarded to the Executive Directors in respect of FY2019 are £286,179 to Stephen Burns and £185,830 to Laurence Keen. In accordance with the Policy in place at the time, 65 per cent of the bonus was paid in cash, with the rest in shares deferred for a period of two years.

Performance for the FY2019 annual bonus awards was measured against a Group adjusted EBITDA bonus target, reconciled as Group adjusted EBITDA, £38.2m, as set out on page 32 and adjusted for any items which would not have been foreseen when setting the target. For FY2019, this adjustment had the impact of reducing Group adjusted EBITDA for bonus purposes to £38.14m. The Remuneration Committee uses this measure as it considers this to be an important measure of Group performance and it is consistent with how business performance is assessed internally by the Board.

As set out in the table below, based on the Group adjusted EBITDA bonus target performance over the year, the Remuneration Committee determined that the Executive Directors should be awarded 74.3 per cent of the maximum opportunity under the annual bonus plan:

Metric	Weighting	Performance targets			Actual	% vesting
		Threshold	On-target	Maximum		
Group adjusted EBITDA bonus target	100%	£35.67m	£37.55m	£39.43m	£38.14m	74.3%

Long Term Incentive Plan vesting of 2016 awards

The LTIP values included in the single total figure of remuneration table for 2019 relate to the 2016 LTIP award. Awards with a face value of 100 per cent of salary were granted to the Executive Directors on 27 February 2017 and, following a three-year performance period ending on 30 September 2019, are due to vest on 27 February 2020. Performance against the performance targets is set out below:

Adjusted EPS for the final year of the performance period	Vesting
12.25 pence	25%
12.25 pence – 13.75 pence	Vesting determined on a straight-line basis
13.75 pence	100%

Actual performance achieved was 14.86 pence (audited) therefore the awards will vest in full. No discretion was used by the Remuneration Committee in reaching this actual performance. The values included in the single figure table have been calculated based on the average of mid-market closing price of a share for each dealing day in the three-month period to 30 September 2019 (220.9p). The actual value that vests, based on the closing price on the vesting date, will be disclosed in next year's Annual Report.

Long-term incentives awarded in 2019 (audited)

Awards were made under the LTIP scheme on 23 February 2019. The following share awards as nil cost options were granted in accordance with the Remuneration Policy:

Director	Position	Number of share awards granted
Stephen Burns	Chief Executive Officer	165,948
Laurence Keen	Chief Financial Officer	107,759

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

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

PAYMENTS TO PAST DIRECTORS/PAYMENTS FOR LOSS OF OFFICE (AUDITED)

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

STATEMENT OF DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS (AUDITED)

The number of shares of the Company in which current Directors had a beneficial interest and details of long-term incentive interests as at 30 September 2019 are set out in the table below:

	Outstanding scheme interests 30 September 2019			Beneficially owned shares		Total of all scheme interests and shareholdings at 30 September 2019
	Unvested LTIP interests subject to performance conditions	Scheme interests not subject to performance measures ¹	Total shares subject to outstanding scheme interests	As at 1 October 2018	As at 30 September 2019	
Executive Directors						
Stephen Burns	455,948	43,789	499,737	3,276,041	3,314,831	3,814,568
Laurence Keen	304,959	31,227	336,186	1,495,383	1,521,611	1,857,797
Non-Executive Directors						
Peter Boddy	–	–	–	863,596	863,596	863,596
Nick Backhouse	–	–	–	15,625	15,625	15,625
Ivan Schofield ²	–	–	–	100,000	100,000	100,000
Claire Tiney	–	–	–	3,125	3,125	3,125

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

² Share interests of Ivan Schofield include shares held by his spouse.

Ivan Schofield purchased 15,000 shares on 14 October 2019.

DIRECTORS' SHARE OWNERSHIP GUIDELINES (AUDITED)

Shareholding requirements in operation at the Company are currently 200 per cent of base salary for the CEO and the CFO. Executive Directors are required to build their shareholdings over a reasonable amount of time, which would normally be five years. Non-Executive Directors are not subject to a shareholding requirement.

Director	Shareholding requirement (percentage of salary)	Current shareholding (percentage of salary) ¹	Beneficially owned shares held as at 30 September 2019	Shareholding requirement met?
Stephen Burns	200	1,941	3,314,831	Yes
Laurence Keen	200	1,372	1,521,611	Yes

¹ The share price of 230 pence as at 30 September 2019 has been taken for the purpose of calculating the current shareholding as a percentage of salary. Unvested LTIP shares and options do not count towards satisfaction of the shareholding guidelines.

EXECUTIVE DIRECTORS' SHARE PLAN INTEREST MOVEMENTS DURING FY2019 (AUDITED)

The tables below set out the Executive Directors' interests in Deferred shares under the Annual Bonus Plan, and their interests in the LTIP Scheme and the Sharesave scheme.

Awards under the Sharesave scheme are not subject to any performance conditions (other than continued employment on the vesting date). Deferred shares are not subject to any performance conditions or continued employment. The LTIP awards are subject to performance conditions as set out in the table on page 64.

ANNUAL REPORT ON REMUNERATION CONTINUED

Face values for LTIP awards are calculated by multiplying the number of shares granted during FY2019 by the average share price for the five business days preceding the awards. Face value for the Sharesave scheme is calculated by reference to the exercise price of options granted in 2018. Deferred shares are acquired on behalf of the Executive Directors by the Company's Employee Benefit Trust (EBT), which is provided with the appropriate post-tax value of the deferred element of bonus awards to affect the acquisition. Legal title to the shares is held by the EBT for a period of two years before being transferred to the Executive Directors.

	Date of award	Vesting, exercise or release date	No. of shares/awards held as at 1 October 2018	Awarded	Exercised/vested	Lapsed	No. of shares/awards held as at 30 September 2019	Grant/award price in pence (exercise price for sharesave)	Face value of awards granted during FY2019
Stephen Burns									
Deferred shares	02/01/2018	02/01/2020	21,677	–	–	–	21,677	–	–
	04/01/2019	04/01/2022	–	17,113	–	–	17,113	£2.28	£39,018
LTIP	27/02/2017	27/02/2020	159,744	–	–	–	159,744	–	–
	06/02/2018	06/02/2021	130,256	–	–	–	130,256	–	–
	14/02/2019	14/02/2022	–	165,948	–	–	165,948	£2.32	£385,000
Sharesave	01/02/2018	01/02/2021	2,621	–	–	–	2,621	–	–
	01/02/2019	01/02/2022	–	2,378	–	–	2,378	£2.27	£5,398
Laurence Keen									
Deferred shares	02/01/2018	02/01/2020	14,867	–	–	–	14,867	–	–
	04/01/2019	04/01/2022	–	11,361	–	–	11,361	£2.28	£25,903
LTIP	27/02/2017	27/02/2020	108,626	–	–	–	108,626	–	–
	06/02/2018	06/02/2021	88,574	–	–	–	88,574	–	–
	14/02/2019	14/02/2022	–	107,759	–	–	107,759	£2.32	£250,000
Sharesave	01/02/2018	01/02/2021	2,621	–	–	–	2,621	–	–
	01/02/2019	01/02/2022	–	2,378	–	–	2,378	£2.27	£5,398

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

Award year	Vesting level		
	25%	Straight line between 25% and 100%	100%
2017	12.25 pence	12.25 pence – 13.75 pence	13.75 pence
2018	13.86 pence	13.86 pence – 14.85 pence	14.85 pence
2019	15.19 pence	15.19 pence – 16.28 pence	16.28 pence

CHIEF EXECUTIVE OFFICER HISTORICAL REMUNERATION

The table below sets out the total remuneration delivered to the Chief Executive Officer over the last four years, valued using the methodology applied to the single total figure of remuneration. The Remuneration Committee does not believe that the remuneration paid in earlier years as a private company bears any comparative value to that paid in its time as a public company and, therefore, the Remuneration Committee has chosen to disclose remuneration only for the four most recent financial years:

Chief Executive Officer	2019	2018	2017	2016
Total single figure (£'000)	1,046.7	536.1	514.6	301.4
Annual bonus payment level achieved (percentage of maximum opportunity)	74.3%	68.1%	100%	N/A
LTIP vesting level achieved (percentage of maximum opportunity)	100%	N/A	N/A	N/A

It should be noted that the Company only introduced the LTIP on admission to the London Stock Exchange in 2016 and the vesting of the first LTIP award accounts for £353.0k of the increase in the CEO's total single figure in FY2019.

PERFORMANCE GRAPH

The graph below shows the total shareholder return (TSR) performance of an investment of £100 in Hollywood Bowl Group plc's shares from its listing in September 2016 to the end of the period, compared with £100 invested in the FTSE Small Cap Index over the same period. The FTSE Small Cap Index was chosen as a comparator because it represents a broad equity market index of which the Company is a constituent. The TSR was calculated in accordance with the DRR Regulations.



CHANGE IN REMUNERATION OF CEO COMPARED TO GROUP EMPLOYEES

The table below sets out the change in total remuneration paid to the CEO from 2017/18 to 2018/19 and the average percentage change from 2017/18 to 2018/19 for employees in the Group as a whole.

	% increase in element between 2017/18 and 2018/19		
	Salary and fees	Taxable benefits	Annual bonus
Stephen Burns	26.4%	36.0%	36.2%
All Group employees ¹	5.1%	22.2%	44.2% ²

1 Reflects the change in average pay for all Group employees employed in both the financial year 2017/18 and the financial year 2018/19.

2 Reflects the change in the average bonus payout for eligible employees.

RELATIVE IMPORTANCE OF THE SPEND ON PAY

The table below sets out the relative importance of spend on pay in FY2019 and FY2018 compared with other disbursements. All figures provided are taken from the relevant Company accounts.

	Disbursements from profit in FY2019 £m	Disbursements from profit in FY2018 £m	Percentage change
Profit distributed by way of dividend	17.9	15.9	12.7
Overall spend on pay including Executive Directors	31.13	27.83	11.9

SHAREHOLDER VOTING AT GENERAL MEETINGS

The following table shows the results of the advisory vote on the Directors' Remuneration report at our AGM held on 31 January 2019 and the binding vote on our current Remuneration Policy which was approved by shareholders at our AGM in 2017:

	Approval of the Directors' remuneration report		Approval of the Directors' remuneration policy	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	97,726,198	80.50	106,731,899	98.61
Against	23,679,775	19.50	1,506,570	1.39
Votes withheld	492,938	NA	425	NA

IMPLEMENTATION OF THE POLICY IN FY2020

The Remuneration Committee proposes to implement the Policy for FY2020 as set out below:

SALARY

The salaries for FY2020 are set out below:

Name	Salary		Percentage change
	2020	2019	
Stephen Burns	£392,700	£385,000	2.0%
Laurence Keen	£255,000	£250,000	2.0%

CHANGES TO NON-EXECUTIVE DIRECTORS' FEES

A 2.0 per cent increase to Non-Executive Director base fees has been included for FY2020. This is in line with increases throughout the business. Breakdown of fee components will be as follows:

Chairman fee	£132,600
Senior Independent Director fee	£5,000
Base fee	£47,566 ¹
Chair of Audit Committee fee	No additional fee
Chair of Remuneration Committee fee	No additional fee

1 Ivan Schofield base fee is set at £46,818 and was also subject to a 2 per cent increase for FY2020.

ANNUAL REPORT ON REMUNERATION CONTINUED

BENEFITS AND PENSION

No changes are proposed to benefits or pension.

ANNUAL BONUS PLAN

The maximum bonus opportunity for the Executive Directors will remain at 100 per cent of salary. Annual bonus outcomes will be determined based on achievement of financial targets alone.

The Remuneration Committee considers that the detailed performance targets for the FY2020 annual bonus awards are commercially sensitive and that disclosing precise targets for the annual bonus plan in advance would not be in shareholder interests. Actual targets, performance achieved and awards made will be disclosed in the FY2020 Annual Report so that shareholders can fully assess the basis for any payouts under the annual bonus plan.

LTIP AWARD

Awards will be made in FY2020 under the LTIP. The LTIP awards for the Executive Directors will be:

- CEO 100 per cent of salary; and
- CFO 100 per cent of salary.

These awards will vest three years after grant, based upon the following adjusted EPS and will be subject to a further two year holding period. The Committee believes these targets are no less challenging in relative terms than the targets set for the FY2019 awards.

Adjusted EPS for the final year of the performance period	Vesting
17.26 pence	25%
17.26 pence – 18.49 pence	Vesting determined on a straight-line basis
18.49 pence	100%

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

COMPOSITION AND TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE

The Board has delegated to the Remuneration Committee, under agreed terms of reference, responsibility for the Policy and for determining specific packages for the Chairman, Executive Directors and such other senior employees of the Group as the Board may determine from time to time. The terms of reference for the Remuneration Committee were amended during the year to reflect the New Code, and are available on the Company's website, www.hollywoodbowlgroup.com, and from the Company Secretary at the registered office.

All members of the Remuneration Committee are Non-Executive Directors. The Remuneration Committee receives assistance from the Chairman, CEO, CFO and Company Secretary, who attend meetings by invitation, except when issues relating to their own remuneration are being discussed. The Remuneration Committee met four times during the year. All members attended each meeting.

ADVISERS TO THE REMUNERATION COMMITTEE

During the financial year, the Committee received advice from PwC who were retained as external independent advisers to the Committee. PwC advised the Company on all aspects of the Remuneration Policy for the Executive Directors and members of the Executive team, including the grant of the LTIP award.

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

PwC received fees of £19,400 for its advice during the year to 30 September 2019.

On behalf of the Board

CLAIRE TINEY

CHAIR OF THE REMUNERATION COMMITTEE

13 December 2019

DIRECTORS' REPORT

The Directors present their report for the year ended 30 September 2019. Additional information which is incorporated by reference into this Directors' Report, including information required in accordance with the Companies Act 2006 and the Listing Rule 9.8.4R of the UK Financial Conduct Authority's Listing Rules, can be located as follows:

Disclosure	Location
Future business developments	Strategic Report – pages 6 to 37
Greenhouse gas emissions	Sustainability – pages 35 and 36
Employee involvement	Sustainability – page 34
Financial risk management objectives and policies	
(including hedging policy and use of financial instruments)	Note 29 to the Financial Statements – pages 99 to 100
Details of long-term incentive schemes	Directors' Remuneration Report – pages 64 to 66
Directors' responsibilities statement	Page 69

DIRECTORS

The Directors of the Company who held office during the year are:

Peter Boddy (Chairman)	Stephen Burns (Chief Executive Officer)
Laurence Keen (Chief Financial Officer)	Nick Backhouse (Senior Independent Director)
Claire Tiney (Non-Executive Director)	Ivan Schofield (Non-Executive Director)

The roles and biographies of the Directors in office as at the date of this report are set out on pages 40 to 42.

RESULTS AND DIVIDEND

The results for the year are set out in the consolidated income statement on page 76. The Directors recommend the payment of a final dividend of 5.16 pence per share on 19 February 2020 subject to approval at the AGM on 30 January 2020, with a record date of 31 January 2020.

Given the Group's financial position, the Directors are recommending a special dividend of 4.50 pence per share to be paid on 19 February 2020, subject to approval at the AGM on 30 January 2020, with a record date of 31 January 2020.

ARTICLES OF ASSOCIATION

The rules governing the appointment and replacement of Directors are set out in the Company's Articles of Association. The Articles of Association may be amended by a special resolution of the Company's shareholders.

SHARE CAPITAL

Details of the Company's share capital, including changes during the year, are set out in note 22 to the Financial Statements. As at 30 September 2019, the Company's share capital consisted of 150,000,000 Ordinary Shares of 1 pence each.

Ordinary shareholders are entitled to receive notice of, and to attend and speak at, any general meeting of the Company. On a show of hands, every shareholder present in person or by proxy (or being a corporation represented by a duly authorised representative) shall have one vote, and on a poll every shareholder who is present in person or by proxy shall have one vote for every share of which he or she is the holder. The Notice of Annual General Meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies.

Other than the general provisions of the Articles of Association (and prevailing legislation), there are no specific restrictions on the size of a holding or on the transfer of the Ordinary shares.

The Directors are not aware of any agreements between holders of the Company's shares that may result in the restriction of the transfer of securities or of voting rights. No shareholder holds securities carrying any special rights or control over the Company's share capital. Shares held by the Company's Employee Benefit Trust rank *pari passu* with the shares in issue and have no special rights, but voting rights and rights of acceptance of any offer relating to the shares rest with the plan's Trustees and are not exercisable by employees.

AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES

Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Companies Act 2006. Any shares which have been bought back may be held as treasury shares or cancelled immediately upon completion of the purchase.

At the Company's AGM held on 31 January 2019, the Company was generally and unconditionally authorised by its shareholders to make market purchases (within the meaning of section 693 of the Companies Act 2006) of up to a maximum of 15,000,000 of its Ordinary Shares. The Company has not repurchased any of its Ordinary Shares under this authority, which is due to expire at the AGM to be held on 30 January 2020, and accordingly has an unexpired authority to purchase up to 15,000,000 Ordinary Shares with a nominal value of £150,000.00.

DIRECTORS' INTERESTS

The number of Ordinary Shares of the Company in which the Directors were beneficially interested as at 30 September 2019 are set out in the Directors' Remuneration Report on page 63.

DIRECTORS' INDEMNITIES

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors and officers of the Company and the Group in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers.

Directors' and officers' liability insurance cover is maintained by the Company and is in place in respect of all the Company's Directors at the date of this report. The Company reviews its level of cover on an annual basis.

DIRECTORS' REPORT CONTINUED

COMPENSATION FOR LOSS OF OFFICE

The Company does not have any agreements with any Executive Director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company share schemes may cause options and awards outstanding under such schemes to vest on a takeover. Further information is provided in the Directors' Remuneration Policy set out on pages 60 and 61.

SIGNIFICANT INTERESTS

The table below shows the interests in shares (whether directly or indirectly held) notified to the Company in accordance with the Disclosure Guidance and Transparency Rules as at 30 September 2019 and 5 December 2019 (being the latest practicable date prior to publication of the Annual Report):

Name of shareholder	At 30 September 2019		At 5 December 2019	
	Number of Ordinary shares of 1 pence each held	Percentage of total voting rights held	Number of Ordinary shares of 1 pence each held	Percentage of total voting rights held
Aggregate of Standard Life Aberdeen plc affiliated investment management entities with delegated voting rights on behalf of multiple managed portfolios	18,242,013	12.16%	16,889,404	11.26%
Ameriprise Financial, Inc. and its group	8,920,471	5.95%	8,920,471	5.95%
AXA Investment Managers	7,783,664	5.19%	7,783,664	5.19%
Schroders plc	7,497,039	5.00%	7,590,471	5.06%
Invesco Ltd	7,504,478	5.00%	7,504,478	5.00%
J O Hambro Capital Management Limited	7,343,387	4.90%	7,343,387	4.90%
SFM UK Management LLP	7,181,539	4.79%	7,181,539	4.79%
GLG Partners LP	6,896,454	4.60%	6,896,454	4.60%
Canaccord Genuity	5,389,850	3.59%	5,389,850	3.59%
Degroof Petercam Asset Management SA	4,693,356	3.13%	4,693,356	3.13%

EMPLOYEE INVOLVEMENT AND POLICY REGARDING DISABLED PERSONS

The Group actively encourages employee involvement and consultation and places emphasis on keeping its employees informed of the Group's activities and financial performance by such means as employee briefings and publication (via the Group's intranet) to all staff of relevant information and corporate announcements. The Group also publishes a weekly staff bulletin. Further information about employees, including how they are incentivised, can be found in the Sustainability section on page 34.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of a member of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled member of staff should, as far as possible, be identical to that of other employees.

POLITICAL DONATIONS

The Company did not make any political donations during the year.

CHANGE OF CONTROL – SIGNIFICANT AGREEMENTS

There are a number of agreements that may take effect after, or terminate upon, a change of control of the Company, such as commercial contracts, bank loan agreements and property lease arrangements. None of these are considered to be significant in terms of their likely impact on the business as a whole.

AUDIT INFORMATION

Each of the Directors at the date of the approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the reasonable steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

The confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

AUDITORS

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

ANNUAL GENERAL MEETING

The 2020 AGM of the Company will be held at Investec Bank plc, 30 Gresham Street, London EC2V 7QP on 30 January 2020 at 9.30am. The notice convening the meeting, together with details of the business to be considered and explanatory notes for each resolution, will be published separately and will be available on the Company's website and distributed to shareholders who have elected to receive hard copies of shareholder information.

The Strategic Report on pages 6 to 37, the Corporate Governance Report on pages 39 to 66 and this Directors' Report have been drawn up and presented in accordance with, and in reliance upon, applicable English company law and any liability of the Directors in connection with these reports shall be subject to the limitations and restrictions provided by such law.

By order of the Board

LAURENCE KEEN

CHIEF FINANCIAL OFFICER

13 December 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Group and Parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law, they are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU) and applicable law and have elected to prepare the Parent Company Financial Statements in accordance with UK Accounting Standards, including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group Financial Statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the Parent Company Financial Statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company Financial Statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and that enable them to ensure that its Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to

fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board

STEPHEN BURNS
CHIEF EXECUTIVE OFFICER
13 December 2019

LAURENCE KEEN
CHIEF FINANCIAL OFFICER
13 December 2019

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS HOLLYWOOD BOWL GROUP PLC

1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of Hollywood Bowl Group plc ("the Company") for the year ended 30 September 2019 which comprise the Consolidated Income Statement and Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity, Company Statement of Cash Flows and the related notes, including the accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 September 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 2 June 2016. The period of total uninterrupted engagement is for the 4 financial years ended 30 September 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality:	£1.2m (2018:£1.1m)
Group financial statements as a whole	4.3% (2018: 4.7%) of Group profit before tax
Coverage	100% (2018:100%) of Group profit before tax
Key audit matters	vs 2018
Recurring risks	Revenue recognition 
	Recoverability of parent's investment in subsidiaries/amounts due from group entities 

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2018), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Revenue Recognition (£130 million; 2018: £121million) Refer to page 82 (accounting policy) and page 88 (financial disclosures).	Low risk, high value Revenue recognition is considered to be the area that had the greatest effect on our overall audit due to its materiality in the context of the Group financial statements, although its recognition itself is not subject to a significant judgement, or other specific risks.	Our procedures included: • Control design: We evaluated the design and implementation of the controls around revenue recognition and cash. • Trend analysis: We performed a risk assessment trend analysis of monthly revenues for the past two years, and monthly deferred income balances for the past year, and enquired into exceptions that are not in line with our expectations. • Revenue to cash reconciliation: We formed an expectation of revenue for the year based upon cash receipts and compared our expectation to the actual revenue recognised. Within this test, we: a) Agreed a sample of cash receipts within the reconciliation to bank statements, and b) Tested all the material reconciling items. • Cut-off tests: We performed the following tests to assess whether-revenues in the last week of the year ended 30 September 2019 and the first week of October 2019 have been appropriately recognised and recorded in the correct period: a) Obtaining an external confirmation from the amusement supplier, of the total amusement cash taking in the last week of the year and the first week of the following year, and comparing it to that recorded by management; b) Reconciliation of the bowling and food & drinks revenue for the last week of the year and the first week of the following year to that declared by the centres, and testing of any significant variances; and c) Agreeing the cash declared by the centres relating to the bowling and food & drinks revenues for the last week of the year and the first week of the following year to amounts deposited in the bank account and testing any significant reconciling items. Our results • We found the revenues recognised within the financial statements to be acceptable.
Recoverability of parent company's investment in subsidiaries/amounts due from group entities. (£126 million; 2018: £123 million) Refer to page 103 (accounting policy) and page 105 and 106 (financial disclosures).	Low risk, high value The carrying amount of the parent company's investments in subsidiaries and amounts due from group entities represent 99.9% (2018: 99.9%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures included: • Historical comparisons: We assessed the reasonableness of the budgets by considering the historical accuracy of the previous forecasts; • Benchmarking assumptions: We compared the assumptions to externally derived and historical data, as well as our own assessments in relation to key inputs, in particular the growth and discount rates; • Sensitivity analysis: We performed breakeven analysis of the key assumptions noted above to assess whether a reasonably possible change in these assumptions could trigger an impairment charge; and • Comparing valuations: : We compared the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cash flows. Our results • We found the Group's assessment of the recoverability of the parent company's investments in subsidiaries and amounts due from group entities to be acceptable.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS HOLLYWOOD BOWL GROUP PLC CONTINUED

3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the Group financial statements as a whole was set at £1.2 million (2018: £1.1m), determined with reference to a benchmark of Group profit before tax, of which it represents 4.3% (2018: 4.7%).

Materiality for the parent company financial statements as a whole was set at £0.9 million (2018: £1 million), determined with reference to a benchmark of company total assets (2018: company net assets), of which it represents 0.7% (2018: 1%).

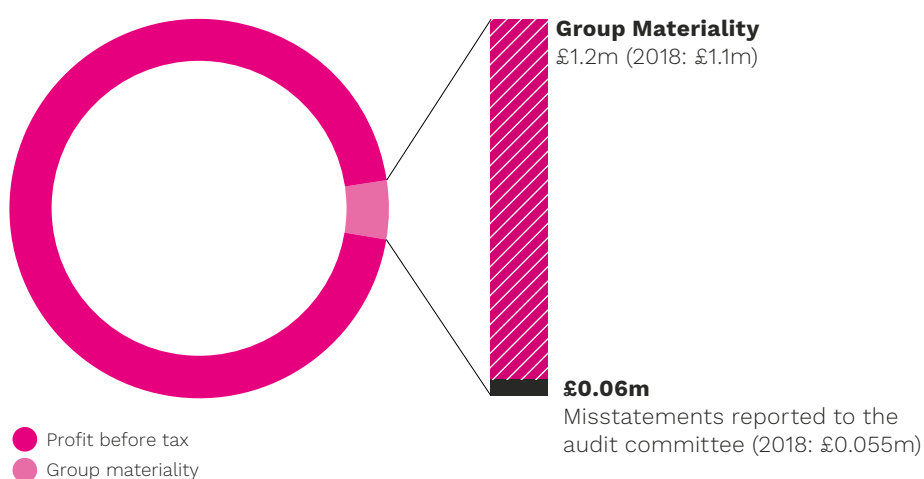
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £60,000 in addition to other identified misstatements that warranted reporting on qualitative grounds.

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

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

Profit before tax

£27.6m (2018: £23.9m)



4. WE HAVE NOTHING TO REPORT ON GOING CONCERN

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model, including the impact of Brexit, and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in Note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 29 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability Statement on page 29 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee;
- a corporate governance statement has not been prepared by the company.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

Based solely on our work on the other information described above:

- with respect to the Corporate Governance Statement disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures:
 - we have not identified material misstatements therein; and
 - the information therein is consistent with the financial statements; and
- in our opinion, the Corporate Governance Statement has been prepared in accordance with relevant rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

6. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS HOLLYWOOD BOWL GROUP PLC **CONTINUED**

7. RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 69 the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: data protection, health and safety and employment law recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

PETER SELVEY

SENIOR STATUTORY AUDITOR

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
58 Clarendon Road
Watford, WD17 1DE

13 December 2019

FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDING 30 SEPTEMBER 2019

	Note	30 September 2019 £'000	30 September 2018 £'000
Revenue	3	129,894	120,548
Cost of sales		(18,542)	(16,748)
Gross profit		111,352	103,800
Administrative expenses	6	(82,908)	(78,908)
Operating profit		28,444	24,892
Underlying operating profit		28,064	25,010
Exceptional items	5	380	(118)
Finance income	9	167	18
Finance expenses	9	(1,023)	(976)
Profit before tax		27,588	23,934
Tax expense	10	(5,303)	(5,150)
Profit for the year attributable to equity shareholders		22,285	18,784
Other comprehensive income		–	–
Total comprehensive income for the year attributable to equity shareholders		22,285	18,784
Basic earnings per share (pence)	11	14.86	12.52
Diluted earnings per share (pence)	11	14.79	12.49

The accompanying notes on pages 80 to 100 form an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

	Note	30 September 2019 £'000	30 September 2018 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	47,365	41,077
Goodwill and intangible assets	13	78,457	78,648
		125,822	119,725
Current assets			
Cash and cash equivalents	15	24,929	26,042
Trade and other receivables	16	8,014	6,563
Inventories	17	1,212	1,254
		34,155	33,859
Total assets		159,977	153,584
LIABILITIES			
Current liabilities			
Trade and other payables	18	18,464	16,626
Loans and borrowings	20	1,380	1,380
Corporation tax payable		2,517	2,840
		22,361	20,846
Non-current liabilities			
Other payables	18	6,846	7,616
Loans and borrowings	20	25,383	26,763
Deferred tax liabilities	21	596	487
Provisions	19	3,150	2,934
		35,975	37,800
Total liabilities		58,336	58,646
NET ASSETS		101,641	94,938
Equity attributable to shareholders			
Share capital	22	1,500	1,500
Merger reserve	23	(49,897)	(49,897)
Retained earnings	23	150,038	143,335
TOTAL EQUITY		101,641	94,938

The accompanying notes on pages 80 to 100 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors on 13 December 2019.

Signed on behalf of the Board by:

Laurence Keen

CHIEF FINANCIAL OFFICER

Company Registration Number 10229630

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Share capital £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Equity at 30 September 2017	1,500	(49,897)	138,160	89,763
Dividends paid	–	–	(13,964)	(13,964)
Share-based payments (note 27)	–	–	355	355
Profit for the period	–	–	18,784	18,784
Equity at 30 September 2018	1,500	(49,897)	143,335	94,938
Dividends paid	–	–	(16,244)	(16,244)
Share-based payments (note 27)	–	–	662	662
Profit for the period	–	–	22,285	22,285
Equity at 30 September 2019	1,500	(49,897)	150,038	101,641

The accompanying notes on pages 84 to 104 form an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	30 September 2019 £'000	30 September 2018 £'000
Cash flows from operating activities			
Profit before tax		27,588	23,934
Adjusted by:			
Depreciation	12	9,041	10,494
Amortisation of intangible assets	13	502	504
Net interest expense		856	958
Loss on disposal of property, plant and equipment and software		596	148
Share-based payments		662	355
Operating profit before working capital changes		39,245	36,393
Decrease/(increase) in inventories		42	(65)
(Increase)/decrease in trade and other receivables		(1,444)	581
Increase/(decrease) in payables and provisions		1,718	(709)
Cash inflow generated from operations		39,561	36,200
Interest received		160	19
Income tax paid – corporation tax		(5,518)	(5,030)
Interest paid		(871)	(625)
Net cash inflow from operating activities		33,332	30,564
Investing activities			
Purchase of property, plant and equipment		(16,390)	(10,687)
Purchase of intangible assets		(311)	(289)
Sale of assets		-	24
Net cash used in investing activities		(16,701)	(10,952)
Cash flows from financing activities			
Repayment of bank loan		(1,500)	(1,500)
Dividends paid		(16,244)	(13,964)
Net cash flows used in financing activities		(17,744)	(15,464)
Net change in cash and cash equivalents for the period		(1,113)	4,148
Cash and cash equivalents at the beginning of the period		26,042	21,894
Cash and cash equivalents at the end of the period	15	24,929	26,042

The accompanying notes on pages 80 to 100 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Hollywood Bowl Group plc (together with its subsidiaries, 'the Group') is a public limited company whose shares are publicly traded on the London Stock Exchange and is incorporated and domiciled in England and Wales. The registered office of the Parent Company is Focus 31, West Wing, Cleveland Road, Hemel Hempstead, HP2 7BW, United Kingdom. The registered Company number is 10229630. A list of the company's subsidiaries is presented in note 14.

The Group's principal activities are that of the operation of ten-pin bowling 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 2019.

2. ACCOUNTING POLICIES

The principal accounting policies applied in the consolidated Financial Statements are set out below. These accounting policies have, unless otherwise stated, 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 2019 and 30 September 2018.

STATEMENT OF COMPLIANCE

The consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under EU-IFRS. 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 as modified by the recognition of certain financial assets/liabilities at fair value through profit or loss.

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

Judgements made by the Directors, in the application of these accounting policies, that have significant effect on the Financial Statements and estimates with a significant risk of material adjustment in the next year are discussed on pages 86 and 87.

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 and 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.

2. ACCOUNTING POLICIES **CONTINUED**

STANDARDS ISSUED NOT YET EFFECTIVE

During the year, a number of new standards and amendments to IFRS became effective and were adopted by the Group, none of which had a material impact on the Group's net cash flows, financial position, total comprehensive income or earnings per share.

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
IFRS 16 'Leases'	The Group is adopting IFRS 16 for the year ending 30 September 2020 with a transition date of 1 October 2019. The standard replaces IAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, a right-of-use ('ROU') asset and a financial liability to pay rentals are recognised. The standard will affect the accounting for the Group's operating leases and will result in a material decrease in operating lease rental costs; material increases in depreciation and finance costs; a decrease in profit before and after tax; a decrease in net assets; and recognition of lease assets and liabilities. Overall there will be no impact on cash flow, though operating cash flows are expected to increase and financing cash flows decrease as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities. The standard will have no impact on the way the Group runs its business. The Group will apply the modified retrospective approach to transition at 1 October 2019 and comparative amounts for the prior year will not be restated on first adoption. The assets will be calculated from the lease commencement date, and the lease liabilities will be calculated as the present value of future lease payments from the date of transition. The cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 October 2019. The Group has applied the practical expedient to recognise payments for short-term leases and leases of low value assets on a straight-line basis as an expense in the income statement. Based on a detailed assessment of lease arrangements in place, the Group estimates that it will recognise ROU assets of between £140m and £160m and lease liabilities of between £170m and £190m as at 1 October 2019. Profit before tax will be reduced by between £1.2m and £1.7m for the year ending 30 September 2020. The retained earnings will be reduced by between £26m and £30m as at 1 October 2019. The additional liabilities will have no bearing on the loan covenant for the facility described in note 20. Banking covenants are not impacted under the current facility which runs to 20 September 2021 as they are set under accounting standards applicable at the time of entering the agreement.	1 October 2019
IFRS 3 'Definition of a Business'	In October 2018, the International Accounting Standards Board ('IASB') issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.	1 October 2020

2. ACCOUNTING POLICIES **CONTINUED**

Standard/interpretation	Content	Applicable for financial years beginning on/after
IAS 1 and IAS 8: Definition of Material	In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material are not expected to have a significant impact on the Group's consolidated financial statements.	1 October 2020

GOING CONCERN

The Group has adequate financial resources. At 30 September 2019, it had cash balances of £24.9m and undrawn financing facilities of £10.0m which are available to fund new centres, capital expenditure and working capital.

In their consideration of going concern, the Directors have reviewed the Group's future cash forecasts and profit projections, which are based on past experience and the projected opening programme of an average of two new centres per annum. The Directors are of the opinion that the Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group is able to operate within its current facilities and comply with its banking covenants for the foreseeable future.

Taking the above into consideration and also the principal risks, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements.

The Directors have made this assessment after consideration of three-year budgeted cash flows and related assumptions, and in accordance with the FRC's Guidance on Risk Management, Internal Control and related Financial and Business Reporting.

REVENUE

Revenue from customers is the total amount receivable by the Group for goods and services supplied, excluding VAT and discounts, and excludes amounts collected on behalf of third parties. The Group's performance obligations in respect of individual revenue streams are outlined below.

Revenue arising from bowling is recognised when the customer actually plays, with deposits paid in advance being held on the balance sheet until that time and then recognised as income.

Revenue for food and drink is recognised when the product has been transferred to the buyer at the point of sale, which is generally when payment is received.

Revenue for amusements is recognised when the cash is collected from the amusement machine.

Revenue from customers is disaggregated by major product and service lines, being bowling, food and drink, amusements and other. Disaggregated revenue from contracts with customers is disclosed in note 3 on page 88.

Given the nature of the Group's revenue streams, recognition of revenue is not considered to be a significant area of judgement.

The Group has adopted IFRS 15 'Revenue from contracts with customers' with a date of initial application of 1 October 2018. The impact on the financial statements, including transition, is insignificant.

OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers have been identified as the management team including the Chief Executive Officer and Chief Financial Officer.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. The Board considers that the Group's activity constitutes one operating and one reporting segment, as defined under IFRS 8. Management review the performance of the Group by reference to total results against budget.

The total profit measures are operating profit and profit after tax for the period, both disclosed on the face of the consolidated income statement and statement of comprehensive income. No differences exist between the basis of preparation of the performance measures used by management and the figures in the Group's financial information, as adjusted where appropriate.

EMPLOYEE BENEFITS

(i) Short-term benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

2. ACCOUNTING POLICIES **CONTINUED**

(ii) Defined contribution plans

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group. The annual contributions payable are charged to the income statement. The Group also contributes to the personal pension plans of the Directors.

(iii) Share-based payments

The Group operates equity-settled share-based payment plans for its employees, under which the employees are granted equity instruments of Hollywood Bowl Group plc. The fair value of the services received in exchange for the equity instrument is recognised as an expense. The total amount expensed is determined by reference to the fair value of the instruments granted:

- including any market performance conditions; and
- excluding the impact of any service and non-performance vesting conditions.

The cost of equity-settled transactions is recognised together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award.

(iv) Save-As-You-Earn plans

The Group operates two equity-settled Save-As-You-Earn (SAYE) plans. The fair value is calculated at the grant date using the Black-Scholes pricing model. The resulting cost is charged to the Group income statement over the vesting period. The value of the charge is adjusted to reflect expected and actual levels of vesting.

LEASES

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rentals applicable to operating leases are charged against profits on a straight-line basis over the period of the lease. Lease incentives are released to the income statement on a straight-line basis over the remaining term of each lease.

- Onerous leases are where the unavoidable costs of a lease exceed the economic benefit expected to be received from it. In these circumstances, a provision is made for the present value of the obligation under lease.
- Dilapidation provisions relate to potential rectification costs expected should the Group vacate any of its leased locations.

DILAPIDATION PROVISION

A provision will be recorded, if as lessee, the Group has a commitment to make good the property at the end of the lease, which would be for the cost of returning the leased property to its original state.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historic cost, including expenditure that is directly attributable to the acquired item, less accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost of all property, plant and equipment evenly over their expected useful lives, calculated at the following rates:

Leasehold property	• lesser of lease period and 25 years
Lanes and pins on strings	• over 30–40 years
Amusement machines	• over 4 years
Plant and machinery and fixtures, fittings and equipment	• over 3–25 years
Pinspotters	• up to 10 years

The carrying value of the property, plant and equipment is compared to the higher of value-in-use and the fair value less costs to sell. If the carrying value exceeds the higher of the value-in-use and fair value less the costs to sell the asset, then the asset is impaired and its value reduced by recognising an impairment provision. New centre landlord contributions are offset against leasehold property expenditure.

Residual values, remaining useful economic lives and depreciation periods and methods are reviewed annually and adjusted if appropriate.

GOODWILL AND INTANGIBLE ASSETS

Goodwill arising on the acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised. Goodwill is stated at cost less any impairment losses. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial period following acquisition and at the end of every subsequent financial period; and
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Software which is not an integral part of hardware assets is stated at historic cost, including expenditure that is directly attributable to the acquired item, less accumulated amortisation and impairment losses.

2. ACCOUNTING POLICIES **CONTINUED**

Amortisation is provided to write off cost of all intangible assets, except for goodwill, evenly over their expected useful lives, calculated at the following rates:

Software	• over 3 years
Hollywood Bowl brand	• over 20 years
Trademark	• over 20 years

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

INVENTORIES

Inventories are carried at the lower of cost or net realisable value. Net realisable value is calculated based on the revenue from sale in the normal course of business less any costs to sell. Due allowance is made for obsolete and slow-moving items.

IMPAIRMENT

(i) Impairment of financial assets

The Group recognises an allowance for expected credit losses ('ECLs') on financial assets measured at amortised cost. These are always measured at an amount equal to lifetime ECL. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. There is limited exposure to ECLs due to the business model.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have the assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Impairment of non-financial assets

The carrying values of goodwill and intangible assets are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flows. A sensitivity analysis is also performed (see note 13). An impairment loss is recognised in the income statement immediately.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

TAXATION

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

DEFERRED TAXATION

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that future taxable profit will be available against which the asset can be utilised.

2. ACCOUNTING POLICIES **CONTINUED**

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities or assets are settled or recovered. Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets and liabilities are expected to be settled or recovered.

EQUITY

Equity comprises the following:

- share capital: the nominal value of equity shares;
- retained earnings; and
- merger reserve.

FINANCIAL INSTRUMENTS

The Group has adopted IFRS 9 'Financial Instruments' with a date of initial application of 1 October 2018. The impact on the financial statements, including transition, is insignificant.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). A financial liability is classified as measured at either amortised cost or FVTPL.

(ii) Classification and subsequent measurement

Financial assets

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

All financial assets not measured at amortised cost or FVOCI are measured at FVTPL, irrespective of the business model. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: business model assessment

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

2. ACCOUNTING POLICIES **CONTINUED**

Financial assets: subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest (EIR) method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
	The Group's financial assets at amortised cost include trade receivables.
Debt instruments at FVOCI	These assets are subsequently measured at fair value. Interest income, calculated using the effective interest method, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial liabilities: classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. All other financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net position presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated into the functional currency at the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Exchange gains and losses are included within administrative expenses in the income statement.

EXCEPTIONAL ITEMS AND OTHER ADJUSTMENTS

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

ADJUSTED MEASURES

The Group uses a number of non-Generally Accepted Accounting Principles (non-GAAP) financial measures in addition to those reported in accordance with IFRS. The Directors believe that these non-GAAP measures, listed below, are important when assessing the underlying financial and operating performance of the Group by investors and shareholders.

These non-GAAP measures comprise of like-for-like revenue growth, net debt, Group adjusted operating cash flow, Group adjusted EBITDA, Group adjusted EBITDA margin, adjusted earnings per share and adjusted diluted earnings per share.

2. ACCOUNTING POLICIES **CONTINUED**

Group adjusted EBITDA, Group adjusted EBITDA margin, Group adjusted operating cash flow, adjusted earnings per share and adjusted diluted earnings per share are, as appropriate, each stated before exceptional and other adjusting items and the related tax effect of these exceptional and other adjusting items, as management do not consider these items when reviewing the underlying performance of the Group as a whole.

A reconciliation between key adjusted and statutory measures is provided on pages 32 and 33 of the Financial review which details the impact of exceptional and other adjusted items when comparing to the non-GAAP financial measures in addition to those reported in accordance with IFRS.

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Judgements made by the Directors in the application of these accounting policies that have a significant effect on the consolidated Group Financial Statements are discussed below.

CRITICAL ACCOUNTING JUDGEMENTS

Critical judgements are discussed below:

Accounting for the acquisition of amusement machines

The Group, on an ongoing basis, obtains control over amusement machines using extended credit terms over 4 years. Management has concluded that these arrangements should be accounted for as the purchase of property, plant and equipment under IAS 16, with an associated creditor with respect to the extended credit, although the machines return to the supplier at the end of 4 years.

The risk with the amusement machine passes to the Group on completion of delivery and over the predominant useful life of the asset of 4 years. The contract grants rights that include the ability to select the make and model of the machines as well as control the location and use. These machines are therefore recognised as an asset within property, plant and equipment, and not as a finance lease under IAS17, even though the machines are returned to the supplier at the end of the predominant useful life. The associated amount due to the supplier is recognised within current and non-current liabilities.

The total amount included within non-current liabilities has been discounted to present value, resulting in a credit to property, plant and equipment of £178,000 (30 September 2018: £219,000). Within the consolidated Group statement of cash flows, cash repayments of the capital are included within purchases of property, plant and equipment in investing activities.

Accounting for this contract under IAS 17 would result in the disclosure of a finance lease liability under debt within the consolidated balance sheet. The total cost recognised would not be materially different compared to the existing policy, as the impact of accounting for this contract as a finance lease would primarily affect balance sheet reclassifications as explained above. Within the consolidated Group statement of cash flows, the cash repayments included within property, plant and equipment would be included as finance lease principal payments within financing activities rather than in the investing activities. The total cash payments would be the same under IAS 17. Following the adoption of IFRS 16 on 1 October 2019 this contract will be accounted for in line with that standard as a finance lease.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The key estimates are discussed below:

Impairment of pinspotters

The Group determines whether the pinspotters are impaired when there are specific impairment indicators. In view of technological advancements, the Group has already replaced mechanical pinspotters with 'Pins on strings' in seven existing centres. It is the intention to roll out 'Pins on strings' on a phased basis across all centres over the long term. Management has therefore reviewed the UEL of mechanical pinspotters and determined a shorter life. The Group incurred accelerated depreciation of £245,000 in the year ended 30 September 2019 as a result of this change.

A sensitivity analysis has been carried out on the key assumption of the UEL of mechanical pinspotters. An accelerated phased rollout of 'Pins on strings' by five years, versus what is currently planned, would incur additional depreciation of £185,000 in the year ending 30 September 2020.

'Pins on strings' will be installed for all new builds given the space restrictions that tend to exist, the cost per square foot of space required for the older pinspotters, as well as the lower capital cost of these machines.

3. SEGMENTAL REPORTING

Management consider that the Group consists of a single segment, and operates within the UK. No single customer provides more than 10 per cent of the Group's revenue.

Within this one operating segment there are multiple revenue streams which consist of the following:

	30 September 2019 £'000	30 September 2018 £'000
Bowling	64,033	60,552
Food and drink	35,044	32,959
Amusements	30,395	26,657
Other	422	380
	129,894	120,548

4. RECONCILIATION OF OPERATING PROFIT TO GROUP ADJUSTED EBITDA

	30 September 2019 £'000	30 September 2018 £'000
Operating profit	28,444	24,892
Depreciation (note 12)	9,041	10,494
Amortisation (note 13)	502	504
Loss on disposal of property, plant and equipment and software (notes 12 and 13)	596	148
EBITDA	38,583	36,038
Exceptional items (note 5)	(380)	118
Group adjusted EBITDA	38,203	36,156

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 and loss on disposal of property, plant and equipment and software and any exceptional items.

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

5. EXCEPTIONAL ITEMS

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

	30 September 2019 £'000	30 September 2018 £'000
VAT rebate ¹	380	–
Non-recurring expenditure on strategic projects ²	–	(118)
	380	(118)

¹ The Group was able to make a non-recurring retrospective reclaim in respect of overpaid VAT relating to transaction fees.

² Costs (comprising legal and professional fees) relating to an aborted acquisition.

6. PROFIT FROM OPERATIONS

Profit from operations includes the following:

	30 September 2019 £'000	30 September 2018 £'000
Amortisation of intangible assets	502	504
Depreciation of property, plant and equipment	9,041	10,494
Operating leases:		
– Property	14,991	14,229
– Other	50	50
Loss on disposal of property, plant and equipment and software	596	148
Gain on foreign exchange	(61)	–
Auditor's remuneration:		
– Fees payable for audit of these financial statements	100	79
Fees payable for other services		
– Audit of subsidiaries	35	30
– Review of interim financial statements	25	25
– Other services	9	3
	169	137

7. STAFF NUMBERS AND COSTS

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

	30 September 2019	30 September 2018
Directors	6	6
Administration	67	70
Operations	1,996	1,968
Total staff	2,069	2,044

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

	30 September 2019 £'000	30 September 2018 £'000
Wages and salaries	28,045	25,435
Social security costs	2,072	1,780
Pension costs	350	261
Shared-based payments (note 27)	662	355
Total staff cost	31,129	27,831

8. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

A) DIRECTORS' EMOLUMENTS

The Directors' emoluments and benefits were as follows:

	30 September ¹ 2019 £'000	30 September ¹ 2018 £'000
Salaries and bonuses	1,393	1,110
Pension contributions	26	26
Share-based payments (note 27)	407	222
Total	1,826	1,358

1 This includes two Executive Directors and four (2018: four) Non-Executive Directors.

The aggregate of emoluments of the highest paid Director was £938,000 (2018: £668,000) and company pension contributions of £15,000 (2018: £15,000) were made to a defined contribution scheme on their behalf.

B) KEY MANAGEMENT PERSONNEL

The Directors and the senior managers of the Group are considered to be the key management personnel of the Group.

The remuneration of all key management (including Directors) was as follows:

	30 September 2019 £'000	30 September 2018 £'000
Salaries and bonuses	1,847	1,569
Pension contributions	41	39
Share-based payments	633	355
Total	2,521	1,963

9. FINANCE INCOME AND EXPENSES

	30 September 2019 £'000	30 September 2018 £'000
Interest on bank deposits	164	15
Other interest	3	3
Finance income	167	18
Interest on bank borrowings	930	910
Other interest	55	-
Unwinding of discount on provisions	38	66
Finance expense	1,023	976

10. TAXATION

	30 September 2019 £'000	30 September 2018 £'000
The tax expense is as follows:		
– UK corporation tax	5,134	4,766
– Adjustment in respect of prior years	60	643
Total current tax	5,194	5,409
Deferred tax:		
Origination and reversal of temporary differences	123	(253)
Effect of changes in tax rates	(14)	27
Adjustment in respect of prior years	–	(33)
Total deferred tax	109	(259)
Total tax expense	5,303	5,150

FACTORS AFFECTING CURRENT TAX CHARGE/(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 2018: 19 per cent). The differences are explained below:

	30 September 2019 £'000	30 September 2018 £'000
Profit excluding taxation	27,588	23,934
Tax using the UK corporation tax rate of 19% (2018: 19%)	5,242	4,547
Change in tax rate on deferred tax balances	(14)	27
Non-deductible expenses	89	13
Tax exempt revenues	(74)	(47)
Adjustment in respect of prior years	60	610
Total tax expense included in profit or loss	5,303	5,150

The Group's standard tax rate for the year ended 30 September 2019 was 19 per cent (30 September 2018: 19 per cent).

The adjustment in respect of prior years for current taxation of £60,000 (30 September 2018: £577,000), relates to an Advance Thin Capitalisation Agreement tax liability. This was settled with HMRC during the year.

FACTORS THAT MAY AFFECT FUTURE CURRENT AND TOTAL TAX CHARGES

A reduction in the UK corporation tax rate from 19 per cent to 17 per cent (effective from 1 April 2020) was substantively enacted on 15 September 2016. This will reduce the Group's future current tax charge accordingly and the deferred tax liability at 30 September 2019 and 30 September 2018 has been calculated based on these rates.

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of Hollywood Bowl Group plc by the weighted average number of shares outstanding during the year, excluding invested shares held pursuant to Long Term Incentive Plans (note 27).

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 2019 and 30 September 2018, the Group had potentially dilutive shares in the form of unvested shares pursuant to Long Term Incentive Plans (note 27).

	30 September 2019	30 September 2018
Basic and diluted		
Profit for the year after tax (£'000)	22,285	18,784
Basic weighted average number of shares in issue for the period (number)	150,000,000	150,000,000
Adjustment for share awards	676,861	384,101
Diluted weighted average number of shares	150,676,861	150,384,101
Basic earnings per share (pence)	14.86	12.52
Diluted earnings per share (pence)	14.79	12.49

ADJUSTED UNDERLYING EARNINGS PER SHARE

Adjusted earnings per share is calculated by dividing adjusted underlying earnings after tax by the weighted average number of shares issued during the year.

	30 September 2019	30 September 2018
Adjusted underlying earnings after tax (before exceptional costs) (£'000)	21,905	18,902
Basic adjusted earnings per share (pence)	14.60	12.60
Diluted adjusted earnings per share (pence)	14.54	12.57

11. EARNINGS PER SHARE **CONTINUED**

Adjusted underlying earnings after tax is calculated as follows:

	30 September 2019 £'000	30 September 2018 £'000
Profit before taxation	27,588	23,934
Exceptional items (note 5)	(380)	118
Adjusted underlying profit before taxation	27,208	24,052
Less taxation	(5,303)	(5,150)
Adjusted underlying earnings after tax	21,905	18,902

12. PROPERTY, PLANT AND EQUIPMENT

	Long leasehold property £'000	Short leasehold property £'000	Lanes and pinspotters £'000	Amusement machines £'000	Plant & machinery, fixtures and fittings	Total £'000
Cost						
At 1 October 2017	1,251	15,320	7,902	12,869	22,174	59,516
Discounting of creditors arising on assets purchased in prior years on extended credit terms (note 18)	–	–	–	(68)	–	(68)
Additions	–	3,035	742	4,810	4,008	12,595
Disposals	–	(44)	(83)	(2,699)	(483)	(3,309)
At 30 September 2018	1,251	18,311	8,561	14,912	25,699	68,734
Additions	–	5,321	1,594	2,981	6,751	16,647
Disposals	(10)	(34)	(85)	(1,531)	(3,039)	(4,699)
At 30 September 2019	1,241	23,598	10,070	16,362	29,411	80,682
Accumulated depreciation						
At 1 October 2017	159	4,583	3,586	7,474	4,005	19,807
Depreciation charge	48	1,945	165	2,903	5,433	10,494
Disposals	–	(36)	(83)	(2,204)	(321)	(2,644)
At 30 September 2018	207	6,492	3,668	8,173	9,117	27,657
Depreciation charge	48	2,201	413	2,687	3,692	9,041
Disposals	(10)	(29)	(60)	(810)	(2,472)	(3,381)
At 30 September 2019	245	8,664	4,021	10,050	10,337	33,317
Net book value						
At 30 September 2019	996	14,934	6,049	6,312	19,074	47,365
At 30 September 2018	1,044	11,819	4,893	6,739	16,582	41,077
At 30 September 2017	1,092	10,737	4,316	5,395	18,169	39,709

Plant & machinery, fixtures and fittings includes £1,228,000 (30 September 2018: £511,000) of assets in the course of construction, relating to the development of new centres.

IMPAIRMENT

Impairment testing is carried out at the cash-generating unit (CGU) level. 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.

The Group determines whether property, plant and equipment are impaired when indicators of impairment exist. When indications of impairment are identified an impairment assessment is carried out by estimating the value-in-use of the CGU to which the property, plant and equipment are allocated.

CHANGES IN ESTIMATES

During the year, the Group conducted a review of the useful economic life of existing mechanical pinspotters given the emergence of 'Pins on strings'. A decision was made to shorten the life and therefore accelerate the depreciation of the mechanical pinspotters following a plan to roll out 'Pins on strings' over the next 10 years. The effect of this change on the depreciation charge in the current year was an additional £246,000 and the expected impact on the following year is an additional £411,000.

13. GOODWILL AND INTANGIBLE ASSETS

	Goodwill £'000	Brand ¹ £'000	Trademark ¹ £'000	Software £'000	Total £'000
Cost					
At 1 October 2017	75,034	3,360	802	1,171	80,367
Additions	–	–	–	289	289
Disposals	–	–	(4)	(5)	(9)
At 30 September 2018	75,034	3,360	798	1,455	80,647
Additions	–	–	–	311	311
Disposals	–	–	–	(129)	(129)
At 30 September 2019	75,034	3,360	798	1,637	80,829
Accumulated amortisation					
At 1 October 2017	–	516	167	817	1,500
Amortisation charge	–	168	50	286	504
Disposals	–	–	(1)	(4)	(5)
At 30 September 2018	–	684	216	1,099	1,999
Amortisation charge	–	168	50	284	502
Disposals	–	–	–	(129)	(129)
At 30 September 2019	–	852	266	1,254	2,372
Net book value					
At 30 September 2019	75,034	2,508	532	383	78,457
At 30 September 2018	75,034	2,676	582	356	78,648
At 30 September 2017	75,034	2,844	635	354	78,867

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

Impairment testing is carried out at the cash-generating unit (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 test, 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. 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:

	2019	2018
Discount rate (pre-tax)	8.5%	8.7%
Growth rate	2.0%	2.0%

Discount rates reflect management's estimate of return on capital employed required and assessment of the current market risks. 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 market risk premium and the cost of debt. Other assumptions also include the number of games and spend per game.

Goodwill is tested for impairment on at least an annual basis, or more frequently if events or changes in circumstance indicate that the carrying value may be impaired. In the years under review management's value-in-use calculations have indicated no requirement to impair.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

The estimate of the recoverable amounts associated with the CGU affords reasonable headroom over the carrying value.

Management have sensitised the key assumptions in the goodwill impairment tests and under both the base case and sensitised cases no impairment exists. The key assumptions used and sensitised were forecast growth rates and the discount rate, which were selected as they are the key variable elements of the value-in-use calculation.

A reduction of 2 per cent in growth rates for each CGU or an increase in the discount rate applied to the cash flows of each CGU of 1 per cent would not cause the carrying value to exceed its recoverable amount. Therefore, management believe that any reasonably possible change in the key assumptions would not result in an impairment charge.

14. INVESTMENT IN SUBSIDIARIES

Hollywood Bowl Group plc's operating subsidiaries as at 30 September 2019 are as follows:

Name	Company number	Principal activity	Country of incorporation	Proportion of Ordinary Shares directly held by the Group
Direct holding				
Kanyeco Limited ^{1, 2}	09164276	Investment holding	England and Wales	100%
Hollywood Bowl EBT Limited ^{1, 2}	10246573	Dormant	England and Wales	100%
Indirect holdings				
Khloeco Limited ^{1, 2, 3}	09164277	Investment holding	England and Wales	100%
Kendallco Limited ^{1, 2}	09176418	Investment holding	England and Wales	100%
The Original Bowling Company Limited ²	05163827	Ten-pin bowling	England and Wales	100%
AMF Bowling (Eastleigh) Limited ²	06998390	Dormant	England and Wales	100%
MABLE Entertainment Limited ²	01094660	Dormant	England and Wales	100%
Milton Keynes Entertainment Limited ²	01807080	Dormant	England and Wales	100%
Bowlplex Limited ^{1, 2}	01250332	Dormant	England and Wales	100%
Bowlplex European Leisure Limited ²	05539281	Dormant	England and Wales	100%
Wessex Support Services Limited ²	01513727	Dormant	England and Wales	100%
Wessex Superbowl (Germany) Limited ²	03253033	Dormant	England and Wales	100%
Bowlplex Properties Limited ²	05506380	Dormant	England and Wales	100%

1 These subsidiaries are controlled and consolidated by the Group and the Directors have taken the exemption from having an audit of their financial statements for the year ended 30 September 2019. This exemption is taken in accordance with section 479A of the Companies Act 2006.

2 The registered office of these subsidiaries is Focus 31, West Wing, Cleveland Road, Hemel Hempstead, Hertfordshire, HP2 7BW.

3 Khloeco Limited was dissolved on 15 October 2019.

15. CASH AND CASH EQUIVALENTS

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

	30 September 2019 £'000	30 September 2018 £'000
Cash at bank and in hand	24,929	26,042

16. TRADE AND OTHER RECEIVABLES

	30 September 2019 £'000	30 September 2018 £'000
Trade receivables	734	344
Other receivables	40	45
Prepayments	7,240	6,174
	8,014	6,563

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

17. INVENTORIES

	30 September 2019 £'000	30 September 2018 £'000
Goods for resale	1,212	1,254

Goods bought for resale recognised as a cost of sale amounted to £12,172,000 (2018: £11,322,000).

18. TRADE AND OTHER PAYABLES

	30 September 2019 £'000	30 September 2018 £'000
Current		
Trade payables	3,189	3,548
Other payables	3,493	3,364
Accruals and deferred income	8,735	7,091
Taxation and social security	3,047	2,623
Total trade and other payables	18,464	16,626
	30 September 2019 £'000	30 September 2018 £'000
Non-current		
Other payables	6,846	7,616

Accruals and deferred income includes a staff bonus provision of £2,913,000 (30 September 2018: £2,312,000). Deferred income includes £472,000 (30 September 2018: £433,000) of customer deposits received in advance, all of which is recognised in the income statement during the following financial year.

Non-current other payables includes lease incentives received of £2,437,000 (30 September 2018: £2,560,000) which are expected to be released to the income statement on a straight-line basis over the remaining term of each lease, which ranges from 1 to 25 years, and extended credit of £4,409,000 (30 September 2018: £5,056,000) from an amusement machine supplier. The total amount outstanding due to the amusement machine supplier as at 30 September 2019 is £7,592,000 (30 September 2018: £8,133,000), out of which £3,183,000 (30 September 2018: £3,077,000) is disclosed within the current liabilities.

19. PROVISIONS

	30 September 2019 £'000	30 September 2018 £'000
Lease dilapidations provision	3,150	2,934

The dilapidations provision relates to potential rectification costs expected should the Group vacate its retail locations. There are no onerous leases within the estate. The movements in the dilapidations provision are summarised below:

	Dilapidations £'000
As at 30 September 2017	3,308
Released during the period	(440)
Unwind of discounted amount	66
As at 30 September 2018	2,934
Provided during the period	178
Unwind of discounted amount	38
As at 30 September 2019	3,150

A provision is made for future expected dilapidation costs on the opening of leasehold properties not covered by the Landlord and Tenant Act 1985 ('LTA'), and is expected to be utilised on lease expiry. This also includes properties covered by the LTA where we may not extend the lease, after consideration of the long-term trading and viability of the centre. The provision release in FY2018 relates to three centres where there has either been a lease extension, a lease change where it is now covered by the LTA, or a significant improvement in trade at a centre covered by the LTA meaning the provision is no longer required.

It is not anticipated that the provision will be utilised within the foreseeable future as there are no sites currently earmarked for closure that have a dilapidations provision.

20. LOANS AND BORROWINGS

	30 September 2019 £'000	30 September 2018 £'000
Current		
Bank loan	1,380	1,380
Borrowings (less than 1 year)	1,380	1,380
Non-current		
Bank loan	25,383	26,763
Borrowings (greater than 1 year)	25,383	26,763
Total borrowings	26,763	28,143

Bank borrowings have the following maturity profile:

	30 September 2019 £'000	30 September 2018 £'000
Due in less than 1 year	1,500	1,500
Less issue costs	(120)	(120)
	1,380	1,380
Due 2 to 5 years	25,500	27,000
Less issue costs	(117)	(237)
Total borrowings	26,763	28,143

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

	30 September 2019 £'000	30 September 2018 £'000
Loans and borrowings brought forward	28,143	29,523
Repayment during the year	(1,500)	(1,500)
Amortisation of issue costs	120	120
Loans and borrowings carried forward	26,763	28,143

On 21 September 2016, the Group entered into a £30m facility with Lloyds Bank plc. This facility is due for repayment in instalments over a five-year period up to the expiry date of 20 September 2021. The first repayment of £0.75m was due 31 December 2017, and every six months up to 31 December 2020. The remaining balance of £24.75m will be repayable at the expiry date of 20 September 2021. As at 30 September 2019, the outstanding loan balance, excluding the amortisation of issue costs, was £27,000,000 (30 September 2018: £28,500,000). In addition, the Group had an undrawn £5m revolving credit facility and undrawn £5m capex facility at 30 September 2019 and 30 September 2018. All loans carry interest at LIBOR plus a margin, which varies in accordance with the ratio of net debt divided by EBITDA and cash flow cover. The margin at 30 September 2019 and 30 September 2018 was 1.75 per cent. The Group considers this feature to be a non-financial variable that is specific to a party to the contract and hence not treated as an embedded derivative.

The terms of the Facility include the following Group financial covenants:

- (i) that the ratio of consolidated total net debt to EBITDA in respect of any relevant period shall not exceed 1.25:1 and
- (ii) that the ratio of consolidated cash flow to consolidated debt service in respect of any relevant period shall not be less than 1:1

The Group operated within these covenants during the period and the previous period.

21. DEFERRED TAX LIABILITIES

	30 September 2019 £'000	30 September 2018 £'000
Deferred tax liabilities		
Deferred taxation assets	824	1,075
Deferred taxation liabilities	(1,420)	(1,562)
	(596)	(487)
	30 September 2019 £'000	30 September 2018 £'000
Reconciliation of deferred tax balances		
Balance at beginning of period	(487)	(746)
Deferred tax (charge)/credit for the period	(109)	226
Adjustment in respect of prior years	–	33
Balance at end of period	(596)	(487)

The components of deferred tax are:

	30 September 2019 £'000	30 September 2018 £'000
Deferred tax assets		
Differences between accumulated depreciation and capital allowances	562	954
Other temporary differences	262	121
	824	1,075
Deferred tax liabilities		
Property, plant and equipment	(446)	(559)
Intangible assets	(426)	(455)
Capital gain	(548)	(548)
	(1,420)	(1,562)

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 2019.

The capital gain relates to a site sold in 2010, where the gain will crystallise in 2020.

22. SHARE CAPITAL

	30 September 2019		30 September 2018	
	Shares	£'000	Shares	£'000
Ordinary Shares of £0.01 each	150,000,000	1,500	150,000,000	1,500

The share capital of the Group is represented by the share capital of the Parent Company, Hollywood Bowl Group plc. This company was incorporated on 13 June 2016 to act as a holding company of the Group.

The Ordinary Shares are entitled to dividends.

23. RESERVES

SHARE PREMIUM

Amount subscribed for share capital in excess of nominal value.

RETAINED EARNINGS

The accumulated net profits and losses of the Group.

MERGER RESERVE

The merger reserve represents the excess over nominal value of the fair value consideration for the business combination which arose during the Company's IPO listing; this was satisfied by the issue of shares in accordance with section 612 of the Companies Act 2006.

24. LEASE COMMITMENTS

The Group had total commitments under non-cancellable operating leases set out below, which primarily relate to sites operating bowling alleys:

	30 September 2019		30 September 2018	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within 1 year	15,704	50	14,798	50
In 2 to 5 years	61,778	99	57,419	149
In over 5 years	168,075	–	138,144	–
	245,557	149	210,361	199

The Group has contingent lease contracts for four (30 September 2018: four) sites. There is a revenue-based rent top-up on these sites. The total charge in the income statement in the current year for these top-ups was £234,000 (four sites) (30 September 2018: £184,000 (four sites)). It is anticipated that top-ups totalling £294,000 will be payable in the year to 30 September 2020, based on current expectations. These have not been included in the above.

25. CAPITAL COMMITMENTS

As at 30 September 2019, the Group had entered into contracts to fit-out new and refurbish existing sites for £1,634,000 (2018: £1,652,000). These commitments are expected to be settled in the following financial year.

26. RELATED PARTY TRANSACTIONS

30 SEPTEMBER 2019 AND 30 SEPTEMBER 2018

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

27. SHARE-BASED PAYMENTS

LONG-TERM EMPLOYEE INCENTIVE COSTS

The Group operates Long-Term Incentive Plans (LTIPs) for certain key management. In accordance with IFRS 2 Share Based Payment, the values of the awards are measured at fair value at the date of the grant. The exercise price of the LTIPs is equal to the market price of the underlying shares on the date of grant. The fair value is determined based on the exercise price and number of shares granted, and is written off on a straight-line basis over the vesting period, based on management's estimate of the number of shares that will eventually vest.

A summary of the movement in the LTIPs is outlined below:

Scheme name	Year of grant	Method of settlement accounting	Outstanding at 1 October 2018	Granted during the year	Lapsed/cancelled during the year	Exercised during the year	Outstanding at 30 September 2019	Exercisable at 30 September 2019
LTIP 2017	2017	Equity	428,113	–	–	–	428,113	–
LTIP 2018	2018	Equity	349,087	–	–	–	349,087	–
LTIP 2019	2019	Equity	–	403,018	–	–	403,018	–

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

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

Adjusted EPS in the final year of the performance period (pence)

LTIP 2017	LTIP 2018	LTIP 2019	Vesting
12.25	13.86	15.19	25%
12.25–13.75	13.86–14.85	15.19–16.28	Vesting determined on a straight-line basis
13.75	14.85	16.28	100%

During the year ended 30 September 2019, 403,018 (30 September 2018: 349,087) share awards were granted under the LTIP. For all LTIPs, the Group recognised a charge of £633,075 (30 September 2018: £354,602) and related employer national insurance of £87,364 (30 September 2018: £48,935).

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

Financial year LTIP granted	2019	2018	2017
Share price at date of grant	2.320	1.950	1.565
Discount rate/dividend yield	3%	3%	3%

The shares are dilutive for the purposes of calculating diluted earnings per share.

27. SHARE-BASED PAYMENTS CONTINUED

SAVE-AS-YOU-EARN PLAN

On 1 February 2019 Hollywood Bowl Group plc launched its second Save-As-You-Earn plan (SAYE), available to all employees of the Group. The SAYEs permit the grant to employees of options in respect of ordinary shares linked to a bank Save-As-You-Earn contract for a term of three years with contributions from employees of an amount between £5 and £500 (SAYE 2018: £250) per month. 96 (SAYE 2018: 204) employees took up a total of 98,817 (SAYE 2018: 296,437) options with an exercise date of 1 February 2022 and an exercise price of £2.27 (SAYE 2018: £2.06), being equal to the market price of the shares on the date of grant. The options vest if the employee remains in employment by the group on the exercise date, otherwise the options lapse on the date the employee leaves. Employees can opt to leave the SAYE at any time, at which point their options will lapse.

In accordance with IFRS 2 Share Based Payment, the values of the awards are measured at fair value at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period, based on management's estimate of the number of shares that will eventually vest.

The fair value at grant date is estimated using a Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted. The contractual life of each option granted is three years. The fair value of options granted during the years ended 30 September 2019 and 30 September 2018 was estimated on the date of grant using the following assumptions:

	SAYE 2019	SAYE 2018
Exercise price:	£2.27	£2.06
Dividend yield:	3.0%	3.0%
Expected volatility:	32.1%	28.3%
Risk-free interest rate:	0.28%	0.8%
Life of option:	3 years	3 years
Anticipated number of options to vest:	75%	75%

The expected volatility is based on the annualised standard deviation of the continuously compounded rates of return on the share over a period of time.

The assessed fair value of the options granted during the year ended 30 September 2019 was £0.39 (30 September 2018: £0.31).

For the year ended 30 September 2019, the Group has recognised £28,707 of share-based payment expense in the income statement (30 September 2018: £15,498).

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

28. FINANCIAL INSTRUMENTS

FAIR VALUE HIERARCHY

IFRS 7 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the value measurements:

Level 1: inputs are quoted prices in active markets.

Level 2: a valuation that uses observable inputs for the asset or liability other than quoted prices in active markets.

Level 3: a valuation using unobservable inputs (i.e. a valuation technique).

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

FAIR VALUES

All financial assets held at the balance sheet date, which comprise trade and other receivables and cash and cash equivalents, are classified as financial assets held at amortised cost. All financial liabilities, which comprise trade and other payables and borrowings, are classified as financial liabilities held at amortised cost.

The following table shows the fair value of financial assets and financial liabilities within the Group at the balance sheet date. The fair value of all financial assets and liabilities are categorised as Level 2.

	30 September 2019 £'000	30 September 2018 £'000
Financial assets – measured at amortised cost		
Cash and cash equivalents	24,929	26,042
Trade and other receivables	774	389
Financial liabilities – measured at amortised cost		
Trade and other payables	19,607	18,840
Borrowings	27,000	28,500

There is no difference between the carrying value and fair value of any of the above financial assets and financial liabilities.

29. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (fair value interest rate risk, price risk);

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimise this risk the Group endeavours only to deal with companies which are demonstrably creditworthy. In addition, a significant proportion of revenue results from cash transactions. The aggregate financial exposure is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount of trade receivables. Management do not consider that there is any concentration of risk within either trade or other receivables.

The Group held cash and cash equivalents of £23,170,000 at 30 September 2019 (30 September 2018: £24,482,000). The cash and cash equivalents are held with banks which are rated AA- to AA+.

The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Trade receivables have not been impaired as any ECL is deemed to be insignificant.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as is possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Cash flow and fair value interest rate risk

The Group's borrowings are variable rate bank loans. Cash flow risk is therefore the Group's bank borrowings. The Directors monitor the Group's funding requirements and external debt markets to ensure that the Group's borrowings are appropriate to its requirements in terms of quantum, rate and duration.

The Group currently holds cash balances to provide funding for normal trading activity. The Group also has access to both short-term and long-term borrowings to finance individual projects. Trade and other payables are monitored as part of normal management routine.

The table below summarises the maturity profile of the Group's financial liabilities:

	Within 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	More than 5 years £'000	Total £'000
2019					
Trade and other payables	14,843	2,650	1,938	–	19,431
Borrowings	2,139	26,097	–	–	28,236
	16,982	28,747	1,938	–	47,667
2018					
Trade and other payables	13,490	2,568	2,706	–	18,764
Borrowings	2,278	2,326	26,318	–	30,922
	15,768	4,894	29,024	–	49,686

CAPITAL RISK MANAGEMENT

The Group's capital management objectives are:

- (i) to ensure the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- (ii) to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

To meet these objectives, the Group reviews the budgets and forecasts on a regular basis to ensure there is sufficient capital to meet the needs of the Group through to profitability and positive cash flow.

The capital structure of the Group consists of shareholders' equity as set out in the consolidated statement of changes in equity. All working capital requirements are financed from existing cash resources and borrowings.

29. FINANCIAL RISK MANAGEMENT CONTINUED

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by entering into interest rate derivatives when it is considered appropriate to do so by management. At 30 September 2019 and 30 September 2018, none of the Group's borrowings were at fixed rates of interest.

The effect on the profit after tax of a notional 1 per cent movement in LIBOR is as follows:

	2019 £'000	2018 £'000
Increase in interest rate of 1%	(226)	(237)
Decrease in interest rate of 1%	202	135

30. DIVIDENDS PAID AND PROPOSED

	30 September 2019 £'000	30 September 2018 £'000
The following dividends were declared and paid by the Group:		
Final dividend year ended 30 September 2017 – 3.95p per Ordinary share	–	5,925
Special dividend year ended 30 September 2017 – 3.33p per Ordinary share	–	4,995
Interim dividend year ended 30 September 2018 – 2.03p per Ordinary share	–	3,044
Final dividend year ended 30 September 2018 – 4.23p per Ordinary share	6,344	–
Special dividend year ended 30 September 2018 – 4.33p per Ordinary share	6,495	–
Interim dividend year ended 30 September 2019 – 2.27p per Ordinary share	3,405	–
	16,244	13,964
Proposed for approval by shareholders at AGM (not recognised as a liability at 30 September 2019)		
Final dividend year ended 30 September 2019 – 5.16p per Ordinary share (2018: 4.23p)	7,740	6,344
Special dividend year ended 30 September 2019 – 4.50p per Ordinary share (2018: 4.33p)	6,750	6,495

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

	Note	30 September 2019 £'000	30 September 2018 £'000
ASSETS			
Non-current assets			
Investments	5	50,386	50,161
Trade and other receivables	8	76,081	–
		126,467	50,161
Current assets			
Cash and cash equivalents	6	17	2
Deferred tax asset	7	134	56
Trade and other receivables		52	72,969
		203	73,027
Total assets		126,670	123,188
LIABILITIES			
Current liabilities			
Trade and other payables	9	40,468	20,359
Total liabilities		40,468	20,359
NET ASSETS		86,202	102,829
Equity attributable to shareholders			
Share capital	10	1,500	1,500
Retained earnings		84,702	101,329
TOTAL EQUITY		86,202	102,829

These financial statements were approved by the Board of Directors on 13 December 2019.

The accompanying notes on pages 103 to 107 form an integral part of these Financial Statements.

Signed on behalf of the Board

Laurence Keen

CHIEF FINANCIAL OFFICER

Company Registration Number: 10229630

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Share capital £'000	Retained earnings £'000	Total £'000
Equity as at 30 September 2017	1,500	115,683	117,183
Dividends paid	–	(13,964)	(13,964)
Share-based payments (note 5, 11)	–	401	401
Total comprehensive loss for the period	–	(791)	(791)
Equity as at 30 September 2018	1,500	101,329	102,829
Dividends paid	–	(16,244)	(16,244)
Share based payments (note 5, 11)	–	632	632
Total comprehensive loss for the period	–	(1,015)	(1,015)
Equity as at 30 September 2019	1,500	84,702	86,202

The accompanying notes on pages 103 to 107 form an integral part of these Financial Statements.

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2019

	30 September 2019 £'000	30 September 2018 £'000
Cash flows from operating activities		
Loss before tax	(1,093)	(834)
Adjusted by:		
Share-based payments (note 11)	407	222
Operating loss before working capital changes	(686)	(612)
(Increase)/decrease in trade and other receivables	(3,164)	705
Increase in trade and other payables*	3,865	13,822
Cash inflow generated from operations and net cash inflow from operating activities	15	13,915
Cash flows from financing activities		
Dividends paid	–	(13,964)
Net cash flows used in financing activities	–	(13,964)
Net change in cash and cash equivalents for the period	15	(49)
Cash and cash equivalents at the beginning of the period	2	51
Cash and cash equivalents at the end of the period	17	2

* Dividends paid in year ended 30 September 2019 were paid by a subsidiary undertaking.

The accompanying notes on pages 103 to 107 form an integral part of these Financial Statements.

1. GENERAL INFORMATION

Hollywood Bowl Group plc is a public limited company which is listed on the London Stock Exchange and is domiciled and incorporated in the United Kingdom under the Companies Act 2006. The Company was incorporated on 13 June 2016, registered number 10229630.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies is set out below; these have been consistently applied throughout the period.

BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) as issued in August 2014. The functional and presentational currency of the Company is Pounds Sterling. The Financial Statements are presented in Pounds Sterling and all values are rounded to the nearest thousand, except where otherwise indicated.

The Financial Statements have been prepared on a going concern basis under the historical cost convention.

The financial information presented is at and for the years ended 30 September 2019 and 30 September 2018.

As the consolidated Financial Statements of the Company include the equivalent disclosures, the Company has taken the exemptions under FRS 102 available in respect of the following disclosures:

- certain disclosures required by FRS 102.26 Share-Based Payment; and,
- certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

As permitted by section 408 of the Companies Act 2006, an entity income statement and statement of comprehensive income are not included as part of the published consolidated Financial Statements of Hollywood Bowl Group plc. The loss for the financial period dealt with in the Financial Statements of the Parent Company is £1,015,000 (2018: loss £791,000).

INVESTMENTS IN SUBSIDIARIES

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

EMPLOYEE BENEFITS

Share-based payments

The Company operates an equity-settled share-based payment plan for its Directors, under which the Directors are granted equity instruments of Hollywood Bowl Group plc. The fair value of the services received in exchange for the equity instrument is recognised as an expense. The total amount expensed is determined by reference to the fair value of the instruments granted:

- including any market performance conditions; and
- excluding the impact of any service and non-performance vesting conditions.

The cost of equity-settled transactions is recognised together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award.

FINANCIAL INSTRUMENTS

The Company has elected to apply the provisions of Section 11 and Section 12 of FRS 102 in full.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES **CONTINUED**

TAXATION

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

DEFERRED TAXATION

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference.

Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

3. DIRECTORS' REMUNERATION

The company has no employees other than the Directors.

The Directors' emoluments and benefits were as follows:

	30 September¹ 2019 £'000	30 September ¹ 2018 £'000
Salaries and bonuses	1,393	1,110
Pension contributions	26	26
Share-based payments (note 11)	407	222
Total	1,826	1,358

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

The aggregate of emoluments of the highest paid Director were £938,000 (2018: £668,000) and company pension contributions of £15,000 (2018: £15,000) were made to a defined contribution scheme on their behalf.

4. TAXATION

	30 September 2019 £'000	30 September 2018 £'000
The tax credit is as follows:		
– UK corporation tax	–	–
Total current tax	–	–
Deferred tax:		
Origination and reversal of temporary differences	87	42
Adjustments in respect of prior years	–	5
Effect of changes in tax rates	(9)	(4)
Total deferred tax	78	43
Total tax credit	78	43

FACTORS AFFECTING CURRENT TAX CHARGE/(CREDIT):

The tax assessed on the loss for the period is different to the standard rate of corporation tax in the UK of 19 per cent (30 September 2018: 19 per cent). The differences are explained below:

	30 September 2019 £'000	30 September 2018 £'000
Loss excluding taxation	(1,093)	(834)
Tax using the UK corporation tax rate of 19% (2018: 19%)	(208)	(158)
Change in tax rate on deferred tax balances	9	4
Adjustments in respect of prior years	–	(5)
Non-deductible expenses	(33)	7
Group relief	154	109
Total tax credit included in profit or loss	(78)	(43)

The Group's standard tax rate for the year ended 30 September 2019 was 19 per cent (30 September 2018: 19 per cent).

FACTORS THAT MAY AFFECT FUTURE CURRENT AND TOTAL TAX CHARGES

A reduction in the UK corporation tax rate from 19 per cent to 17 per cent (effective from 1 April 2020) was substantively enacted on 15 September 2016. This will reduce the Company's future current tax charge accordingly and the deferred tax asset at 30 September 2019 and 30 September 2018 has been calculated based on these rates.

5. INVESTMENTS

Investments in subsidiary undertakings

	30 September 2019 £'000	30 September 2018 £'000
At the beginning of the period	50,161	49,982
Additions	225	179
At the end of the period	50,386	50,161

Details of the investments in subsidiary undertakings are outlined in note 14 to the consolidated Financial Statements.

6. CASH AND CASH EQUIVALENTS

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

	30 September 2019 £'000	30 September 2018 £'000
Cash and cash equivalents	17	2

7. DEFERRED TAX ASSET

	30 September 2019 £'000	30 September 2018 £'000
Deferred tax asset		
Deferred taxation asset	134	56
	134	56
	30 September 2019 £'000	30 September 2018 £'000
Reconciliation of deferred tax balances		
Balance at beginning of period	56	13
Adjustments in respect of prior years	–	5
Deferred tax credit for the period	78	38
Balance at end of period	134	56

The components of deferred tax are:

	30 September 2019 £'000	30 September 2018 £'000
Deferred tax asset		
Temporary differences	134	56

8. TRADE AND OTHER RECEIVABLES

	30 September 2019 £'000	30 September 2018 £'000
Current		
Other receivables	52	34
Amounts owed by Group companies	–	72,935
	52	72,969
	30 September 2019 £'000	30 September 2018 £'000
Non-current		
Amounts owed by Group companies	76,081	–

The Company reassessed the amounts owed by Group companies and have reclassified these as a non-current asset, since these are now expected to be settled in a period greater than 12 months.

9. TRADE AND OTHER PAYABLES

	30 September 2019 £'000	30 September 2018 £'000
Amounts owed to Group companies	39,544	19,601
Trade and other payables	180	169
Accruals and deferred income	744	589
	40,468	20,359

10. SHARE CAPITAL

	30 September 2019		30 September 2018	
	Shares	£'000	Shares	£'000
Allotted, called up and fully paid				
Ordinary Shares of £0.01 each	150,000,000	1,500	150,000,000	1,500
	150,000,000	1,500	150,000,000	1,500

11. SHARE-BASED PAYMENTS

LONG-TERM EMPLOYEE INCENTIVE COSTS

The Company operates Long Term Incentive Plans (LTIPs) for the Directors. In accordance with IFRS 2 Share Based Payments, the value of the awards is measured at fair value at the date of the grant. The fair value is written off on a straight-line basis over the vesting period, based on management's estimate of the number of shares that will eventually vest.

A summary of the movement in the LTIPs is outlined below:

Scheme name	Year of grant	Method of settlement accounting	Outstanding at 1 October 2018	Granted during the year	Lapsed/cancelled during the year	Exercised during the year	Outstanding at 30 September 2019	Exercisable at 30 September 2019
LTIP 2017	2017	Equity	268,370	–	–	–	268,370	–
LTIP 2018	2018	Equity	218,830	–	–	–	218,830	–
LTIP 2019	2019	Equity	–	273,707	–	–	273,707	–

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

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

Adjusted EPS in the final year of the performance period (pence)

LTIP 2017	LTIP 2018	LTIP 2019	Vesting
12.25	13.86	15.19	25%
12.25–13.75	13.86–14.85	15.19–16.28	Vesting determined on a straight line basis
13.75	14.85	16.28	100%

During the year ended 30 September 2019, 273,707 (30 September 2018: 218,830) share awards were granted under the LTIPs. For all LTIPs, the Company recognised a charge of £406,939 (30 September 2018: £222,288) and related employer national insurance of £56,158 (30 September 2018: £30,676).

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

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

12. GUARANTEE

The Company has given a guarantee over certain subsidiaries under Section 479A of the Companies Act 2006 such that the Financial Statements of these subsidiaries for the year ended 30 September 2019 will be exempt from audit (note 14 of the Group financial statements).

COMPANY INFORMATION

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