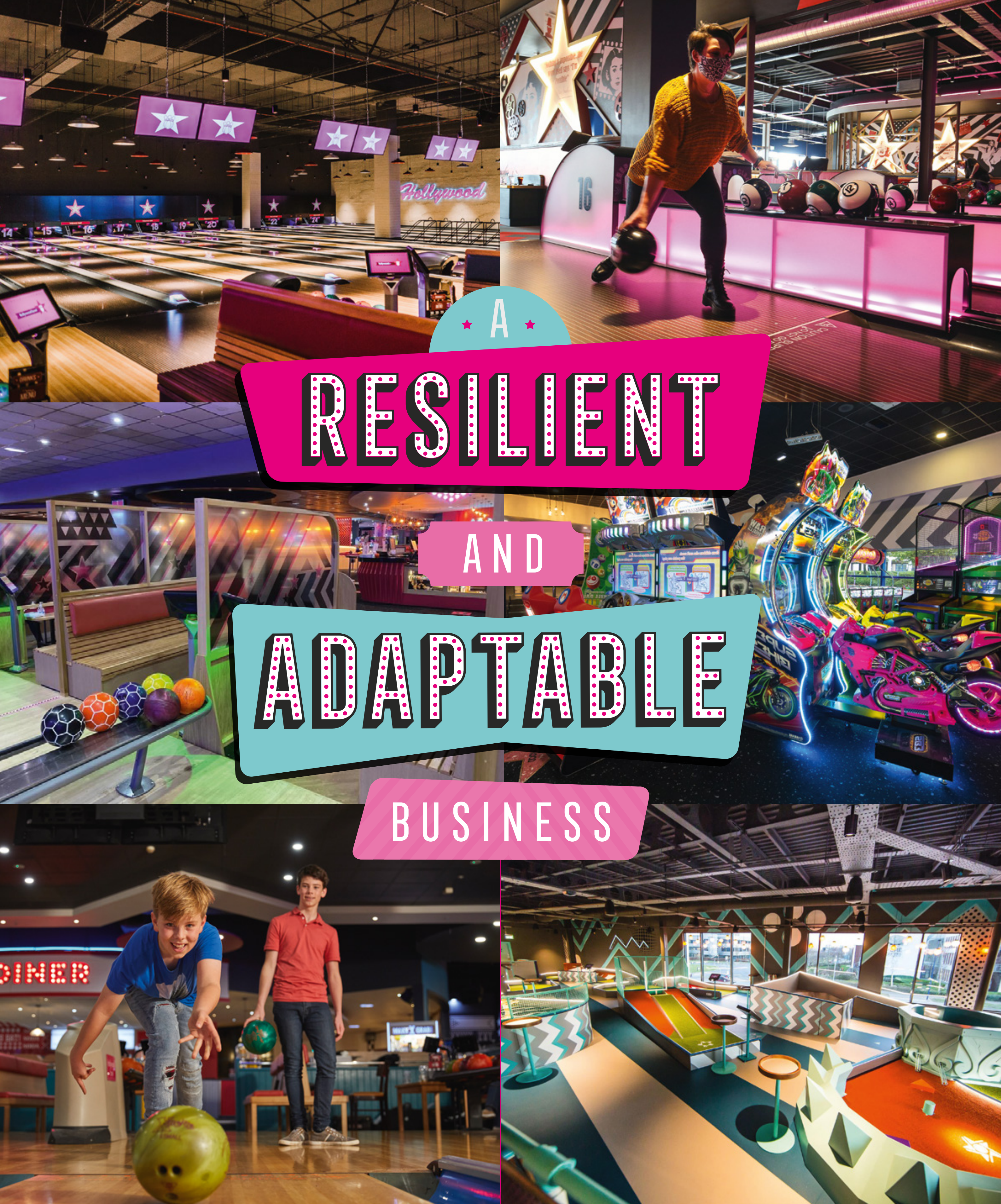


A RESILIENT AND ADAPTABLE BUSINESS

hollywood bowl group plc

ANNUAL REPORT AND ACCOUNTS 2020

OUR PURPOSE

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

Hollywood Bowl Group is the UK's largest ten-pin bowling operator. We have 64 centres across the UK, each equipped with an average of 24 bowling lanes (or three mini-golf courses), a licensed bar, a diner and an amusements zone featuring the latest games designed to keep everyone entertained.

Overview of estate and new centre pipeline

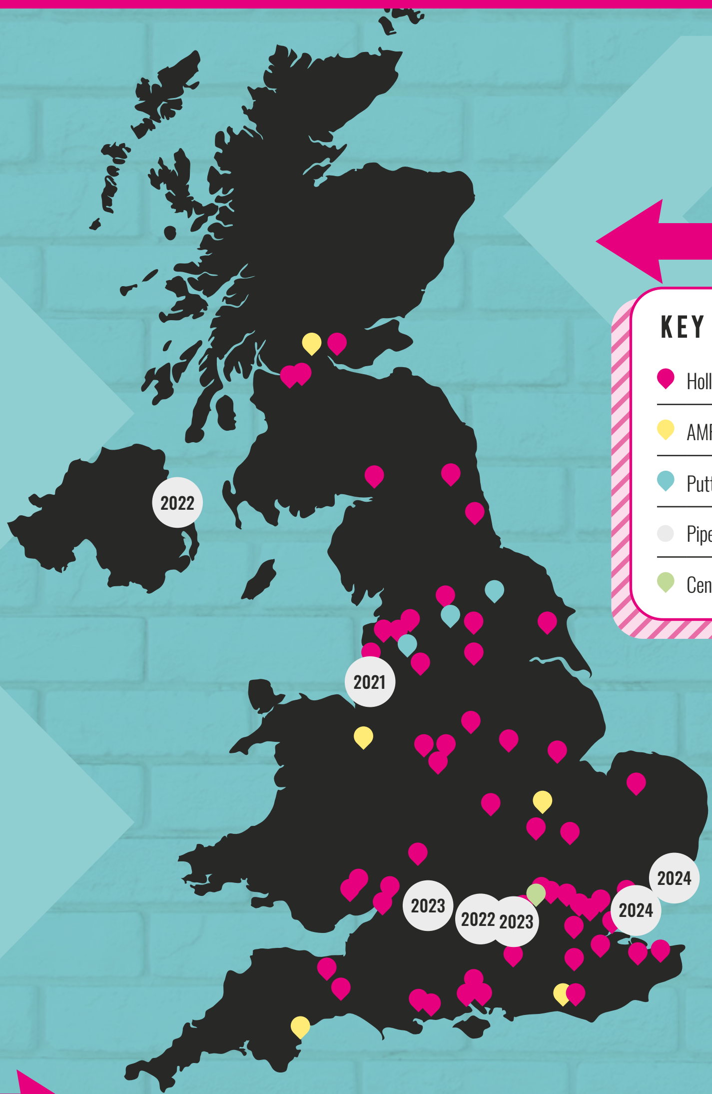
CURRENTLY

64

CENTRES

7

NEW OPENINGS BY END OF FY2024



KEY

Hollywood Bowl	56
AMF Bowling	5
Puttstars centres	3
Pipeline centres	7
Central support office	1

WE OPERATE A HIGH-QUALITY PORTFOLIO OF WELL-LOCATED CENTRES AND HAVE A STRONG NEW CENTRE PIPELINE TO 2024

Our centres are typically co-located with cinema and casual dining restaurants, in large, high-footfall, edge of town leisure and retail developments.

hollywood bowl · AMF BOWLING · PUTTSTARS MINI GOLF

CONTENTS

FINANCIAL SUMMARY

LFL REVENUE GROWTH[1]
+0.4%

2019: +5.5%

REVENUE
£79.5M

2019: £129.9M

TOTAL AVERAGE SPEND PER GAME[1]
£10.15

2019: £9.64

PROFIT AFTER TAX
£1.4M

2019: £22.3M

OPERATING PROFIT MARGIN
12.4%

2019: 21.9%

GROUP ADJUSTED EBITDA[1]
£14.0M

2019: £38.2M

DIVIDENDS SINCE IPO
£47.7M

EARNINGS PER SHARE
0.90 PENCE

2019: 14.86 PENCE

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 (pre IFRS 16) and statutory operating profit is provided on page 34.

OPERATIONAL SUMMARY

Customer-focused strategy and ongoing rollout of new initiatives underpinned excellent H1 pre-COVID performance

★ Three Hollywood Bowl refurbishments completed
★ Three new Puttstars centres and one new Hollywood Bowl centre successfully opened, bringing the total estate to 64
★ Continued rollout of new scoring system – now in 44 centres
★ 'Pins on strings' now in 18 centres
★ Positive results from extension of dynamic pricing, enhanced amusement offering and increased performance from digital channels

Significant challenges both operationally and financially during H2 effectively dealt with by management with strong trading in the intervening period between lockdowns

All centres closed on 20 March following government directive, with cost-reduction plans implemented to minimise cash outflows during closure period

★ Management acted quickly and effectively to support the welfare of team members and customers
★ Business re-engineered to emerge from the crisis with a strong balance sheet following equity placing, landlord negotiations and increased revolving credit facility
★ Renewed focus on sales, service and safety superiority

The Group led the sector response with the development of COVID-secure operating guidelines for safe reopening and 'new normal' innovation

★ 98% of estate safely reopened in the summer (Wales, 4 August; England, 15 August; Scotland, 24 August) with excellent customer feedback for new operating measures
★ Trading exceeded expectations with cash positive months in August and September
★ Strong balance sheet and strong cash generation continue to underpin our business model

A DYNAMIC RESPONSE TO A CHALLENGING YEAR

Read biography on page 44

My Chairman's Statement last year concluded with this paragraph: "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."

Without our highly motivated and engaged team, the year that unfolded could have been significantly worse. I would like to thank the entire team, in particular the senior leadership team of Darryl, Mel, Mat, Laurence and Stephen, for their outstanding efforts in the face of extremely challenging and testing circumstances.

The year can be divided into three distinct parts: normal trading, total closure and then finally reopening and trading with COVID-secure measures and restrictions.

The first five months of the financial year delivered strong financial and operational performance with the continued execution of our customer-led strategy, delivering returns from product innovations, new centre openings and the ongoing refurbishment programme. At that point, revenue was up 12.5 per cent and like-for-like revenue was up 9.4 per cent.

The second five months of the year took us into unprecedented territory, with a total national lockdown. The immediate priorities of team member welfare and liquidity were uppermost in the thoughts of the senior leadership team. A combination of a capital raise through the issue and sale of 7.5m shares and the securing of a £10m revolving credit facility (RCF) under the Coronavirus Large Business Interruption Loan Scheme (CLBILS), plus the low level of net debt present in the Group, created good protection for our medium-term viability.

The Group received further government support under the Coronavirus Job Retention Scheme (CJRS) as it furloughed 98.6 per cent of the total team. This brought the payroll to a manageable level and the remaining team members proved their remarkable adaptability by putting their 'can-do' approach into action in taking on a wider range of duties, including ensuring all centres were COVID-secure prior to opening.

Through the proactive, direct approach to our landlords, we secured agreements that protected our rent position with the majority of our landlords.

The period of closure was put to good use. We used it as an opportunity to take a good look at the business, allowing us to push forward several important projects. We also successfully reviewed our operational structure and agreed processes to ensure that when we reopened, we would hit the ground running with all the required safety measures in place.

Reopening has not been without its challenges. Notwithstanding the significant delay to restrictions being lifted for bowling, and the disappointment at the false start, our comprehensive planning enabled us to reopen successfully.

We continue to put our efforts into engagement with the Department of Digital, Culture, Media & Sport (DCMS) and the Treasury to extend the VAT reduction available to the leisure sector, to bowling operators. We see this as crucial in ensuring a level playing field for leisure operators.

Since reopening with our comprehensive COVID-secure measures, performance to 30 September 2020 exceeded our expectations – trading at 66 per cent of prior year revenue levels. However, the introduction of tiered COVID alert systems in England and Scotland has created further customer confusion which had an impact on trading. We continue to proactively communicate with customers on a location-by-location basis to keep them up to date and, where possible, to reassure them that we are open. Despite all these challenges, we are able to report the Group was cash positive for the final two months of FY2020 and first month of FY2021, prior to the November lockdown.

We have learned more since reopening about how we can operate safely within a COVID-secure environment for our customers and team members, while finding new ways to increase capacity and open more lanes. We continue to listen to customers and team members to adapt, test and trial new ideas – some of which will be rolled out before the end of 2020 based on the excellent feedback we have had.

Despite the pandemic, for the year under review, we reported a profit of £1.4m. In line with previous announcements, we have suspended all dividend payments until such time that we return to trading levels which allow us to confidently reintroduce them.

Despite the disjointed nature of the year, we have adhered to our strategy and continued to invest in, and develop, both our teams and our assets. The most significant development was the opening of the three Puttstars mini-golf centres, in Leeds, York and Rochdale. I am pleased to report that despite the pandemic, the centres have traded in line with pre-COVID expectations. We are excited about the future opportunity for Puttstars and are already exploring additional sites for expansion.

We also opened a new bowling centre in York. This centre is particularly exciting for us. It contains all of our latest digital developments – screens and scoring, including enhanced VIP lanes, demonstrating that there is still opportunity to innovate and develop the customer offer. The new centre is co-located with a Puttstars, which will give us further insight into potential future co-locations.

Our refurbishment programme continues, too. Although our overall refurbishment spend in FY2020 was lower than we had planned as a result of the pandemic, significant investments were made at Crawley, Sheffield and Watford Woodside. These centres now have an inspiring contemporary feel and have also been repurposed for additional machines and/or additional lanes by combining the bar and diner, refinements which also create more space and efficiencies for the customer. In addition to these refurbishments, we have rebranded Carlisle from AMF to Hollywood Bowl which has had a very positive impact on the customer experience.

Investment continues with 'Pins on strings' and the upgrade of the scoring system. Both investments deliver tangible benefits to the customer, through performance and simplicity of use, and ongoing returns for the Group. This level of sustained investment in the existing portfolio of centres underpins our future performance and reinforces the benefits of adopting and executing a clearly defined strategy.

This year has been dominated by COVID-19, the unprecedented impact it has had on the hospitality and leisure sector, and the challenges that we have had to deal with. Throughout this whole period, I remain impressed and inspired by the resilience and adaptability of the wider team within our Group. This was best illustrated by the manner in which we reopened our centres and recommenced trading in August in such an efficient and positive way, with so many examples of a 'can do' attitude and 'above and beyond' personal performance.

And whilst at the time of writing we are not yet able to operate all of our centres due to the government tiered restrictions, I firmly believe that the spirit and enthusiasm of our people makes us well placed to move forward and rediscover the success that has become synonymous with Hollywood Bowl.

PETER BODDY
NON-EXECUTIVE CHAIRMAN

OUR INVESTMENT CASE

MARKET-LEADING OPERATOR WITH NATIONAL SCALE
With 64 centres, Hollywood Bowl Group operates a high-quality, well-invested estate led by an experienced management team

CUSTOMER-FOCUSED
Revitalising ten-pin bowling and indoor mini-golf experiences, 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 and mini-golf accounts for half of Group revenue – amusements, food and drink make up the other half

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 brand

MARKET OPPORTUNITY
Current ten-pin bowling and mini-golf penetration, usage rates and price position in the competitive socialising and leisure sectors support future expansion and organic growth when the impact of COVID-19 diminishes

RESILIENT AND ADAPTABLE BUSINESS
Consistent historical strong financial performance and returns, driven by an ongoing capital investment programme, unrelenting focus on the customer experience and the ability to adapt decisively to market conditions

DELIVERING ON OUR STRATEGY RESPONSIBLY

Stephen Burns
CHIEF EXECUTIVE OFFICER

Read biography on page 44

AVERAGE SPEND PER GAME

£10.15

2019: £9.64 (+5.3%)

LIKE-FOR-LIKE REVENUE

+0.4%

2019: +5.5%

OPERATIONAL AND FINANCIAL HIGHLIGHTS

- Pre-COVID trading ahead of expectations with significant cash generation
- Rapid lockdown of the estate, following UK government announcement;
- All centres closed on 20 March 2020;
- Cost-reduction plans implemented to minimise cash outflows during closure
- Strengthened balance sheet with equity placing completed, net proceeds of £10.5m and £10m CLBILS secured
- Development of COVID-secure operating protocols in preparation for the reopening of the estate during August
- Majority of centres reopened, with significant capacity restrictions, immediately following the lifting of local restrictions (Wales, 4 August; England, 15 August; Scotland, 24 August)
- Revenues from 15 August to 30 September were 66 per cent of prior year on a like-for-like basis (LFL), with full year profit of £1.4m
- Cash flow positive in August, September and October 2020
- Net debt of £8.7m at 30 September 2020; liquidity of £31.8m
- Four new centres opened in FY2020

FY2021 OUTLOOK

- Centre reopenings in line with the regional tier system restrictions
- Q1 completion of rollout of new innovative COVID-secure measures

CHIEF EXECUTIVE'S REVIEW

The COVID-19 pandemic forced the closure of the entire Hollywood Bowl Group estate on 20 March 2020 and we were one of the few sectors to remain closed through to mid-August, resulting in nearly five months of lost revenue. The Group entered the global crisis in a strong financial position following a successful trading period over the first half of the financial year. We have always maintained a prudent approach to financing; a strategy that proved to be the right one when we entered the crisis with a low leverage with net debt of £14.6m and net debt: Group adjusted EBITDA (pre IFRS 16) of 0.38x at 31 March 2020.

With no possibility of online trading, takeaway offer or any clear idea as to how long we would be required to remain closed, we needed to act quickly and decisively as a team to protect and bolster the balance sheet. The prolonged period of closure meant zero revenue which resulted in a very challenging time, even for a healthy business such as ours. In response, we made significant operating cost reductions and central cost savings, negotiated hard with our landlords, and secured increased liquidity with a new £10m RCF under CLBILS and £10.5m net proceeds via an equity placing.

Once we had secured financial stability for a sustained period of closure, we led the sector in developing the operational protocols required to reopen the centres. With reduced capacity, the team resourcing, marketing and technology requirements also needed reworking and refining, ensuring that the business reopened with sales, service and safety superiority as the core objectives.

> WE HAVE ALWAYS MAINTAINED A PRUDENT APPROACH TO FINANCING; THAT STRATEGY PROVED TO BE THE RIGHT ONE WHEN WE ENTERED THE CRISIS WITH A LOW LEVERAGED BALANCE SHEET.

OUR RESPONSE TO COVID-19

Our immediate focus at the onset of the pandemic was on securing our properties and reassuring our team, a team I would like to take this opportunity to thank for their incredible hard work and dedication over the course of the last 12 months. One of the good things about running a business that can see unexpected disruptions to trade due to extreme weather, is our tried, tested and well-practised ability to make significant changes to our operating model at short notice.

Prior to the government making any announcements, we monitored what was happening in the countries that were ahead of the UK curve, and started planning for the inevitable lockdown. On 16 March, when the social distancing measures were first introduced, we already had a detailed plan of how we would operate within the guidelines and had trained our team on how to implement the measures. When the full closure was announced, we put phase two of our plan in motion. This phase included an itemised closedown procedure that could be reversed later for a smooth reopening. We quickly 'turned off' all discretionary spending and acted to preserve and raise cash.

We were grateful for the swift response by government and made full use of the CJRS. We chose to pay all our team full pay for the first four weeks of lockdown and paid our salaried teams and management trainees full pay to the end of May, with some enforced holiday to relieve the post-opening burden. We also put in place a plan for salary cuts and deferrals from July, including for executive and non-executive directors, in preparation for a potentially longer lockdown period, giving our team the certainty and clarity they needed to plan their finances.

Refurbishments and new build work were paused and we reviewed all planned projects, prioritising capital spend on projects that guaranteed payback.

We took the decision to pay the March rent quarter in full and to engage early with our landlords in order to agree to defer and, or, waive payments during the period of closure.

The cash flow benefit of these agreements resulted in a cash saving of £6.7m in the year to 30 September 2020, of which £2.1m is waived and not due for repayment.

We further strengthened the balance sheet by raising £10.5m (net proceeds) from a five per cent equity placing and are grateful for the support shown by our shareholders in this capital raise. At the same time, we added a £10m extension to our debt facility through an RCF using CLBILS – which remains undrawn.

OPERATIONAL AND STRATEGIC PROGRESS

The results for FY2020 were substantially impacted by the five months of closure. Revenues were £79.5m, down 38.8 per cent on last year and Group adjusted EBITDA pre IFRS 16, was £14.0m (FY2019: £38.2m). These figures are despite delivering a fantastic performance over the first half of FY2020, before the COVID-19 crisis, with all revenue lines in LFL growth compared to the same period last year, spend per game up and Group adjusted EBITDA pre IFRS 16 up 2.1 per cent, to £21.6m.

The business resumed trading during August, under the new COVID-secure guidelines, with significant restrictions to capacity and opening hours. Encouragingly, during the final few weeks of the summer school holidays, we had far more demand than we could accommodate. Trading over the final weeks of FY2020 was at 66 per cent of prior year on a LFL basis. This was in spite of the restrictions noted, as well as the 10:00pm curfew, rule of six and tier system, all introduced during September 2020.

While the pandemic stopped us trading, it did not stop us innovating – we executed elements of our strategy to improve the quality of the estate and the experience we offer our customers.

Once construction teams were permitted back on site, during June 2020, we completed the refurbishment of our Crawley centre, which included adding two extra lanes as well as relocating the diner to allow expansion of the amusement area. We also refurbished and rebranded the AMF Carlisle centre in time for reopening. We took the opportunity that lockdown presented to continue the rollout of 'Pins on strings', installing the technology in three centres during June and July, adding to the four installations completed during the first half.

We also did not stop at refurbishments and the rebrand. We opened four new centres – one Hollywood Bowl in York and three new Puttstars centres. York's Hollywood Bowl is located in the new leisure extension to the successful Vangarde Way retail scheme, co-located with our Puttstars, a Cineworld cinema and multiple restaurants. The 28,000 square feet centre has 24 lanes, opened on 18 August 2020 and is trading in line with the rest of the estate.

We had originally planned to further develop the new opening Puttstars pipeline, but the pandemic has impacted a number of property developers which has slowed negotiations. Three new openings have been delayed, with the schemes in Swindon and Colchester now under review. With the changes to the retail landscape and availability of space, we believe there will be new opportunities to backfill the pipeline and remain confident that from FY2022, we will be able to open an average of two new centres per year in line with our stated strategy.

SUCCESSFUL LAUNCH OF NEW PUTTSTARS MINI-GOLF BRAND

We are very proud of having opened our new Puttstars concept during FY2020. The three centres were carefully chosen to ensure a robust test of the concept and reflect the different types of property location available for a rollout once the trials proved successful.

Puttstars Leeds opened first. It is a key leisure anchor, alongside an Odeon Luxe and PureGym, in the new Springs retail and leisure development adjacent to Junction 46 of the M1 at Thorpe Park. Puttstars Leeds which occupies 21,000 square feet over two floors, opened its doors just before the national lockdown and reopened during July.

Puttstars Rochdale is sited in a new leisure extension to the Riverside development, immediately beneath a new cinema and close to several restaurants. The centre occupies 18,000 square feet, all on one level and opened for trade in early August.

Our third centre is co-located with the new Hollywood Bowl in York. Like Rochdale, it occupies 18,000 square feet and is on the floor above the bowling centre.

Early trading has been encouraging, with all three centres performing in line with our expectations. The bespoke scoring system, gamification and digital journey combine with an affordable price to offer a unique leisure experience that appeals to a wide demographic. Customer feedback has been overwhelmingly positive and we are very excited about the long-term opportunities the brand presents.

SUSTAINABILITY

Despite these challenging times, managing our business in a sustainable manner remains a key element of our culture and strategy.

Our customers benefit from our unique offering of affordable, inclusive fun which allows for quality social engagement and has been essential in our communities as we have started to emerge from blanket lockdowns. Our ongoing team engagement and feedback programmes have been vital during the periods of closure and we have maintained strong focus on team wellbeing.

We are always looking for ways to minimise the impact of our operations on the environment and finished our second solar installation in Bentley Bridge with further centres planned for the future. In our refurbishment and new centre openings there is increased focus on the use of sustainable construction supplies and we are making progress towards meeting our 70% recycling target by the end of FY2021.

OUTLOOK

The Hollywood Bowl Group is uniquely positioned. Offering a safe, fantastic value-for-money experience to a wide demographic, the business is resilient in a recession, well capitalised and ready to take full advantage of the opportunities that may present themselves after the pandemic.

I am proud of the way our team has risen to the challenge of creating a safe environment which allows our customers to enjoy the same fun-filled experiences with us. The strong demand for bookings following the opening in August 2020, is very encouraging and the feedback we have received on our new COVID-secure operations has been excellent. We continue to explore new ways of working to increase our capacity at peak times whilst maintaining a safe and compliant environment. Despite the ongoing uncertainty presented by Lockdown 2.0 and the introduction of variable regional opening restrictions, which have meant we are unable to open centres located in the highest tiers, we remain confident in the continued demand for a family focused, value for-money and enjoyable experience.

The longer-term strategy remains unchanged: our high-quality, well-invested estate is primed for growth; the property landscape is changing; the tenant mix is becoming more leisure focused; and we believe our customers will prioritise their leisure pound on all-inclusive, value-for-money, family entertainment experiences.

STEPHEN BURNS
CHIEF EXECUTIVE OFFICER

Q&A

IN CONVERSATION WITH

STEPHEN BURNS, CEO

LAURENCE KEEN, CFO

Q The pandemic has overshadowed everyone's year. What has been its biggest challenge for Hollywood Bowl?

SB We'd had a really strong start to the year and although we understood it was necessary at the time, the hardest thing, without a doubt, was closing our doors with no idea as to when we might be able to reopen them. We could see the lockdown coming and had prepared for it, but I don't think any of us expected that our centres would have to remain closed for nearly five months. We were delighted to reopen again to happy team members, and our customers enjoying having a safe and fun environment to relax in with their families.

Q When do you expect performance to recover to pre-COVID levels?

LK Although we remain optimistic for a gradual return to more recognisable market conditions in 2021, it is too soon to make forecasts. We have been very encouraged by trading after reopening in August and by the strength of demand from customers, albeit we have been operating at reduced capacity in compliance with the COVID-secure measures. However, we have learned a great deal more about how we can maintain a safe space for our customers while increasing our capacity and we have invested in rolling out new safety measures across our centres, including lane dividers installed in all of our centres by December. These will enable us to better fulfil customer demand as our centres reopen in line with the regional tiered system following the second national lockdown in November.

Q Your team have never seen a year like it. How have they responded to the challenges?

SB Brilliantly! I'd like to thank each and every one of our team for their individual and collective efforts. We've said many times before that our team are core to our success and this is truer today than ever before. Team members have played a fundamental role in our handling of the pandemic, from preparing to reopen and adapting to the new ways of working, to the taking on of additional tasks – all the while creating a fun, friendly and safe environment for our customers to enjoy. We are very grateful to the government for the furlough scheme, which has enabled us to preserve so many of our team's jobs.

Q Puttstars sounds highly promising. How fast are you planning to ramp up its rollout?

SB We've been really pleased with how Puttstars has performed, particularly given the current context. The feedback from customers has been excellent and, so far, we have once again successfully applied our customer-led operating model to provide another great value-for-money activity. We are excited about the opportunity and currently have several new sites under review for our development pipeline, but we have always taken a prudent approach to our business and will continue to test and develop the concept to drive sustainable, profitable growth.

Q How much disruption have the year's events brought to your refurbishment and new centre pipeline?

LK Given the lockdown, we obviously were not able to complete as many refurbishments as we had planned for the year but our commitment to the refurbishment strategy remains the same – only the pace of the rollout has changed. We continue to consider the best use of our cash and have conservatively planned to complete five refurbishments in FY2021. Our commitment to opening new centres has not changed, either, but there has been some delay in the pipeline as a result of the pandemic disrupting developers. Such delay is beyond our control, but we continue to pursue new centre opportunities for Hollywood Bowl and Puttstars.

Q What about M&A opportunities in bowling or leisure activities?

LK It's too soon to tell what the opportunities may be. The equity placing completed in April strengthened our balance sheet allowing us to emerge from the first lockdown in a robust enough position to invest in any value-enhancing opportunities should they arise. However, as you'll appreciate, we are highly focused on our existing business at the moment.

Q Looking beyond the immediate future, do you see COVID-19 having any lasting impact on the business?

SB Interestingly, it reinforced the importance of activities offered by our business – families were crying out for a change of scene, for somewhere safe and fun to go. Some of the feedback we've received since reopening has made us realise more than ever the valuable role we play in our communities. A number of the operational changes we made have enhanced our service proposition; the simplified menu improving speed of service, and lane dividers giving a more premium feel.

Q As part of the measures to protect Hollywood Bowl during the pandemic, you suspended the dividend. Do you expect to reinstate it anytime soon? And do you think you'll be in a position to pay a special dividend again in the foreseeable future?

LK The equity placing helped to bolster our balance sheet and we are a cash-generative business, but it is still too early to make predictions given the ongoing uncertainty relating to COVID-19. The Board continues to assess the most suitable use of the Group's financial resources to enhance shareholder returns, including the investment in new and existing centres, and we remain committed to resuming our stated capital allocation policy as soon as appropriate.

Q What are your priorities for FY2021?

SB They remain the same as they have always been. Our well-proven prudent approach, and the strength of our business, stood us in good stead when we really needed our strong foundations. Our focus remains on keeping Hollywood Bowl in as robust shape as is possible. By doing so, we can continue to look after our team members, grow the business and deliver value to our shareholders while investing in the best possible customer experience.

DECISIVE ACTION IN CHALLENGING CIRCUMSTANCES

THE COVID-19 PANDEMIC AND ASSOCIATED OPERATING RESTRICTIONS ARE THE BIGGEST CHALLENGES HOLLYWOOD BOWL HAS FACED IN ITS HISTORY.

However, since the crisis began, the Group has taken fast and decisive action, focusing on the following priorities:

★ Protecting the health, safety and wellbeing of our team members and of the communities in which we operate
★ Ensuring our business operations have been able to reopen with minimal disruption
★ Protecting the financial strength of the Group

OPERATIONAL RESPONSE – PROTECTING HEALTH AND WELLBEING

The Group focused heavily on team member welfare during the closure period introducing a three-stage salary strategy to reduce costs, retain top talent and financially support team members.

In order to maintain team member engagement during the closure period, we also introduced a variety of initiatives including regular virtual Q&A sessions with our leadership team, an employee

MARCH

16 MARCH
★ Government announces social distancing measures

17 MARCH
★ Hollywood Bowl closes every other lane, removes 50% of bar furniture and turns off 50% of amusements
★ Cash flow forecast produced and discussions with lenders commence

18 MARCH
★ Team members have temperature checks and closedown strategy put in place

20 MARCH
★ Government announces pub/gym/leisure closures
★ All centres close from 7pm – stock removed and made safe and all amusement machines emptied

23 MARCH
★ Deep clean of centres completed, long-life products replenished, and cash removed from centres
★ Centre teams furloughed
★ Government announces full lockdown

24 MARCH
★ Centres mothballed, new centre construction and refurbishment work paused
★ Majority of support team furloughed

APRIL – JULY

17 APRIL
★ Equity placing raises £10.5m (net proceeds)

29 APRIL
★ June quarter (and beyond) rent negotiations commence with landlords

7 MAY
★ Extended RCF secured under CLBILS

assistance programme, pin badge incentives, centre and departmental quiz nights and regular posts on our team member app.

To prepare our team appropriately for reopening, we took a number of key actions including virtual training for all levels of the management team to ensure we 'hit the ground running'. Team incentives and a bonus scheme were introduced on reopening to really get people on board with the revised ways of working.

Large quantities of personal protective equipment (PPE) – including gloves and face coverings, hygiene stations and Perspex shielding – were secured for team members and customers.

FINANCIAL RESPONSE – CASH PLANNING AND REFINANCING

The Group reacted with pace and urgency in a variety of ways in order to conserve cash flow.

98.6 per cent of team members were furloughed within the first week of closure.

Construction work on all new builds and refurbishment projects were deferred.

Full payment of rent for the March quarter led to a strong negotiating position for the June quarter, with rent-free periods negotiated with a significant proportion of landlords.

The Board gave notice that no interim dividend was to be paid for H1 FY2020 and the Group agreed an extended RCF, which combined with the relaxing of covenants and the five per cent equity placing, strengthened the liquidity position.

Utilising government schemes including rates and VAT Time to Pay, resulted in cash savings of £5.9m for FY2020.

CENTRE REOPENING – A ROBUST STRATEGY

The Group was instrumental in developing the government-approved COVID-secure guidelines for the sector, working with the sector trade body and DCMS. Importantly, the internal size of our centres provides the required space to adhere to the sector, and wider hospitality sector, guidelines.

Using the guidelines, which included reducing customer capacity in the centres, we initially adapted our customer journey to include only using alternate lanes/golf holes/ amusement machines, pre-booking only for peak periods, queue control measures, increased distance between bar and diner tables, and a new visual guidance campaign – 'Have Fun – Play Safe' – to educate customers about our social distancing protocols and to encourage customers to follow them.

In addition, comprehensive safety, cleaning and operational protocols were introduced along with daily health monitoring for team members. We reduced our food and drink menu (also available as pre-booked options) to simplify operational delivery whilst protecting margin. To attract customers and inform them about our new COVID-secure measures, we established a relaunch marketing programme that included digital advertising, customer relationship management (CRM) campaigns and website pre-visit information.

The Group successfully reopened its bowling centres, excluding those subject to local restrictions, in August. Initial trading to 30 September 2020 exceeded expectations at 66 per cent of prior year revenue, with restricted capacity, 10:00pm curfews, localised lockdowns and smaller group sizes impacting this performance.

Despite the challenging environment, we have experienced strong customer demand, at levels similar to last year for holiday and weekend periods, and the majority of centres have traded at maximum capacity levels (as permitted by government guidance) with the Group being cash positive for both August and September.

The positive feedback from returning customers has been very encouraging, particularly regarding the new safety measures. The Group continues to listen closely to its customers and teams to adapt, test and trial further new operating initiatives such as full height lane dividers to mitigate centre capacity restrictions, with the primary priority of ensuring customers and team members continue to feel safe. The Group intends to roll out a number of these new COVID-secure initiatives estate-wide before the end of November 2020.

Read more on:
Principal Risks on pages 26 - 29
Going concern and viability statement on pages 30 and 31

16 JULY
★ DCMS approve sector COVID-secure operating guidelines following significant engagement

28 JULY
★ Centre teams unfurloughed and centres prepared for 1 August reopening

31 JULY
★ With less than 24 hours' notice, government delays reopening by two weeks

21 SEPTEMBER
★ Additional year added to banking facilities (to September 2022)

23 OCTOBER
★ Welsh centres close under national lockdown measures (reopened 9 November)

2 NOVEMBER
★ Scottish centres close under new tier system

5 NOVEMBER
★ English centres close under national lockdown (reopened 2 December in Tier 1 and 2)

AUGUST – DECEMBER

4 AUGUST
★ Centres in Wales reopen at 50% capacity

15 AUGUST
★ Centres in England reopen at 50% capacity. Significant media presence achieved for the brand including national TV interviews for the reopening weekend

24 AUGUST
★ Centres in Scotland reopen at 50% capacity

1 SEPTEMBER
★ Lane divider and other capacity-increasing measures trialled

AS THE CLEAR LEADER IN BOTH TEN-PIN BOWLING AND THE COMPETITIVE SOCIALISING MARKET, HOLLYWOOD BOWL GROUP IS BEST PLACED TO CAPITALISE ON THE GROWTH OPPORTUNITIES IN BOTH SECTORS WHEN WE EMERGE FROM THE COVID-19 CRISIS

Hollywood Bowl Group	61
Ten Entertainment Group	45
QLP	11
Disco Bowl	8
Namco	7
MFA	6
Independents/others	174

STRONG LEVELS OF HISTORICAL GROWTH

The opportunity

The ten-pin bowling market forms a small, but historically fast-growing, part of the UK's 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 £311m[1] in 2018.

As with the wider UK leisure market, growth in ten-pin bowling (prior to the COVID-19 pandemic) was driven by macroeconomic factors, as well as the spending shift towards experiential leisure.

Our response

Hollywood Bowl Group has driven much of the historical 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.

We have led corporate consolidation in the sector and made significant investments, primarily in the refurbishment of existing centres and, in no small part, in the opening of new centres.

Outlook

Whilst the COVID-19 pandemic has stalled the historical growth trend of the ten-pin bowling sector and other leisure and hospitality sectors, we believe our sector is well placed to weather the current storm as it provides a unique opportunity for family groups to be able to enjoy themselves in a safe indoor setting.

The accessible price point of ten-pin bowling also makes the sector more resilient to wider economic conditions and it has traded well through recent recessionary periods.

EMERGENCE OF COMPETITIVE SOCIALISING

The opportunity

An important trend supporting the recent growth in the leisure sector is that consumers are increasingly preferring to share experiences with friends, families and colleagues rather than spend money on material items.

Participation and social competition are important elements of social capital. We have seen this 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, with each other and on social media.

Our response

The 'competitive socialising market' rapidly evolved 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, family focused operators have adapted to cater to the new demand. Hollywood Bowl Group has extended its appeal to this market through the ability to change the environment, atmosphere and proposition in bowling centres during the evening sessions popular with this set of customers.

Outlook

Whilst the COVID-19 pandemic and associated government restrictions have reduced the immediate participation opportunities for competitive socialising, we believe this societal change will continue to gain pace and the demand for experiences will remain strong.
We have been encouraged by the opening performance of our Puttstars mini-golf centres which are targeting this market alongside the family demographic.

LOW MARKET PENETRATION LEVELS

The opportunity

In the UK, ten-pin bowling has been a relatively low-frequency activity compared with other forms of leisure, such as going to the cinema. In a 2017 Mintel report, almost 70 per cent of consumers had not participated in ten-pin bowling over the previous 12 months, compared with a figure of 32 per cent for cinema visits[2].

The accessibility of bowling locations was 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 cinema[2].

As we learn to live with COVID-19, it may be that we find consumers feel safer in our larger spaces than in other leisure venues and that they consider a slightly longer drive acceptable for the environment and experience we offer. Opportunities also exist to increase participation through improved customer propositions and competitive pricing relative to other leisure experiences.

Our response

Hollywood Bowl Group has invested significantly in an active refurbishment programme, customer service enhancements and digital marketing activity, all designed to attract new visitors and increase the frequency of visits by existing customers.

In addition, we have opened ten centres over the past four years in prime locations located close to cinemas and have a healthy new centre pipeline of seven centres to 2024.

Outlook

The UK has a low penetration of bowling centres per head of population relative to some other international markets, which indicates that there is still a significant potential for further ten-pin bowling centre rollout. 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.

COMBINED RETAIL AND LEISURE EXPERIENCES

The opportunity

Even before the pandemic, traditional retail outlets were 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.

New leisure areas are being created by reformatting existing retail space or via purpose-built extensions.

Our response

As the UK's market-leading operator, Hollywood Bowl Group is the 'go-to' tenant in the sector. We have a record of securing attractive developer contributions on new centres, most recently Hollywood Bowl York and our three new Puttstars mini-golf centres. We have a strong pipeline of centres up to and including FY2024.

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 merging of retail and leisure customer propositions.

Outlook

Whilst the pace of new retail and leisure property development has inevitably slowed in the last six months, the longer-term view looks positive as landlords and developers remain committed to future projects and the inclusion of leisure venues in these schemes. Ten-pin bowling and mini-golf are well positioned to play an important part in such schemes as they cannot be replicated by an in-home experience.

SECTOR CONSOLIDATION

The opportunity

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

Our response

At 30 September 2020, the UK had 312 ten-pin bowling venues. Of these, 61 are 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, a process of consolidation though acquisition of other chains (Bowlplex) and selected single centres has led to the Group offering a greater number of lanes.

Outlook

This trend and associated opportunities are likely to be accelerated due to the pandemic and significant pressures being faced by operators who do not have the financial strength of Hollywood Bowl Group.

1 Mintel Competitive Socialising Report 2019

2 Mintel Ten-pin Bowling Report 2017

OUR PURPOSE

BRINGING FAMILIES AND FRIENDS TOGETHER FOR AFFORDABLE FUN AND SAFE, HEALTHY COMPETITION.

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 provide the returns to our shareholders.

WHAT WE HAVE IN PLACE

A MULTI-FACETED AND ADAPTABLE BUSINESS MODEL
Our model drives the success of our strategic objectives – delivering like-for-like growth, our active refurbishment programme, the development of new centres and acquisitions, focus on our people and leveraging our indoor leisure expertise.

HIGH QUALITY ESTATE
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 (or three mini-golf courses) and a footprint of 30,000 square feet.

BRANDS
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, has centres in prime locations.

PEOPLE
Our people are the face of our business. They are focused and are incentivised to ensure our customers have the best possible experience.

OPERATIONS
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 the taking of phone bookings.

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.

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 appropriately 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.

WHAT WE DO AND HOW WE DO IT

MULTIPLE REVENUE STREAMS
Alongside bowling (and mini-golf in Puttstars' centres), 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.

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 & 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. Our positive culture promotes consistent behaviours and attitudes across the business.

TECHNOLOGY & 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.

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.

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.

THE VALUE WE CREATE AND HOW WE SHARE IT

OUR CUSTOMERS
Ten-pin bowling is an inclusive leisure activity that all ages can participate in and thoroughly enjoy together in family, work or friend-based groups.

We reinvest a significant element of our financial returns to ensure we not only have the best team members to deliver exceptional service, but also continue to provide our customers with unique, contemporary, safe and exciting environments in which to spend quality time together and a highly accessible price point.

OUR PEOPLE
Our team members are the face of our business. They are highly focused and are incentivised to ensure our customers have the best possible experience during every visit. Management programmes are in place to attract, retain and nurture top talent. We have a highly targeted incentive structure for our centre management teams, based on customer feedback as well as financial performance.

OUR PARTNERS AND SUPPLIERS
Our financial returns enable us to continue to support a wide eco-system of partners and suppliers through commercial arrangements designed to build mutually beneficial long term relationships.

OUR COMMUNITIES
Our centres are important community facilities for different customer groups to enjoy our unique activities. The inclusive nature of bowling and mini-golf means they are an important contributor to social wellbeing and we offer subsidised access for concessionary user groups. On average, our centres provide 30 employment opportunities to members of the community.

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

WORKING WITH, LISTENING TO AND CONTINUALLY ENGAGING WITH OUR STAKEHOLDERS IS ESSENTIAL IN BEING ABLE TO SUCCESSFULLY STEER AND DEVELOP THE GROUP THROUGH AND BEYOND THE PANDEMIC PERIOD

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 all stakeholders are carefully considered as part of its decision-making process.

OUR CUSTOMERS

CONSISTENTLY DELIVERING FUN-FILLED, GREAT VALUE-FOR-MONEY AND SAFE LEISURE EXPERIENCES FOR OUR CUSTOMERS IS WHAT WE DO AS A BUSINESS.

Why we listen

- ★ To remain passionately focused on the customer and allow us to deliver on our purpose
- ★ To assess our performance across all areas
- ★ To respond to customer needs and demands
- ★ To stimulate innovation in our leisure offering

59,792

Customer satisfaction surveys gathered and analysed during FY2020

How we gather 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

1,467

Team members awarded pin badges in recognition of demonstrating great behaviours (including during the centre closure period) and delivering exceptional customer service

How we gather feedback

- ★ Annual team member survey
- ★ Centre and assistant manager listening sessions
- ★ Female-only listening groups
- ★ Management conferences
- ★ Regular Board member visits to centres
- ★ Fourth Engage app
- ★ Regular video conference updates and Q&A sessions with the leadership team (open to all team members)

OUR 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 highly supportive shareholder base
★ To assist investors in making informed decisions
★ To enhance long-term shareholder value

£10.9M

Raised via an equity placing with our shareholders to strengthen the Group balance sheet after COVID-19 closures

How we gather feedback

★ Individual investor meetings and calls
★ Annual General Meeting
★ Results presentations and Q&As
★ Participation in investor conferences

OUR PARTNERS

WE WORK HARD TO BUILD OPEN AND STRONG RELATIONSHIPS WITH OUR KEY STRATEGIC PARTNERS, LANDLORDS, GOVERNMENT, HEALTH AND SAFETY AUTHORITIES, AND SUPPLIERS.

Why we listen

★ To ensure that our strategic partnerships are collaborative
★ To ensure cultural alignment with suppliers
★ To access innovations as the opportunities arise
★ To access new property opportunities
★ To maintain competitive advantage
★ To ensure we are fully compliant with central and local government directives

£2.2M

Investment in ‘Pins on strings’ and new scoring technology to continue to improve the customer experience

How we gather feedback

★ Contract negotiation process
★ Regular meetings to discuss contract performance
★ External benchmarking
★ Regular meetings with our primary authority
★ Meetings with local MPs and local authority representatives

OUR COMMUNITIES

AS A MULTI-SITE BUSINESS, WE PROVIDE AN IMPORTANT FAMILY LEISURE VENUE AND EMPLOYMENT OPPORTUNITY IN THE COMMUNITIES IN WHICH WE OPERATE.

Why we listen

★ To support local economies through employment opportunities
★ To provide highly valued community facilities and safe environments that help improve family wellbeing
★ To develop charity relationships with a family focus
★ To build a strong relationship with our communities
★ To continue to look for ways to reduce the environmental impact of our operations

120

Local jobs created in our new Puttstars centres in York, Leeds and Rochdale, and in York’s Hollywood Bowl

How we gather feedback

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

INTRODUCTION

The Board is mindful of all stakeholders when making decisions of strategic importance. Stakeholder engagement, balanced with our culture and the desire to maintain an industry-leading standard, is fundamental to the formulation and execution of our strategy and is critical in achieving long-term sustainable success.

The needs of our different stakeholders, as well as the consequences of any decision on long-term performance, are well considered by the Board. It is not always possible to provide positive outcomes for all stakeholders, though, and the Board sometimes has to make decisions despite competing stakeholder priorities. Our stakeholder engagement processes enable the Board to understand what matters to stakeholders, carefully consider all the relevant factors and select the best course of action for business success in the long term.

Both individually and collectively, the Directors believe that in all decisions taken by the Board during FY2020 they have acted to promote the success of the Company, having regard to the stakeholders and matters set out in section 172 of the Companies Act 2006.

KEY STAKEHOLDERS

The Board considers the Company's key stakeholders to be its people (employees), customers, shareholders, suppliers, the communities in which it operates and the environment.

S172(1) statement:

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

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

b. the interests of the Group's employees;

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

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

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

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

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

How the Group engages with its key stakeholders

The Board and Group's approach to considering and engaging with our key stakeholder groups is described below, with cross references to specific disclosures elsewhere in the Annual Report.

The response to the Coronavirus crisis is set out fully on pages 8 and 9. The Board instituted a series of weekly Board video calls to receive regular reports from the Executive Committee and consider critical decisions required in that period. The decisions taken throughout the crisis have shown the regard the Board has for all stakeholders. This is exemplified by the Board's: process of closing sites in line with our health and safety concerns and government's guidelines; committing to set out its salary plans even before the government introduced the Coronavirus Job Retention Scheme; topping up pay so that furloughed salaried staff received at least 80 per cent of their actual salary for the first three months; engaging with landlords early in the closure period to agree rent payment plans on all centres whilst closed and into the reopening timeline; liaising closely with suppliers throughout the closure and getting involved through industry bodies to ensure the best possible outcome for the business and the sector.

Our people

Our people are key to our business success. Therefore, communication and engagement with our teams is vital to the business and part of the Board's decision making. The Board reviews the annual engagement survey results, the senior leadership team hold bi-annual feedback sessions with management and team members across the country, and individual Directors interact directly with team members throughout the year when out on centre visits (COVID-19 guidelines permitting). During the second half of the year, the senior leadership team held fortnightly virtual Q&A sessions to ensure that our team members were kept up to date on the ever-changing landscape that COVID-19 brought to our business, as well as being able to ask any questions they had.

The Talent Director also attends Board and Remuneration Committee meetings to provide updates on areas impacting team members, and monitors pay and conditions across the Group.

We host an annual conference to which support team members and centre managers are invited. This allows the Directors to set out the strategy for the year ahead, as well as celebrate successes of the prior year.

The Group operates an all-employee Sharesave scheme (with annual grants in normal circumstances), giving all team members the opportunity to become shareholders in the Group.

In the course of the decision-making during the COVID-19 pandemic, the interests of team members, in particular in regard to their health, safety and wellbeing, have been a key consideration for the Board. Further information on the Board's engagement with the wider workforce is set out in the Corporate Governance report on page 50.

Customers

The principle of providing our customers with a great experience every time they visit is a key consideration for the Board in its decision-making. Subject to COVID-19 guidelines, the Board regularly visits centres with other members of the Group, as well as discussing the Group's investment opportunities to expand its demographic reach and LFL sales performance via promotional activity enabled through the Group's database.

The Group engages directly with its customers through social media and, during the COVID-19 pandemic, kept customers informed of reopening dates for its centres. Once the dates had been set, the Group published a video on all social media feeds, as well as through its database, showing the safety measures it had put in place for customer and team member safety and promoted social distancing to minimise the risk of COVID-19 spreading in its centres.

Shareholders

The Board recognises the importance of keeping shareholders updated on strategic intent. The CEO and CFO hold meetings with institutional shareholders throughout the year, particularly following interim and full year results. Feedback from those meetings is shared with, and discussed by, the Board. Shareholders are also invited to submit/ask questions at the Annual General Meeting (AGM). The arrangements for the FY2020 are noted on page 73.

During the enforced closure in H2 FY2020, further consideration was given to the liquidity of the Company and engagement was sought with shareholders in respect of an equity raise. As well as increasing liquidity through the COVID-19 closure, the Board considered the equity raise as providing long-term financial stability. Individual meetings were offered to all institutional shareholders to update them on requirements, the steps being taken to get centres open in a COVID-secure way and other cost-efficiency measures taken.

Our Remuneration Committee Chair will continue to consult with shareholders on any major changes to the Policy. The Remuneration Report is set out on pages 57 to 70.

Suppliers

The Company has a small number of main suppliers, in particular for IT services, amusements, food and beverages. Under normal circumstances, engagement with our suppliers would be face to face and be led by the relevant member of the senior leadership team (including Executive Directors). However, once agreements had been reached over the suspension of supply during the enforced COVID-19 closure period, meetings were put on hold. Once the centres were reopened, the meetings were re-established.

Supplier relationships, especially with our landlords, were factors considered by the Board during its weekly video calls, with a clear strategy agreed for each material supplier. All suppliers pre COVID-19 are still suppliers now we have reopened.

In respect of our landlords, the March 2020 rents were paid on time and virtual meetings were set up to discuss the approach to the following quarters' property costs. The CEO and CFO, along with the Company's external property adviser, held each of these calls, setting out the actions the Company had taken to preserve liquidity, including, but not limited to, the equity raise and CLBILS.

Heads of department attend Board meetings, at least annually, to update on key supplier matters and relationships, as well as any material contract changes or new contractual arrangements.

Our key suppliers are audited annually on their compliance with modern slavery and human trafficking legislation.

We publish our payment practices twice a year at Companies House, as required.

Community and the environment

The Board is committed to the communities in which the Company operates. The Company takes pride in being an active part of its communities, with school outreach programmes, concession discounts and charity fundraising for our national partner, Barnardo's.

Community impact and environmental issues are taken into account in strategic decision making by the Board and the CEO leads the Company's sustainability working group which looks for ways to reduce the environmental impact of its operations. The Board continues to look for ways to increase the recycling of waste, reduce energy taken from the National Grid – including by installing solar panels – and reduce the use of plastic.

Please see the Sustainability section on pages 38 to 41 for more information.

OVERVIEW

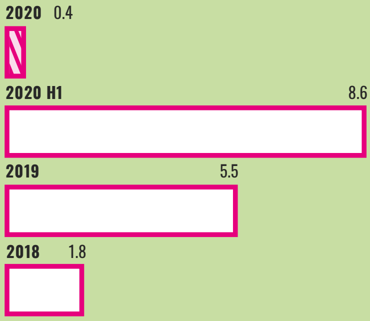
We drive LFL revenue growth by attracting new customers, increasing the frequency of visits of existing customers and stimulating higher spend per game. LFL revenue is defined on page 25.

PROGRESS

In FY2020, our LFL revenue grew by 0.4 per cent. LFL spend per game was the key driver for this, being up 5.3 per cent, to £10.15. Our approach is to increase dwell time and gain a greater share of customers' leisure spend. Pre COVID-19, our LFL revenue grew by 8.6 per cent.

KEY PERFORMANCE INDICATORS

LFL GROWTH (%)



OPTIMISING SPACE AND LANE CAPACITY

In several of our highest-lineage centres, we have reconfigured the layout to combine the bar and diner areas, enlarge the amusements area and add extra lanes. This successful initiative has helped increase revenues in bowling and amusements, with no impact on bar and diner spend.

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.

DRIVING LIKE-FOR-LIKE REVENUE GROWTH

AN ACTIVE REFURBISHMENT PROGRAMME

OVERVIEW

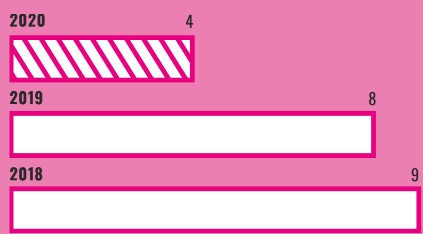
Our refurbishment programme generates improved sales and profitability at existing centres through investment in the customer experience – including the introduction of VIP lanes, our new scoring system, new external signage, internal digital signage and leaderboards, an upgraded bar offer and Hollywood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

PROGRESS

In FY2020, we refurbished/rebranded three centres.

KEY PERFORMANCE INDICATORS

NUMBER OF CENTRES REFURBISHED/REBRANDED



PRIORITIES

We continue to focus on ongoing enhancement of our existing estate so we deliver consistent quality and continue to reduce our environmental impact through refurbishments and installation of new energy initiatives.

We have five to seven refurbishments planned for FY2021 and we are confident we can maintain a strong level of ROI as we continue to invest in our family-focused model.

REFURBISHMENT

Watford Woodside was originally refurbished in 2014.

The second-generation refurbishment took place in 2019 before the peak Christmas period and included a combined bar and diner, new scoring, expanded amusements area, upgraded bowlers seating and digital merchandising installations.

DEVELOPMENT OF NEW CENTRES AND ACQUISITIONS

OVERVIEW

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

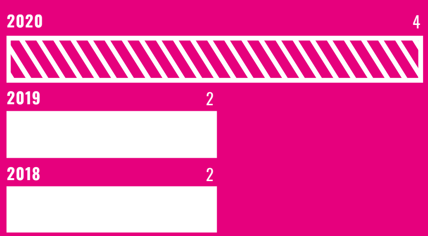
PROGRESS

One new bowling centre, York, opened in August and is performing to expectations.

Three new Puttstars mini-golf centres opened – Leeds (March), York and Rochdale (both in August). All are trading in line with expectations.

Leases are signed for new centres in seven locations, which secures our pipeline to FY2024, and we have a number of other opportunities in legals.

KEY PERFORMANCE INDICATORS
NUMBER OF NEW CENTRES OPENED



YORK HOLLYWOOD BOWL

Co-located with a new Puttstars centre, at a gross capex of £2.7m.

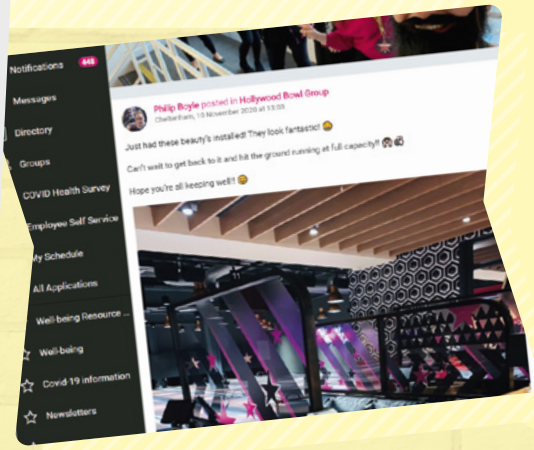
Hollywood Bowl York opened to excellent customer feedback and features the latest generation VIP lanes and digital installations.

PRIORITIES

We will continue to expand our estate and look for profitable opportunities to grow, dependent on meeting our opening criteria, rental and sustainability expectations, and will continue to consider selective acquisition opportunities.

DIGITAL: SUPPORTING TEAM MEMBER ENGAGEMENT

- ★ 97 per cent completion rate for online training modules at the end of FY2020
- ★ 79 per cent of our team use the Fourth Engage app weekly, making an average of 51 posts. The app was a valuable communications tool during the lockdown period



OVERVIEW

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

PROGRESS

We continue to build on the success of our centre manager and assistant manager in training programmes. In FY2020, 73 per cent of centre management positions were filled internally.

KEY PERFORMANCE INDICATORS

PERCENTAGE OF MANAGEMENT POSITIONS FILLED INTERNALLY

2020	57
2019	49
2018	49

PRIORITIES

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, internal succession and team wellbeing remain key focus areas for the Group.

FOCUSING ON OUR PEOPLE

LEVERAGING OUR INDOOR LEISURE EXPERIENCE

OVERVIEW

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.

PROGRESS

We developed a unique concept in the family-focused indoor mini-golf market combining unique course design with technology innovations.

We opened three trial centres for our new indoor mini-golf brand, Puttstars, in Leeds (March), York and Rochdale (both August).

KEY PERFORMANCE INDICATORS

NUMBER OF PUTTSTARS OPENED

PRIORITIES

Our initial focus has been on launching and operating the three Puttstars trial centres and fully evaluating their customer feedback and financial performance.

The three centres have performed in line with pre-COVID revenue expectations and have received excellent local publicity and customer feedback, giving us confidence for the further rollout of our unique concept to a fragmented market of close to 1,000 venues which we believe is ready for our innovative proposition.

"THE GOLF IS AWESOME, QUIRKY AND DIFFERENT"

"REALLY CLEVER SYSTEM IN PLACE TO KEEP TRACK OF SCORES!"

"LOTS OF FUN. GREAT SET UP, FRIENDLY STAFF"[1]

PUTTSTARS – THE GREAT NEW MINI-GOLF BRAND

Puttstars is a successful new concept that extends the Hollywood Bowl Group's passion for offering competitive fun to all the family into an entertaining new mini-golf game.

Our Puttstars centres, all in prime locations alongside leisure, dining and retail offerings, a complete entertainment experience with three nine-hole interactive courses and a unique scoring system that replaces the traditional pencil and scorecard method.

Once inside, digital installations encourage increased dwell time while bar, diner and reception merchandising screens encourage ancillary spend, and also show the top scores in the form of leaderboards.

Aside from mini-golf, visitors can enjoy a stylish bar and diner and an extensive amusement area, with leading games and the opportunity to convert wins into fun prizes.

A variety of centre configurations, course layouts and internal designs have been trialled and additional system development is being carried out to further enhance the customer experience and improve operational efficiency.

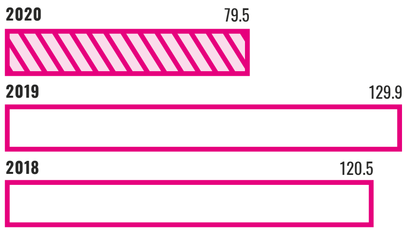
Along with customer and team member feedback, this will allow us to refine and optimise the next iteration of Puttstars' centres to further capitalise on our successful innovation.

1 Google review September 2020.

WE MONITOR OUR PERFORMANCE BY REGULARLY REVIEWING KPI METRICS[1]. WE USE THESE TO GAIN A THOROUGH UNDERSTANDING OF THE DRIVERS OF OUR PERFORMANCE, OF OUR OPERATIONS AND OF OUR FINANCIAL CONDITION.

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)



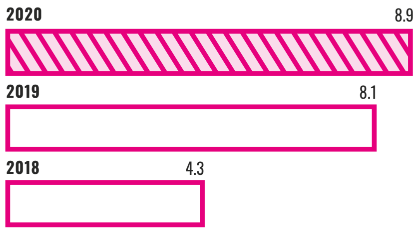
Definition

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

Comment

Revenue was impacted by the COVID-19 closure of nearly five months, as well as the restrictions once reopened. Revenue decreased by 38.8 per cent to £79.5m.

REVENUE-GENERATING CAPEX (£M)



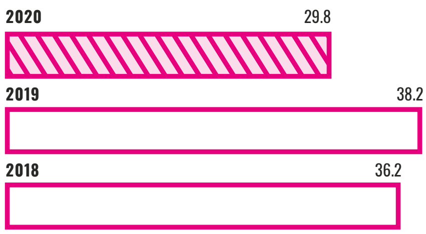
Definition

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

Comment

Revenue-generating capex increased by 9.3 per cent (£0.8m) due to a £2.3m increase in new centre opening capital netted off by lower spend on refurbishments in FY2020.

GROUP ADJUSTED EBITDA (£M)



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 34.

Comment

Group adjusted EBITDA decreased by £8.4m largely due to the COVID-19 impact.

PROFIT BEFORE TAX (£M)

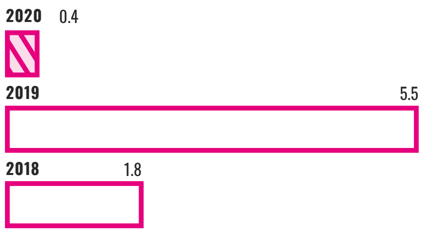
Definition

Profit before tax as shown in the Financial Statements.

Comment

Profit before tax fell due to the impact of COVID-19 as well as the introduction of IFRS 16.

LIKE-FOR-LIKE REVENUE GROWTH (%)



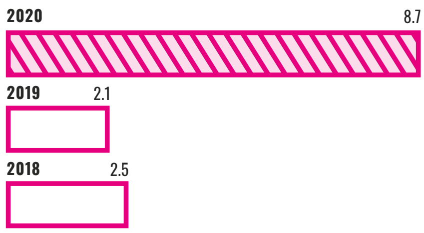
Definition

LFL revenue growth is total revenue excluding any new centres and closed centres. New centres are included in the LFL growth calculation for the period after they complete the calendar anniversary of their opening date. During FY2020, any centre closed due to COVID-19 was excluded from the LFL calculation during its closure period and the comparable period in the prior year. Due to the government announcement, the LFL closure period for the March lockdown starts on 16 March 2020.

Comment

LFL revenue increased 8.6 per cent pre the COVID-19 impact. For the full period, LFL revenue increased by 0.4 per cent.

NET DEBT (£M)



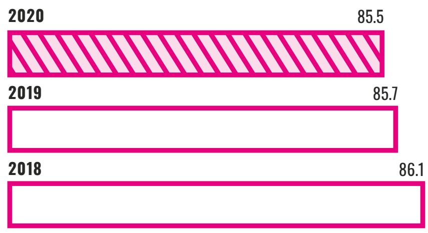
Definition

Net debt is defined as borrowings from bank facilities (£29.5m) excluding issue costs, less cash and cash equivalents (£20.8m).

Comment

Net debt has continued to be controlled during the year.

GROSS PROFIT (%)



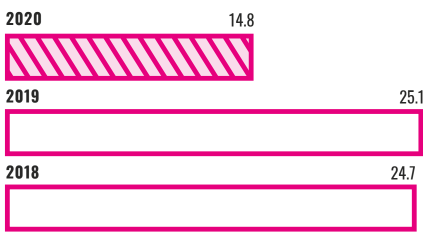
Definition

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

Comment

Gross profit percentage reduced slightly year-on-year. This was impacted by the stock write-offs due to the COVID-19 closure.

GROUP ADJUSTED OPERATING CASH FLOW (£M)



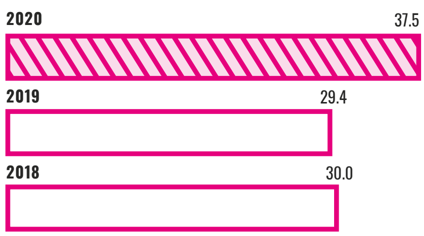
Definition

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 35.

Comment

Group adjusted operating cash flow decreased due to a combination of lower Group adjusted EBITDA, maintenance capital and working capital unwinding.

GROUP ADJUSTED EBITDA MARGIN (%)



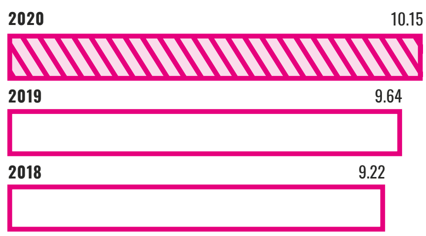
Definition

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

Comment

Group adjusted EBITDA margin percentage increased in the main due to the IFRS16 impact. Pre IFRS 16, Group adjusted EBITDA margin was 17.6 per cent.

TOTAL AVERAGE SPEND PER GAME (£)



Definition

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

Comment

Average spend per game increased by 5.3 per cent, to £10.15, due to customers continuing to spend more during their visits.

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 2 to 41).

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

RISK APPETITE

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

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

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 and emerging risks are taken into account in the Board's consideration of long-term viability as outlined in the viability statement (see pages 30 and 31).
- 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.

COVID-19

The COVID-19 pandemic, the associated lockdown and the closure of our business significantly impacted our financial year. Our colleagues, customers and suppliers have all experienced significant disruption with numerous personal and operational challenges arising. The pandemic and the social and macroeconomic impact it brought has created a risk event for the Group, which has been considered as set out in the viability statement.

In our initial response phase to COVID-19, our priority was to safeguard the health and wellbeing of our colleagues and customers, and to mitigate the closure of our centres. We moved into a resilience phase early in the lockdown period following extensive modelling of the financial impact of COVID-19. It was necessary to impose tighter control over liquidity, which informed our decisions on a series of measures, including the furloughing of colleagues and negotiating payment terms with our suppliers, as well as landlords in regard to rental payments. Resilience will remain central to our risk management focus throughout 2021; however, in readiness for the easing and removal of lockdown restrictions, we are preparing for the recovery phase and, ultimately, new ways of working.

Where the impact of the pandemic has exacerbated a principal risk, we have incorporated a commentary on the COVID-19 mitigation being taken.

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

RISK MANAGEMENT ACTIVITIES

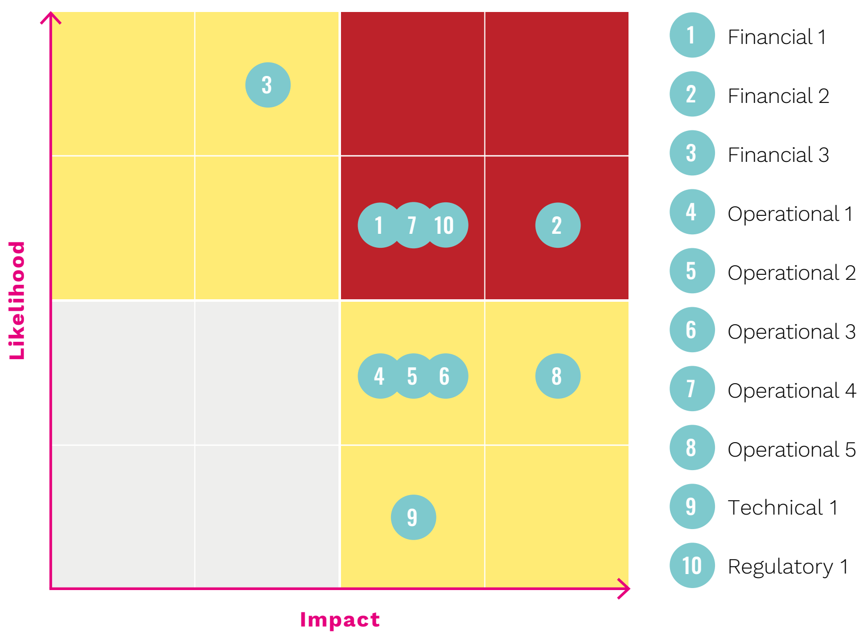
Risks are identified via: operational reviews by senior management; internal audits; control environments; our whistleblowing helpline; and independent project analysis.

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 current and emerging risks have been identified and considered by management.

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

RISK HEAT MAP



TREND CHANGE

Risk type	Risk and impact	Mitigating factors
FINANCIAL 1 REVENUE RISK ↑	★ Adverse economic conditions may affect Group results. ★ A decline in spend on discretionary leisure activity could lead to a reduction in profits. ★ Lack of free cash flow may impact on the refurbishment strategy. ★ A prolonged period of uncertainty as a result of the COVID-19 pandemic could cause significant disruption to business operations.	★ An economic contraction is likely, impacting consumer confidence and discretionary income. The Group has the lowest price per game of the branded operators and whilst it would suffer in such a recession, the Board is comfortable that the majority of centre locations are based in high-footfall areas which should stand up to a recessionary decline. ★ Along with appropriate financial modelling and available liquidity, a focus on opening new centres only with appropriate property costs, as well as capital contributions, remains key to the Group's new centre-opening strategy. Recent new openings continue to provide strong returns. ★ We have an unrelenting focus on service, safety, quality and value, and are continuing to invest in our centres. Plans are developed to mitigate many cost increases. ★ During the COVID-19 pandemic and period of closure, management identified and implemented measures to preserve cash, reduce discretionary spend and facilitate reopening expediently to minimise revenue loss, as well as utilising the CJRS. ★ We have developed a comprehensive framework of protocols for operating our centres in a COVID-secure way. This framework was developed in line with government guidelines for the wider hospitality and leisure sectors and also includes specific protocols for bowling. We have introduced enhanced cleaning protocols and equipment, capacity limits within each centre and appropriate social distancing measures in all areas of our spacious centres. To provide further confidence and guidance to our customers, we have implemented a comprehensive communication plan ('Have Fun – Play Safe') providing customers with information, videos and FAQs via email, on our website and in the centres themselves.
FINANCIAL 2 COVENANT BREACH RISK ↑	★ 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 pandemic has elevated this risk, and financial resilience has therefore become central to our decision-making and will remain key for the foreseeable future. ★ Appropriate financial modelling has been undertaken to support the assessment of the business as a going concern. The Group has headroom on the current facility with net debt and cash flow cover 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 capital expenditure and expenses. ★ Early in the period of the first lockdown due to the pandemic, the Group was able to access substantial liquidity (£10.5m) through an equity placing and an incremental RCF of £10m through the CLBILS, as well as agree relaxing of various financial covenants (as set out on pages 34 and 35). The Group has also agreed a one-year extension on its current credit facility. ★ The Group was able to take advantage of the government support for business through CJRS, business rates holiday and the VAT deferment scheme (for the March 2020 quarter). In addition, the Group worked in partnership with landlords and key suppliers to reduce cash outflow through a mixture of payment waivers and deferrals. ★ The Directors consider that the combination of events required to lower the profitability of the Group to the point of breaching bank covenants is unlikely, but not implausible. In the event that the Group fails to meet one or more of its covenants, the Directors believe it likely that an agreement could be reached with its lending bank, to waive or amend covenants further. However, no such commitment for further covenant waivers is currently in place with the lending bank.

Change since Annual Report FY2019

↑ Increasing — Unchanged ↓ Decreasing

Risk type	Risk and impact	Mitigating factors
FINANCIAL 3 **BREXIT RISK** Unchanged	★ 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 under both a 'no deal' Brexit and a continued EU relationship. ★ The COVID-19 pandemic puts extra financial pressure on the Group's suppliers, however, given their size and liquidity, it is management's belief that all should survive this period. ★ Minimal fresh ingredients, which are likely to see the largest financial cost impact, in the business. ★ Increased stock holdings on all identified risk lines upon consultation with suppliers.
OPERATIONAL 1 **CORE SYSTEMS RISK** Unchanged	★ Failure in the stability or availability of information through IT systems could affect Group business and operations. ★ Customers not being able to book through 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 also has full business continuity provision and scalability for peak trading periods. ★ The reservations system also 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. ★ The business has migrated to Microsoft365 for added resilience and to ensure that email is always available for communications. ★ All technology changes which affect core systems are authorised via change control procedures. ★ The Group undertakes periodic strategic reviews of its core system set up with associated market comparisons of available operating systems to ensure that it has the most appropriate technology in place.
OPERATIONAL 2 **SUPPLIER RISK** Unchanged	★ 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 14 and 21 days of food, drink and amusement product. Regular reviews and updates are held with external partners to identify any perceived risk and its resolution.
OPERATIONAL 3 **AMUSEMENT SUPPLIER RISK** Unchanged	★ 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 quarterly meetings between the CEO, CFO and Namco. ★ Namco is a long-term partner that has a strong UK presence and supports the Group with trials, initiatives and discovery visits. ★ Namco also has strong liquidity which should allow for a continued relationship post any consumer recession.
OPERATIONAL 4 **CENTRE MANAGER RETENTION RISK** Decreasing	★ 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. Centre managers in training 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 for FY2021 to ensure it is still a strong recruitment and retention tool. Small amends to make it more attractive include a long-term retention plan, as well as quarterly payouts. ★ Wellbeing guides were issued across the business during the pandemic, as well as frequent Group Zoom Q&A sessions and updates via our team member app, to ensure team engagement.

Change since Annual Report FY2019

Increasing   Unchanged   Decreasing

Risk type	Risk and impact	Mitigating factors
OPERATIONAL 5 **FOOD SAFETY RISK**	★ Major food incident including allergen or fresh food issues. ★ Loss of trade and reputation, potential closure and litigation.	★ Food and drink audits are undertaken in all centres based upon learnings of prior year and food incidents seen in other companies, as well as for health, safety and legal compliance. STRIKES training, which includes allergen and intolerance issues, to be reviewed, understood and complied with. ★ Allergen information has been updated and remains a focus for the centres. This was enhanced further in the new menu, along with an online allergens list. A primary local authority partnership is in place with South Gloucestershire covering health and safety, as well as food safety.
TECHNICAL 1 **GDPR & CYBER SECURITY RISK**	★ Data protection or GDPR breach. ★ Obtaining all 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 36 months and has 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 to complete pre being able to work on shift. ★ A cyber security partner is in place to handle any cyber security breaches and will work with the Group on a priority basis – 365x24x7 – if necessary. ★ Regular penetration testing is conducted through a third-party cyber security company.
REGULATORY 1 **COMPLIANCE RISK**	★ 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.

GOING CONCERN

As part of the adoption of the going concern basis, the Group has considered the Group's cash flow, liquidity and business activities, as well as the uncertainty caused by the COVID-19 outbreak. All of the Group's centres were closed for trade from 20 March 2020 with a phased reopening from 4 August 2020 and the majority of the centres reopening on 15 August 2020.

As part of the review of the potential impact of the COVID-19 outbreak on the Group's cash flows and liquidity over the next 12 months, a base case and multiple downside scenarios were prepared, including a severe downside. Under each scenario, mitigating actions included are only those within management control and ones that can be initiated as they relate to discretionary spend. These actions include reducing employee costs, maintenance and marketing spend, as well as all non-essential and non-committed capital expenditure. The Group also agreed with its lending bank, Lloyds Banking Group Plc (Lloyds Bank plc), to a combination of liquidity-enhancing amendments to its borrowing facility. These included a £10m extension of the Group's RCF under CLBILS, a number of covenant test relaxations and waivers (listed below), and an additional year to extend the current facility out to September 2022.

- Leverage covenants amended to:
  - September 2020 – 2.25x
  - December 2020 – waived
  - March 2021 – waived
  - June 2021 – 1.50x
  - September 2021 – 1.50x (this covenant remains at this level until June 2022)
- Cash cover covenant waived for September 2020, December 2020 and March 2021.

New covenants introduced for December 2020 and March 2021:

- Liquidity, including balance sheet cash and undrawn RCFs, at least £17m.
- Trailing twelve month (TTM) Group adjusted EBITDA pre IFRS 16, minimum of -£3m.

The base case has FY2021 monthly revenues at levels of between -56 per cent and -15 per cent of FY2020 (five months actual performance and seven months budget), excluding the English lockdown in November 2020, closed centres due to local tier trading restrictions, as well as taking into account the impact of socially distanced operations.

Under this base case scenario, in FY2021 the Group continues to remain profitable with sufficient liquidity and no covenant breaches.

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

- revenue assumed at 11 percentage points down on the base case for open centres in FY2021;
- the centres closed due to the local tier trading restrictions that commenced on 2 December 2020, to remain closed until the end of February 2021;
- in line with the revenue reduction, reduced employee costs. When centres are forced to close, taking advantage of the CJRS and no additional top up pay for centre teams;
- reduced maintenance and marketing spend, as well as reducing all non-essential and non-committed capital expenditure in FY2021; and
- no dividend payments in FY2021.

The most severe downside scenario modelled would still provide sufficient liquidity to pass the liquidity and cash cover covenant tests. However, under this severe downside, the TTM Group adjusted EBITDA (pre IFRS 16) loan covenant, whilst not breached, would be challenged at March 2021. In the event this covenant is breached, an extension of this covenant would need to be negotiated with Lloyds Bank plc.

The Directors believe this is likely to be attained, particularly given the strong cash position of the Group in this scenario being between £18m and £22m, depending on capital expenditure, as well as its strong relationship and success on obtaining covenant waivers with its lending bank recently. The Group would also have access to £11m in undrawn RCFs.

Nevertheless in the event of extended lockdown measures impacting the Group's operations, the possibility of a covenant breach at the end of March 2021 cannot be discounted, and as such represents a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Taking the above and the principal risks faced by the Group into consideration, and the Directors expectation that they could negotiate an extension to the covenant should the need arise, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future, a period of at least 12 months from the date of this report. Accordingly, the Group continues to adopt the going concern basis in preparing these Financial Statements.

VIABILITY STATEMENT

In accordance with the 2018 UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a period significantly longer than 12 months. The Directors have assessed the viability of the Group over a three-year period to 30 September 2023. The Directors believe this period to be appropriate as the Group's strategic planning encompasses this period, and because it is typically a reasonable period over which the impact of key risks can be assessed within a fast-moving hospitality business. The Directors are mindful, however, of the heightened uncertainty driven by the COVID-19 pandemic and accept that forecasting across this timeframe is now materially more challenging and have, therefore, also focused on understanding the level of headroom available before the Group reaches a position of financial stress.

In making this viability statement, the Directors have reviewed the overall resilience of the Group and have specifically considered a robust assessment of the impact, likelihood and management of principal risks facing the Group, including consideration of those risks that could threaten its business model, future performance, solvency or liquidity or sustainability. The assessment of viability has specifically considered risks that could threaten the Group's day to day operations and existence. The assessment considered how risks could affect the business now, and how they may develop over three years; and financial analysis and forecasts showing current financial position and performance, cash flow and covenant requirements.

The Group's business model and strategy are central to an understanding of its prospects, and details can be found in the Strategy section on pages 2 to 41.

Context

The Group undertook a review of the previously approved financial plan and forecasts in light of the current economic uncertainty caused by COVID-19. The output of this review has created a new base case for the period ending 30 September 2021 where short-term volatility is expected to have an adverse effect on the results.

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

Assessment process

The Directors subsequently made a robust consideration of the key risks and uncertainties that could impact the future performance of the Group and the achievement of its strategic objectives, as discussed on pages 26 to 29 of this Annual Report. Particular regard was paid to the potential impacts of COVID-19, while acknowledging that the significant uncertainties surrounding the future trajectory of the pandemic and the related government response present an additional source of variability.

The viability scenario takes into account all of the principal risks and uncertainties facing the Group across the three-year period in order to assess the Group's ability to withstand multiple challenges. The impacts of COVID-19 have been built into the scenario, but the impact of further one-off events that cannot be reasonably anticipated have not been included.

Key assumptions

The base case forecast, which is prepared on a prudent basis, assumes a double-digit decline in FY2021 LFL annual revenues when compared with FY2019, with FY2022 seeing a recovery to FY2019 levels, with low single-digit growth thereafter. The process undertaken considers the Group's adjusted EBITDA, capital spend, cash flows and other key financial metrics over the projection period.

The base case assumes no significant change in gross margin percentage and that dividend payments will resume from FY2021. Employee, maintenance and other operating costs, which are discretionary in nature, are reduced on a linear basis with LFL revenue declines. Capital expenditure reduces at discretionary levels as LFL revenues permit.

Mitigating actions have been taken in year one to preserve cash which include, but are not limited to, reducing planned capital expenditure, employee costs, discretionary marketing, maintenance and other operating costs as well as suspension of the dividend for the period ended 30 September 2020. External mitigations include the utilisation of the government business rates holiday, the CJRS, as well as the extended job support scheme, where relevant.

The Board considers this scenario to be reasonable. Since the COVID-19 crisis began, the Group was able to reopen most centres from 15 August 2020. Revenues to date, in FY2021, are in line with the base case.

Assessment of viability

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

The range of downside scenarios include a severe downside which has a further LFL decline of 11 per cent beyond that already included in the base case..

These downside scenarios are most sensitive to changes in the length of the COVID-19 impacting period and the depth of the impact. Without firm guidance from the government on a possible 'exit strategy', a prudent approach has been taken to stress test the base case with our downside sensitivity. The impact of the downside scenario on the revenue is as follows:

- the centres closed due to the local tier trading restrictions that commenced on 2 December 2020, to remain closed until the end of February 2021;
- centres that are open trade at -35 per cent, -30 per cent and -20 per cent for December 2020, January 2021 and February 2021 respectively versus the same period in FY2020;
- all bowling centres to trade at -20 per cent for the remainder of FY2021 versus FY2019;
- all bowling centres to trade at -5 per cent in Q1 FY2022 versus FY2019, and flat versus FY2019 for the remainder of FY2022;
- all bowling centres to trade flat versus FY2019 for FY2023; and
- golf centres to trade, when open, in line with year one revenue expectations.

While the assumptions we have applied in this scenario are plausible, it does not represent our view of the likely outturn. However, the results of this scenario help to inform the Directors' assessment of the viability of the Group.

The current banking facility runs to September 2022. The Board would expect these to be renewed well in advance of this date.

Viability statement

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

Laurence Keen
CHIEF FINANCIAL OFFICER

Read biography on page 44

> FOR A LEASEHOLD BUSINESS TO ENDURE FIVE MONTHS OF CLOSURE AND STILL POST A PROFIT, DEMONSTRATES THE UNDERLYING STRENGTH OF THE GROUP.

GROUP FINANCIAL RESULTS

	FY2020 (IFRS 16)	FY2020 (pre IFRS 16)	FY2019 (pre IFRS 16)	Movement (pre IFRS 16)
Revenue	**£79.5m**	**£79.5m**	£129.9m	-38.8%
Gross profit	**£67.9m**	**£67.9m**	£111.4m	-39.0%
Gross profit margin	**85.5%**	**85.5%**	85.7%	-0.2%pts
Administrative expenses	**£58.1m**	**£64.6m**	£82.9m	-22.1%
Group adjusted EBITDA[1]	**£29.8m**	**£14.0m**	£38.2m	-63.8%
Group profit before tax	**£1.2m**	**£2.4m**	£27.6m	-91.2%
Free cash flow[2]	**(£4.2m)**	**(£4.2m)**	£15.1m	n/a
Group expansionary capital expenditure[3]	**£8.9m**	**£8.9m**	£8.1m	+9.3%
Average spend per game	**£10.15**	**£10.15**	£9.64	+5.3%

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

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

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

The results for FY2020 are presented on an IFRS 16 and pre IFRS 16 basis to enable a comparison with FY2019. For the purposes of this review, the commentary will clearly state when it is referring to figures on an IFRS 16 or pre IFRS 16 basis.

Total revenue for FY2020 was obviously impacted by the lockdown which started on 20 March 2020. During this lockdown, and until the gradual reopening of the sector, the Group saw no revenues. The majority of the estate reopened on 15 August 2020 and was therefore without revenues for 21.3 weeks of the financial year. For the first half, the Group saw LFL revenue growth of 8.6 per cent, and total revenue growth of 3.3 per cent. Since the reopening of the sector, and with the Group operating within the approved guidelines as outlined in the COVID-19 Response section on pages 8 and 9, it has seen LFL revenues at 66 per cent of the comparable period to 30 September 2020.

The total revenue for FY2020 was £79.5m (FY2019: £129.9m).

GROSS PROFIT MARGIN

As a result of the closure, gross profit margin reduced to £67.9m (FY2019: £111.4m), with a margin rate of 85.5 per cent. Gross margin for combined diner and bar was impacted by increased waste as the Group entered lockdown, as well as the late notice of the delayed reopening that was planned for 1 August. In total, £0.2m was written off due to expiration dates of specific food and drink product categories. Excluding this write off, gross margin was in line with the prior year, at 85.7 per cent.

ADMINISTRATIVE EXPENSES

Administrative expenses, on a pre IFRS 16 basis, were £64.6m, a decrease of £18.4m (22.1 per cent) on the corresponding period in the prior year. During the four full months of lockdown, the Group saw a reduction of 59.5 per cent in administrative expenses, excluding depreciation and amortisation. This was principally due to the reduction in employee costs with the support of the CJRS, rent savings as agreed with landlords, and the business rates suspension from 1 April 2020.

Mitigating actions to reduce costs

Upon closure of our centres, we were able to reduce the estate running costs significantly: maintenance was reduced (to health and safety requirements only) until late July when preparing the sites for reopening; utilities were reduced, although not to zero as standing charges were still incurred; costs from our external cleaning company were reduced to zero.

In addition to the cost savings noted above, we reduced marketing spend significantly, with minimal spend focused on our social media channels and existing database communication.

During the closure period, we reviewed our support centre structure to ensure we were set up in the most efficient way to exit the lockdown and continue to drive the Group's strategy. This review led to a reduction of 14 per cent in our headcount, an annualised saving of £0.4m in Corporate costs.

Some of these savings were offset by one-off expenses to ensure that centres were opened in a COVID-secure way as stipulated by the guidelines. These costs included the development and rollout of COVID-secure protocols and measures; investment to develop our own COVID track and trace app; and an app-based food and drink ordering system. The total cost of these was £0.2m. Corporate costs decreased by £3.3m in FY2020 (FY2019: £11.9m).

Support from UK government initiatives

★ Compared to the prior year, the 12-month business rates relief, from April 2020 to March 2021, provides a cash saving of £7.3m, with £3.9m for FY2020 and the rest to be seen in FY2021. From a profit and loss income statement perspective, the total amount is split equally between FY2020 and FY2021.
★ The HMRC Time to Pay arrangement for the March 2020 VAT quarter results in a deferred cash benefit of £2.1m. Based on recent government legislation, this will now be paid over 11 equal monthly instalments, starting in March 2021.
★ The CJRS meant that we were able to furlough 98.6 per cent of our team from 23 March to shortly before the centres reopened, in phases, from 4 August 2020. The Group took the decision to pay all hourly paid team members the higher of the furlough rate and their contracted hours for the first four weeks of lockdown, and then moved onto the furlough scheme rules post that period. For all salaried team members, the Group elected to top up salaries to 100 per cent of salary for March, April and May, and then moved to the government scheme of 80 per cent of salary for the rest of the lockdown period. The total support claimed from the CJRS in the period was £8.2m, of which £7.7m cash was received in FY2020, with the September claim being received in full, post year end.
★ We have a strong relationship with our landlords which was further enhanced with full payment of the March rent quarter. This meant that, in April, we were able to engage with our landlords on how to work in partnership to ensure an equitable solution for the June and September quarters. We were able to agree with the vast majority rent-free periods of varying lengths, as well as some lease regears which we had been working on previously. For those landlords that have not engaged, we have taken advantage of the Corporate Insolvency and Governance (CIG) Bill, and deferred rent payments for June and September quarters. The total value of this deferment is £1.3m, exclusive of VAT, and we continue to look for engagement on these units over the coming months. These deferments did not impact the IFRS 16 income statement charge for FY2020 but did reduce the cash rent outflow, thereby supporting operating cash flow. If no agreements are reached, this deferred amount will be due for payment on 31 December 2020, unless the CIG Bill is extended.
★ The above actions resulted in Group cash rent for June of £1.0m and £1.3m in September, which is a saving of £3.6m and £3.2m respectively. Of these savings, £0.7m in June and £0.8m in September, is deferred and will be due for payment as noted above.

Excluding property lease assets depreciation, the depreciation charge was £10.1m, compared to £9.0m in FY2019, as a result of the continued capital investment programme, including new centres, refurbishments and centre scoring technology rollout. Post the adoption of IFRS 16, depreciation has increased from £9.0m in FY2019 to £19.4m in FY2020.

Centre employee costs were £15.0m for FY2020, a decrease of £10m on an overall Group basis on the same period in the prior year. Excluding the CJRS benefit, we would have expected employee costs to increase by 3.1 per cent due to a combination of National Minimum/Living Wage increases and new centre openings.

Following the adoption of IFRS 16, administrative expenses exclude property rents and include the depreciation of property right-of-use assets. On this statutory basis, administrative expenses decreased by £24.9m (30.0 per cent) compared with FY2019.

GROUP ADJUSTED EBITDA AND OPERATING PROFIT

During H1, Group adjusted EBITDA, pre IFRS 16, continued to grow, albeit impacted by the COVID-19 enforced closure, and increased by 2.4 per cent compared to the prior year period, to £21.6m. However, the closure of all centres from 20 March until the phased reopening from 4 August, resulted in FY2020 Group adjusted EBITDA, pre IFRS 16, of £14.0m (FY2019: £38.2m).

	FY2020 £'000	FY2019 £'000
Operating profit	**9,861**	28,444
Depreciation	**19,418**	9,041
Amortisation	**507**	502
Loss on property, right-of-use assets, plant and equipment and software disposal	**22**	596
Exceptional items	**–**	(380)
Group adjusted EBITDA under IFRS 16	**29,808**	38,203
IFRS 16 adjustment[1]	**(15,840)**	–
Group adjusted EBITDA pre IFRS 16	**13,968**	38,203

1 IFRS 16 adoption has an impact on EBITDA, with the removal of rent from the calculation. For Group adjusted EBITDA pre IFRS 16, it is deducted for comparative purposes and is used by investors as a key measure of the business.

Management use EBITDA adjusted for exceptional items and IFRS 16 rent adjustment (Group adjusted EBITDA pre IFRS 16) as a key performance measure of the business.

Statutory operating profit reduced to £9.9m in FY2020, a reduction of £18.6m compared to the same period last year for the reasons noted above in respect of COVID-19.

EXCEPTIONAL COSTS

There were no exceptional costs for the period. The VAT rebate shown in the period to FY2019 relates to a one-off retrospective reclaim in respect of unclaimed input VAT on professional fees.

SHARE-BASED PAYMENTS

During the first half of 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 the attainment of certain performance conditions relating to earnings per share (EPS). The Group also started a new Sharesave scheme, open to all team members, in February 2020.

The Group recognised a total charge of £729,829 (FY2019: £633,075) in relation to the Group's share-based payment arrangements.

None of these non-cash costs are classified as exceptional costs.

FINANCE COSTS

Finance costs increased to £8.8m in FY2020 (FY2019: £1.0m) comprising the implied interest relating to the lease liability under IFRS 16 of £7.8m and £1.0m associated with our bank borrowing facilities.

TAXATION

The Group has incurred a tax credit of £0.2m compared to a charge of £5.3m in the comparable period in the prior year.

EARNINGS

Statutory profit before tax for the year was £1.2m, a decrease of £26.4m on the corresponding period in FY2019 due to the factors discussed above. The impact of IFRS 16 on FY2020 is to reduce profit before tax by £1.2m.

The Group delivered profit after tax of £1.4m (FY2019: £22.3m) and basic earnings per share were 0.90 pence (FY2019: 14.86 pence).

FINANCING

As highlighted previously, all centres were closed on 20 March, in line with government guidance.

In light of the COVID-19 uncertainty, the Group conducted an equity placing of 7,500,000 new ordinary shares (representing five per cent of the issued share capital) which raised £10.9m gross proceeds (£10.5m net of costs).

The Group also agreed with its lending bank, Lloyds, to a combination of liquidity-enhancing amendments to its borrowing facility. These included a £10m extension of the Group's RCF under CLBILS, a number of covenant test relaxations and waivers (listed opposite), and an additional year to extend the current facility out to September 2022. The RCF under the CLBILS remains undrawn.

★ Leverage covenants extended to:	
– September 2020	2.25x
– December 2020	waived
– March 2021	waived
– June 2021	1.50x
– September 2021	1.50x (this covenant remains at this level until June 2022)
★ Cash cover covenant waived for September 2020, December 2020 and March 2021	

New liquidity and Group adjusted EBITDA (pre IFRS 16) covenant tests have been agreed for December 2020 and March 2021:

- ★ Liquidity including balance sheet cash and any unutilised RCFs at least £17m.
- ★ TTM Group adjusted EBITDA pre IFRS 16, minimum of -£3m.

CASH FLOW AND NET DEBT

Net debt at 30 September 2020 is £8.7m (FY2019: £2.1m), consisting of £20.8m cash at bank and £29.5m gross debt.

	FY2020 £'000	FY2019 £'000
Group adjusted EBITDA	**29,808**	38,203
Movement in working capital	**(3,546)**	969
Maintenance capital expenditure	**(4,862)**	(8,606)
Taxation	**(3,116)**	(5,517)
Payment of capital elements of leases	**(3,500)**	–
Adjusted operating cash flow (OCF)[1]	**14,785**	25,050
Adjusted OCF conversion	**49.6%**	65.6%
Expansionary capital expenditure	**(8,852)**	(8,098)
Exceptional items	**–**	390
Net bank loan interest paid	**(858)**	(711)
Lease interest paid	**(7,770)**	–
Debt repayments	**(1,500)**	(1,500)
Free cash flow (FCF)[2]	**(4,195)**	15,131
Drawdown on RCF	**4,000**	–
Dividends paid	**(14,489)**	(15,244)
Equity placing (net of fees)	**10,541**	–
Net cash flow	**(4,144)**	(1,113)

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

2 Free cash flow is defined as net cash flow pre dividends and equity placing.

The Group's free cash flow was significantly impacted by the closure of its centres, although the impact would have been greater if not for the considerable work undertaken on managing capital expenditure through lockdown, and more notably the negotiations undertaken with the Group's landlords.

CAPITAL EXPENDITURE

Total net capital expenditure was down £3.0m year on year (17.9 per cent) on the comparable period in the prior year, to £13.7m.

At the start of the first lockdown, there were a number of capital projects underway and therefore already committed to. These included the new Puttstars centres in both York and Rochdale, the new Hollywood Bowl in York, and refurbishments in Crawley and Carlisle. These projects were all completed within a week of the English centres being permitted to open (15 August), and we also used the closure of centres to install 'Pins on strings' in two further centres. It is anticipated that all of these projects will generate returns in line with Board expectations. Four centres opened in FY2020, resulting in net capital spend on new centres of £7.7m, an increase of £2.3m on FY2019.

DIVIDEND

As part of its COVID-19-related actions, the Board is not recommending any dividend for FY2020.

The Group operates a highly cash generative business model, and therefore once the overall impact of COVID-19 and the subsequent recovery has been more clearly established, the Board believes it will be in a position to reinstate its dividend policy. The RCF available under the CLBILS would need to be closed for dividends to recommence.

IFRS 16

The Group has applied IFRS 16 as at 1 October 2019. A right-of-use asset and a lease liability is included on the balance sheet, and interest and depreciation has been charged to the consolidated income statement instead of existing rental expenses.

IFRS 16 has no effect on how the business is run, and there will be no change to the Group's cash flow and growth plans due to its adoption.

The Group has adopted the modified retrospective method. Under this method, comparative data is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the date of initial application.

A summary of the impact on the Group consolidated income statement and consolidated statement of financial position (balance sheet), is as below:

	FY2020 £'000
Administrative expenses:	
★ Rent[1]	**15,840**
★ Depreciation	**(9,300)**
★ Gain on lease surrenders	**6**
Net reduction to administrative expenses	**6,546**
Finance costs (interest)	**(7,770)**
Net decrease to profit before tax	**(1,224)**

1 IFRS 16 adoption has an impact on EBITDA, with the removal of rent from the calculation.

Impact on the Group consolidated statement of financial position

	FY2020 £'000
Assets	**135,176**
Deferred tax asset	**5,611**
Lease liability	**(173,804)**
Retained earnings	**(33,017)**

GOING CONCERN

As part of the adoption of the going concern basis, the Group has considered the Group's cash flow, liquidity and business activities, as well as the uncertainty caused by the COVID-19 outbreak. All of the Group's centres were closed for trade from 20 March 2020 with a phased reopening from 4 August 2020, with the majority of the centres reopening on 15 August.

As part of the review and the potential impact of the COVID-19 outbreak on the Group's cash flows and liquidity over the next 12 months, a base case and multiple downside scenarios were prepared. Under each scenario, mitigating actions are within management control and can be initiated as they relate to discretionary spend. The actions include reduced employee costs, maintenance and marketing spend, as well as reducing all non-essential and non-committed capital expenditure. The Group also agreed with its lending bank, Lloyds, to a combination of liquidity-enhancing amendments to its borrowing facility. These include a £10m extension of the Group's RCF under CLBILS, a number of covenant test relaxations and waivers, and an additional year to extend the current facility out to September 2022.

The base case has FY2021 revenues at levels of between -45 per cent and -15 per cent of FY2020 (five months actual and seven months budget), excluding the English lockdown in November 2020, closed centres due to local tier trading restrictions, as well as taking into account the impact of socially distanced operations.

Under this base case scenario, in FY2021 the Group continues to remain profitable with sufficient liquidity and no covenant breaches.

As detailed in note 2 to the Financial Statements, the most severe downside scenario modelled would still provide sufficient liquidity to pass the liquidity and cash cover covenant tests. However, under this severe downside, the TTM Group adjusted EBITDA (pre IFRS 16) loan covenant, whilst not breached, would be challenged at March 2021. In the event this covenant is breached, an extension of this covenant would need to be negotiated with Lloyds Bank plc, which particularly given the cash position of between £18m and £22m, as well as the Group's success negotiating recent covenant waivers, would likely be attained.

Nevertheless in the event of extended lockdown measures impacting the Group's operations, the possibility of a covenant breach at the end of March 2021 cannot be discounted, and as such represents a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Taking the above and the principal risks faced by the Group into consideration, and the Directors expectation that they could negotiate an extension to the covenant should the need arise, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future, a period of at least 12 months from the date of this report. Accordingly, the Group continues to adopt the going concern basis in preparing these Financial Statements.

LAURENCE KEEN
CHIEF FINANCIAL OFFICER
14 December 2020

EVEN IN THESE CHALLENGING TIMES, MANAGING OUR BUSINESS IN A SUSTAINABLE MANNER REMAINS A KEY ELEMENT OF THE GROUP'S CULTURE AND STRATEGY.

As a nationwide multi-site business, we continuously seek to enhance the wellbeing of our team members, our customers and the communities in which we operate and strive to introduce initiatives to minimise the impact of our operations on the environment.

OUR CUSTOMERS AND COMMUNITIES

Bowling is an activity that promotes healthy competition and provides an inclusive, interactive experience, enabling families and friends to spend quality social time together to the benefit of their general wellbeing. The value of fun, inclusive activities like bowling has certainly been highlighted since the start of the COVID-19 pandemic as many user groups experienced significant isolation during our government-mandated closure.

Other than during COVID-19 restrictions, our centres are open to all. Each has access for customers with disabilities and we are committed to delivering an inclusive fun-filled experience for everyone, whatever their prowess with a bowling ball or, at our Puttstars centres, a putter. This includes making sure that we are affordable to all with concessionary discounts being available across a number of user groups.

Once inside our centres, customers find that our food menu offers a selection of healthier eating options and our popular range of sugar-free drinks includes carbonated soft drinks, sugar-free slush and low-calorie mixers. We continue to work with our food and drink suppliers on a programme of reducing the salt and sugar content of the food and beverages we offer.

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

TEAM MEMBERS

Hollywood Bowl is an all-round people business with our team at the heart of everything we do. For that reason, we strive to attract and retain the best possible talent.

We are always looking at new ways to improve our team engagement. In 2020, we increased our focus on team member wellbeing to ensure that our culture continues to promote a positive working environment across all of our centres.

We are proud to have a mental health first aider and wellbeing champion to provide proactive support to team members. We have also upskilled our managers and heads of department so that they can take care of both their own wellbeing and that of their teams during these challenging times.

We have introduced wellbeing elements in all of our top talent programmes and within all monthly and annual reviews across the business, and run a dedicated wellbeing email service. We continue to promote our employee assistance programme (EAP) which is available to all team members via a 24-hour freephone helpline and our own app, Fourth Engage.

Fourth Engage gives management the means to instantly communicate with the wider team. This was particularly useful during lockdown when 98.6 per cent of our team were furloughed. The app has achieved excellent engagement – 79 per cent of our team log onto the portal weekly and the average number of posts weekly is 51. Fourth Engage allows teams to communicate in centre groups, and nationally.

In a people-led business such as Hollywood Bowl, ongoing feedback from our teams is critical to ensure the growing success of the organisation. A member of the Executive team runs regular 'Dynamic Operations' listening groups for which we invite our centre management and team members to suggest ideas or innovations as well as give feedback on any issue important to them.

In 2020, we conducted our tenth team member engagement survey and the second where we have partnered with Best Companies. Our overall response rate was 80 per cent and we remain in the 'One to Watch' category with our overall score improving.

Gender equality is one area which we have focused on. We took the feedback from the previous learning group with our female centre managers to explore and understand the issues that stop women seeking senior leadership roles within our business. From this, we actioned a variety of suggestions, such as updating our employer branding and launching a new careers website which is designed to increase the diversity of applicants. 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 (we hold all-female listening groups to support achieving a more equal gender balance at a senior level in the Group), sexual orientation, age or disability.

Our industry-leading internal top-talent development programmes continue to support and develop careers across the organisation. We are proud that, in FY2020, 96 of our team members benefited from them which enabled us to fill 57 per cent of our management vacancies through internal promotions. These included eight centre manager appointments (73 per cent of centre manager appointments in the year) and we were able to promote two of our team on our senior leadership development programme into senior support roles.

Training starts for all team members when they commence their Hollywood Bowl career journey. Having recently launched our virtual cultural induction and ways of working training, we are investing in new ways to ensure our teams receive the comprehensive training needed to fully equip them for their role and to support them in providing an excellent customer experience. Team members' continuous development is supported by our 29-module online learning system, which recorded a 97 per cent completion rate for FY2020.

For our assistant managers and deputy managers, we run our management skills development programme as a precursor to our CMIT programme. In FY2020, 63 of our assistant managers undertook this training.

For senior managers, we have been running our i2i programme since September 2019, a 12-month development course to help unlock managers' professional and personal potential. This programme consists of individual and group activities that give participants greater insight into how people work. This year, we were pleased to be able to continue this programme, virtually, throughout lockdown.

To maintain engagement and upskill our managers whilst our centres were closed, we ran eight different virtual training modules covering cultural, leadership and operational training. 100 per cent of our centre managers attended one or more sessions.

A key part of our wider engagement and retention strategy is to recognise and reward great performance and the right behaviours of our team. We recognise great behaviours with Hollywood Bowl pin badges, which team members wear with pride. We were pleased to award 1,476 pins during the year.

At centre manager level, we continued to celebrate success through our awards ceremony and conference, and recognised our top performing centre managers.

At Hollywood Bowl Group, we pay all 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 offer our team members benefits which they have told us 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 have also implemented Long Term Incentive Plans for centre managers, assistant managers and senior support centre team members.

We launched our third Save-As-You-Earn (SAYE) Sharesave scheme in February 2020, giving all our team members another opportunity to share in the financial success of the business. We are pleased that 126 employees signed up to this latest launch.

GENDER BALANCE STATISTICS

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

FY2020 number of employees

BOARD	
1 female	5 male
SENIOR MANAGERS	
4 female	12 male
TEAM	
951 female	770 male

CHARITY ENGAGEMENT

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

In FY2020, we introduced a new nationwide charity partnership with Barnardo's across 64 centres and our Hemel Hempstead support centre.

Barnardo's primarily focuses on benefiting younger people and their families. Prior to the centre closures in March 2020, fundraising events took place across the country and a donation of £15 for each team member who successfully completed their induction programme was made to the charity.

Whilst the five-month centre closure has impacted our donations and fundraising activities, both Hollywood Bowl Group and Barnardo's are committed to reigniting the partnership in FY2021.

HEALTH AND SAFETY

Bowling and mini-golf are fun, inclusive and safe ways 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' safety and 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.

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

COVID-secure operations

The Group has worked closely with the primary authority, local and central government and Public Health England on developing its COVID-secure operating protocols, risk assessments and safety innovations, including lane seating dividers (read more on pages 8 and 9).

ENVIRONMENT

Hollywood Bowl Group has a strong and genuine commitment to conduct all of its operations in an ethical and responsible manner. This is demonstrated in our environmental and energy achievements (the latter being skewed this year by the centre closure period due to the COVID-19 pandemic when electricity and gas usage, and waste generation, were minimal).

Solar

The second solar array was installed at Hollywood Bowl Bentley Bridge with 225.62 kWp and was commissioned in November 2019. This was funded by Green Nation and electricity will be purchased through a Power Purchase Agreement (PPA).

A rollout to other centres is planned and this will include self-funded projects and also PPAs.

Greenhouse gas emissions

Greenhouse gas (GHG) emissions for FY2020 have been measured as required under the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013. The GHG Protocol Corporate Accounting and Reporting standards (revised edition) and the electricity and gas consumption data has been provided by Schneider Electric and Total. Conversion factors taken from https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020.

Scope 1 emissions
This is made up of natural gas, company car (Hollywood Bowl no longer has any company cars) and also refrigerant gas losses.

	tCO_2e
Natural gas	520.4
Company car	–
F gas losses	48
Total	**568.4**

Scope 2 emissions
Emissions from electricity are 11,560,010 x 0.23314 = 2,695,100.7 $kgCO_2e$ or 2,695tCO_2e.

Intensity ratio	tCO_2e
Scope 1 emissions	568.4
Scope 2 emissions	2,695
Total Scope 1 and 2 emissions	3,263.4
Intensity ratio (tCO_2e per centre)	55.1

Over 91.55 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 specific percentage from each.

100 per cent of electricity used was from UK operations.

TOTAL ELECTRICITY AND GAS USAGE

	Electricity (kWh)	Gas (kWh)
FY2016	17,380,346	4,866,065
FY2017	18,581,702	4,384,837
FY2018	18,849,729	5,260,995
FY2019	19,573,573	4,104,855
FY2020	**11,560,010**	**2,830,792**

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

Electricity usage
Our commitment to efficiently and ethically use natural resources is ongoing.

We have reduced our emission ratio for Scope 1 and 2 emissions by 107.1 or 66 per cent for FY2020 compared with 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
FY2020	**568.4**	**2,695.0**	**3,263.4**	**55.1**

Whilst in FY2020 we achieved our goal, set in FY2019, of an intensity ratio of under 100, this was significantly influenced by the COVID-19 lockdown.

The target is therefore to maintain an intensity level of under 100 in FY2021.

Usage
Action plan for reducing environmental impact and increasing onsite generation of renewable electricity:

- Behaviour change within our teams, such as conscious efforts to reduce electricity use
- Continuation of the rollout of more energy-efficient air handling plant (plant changed in Birmingham in FY2020)
- CSR meetings are chaired by CEO
- Rollout of solar panels (through self-funds and PPAs)

Waste recycling
We recycle the waste that we produce as part of our commitment to mitigate the environmental impacts of our operations. In FY2016, we recycled 63.3 per cent of our waste – this increased to 67.8 per cent in FY2020.

Waste volumes were impacted by the COVID-19 centre closures.

	General	Glass	Mixed recycling / organic
FY2016	7,334.14	1,477.8	11,164.04
FY2017	7,443.72	1,621.44	12,695.88
FY2018	6,770.04	1,652.26	12,978.86
FY2019	7,096.24	1,831.92	12,745.42
FY2020	**4,160.00**	**1,215.12**	**7,560.74**

	General	Recycling	Total waste	Recycling percentage
FY2016	7,334.14	12,641.84	19,975.98	63.3%
FY2017	7,443.72	14,317.32	21,761.04	65.8%
FY2018	6,770.04	14,631.12	21,401.16	68.4%
FY2019	7,096.24	14,577.34	21,673.58	67.3%
FY2020	**4,160.0**	**8,775.86**	**12,935.86**	**67.8%**

All waste data supplied by Biffa measured in tonnes.

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

UTILITY TARGETS

1. 100 per cent of the electricity we purchase to come from renewable sources by 2022
2. By 2028, 20 per cent of our electricity to be generated from onsite renewables
3. By 2021, 70 per cent of waste generated to be recycled with 100 per cent diversion from landfill
4. By 2025, 75 per cent of waste generated 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 table below and the 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 pages 38 and 39 Stakeholders pages 14 and 15 Environment, greenhouse gas emissions and electricity usage disclosures pages 39–41 Case study on reducing environmental impacts page 39
Employees	★ Equal opportunities policy ★ Diversity policy ★ Board diversity policy approved post financial year end	Stakeholders pages 14 and 15 Our people pages 38 and 39 Employee numbers by gender page 39 Employee involvement and policy regarding disabled persons page 73 Board engagement with the business page 50 Diversity policy and Board diversity policy page 52 CEO's remuneration compared to employees' page 68 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 48 Stakeholders pages 14 and 15 Whistleblowing page 49
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 concerning amusement area games; and provides a community charity engagement programme page 39	Stakeholders pages 14 and 15 Our customers and engaging with the local community page 38
Anti-corruption and anti-bribery	★ Anti-bribery policy	Non-audit services page 56
Policy embedding, due diligence and outcomes		Governance framework and structure page 46 Board activity during the year page 48 Audit Committee report pages 53–56
Principal risks and impact on business activity		Principal risks and effective risk management pages 26–29 Risk management and regulatory disclosure page 48
Description of business model		Our business model pages 12 and 13
Non-financial key performance indicators		Strategy pages 18–23 Operational highlights page 1 Stakeholders pages 14 and 15

The Strategic Report was approved by the Board on 14 December 2020 and signed on its behalf by:

STEPHEN BURNS
CHIEF EXECUTIVE OFFICER
14 December 2020

GOVERNANCE

Peter Boddy
CHAIRMAN

Read biography on page 44

> "OUR POSITIVE CULTURE AND ROBUST GOVERNANCE FRAMEWORK HAVE SERVED US WELL IN A CHALLENGING YEAR"

DEAR SHAREHOLDERS,

On behalf of the Board, I am pleased to present our Corporate Governance report for the year ended 30 September 2020. The 2018 UK Corporate Governance Code (the Code) applied to the Group for the first time in FY2020, and I am happy to report that we have complied with the principles and provisions of the Code during the year. The Board has maintained its focus on high standards of corporate governance and this section of the Annual Report sets out how we have applied the principles of the Code, highlighting the key activities of the Board and its Committees in the period. We routinely consider our approach to governance to ensure it is appropriate in supporting the long-term success of the Group and its stakeholders.

The challenges presented by the COVID-19 pandemic, with all of our centres closed from the end of March to the beginning of August, have obviously impacted significantly on the Board's activities during the year. Our positive culture and robust governance framework have served us well, enabling the Board to act quickly and support the Executive team in making important decisions to ensure our continuing financial stability, and to provide a COVID-safe environment for team members and customers when our centres reopened. In making those decisions, the Board was mindful of both the impact on stakeholders and likely long-term consequences, and we believe that the actions taken have ensured that we are well positioned to return to a positive trajectory for the business once a more normal trading environment resumes. Our statement setting out how the Directors have discharged their duty under s172 of the Companies Act 2006, which includes a description of how the Company has engaged with its key stakeholders, is set out on pages 16 and 17 of the Strategic Report.

The culture and values of our business have always been key drivers of our success. The Board continuously monitors culture through our interactions with team members, and regular reports from the Executive team. As a Board, we recognise that our team members are fundamental to the success of the business, and it is therefore essential that we continue to promote a culture and values that support them in providing a positive, safe and enjoyable environment for our customers. We also recognise our responsibility to lead by example and demonstrate our culture and values in the way we conduct ourselves as a Board. 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 49) was again conducted by way of detailed questionnaires, with an increased focus this year on qualitative feedback. 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
14 December 2020

Peter Boddy
NON-EXECUTIVE CHAIRMAN

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

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

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 Committee of each of those businesses. He is currently Chairman at the Giggling Squid restaurant group, the Senior Independent Director at Loungers plc and a Non-Executive Director (and Chair of the Audit Committee) at Hyve Group plc. In his executive career, Nick was the Deputy Chief Executive Officer of the David Lloyd Leisure Group and was previously Group Finance Director of NCP and Chief Financial Officer of the Laurel Pub Company and of Freeserve PLC. Prior to that, he was a Board Director of Baring Brothers International. Nick is a Fellow of the ICAEW and has an MA in economics from Cambridge University.

COMMITTEE MEMBERSHIP

A N R

Claire Tiney

INDEPENDENT NON-EXECUTIVE DIRECTOR

APPOINTMENT

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

SKILLS AND EXPERIENCE

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

COMMITTEE MEMBERSHIP

A N R

Ivan Schofield

INDEPENDENT NON-EXECUTIVE DIRECTOR

APPOINTMENT

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

SKILLS AND EXPERIENCE

Ivan has extensive experience in the leisure sector in the UK and across continental Europe. He held a number of senior roles for Yum Brands Inc. over 15 years, notably as Managing Director of KFC France and Western Europe and more recently as CEO of itsu. Prior to this, he held roles at Unilever and LEK Consulting. Ivan is also currently Chairman of Thunderbird Fried Chicken Limited 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

A N R

UK CORPORATE GOVERNANCE CODE – COMPLIANCE STATEMENT

As a company with a premium listing on the London Stock Exchange, Hollywood Bowl Group plc is required under the FCA Listing Rules to comply with the provisions of the UK Governance Code (the Code) (a copy of which can be found on the website of the Financial Reporting Council www.frc.org.uk). For the financial year ended 30 September 2020, and as set out in the following report, the Company complied with all provisions of the Code.

GOVERNANCE FRAMEWORK AND STRUCTURE

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

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

GENERATION AND PRESERVATION OF VALUE

The Group's business model and strategy are set out on pages 1–41 and detail how the Group strategy generates value in the long term.

THE BOARD AND CULTURE

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

KEY BOARD ROLES AND RESPONSIBILITIES

The Chief Executive Officer, Chief Financial Officer and Executive Committee are responsible for executing the strategy determined by the Board. There is a clear division of responsibilities between the Chairman and Chief Executive Officer. The key responsibilities of members of the Board are set out below. Biographies of each Director, which describe the skills and experience he or she brings to the Board, can be found on pages 44 and 45.

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

BOARD AND COMMITTEE ATTENDANCE

The Board normally meets formally at least nine times per year, with ad-hoc meetings or calls convened to deal with urgent matters between formal Board meetings, but met formally on ten occasions during FY2020. In response to the COVID-19 pandemic and centre closures, a programme of weekly Board update calls was established, focused on ensuring the Board was informed of key operational actions. Additional ad-hoc meetings (all held via conference call during lockdown) were also convened where specific Board approvals were required (e.g. in connection with the equity placing in April 2020, and borrowing under CLBILS). The table opposite shows the attendance of each Director at the formal scheduled meetings of the Board and of the Committees of which they are a member:

Membership and attendance of Board Committees

Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Peter Boddy[1]	9/10			2/2
Stephen Burns	10/10			
Laurence Keen	10/10			
Nick Backhouse	10/10	3/3	2/2	2/2
Ivan Schofield	10/10	3/3	2/2	2/2
Claire Tiney	10/10	3/3	2/2	2/2

1 Peter Boddy was unable to attend the scheduled Board meeting held in March 2020 having contracted Coronavirus. In his absence, the Board was chaired by Nick Backhouse (Senior Independent Director).

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

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

All Directors attended a full strategy review session in December and the Non-Executive Directors remain in regular contact with the Chairman, whether in face-to-face meetings or by telephone, to discuss matters relating to the Group without the executives present.

EXECUTIVE COMMITTEE

Mathew Hart

CHIEF MARKETING AND TECHNOLOGY OFFICER

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

CHIEF PEOPLE OFFICER

Melanie joined the Group as Talent Director in October 2012. She has over 20 years of HR experience across the leisure and hospitality sectors.

Starting her career in retail operations before moving into HR, Melanie has held HR roles at Pizza Express, Holmes Place Health Clubs and Pizza Hut UK, and has 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

CHIEF OPERATING OFFICER

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.

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 2020 is shown in the table below:

Board agenda for year to 30 September 2020	**Oct**	**Dec**	**Jan**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Sep**
Corporate governance									
Detailed feedback on Dynamic Operations and Team Member Listening Sessions (workforce engagement)	●								
Directors' conflicts of interest	●	●	●	●	●	●	●	●	●
Board, Director and Committee performance evaluation	●								
Review Schedule of Matters Reserved to the Board	●								●
Committee terms of reference (approve changes)									●
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					●				
Approve anti-bribery policy	●								
Review of Gender Pay Gap reporting				●					
Review of Disclosure Policy, Insider List & Share Dealing Code					●				
Group insurances									●
Operations, customers and suppliers									
Reviewing customer experience measures	●				●				
Review food supply contract			●						
COVID-secure reopening plans								●	
People									
Review results of Team Engagement Survey			●						
Review of team member incentive schemes	●		●						
Team training and engagement						●		●	
Support centre structure								●	
Culture and development update								●	
Performance									
Approval of full-year results, the Annual Report and Accounts, half-year results, the Notice of Annual General Meeting and dividends		●				●			
Investment review (refurbishments)	●			●					
Budget	●						●	●	●
Review of dividend policy	●	●	●			●			
Strategy									
IT projects update				●					
Review of progress on strategic projects	●	●	●	●	●	●	●	●	

INFORMATION AND SUPPORT

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

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

The Board and the Audit Committee receive regular and specific reports to allow the monitoring of the adequacy of the Group's systems of internal controls (described in more detail in the Audit Committee report on page 55).

APPOINTMENT AND ELECTION

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

The performance of each Director was assessed 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 Code, all members of the Board will be offering themselves for re-election at the Company's AGM on 29 January 2021.

All of the Directors have a service agreement or a letter of appointment. The details of their terms are set out on page 68.

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 2020 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 meeting in December 2020 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 their operation reflects the culture and values of the Group. Areas of focus for the coming year include continuing to develop the Board's monitoring of and engagement with team members and succession plans (through the Nomination Committee).

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 Code, during the year the Chairman considered whether to conduct an externally facilitated evaluation process but concluded that it would not be appropriate to do so given the need to focus on minimising cost within the business. The Chairman will continue to keep under consideration the appropriate timing for an externally facilitated evaluation.

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 POLICY

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

STAKEHOLDER ENGAGEMENT

ENGAGEMENT WITH THE WORKFORCE

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

The closure of our centres, resulting in the majority of our team being placed on furlough, obviously curtailed the Board's ability to directly engage with team members in the normal way. However regular updates on team member engagement activity during centre closure were provided to the Board by the CEO, Chief People Officer and Chief Operating Officer, including feedback from regular team member Q&A sessions and the return to work survey conducted in the lead up to reopening.

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

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

RELATIONS WITH SHAREHOLDERS

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

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

The Company's AGM will be held on 29 January 2021. Electronic proxy voting will be available to shareholders through both our registrar's website and the CREST service, and shareholders will be able to submit questions on the business to be discussed at the meeting in advance to the email address stated in the AGM Notice. Voting at the AGM will be conducted by way of a poll and the results will be announced through the Regulatory News Service and made available on the Group's website.

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

REPORT OF THE NOMINATION COMMITTEE

Peter Boddy
NOMINATION COMMITTEE CHAIR

Read full biography on page 44

ROLE AND RESPONSIBILITIES

The role of the Nomination Committee is set out in its terms of reference, which were updated in September 2020 and are available on the Group's website. The Committee's primary purpose is to develop and maintain a formal, rigorous and transparent procedure for identifying appropriate candidates for Board appointments and reappointments, and to make recommendations to the Board.

SPECIFIC DUTIES OF THE COMMITTEE INCLUDE:

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

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

Nomination Committee

Chair	Peter Boddy
Committee members	Nick Backhouse Claire Tiney Ivan Schofield
Number of meetings held in the year	2

ACTIVITY DURING THE YEAR

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

Activities of the Committee during the year to 30 September 2020

Performance Evaluation	Review of results from Committee performance evaluation and discussion on related actions Review of the Committee's terms of reference
Board and Committee composition	Review of composition of the Board Review of Non-Executive Directors' independence Review of time commitment requirements, including each Director's external interests
Board appointments and reappointments	Review the reappointment of Ivan Schofield as a Non-Executive Director for a second three-year term
Succession planning	Consideration of succession planning for Executive Directors Membership of Board and Committees Reviewing Non-Executive Director succession plans in place
Diversity Policy	Review of Board Diversity Policy

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

The Committee reviews the Board Diversity Policy on an annual basis and continues to be responsible for monitoring compliance with the objectives of that Policy. The Policy recognises the benefits of greater diversity, including gender diversity and sets out the Board's commitment to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives to their role. 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 FY2020
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 2020. No changes to the composition of the Board were proposed.
When considering Board succession planning, have regard to the Board Diversity Policy.	The NED succession planning matrix highlights current diversity statistics on the Board and will continue to be considered against the Board Diversity Policy.
Review the Board Diversity Policy annually, assessing its effectiveness and recommending any changes to the Board.	The Policy was reviewed by the Committee in December 2020, with no proposed changes. It will continue to be reviewed annually by the Committee.

The Board currently consists of one female (17 per cent) and five male (83 per cent) Directors. Board meetings are typically attended by the other members of the Company's Executive Committee and, taking into account their attendance, the proportion of females contributing to Board discussions increases to 22 per cent. Overall gender diversity across the business is good (as shown in the statistics on page 39), with the Committee and the Executive team recognising the need to support the development of women into senior management roles.

The Committee is mindful of the Investment Association's expectations concerning female representation on FTSE small-cap boards. Although there is no short-term intention to change the composition of the Board (which continues to operate effectively), diversity considerations will be a factor of any future Board recruitment process in line with the Board Diversity Policy described above.

Succession planning

The Committee's oversight of Executive succession planning continued during the year, with the aim of ensuring that the Group's future leadership will have the qualities necessary to support the delivery of our strategic objectives. The Executive Team maintains a detailed succession planning matrix identifying at least one potential internal successor for each key role. The usual programme of opportunities for potential executive successors to meet and present to the Board to further their development has been slightly curtailed during the year as a result of the COVID-19 situation, but the Committee recognises the need to ensure that such opportunities continue to be made available in the future.

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

Annual evaluation

Although the option of conducting an externally facilitated Board and Committee evaluation process during the year was considered, due to the exceptional circumstances relating to the COVID-19 pandemic and the need to focus on minimising costs, it was decided it would not be appropriate to do so on this occasion.

An internal evaluation process, by way of questionnaires completed by Committee members and other attendees, was conducted following the year end with the results discussed at the Committee's meeting in December 2020. In general, the evaluation confirmed that the Committee has operated effectively during the year, with feedback indicating that good progress has been made on succession plans.

PETER BODDY
CHAIR OF THE NOMINATION COMMITTEE
14 December 2020

The table below sets out the members of the Audit Committee as at 30 September 2020:

Audit Committee	
Chair	Nick Backhouse
Committee members	Claire Tiney Ivan Schofield

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 interim Financial Statements;
- keeping under review the internal financial control systems; and
- overseeing the relationship with the internal and external audit functions.

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DEAR SHAREHOLDERS,

On behalf of the Board, I am pleased to present the Audit Committee report for the year ended 30 September 2020.

The year has very much been one of two halves, with positive financial performance in the first half then significantly impacted by the COVID-19 pandemic and the closure of the Group's centres from the end of March. The Committee's role, in particular in monitoring the integrity of annual and half-year Financial Statements and monitoring the effectiveness of financial controls and risk management systems, is always important, but has undoubtedly been heightened this year as a result of COVID-19.

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. COVID-19 aside, areas of particular focus this year have been the significant financial judgements identified by the finance team (see more detail in the table on page 55), completing the adoption of IFRS 16 Leases, and continuing to develop the Committee's engagement with the internal audit function.

The impact of COVID-19 has inevitably resulted in a focus on the liquidity and cash position of businesses. As described elsewhere in the report, the Board took steps during lockdown to ensure the continuing strength of the Company's cash position, and we are satisfied that the financial position of the Group supports both the going concern basis of accounting and the long-term viability statement (set out on pages 30 and 31). In the absence of an external audit review at the half year, the Committee ensured that the scenarios prepared by management to assess the impact of COVID-19 on future forecasts, and the going concern assessment, were appropriately challenged and scrutinised.

The Group adopted IFRS 16 Leases with our initial disclosure under the new standard in our half-yearly report. Initially, the Group adopted a single discount rate for property leases; however, since the half-year report the Committee has considered and agreed with management's recommendation to adopt a rate range, with the rationale for the change explained in note 2 to the Financial Statements.

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. Although internal audit activity during the second half of the year was limited due to the closure of the Group's centres, the Committee received an update on the internal audit function's ongoing review of food and drink standards within centres, and was satisfied that the process, and level of engagement of local management teams where areas for improvement were identified, was appropriate.

Our annual review of the effectiveness of the external audit process is described in more detail on page 56. We have reviewed KPMG LLP's (KPMG) continuing independence, and the Committee is satisfied that KPMG continues to be independent and provides an effective audit service.

The 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 November 2020. The evaluation responses indicated that the Committee continues to operate effectively. Although no particular areas of concern were highlighted, the need for the Committee to ensure that risk areas associated with COVID-19 remain in focus in FY2021 was noted. There have been no changes to the composition of the Committee during the year and we therefore continue to be comprised wholly of independent Non-Executive Directors. The Board has confirmed that it is satisfied that I have recent and relevant financial experience as recommended under the Code by virtue of my qualification as a chartered accountant, my executive background in finance roles, and my experience as an audit committee chair in other non-executive positions. As all members of the Committee have experience as Directors of other companies in the retail and leisure sector, the Board is also satisfied that the Audit Committee as a whole continues to have competence relevant to the sector in which the Group operates.

NICK BACKHOUSE
CHAIR OF THE AUDIT COMMITTEE
14 December 2020

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 47.

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

ACTIVITY DURING THE YEAR

The Audit Committee was scheduled to meet four times during the year however, due to the COVID-19 pandemic, three meetings were convened and the Committee 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 2020	Nov	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 review		●	
External audit			
External audit plan and engagement			●
External auditor reports to the Committee (including full-year reports)	●		●
Assessment of external auditor effectiveness		●	
Independence confirmation and review of non-audit services, spend and policy	●		●
Internal controls			
Annual review of internal audit function requirement			●
Review of risk management and internal controls	●		
Internal audit reports	●		●
Assessment of internal audit effectiveness			●

Activities of the Committee during the year to 30 September 2020	Nov	May	Sep
Other			
Review of results from Committee performance evaluation and discussion of related actions	●		
Review of the Committee's terms of reference	●		●
IFRS accounting standards update (in particular, review of the impact of IFRS 16)	●	●	●

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

SIGNIFICANT ISSUES CONSIDERED IN RELATION TO THE FINANCIAL STATEMENTS

Significant issues and accounting judgements are identified by the finance team and the external audit process and are reviewed by the Audit Committee. The significant issues considered by the Committee in respect of the year ended 30 September 2020 are set out in the table below:

Significant issues and judgements	How the issues were addressed
Going concern	The Committee considered the base case, downside and severe but plausible downside scenarios produced by management in support of the going concern assessment, and challenged managements assumptions around continuing COVID restrictions, like-for-like revenue forecasts. Notwithstanding the material uncertainty relating to the possibility of a convent breach, taking account of the cash available to the business, cash flow forecasts and covenant headroom under these scenarios (including the Company's ability to repay debt), the committee agreed with management's recommendation that it is appropriate to adopt the going concern basis of accounting. Refer to note 2 to the Financial Statements for more information.
Determining the incremental borrowing rate to measure liabilities	The Committee reviewed the calculations and assumptions underlying the trigger tests for impairment of PPE and ROU assets at the Group's cash generating units (CGUs). Key considerations included capital expenditure assumptions, and the determination of the discount rate to be applied to forecast cash flows. The Committee agreed with managements estimates of the recoverable amount of PPE and ROU assets, and that there was no impairment to CGUs.
Valuation of property, plant and equipment and right-of-use assets	The Committee reviewed the calculations and assumptions supporting the Group's adoption of IFRS 16 Leases, having received regular updates on the intended approach and policy throughout the year. In particular, the Committee discussed and challenged the application of a range of discount rates to groups of property leases depending on lease length. The Committee is satisfied that the estimate of valuation of lease liabilities and ROU assets on transition to IFRS 16 is appropriate. Refer to page 36 and also note 2 to the Financial Statements for further information.

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 and subsequent updating of the Group's risk register which is 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 and updating 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'.

During the first quarter of FY2020, the Audit Committee was made aware of a cyber security fraud that had taken place, resulting in a payment of £93,000 to a bank account that was fraudulently portrayed as a supplier's new bank account. The fraud was quickly identified using the Group's weekly payment checks, and although £88,000 was subsequently recovered, the incident identified a flaw in the internal controls process for bank account changes. A full review of the process was undertaken, with a number of changes being implemented to prevent a breach occurring again. No other weaknesses in the risk management and internal control systems have been raised or identified, and the Audit Committee is satisfied that the systems are effective.

The Committee conducted a review of the full risk register in May 2020, with a particular focus on ensuring that the impact of COVID-19 was appropriately captured in new and existing risks, and a further session to review the detailed risk register was held with the Board in September 2020.

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. During the year, the internal audit function's remit has been increased to include a review of team loyalty benefits (which was placed on hold following the closure of centres) and to provide assurance on a revised accounts payable process.

EXTERNAL AUDITOR

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

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

EXTERNAL AUDIT EFFECTIVENESS REVIEW

The Committee reviewed the effectiveness of the external audit process following completion of the FY2019 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 and financial covenant tests, for which authority was delegated to the Chief Financial Officer to approve where the fee is less than £5,000 per certificate) must be discussed with the Audit Committee Chair in advance. All requests to use the external auditor for non-audit services must be reviewed by the Chief Financial Officer. The policy recognises that certain non-audit services may not be carried out by the external auditor (in accordance with the EU Statutory Audit regime).

During the year ended 30 September 2020, KPMG was engaged to provide permitted non-audit services relating to the issuance of turnover and covenant certificates for a fee of £13,500, representing 5.8 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 after the FY2021 audit.

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 2021 AGM.

During the year, the Committee considered the appropriate timing for putting 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 from 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
14 December 2020

Remuneration Committee	
Chair	Claire Tiney
Committee members	Nick Backhouse Ivan Schofield
Number of meetings held in the year	2

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 2020.

This report has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, the FCA Listing Rules and the Code. The report is split into three parts:

- the annual statement by the Chair of the Remuneration Committee;
- a summary of the Directors' Remuneration Policy which was put to a binding shareholder vote at the AGM in January 2020 and applies 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 FY2020. The annual report on remuneration is subject to an advisory shareholder vote at the 2021 AGM.

REMUNERATION FRAMEWORK

The Directors' Remuneration Policy (the Policy) continues to support 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 reward 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.

RESPONSE TO COVID-19

As announced, the Company has been proactively taking action to manage the impact of COVID-19. The Group furloughed 98.6 per cent of all its team members as well as working closely with key suppliers, including landlords, to reduce its cash burn during the centre closure period. Furthermore, the Board decided to cancel its dividend for FY2020. The Board, including the Executive Directors, took the decision to reduce salary by 20 per cent for a period of three months in order to conserve cash and to defer this payment until the business was able to reopen in line with government guidelines. Payment of the deferred salary was made in October 2020.

The decision was also taken to leave base salaries unchanged; therefore, there will be no increases for the Board, including the Executive Directors, in November 2020.

PERFORMANCE IN FY2020 AND REMUNERATION OUTCOMES

As a result of the five-month temporary closure of the entire estate from March due to government-mandated measures, revenue declined by 38.8 per cent and the threshold level of EBITDA performance to trigger a bonus payment under the annual bonus plan was not met. Therefore, no bonuses are payable to the Executive Directors in respect of FY2020.

Although performance up to February 2020 was strong and ahead of management's budget, due to the impact of actions taken by the Company in response to COVID-19 (including participation in the CJRS, raising capital from shareholders through the equity placing in April 2020, the cancellation of the interim dividend and borrowing under CLBILS), the Committee agreed it would not be appropriate to exercise its discretion to award any bonus amount to reflect the positive performance in the earlier part of FY2020.

The LTIP award granted in February 2018 is due to vest in February 2021, based on EPS performance over the three-year period to 30 September 2020. The EPS for the year ending 30 September 2020 was 0.90 pence, which fell below the threshold to maximum target range of 13.86 pence to 14.85 pence and therefore the formulaic outcome results in nil vesting for this award. However, in assessing the level of vesting, the Committee carefully considered the following factors:

- The adjusted EPS was 14.86 pence for the second year of the performance period, to 30 September 2019. This represented growth of 22 per cent on the adjusted EPS of 12.17 pence for the year prior to grant (i.e. year to 30 September 2017). Had the condition been measured at this point, the award would have vested in full as this outcome was above the maximum target of 14.85 pence.
- Assessing the adjusted EPS for the twelve-month period ending in February 2020, which was the last full month prior to closure of the Company's centres, gives an adjusted EPS figure of 16.36 pence. This is in excess of the maximum target of 14.85 pence.
- The targets were set at grant at a stretching level, in particular with the 'on target' threshold being set at 93 per cent of maximum.
- Examining the shareholder experience over the life of the award, the total shareholder return including dividends was in excess of 50 per cent in the first two years from grant in February 2018, prior to the negative impacts on the share price of the pandemic.
- The Committee judged the performance of the Executive team to be particularly strong during the last three years, with particular highlights being the excellent returns on investment achieved on refurbishments and rebrands, the success of the new centres, including the launch of Puttstars, as well as the continued growth of the Group's culture and people focus.

Taking into account these factors, the Committee determined that it was appropriate to make use of the provisions of the Directors' Remuneration Policy to apply discretion to allow the award to vest in full based on the annualised adjusted EPS of 16.36 pence, reflecting the underlying business and Executive team performance. However, vesting will be pro-rated to reflect the time period over which the condition was measured, i.e. 29 months out of the original 36-month performance period, and therefore the award is due to vest at 81 per cent of maximum.

The Committee is conscious that shareholders have lost value during the pandemic. In order to further align management with shareholders over the longer term:

- Awards will have a two-year holding period applied which was not applicable to the original grant and the release of the awards will be subject to a requirement to remain in service until 6 February 2023.
- The awards will only be released to the extent that the Committee judges the business to be performing in line with market expectations and to the extent that the Group is in a position to resume the dividend.

REMUNERATION DECISIONS FOR FY2021

FY2021 bonus

Given the ongoing COVID-19 pandemic, the possibility of local and national lockdowns which may have an impact on the ability of the business to trade, coupled with the potential impact COVID-19 could still have on the economy, although targets have been set for the full financial year, the Committee will closely monitor the situation on a quarterly basis and may choose to make appropriate adjustments to the target. Full disclosure will be communicated retrospectively in next year's Remuneration Report, as usual.

FY2021 LTIP

During FY2021, the Committee intends to grant LTIPs with a maximum opportunity of 100 per cent of salary. These levels are unchanged from previous years. In light of the uncertainty around COVID-19, LTIP targets have not yet been approved by the Committee and communicated to participants. These will be disclosed in next year's Remuneration Report. The intention is to monitor performance over the vesting period to ensure there is no windfall gain on share price.

STAKEHOLDER ENGAGEMENT

The Committee is regularly updated on pay and benefits arrangements for team members across the Group, and takes into account colleague remuneration as part of its review of Executive Remuneration.

I am always happy to engage with shareholders and investors on remuneration matters, in particular to ensure transparency around our decision-making on Executive pay.

ANNUAL GENERAL MEETING

On behalf of the Board, I would like to thank shareholders for their continued support. As COVID-19 restrictions mean it is uncertain whether shareholders will be able to attend the 2021 AGM, I would encourage any shareholders with questions about the Company's Remuneration Policy or arrangements to contact me via the Company Secretary.

CLAIRE TINEY
CHAIR OF THE REMUNERATION COMMITTEE
14 December 2020

The Remuneration Committee met on two 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 2020	**Nov**	**Sep**
Review of FY2019 performance and bonus outturn and approval of Directors' bonuses for FY2019	●	
Impact of IFRS 16 on LTIP targets		●
Approval of Directors' bonus KPIs/targets for FY2020 and FY2020 pay	●	
Agreeing approach to FY2021 bonus targets		●
Proposed 2020 LTIP performance targets	●	
Share plan awards and vestings		●
Review of share schemes	●	
Approval of centre managers' FY2019 bonus outturn	●	
Review of Directors' Remuneration Report (including to ensure compliance with the Remuneration Reporting Regulations)	●	
Approve Remuneration Policy	●	
Consideration of pay and conditions across the Group		●
Review of 2019 AGM and proxy advisory comments		●
Updates on corporate governance developments	●	●
Review of the Committee's terms of reference		●
COVID-19 impacts on remuneration		●

INTRODUCTION

The Directors' Remuneration Policy (the Policy) was approved by shareholders at the AGM on 30 January 2020 (97.5 per cent of votes cast being in favour) and became effective from that date. There are no proposals to amend the Policy at the 2021 AGM.

A summary of the Policy is included for reference to assist with the understanding of the contents of this report. The full Policy can be found on the Company's website, www.hollywoodbowlgroup.com, in the 'Investors' section, under 'Reports and presentations', in our FY2019 Annual Report. The Gender Pay Report is also on the Company's website.

For ease of reference, the following table summarises each element of remuneration and how it supports the Group'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 Provide 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 maximum will be set at the cost of providing the benefits described.	None.
PENSION 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 five 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 Group 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.

How the element supports our short- and long-term strategic objectives	Operation	Opportunity	Performance metrics used, weighting and time period applicable
LONG TERM INCENTIVE PLAN 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.	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: ★ an Executive Director's 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. 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.
ALL-EMPLOYEE PLAN To encourage wide employee share ownership and thereby align employees' interests with those of shareholders.	The Company has a Share Incentive Plan (which is HMRC approved and is open to all eligible staff) in which the Executive Directors are eligible to participate. 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 holdings over a five-year period, and subsequently hold a shareholding equivalent to a percentage of base salary. 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 Provide 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.	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.	The base fees for Non-Executive Directors are set with reference to the market rate.	None.

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 FY2020. Comparative figures for FY2019 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[2] £'000	Pension £'000	Bonus £'000	LTIP £'000	Total	Total fixed pay £'000	Total variable pay £'000
Stephen Burns	**2020**	**392.1**	**2.7**	**19.5**	**0.0**	**284.9**	**699.1**	**414.3**	**284.9**
	2019	389.6	3.4	14.6	286.1	367.4	1,061.1	407.6	653.5
Laurence Keen	**2020**	**254.6**	**2.4**	**12.6**	**0.0**	**187.5**	**457.1**	**269.7**	**187.5**
	2019	251.3	2.4	11.2	185.8	249.8	700.5	264.9	435.6

1 These figures include the total salary earned during the year. 20 per cent of salaries for June to August 2020 were deferred and paid in October 2020.

2 Benefits include private medical insurance.

Truing up of 2019 single figure table numbers (audited)

The 2019 LTIP figure was calculated based on the average of mid-market closing price of a share for each dealing day in the three-month period to 30 September 2019. The 2019 LTIP figure in the single figure table above has therefore been adjusted to reflect the actual share price of 230.0 pence on the vesting date (27 February 2020).

Non-Executive Directors (audited)

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

	2020			2019		
Name	**Fees[1] £'000**	**Taxable benefits £'000**	**Total £'000**	Fees £'000	Taxable benefits £'000	Total £'000
Peter Boddy – Chairman	**123.5**	**–**	**123.5**	130.0	–	130.0
Nick Backhouse – Senior Independent Director; Chair – Audit Committee	**49.1**	**–**	**49.1**	51.6	–	51.6
Ivan Schofield	**43.6**	**–**	**43.6**	45.8	–	45.8
Claire Tiney – Chair – Remuneration Committee	**44.3**	**–**	**44.3**	46.6	–	46.6

1 FY2020 fees take into account a 20 per cent cut in base fees from 1 June 2020 to 30 September 2020.

Bonus awards (audited)

Performance for the FY2020 annual bonus awards was measured against a Group adjusted EBITDA bonus target, reconciled as Group adjusted EBITDA (pre IFRS 16) £14.0m, as set out on page 34. 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. No discretion was exercised in determining the bonus outcome.

As set out in the table below, based on the Group adjusted EBITDA bonus target performance over the year, no bonus is payable to the Executive Directors under the annual bonus plan:

		Performance targets				
Metric	Weighting	Threshold	On-target	Maximum	Actual	% earned
Group adjusted EBITDA bonus target	100%	£37.9m	£39.9m	£41.9m	£14.0m	0

Long Term Incentive Plan vesting of 2017 awards

The LTIP values included in the single total figure of remuneration table for 2020 relate to the 2017 LTIP award. Awards with a face value of 100 per cent of salary were granted to the Executive Directors on 6 February 2018 and, following a three-year performance period ending on 30 September 2020, are due to vest on 6 February 2021. Performance against the performance targets is set out below:

Adjusted EPS for the final year of the performance period	Vesting
13.86 pence	25%
13.86 pence – 14.85 pence	Vesting determined on a straight-line basis
14.85 pence	100%

Actual performance achieved was 0.90 pence (audited); therefore based on performance at the end of the vesting period, the vesting outturn would have been zero. As explained in the Remuneration Committee Chair's letter above, the Committee agreed it was both appropriate and in the best interests of the Company to exercise discretion and review the performance measure such that the vesting outturn is assessed on the adjusted EPS for the 12 month period ending in February 2020 (prior to closure of the Company's centres), with the outturn on that basis time pro-rated to reflect the number of months of unaffected trading during the original performance period, which was 29 months out of the original 36-month performance period. This gives an adjusted EPS of 16.36 pence. Based on this assessment, 81 per cent of the awards will vest.

Awards will have a two-year holding period applied which was not applicable to the original grant and the release of the awards will be subject to a requirement to remain in service until 6 February 2023. The awards will only be released to the extent that the Committee judges the business to be performing in line with market expectations and to the extent the Group is in a position to resume the dividend.

The values included in the single figure table have been calculated based on the average of mid-market closing price of a share (146.0 pence) for each dealing day in the three-month period to 30 September 2020. No amount of the total value disclosed in the single figure table is attributable to share price performance as the share price (156.5 pence) calculated as described above is below the market value of shares used to calculate the number of shares subject to the award under the 2017 LTIP.

Additional information regarding single figure table (audited)

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

Long-term incentives awarded in 2020 (audited)

Awards were made under the LTIP scheme on 6 February 2020. The following share awards were granted in the form of nil cost options in accordance with the Remuneration Policy:

Director	Position	Basis of award	Face value	Number of share awards granted
Stephen Burns	Chief Executive Officer	100% of salary	£389,600	134,118
Laurence Keen	Chief Financial Officer	100% of salary	£251,300	87,090

A five-day average share price prior to grant of 290 pence was used to calculate the number of option awards granted.

The vesting of these awards will be based on adjusted EPS performance measured in the final year of a three-year performance period commencing on 1 October 2019. 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
17.26 pence	25%
17.26 pence – 18.49 pence	Vesting determined on a straight-line basis
18.49 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 2020 are set out in the table below:

	Outstanding scheme interests 30 September 2020				Beneficially owned shares[3]		
	Unvested LTIP interests subject to performance conditions	Scheme interests not subject to performance measures[1]	Vested but unexercised scheme interests[2]	Total shares subject to outstanding scheme interests	As at 1 October 2019	As at 30 September 2020	Total of all scheme interests and shareholdings at 30 September 2020
Executive Directors							
Stephen Burns[3]	430,322	41,674	159,744	631,470	3,276,041	3,313,798	3,945,538
Laurence Keen[3]	283,423	29,482	108,626	421,531	1,495,383	1,530,594	1,952,125
Non-Executive Directors							
Peter Boddy	–	–	–	–	863,596	870,492	870,492
Nick Backhouse	–	–	–	–	15,625	17,348	17,348
Ivan Schofield[3]	–	–	–	–	100,000	140,344	140,344
Claire Tiney	–	–	–	–	3,125	4,848	4,848

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

2 LTIP awards that have vested but remain unexercised.

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

DIRECTORS' SHARE OWNERSHIP GUIDELINES (AUDITED)

Shareholding requirements in operation at the Company are currently 200 per cent of base salary for the CEO and the CFO. Executive Directors are required to build their shareholdings over a five-year period from appointment. Non-Executive Directors are not subject to a shareholding requirement.

Director	Shareholding requirement (percentage of salary)	Current shareholding (percentage of salary)[1]	Beneficially owned shares held as at 30 September 2020	Shareholding requirement met?
Stephen Burns	200	1,110%	3,313,798	Yes
Laurence Keen	200	801%	1,530,594	Yes

1 The share price of 135.0 pence as at 30 September 2020 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 62.

Face values for LTIP awards are calculated by multiplying the number of shares granted during FY2020 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 2019. Deferred shares are acquired on behalf of the Executive Directors by the Company's Employee Benefit Trust (EBT), which is provided with the appropriate post-tax value of the deferred element of bonus awards to effect the acquisition. Legal title to the shares is held by the EBT for a period of two years before being transferred to the Executive Directors.

	Date of award	Vesting, exercise or release date	No. of shares/ awards held as at 1 October 2019	Awarded	Exercised/ vested	Lapsed	No. of shares/ awards held as at 30 September 2020	Grant/award price in pence (exercise price for Sharesave)	Face value of awards granted during FY2020
Stephen Burns									
Deferred shares	02/01/2018	02/01/2020	21,677	–	21,677	–	–	–	–
	04/01/2019	04/01/2021	17,113	–	–	–	17,113	–	–
	07/01/2020	07/01/2022	–	18,312	–	–	18,312	287.0	£52,555
LTIP	27/02/2017	27/02/2020	–	–	159,744[1]	–	159,744	–	–
	06/02/2018	06/02/2021	130,256[2]	–	–	–	130,256	–	–
	14/02/2019	14/02/2022	165,948	–	–	–	165,948	–	–
	06/02/2020	06/02/2023	–	134,118	–	–	134,118	292.8	£392,697
Sharesave	01/02/2018	01/02/2021	2,621	–	–	–	2,621	–	–
	01/02/2019	01/02/2022	2,378	–	–	–	2,378	–	–
	05/02/2020	01/02/2023	–	1,250	–	–	1,250	288.0	£3,600
Laurence Keen									
Deferred shares	02/01/2018	02/01/2020	14,867	–	14,867	–	–	–	–
	04/01/2019	04/01/2021	11,361	–	–	–	11,361	–	–
	07/01/2020	07/01/2022	–	11,872	–	–	11,872	287.0	£34,072
LTIP	27/02/2017	27/02/2020	–	–	108,626[1]	–	108,626	–	–
	06/02/2018	06/02/2021	88,574[2]	–	–	–	88,574	–	–
	14/02/2019	14/02/2022	107,759	–	–	–	107,759	–	–
	06/02/2020	06/02/2023	–	87,090	–	–	87,090	292.8	£254,998
Sharesave	01/02/2018	01/02/2021	2,621	–	–	–	2,621	–	–
	01/02/2019	01/02/2022	2,378	–	–	–	2,378	–	–
	05/02/2020	01/02/2023	–	1,250	–	–	1,250	288.0	£3,600

1 Vested but unexercised.

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

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

	Vesting level		
Award year	25%	Straight line between 25% and 100%	100%
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
2020	17.26 pence	17.26 pence – 18.49 pence	18.49 pence

CHIEF EXECUTIVE OFFICER HISTORICAL REMUNERATION

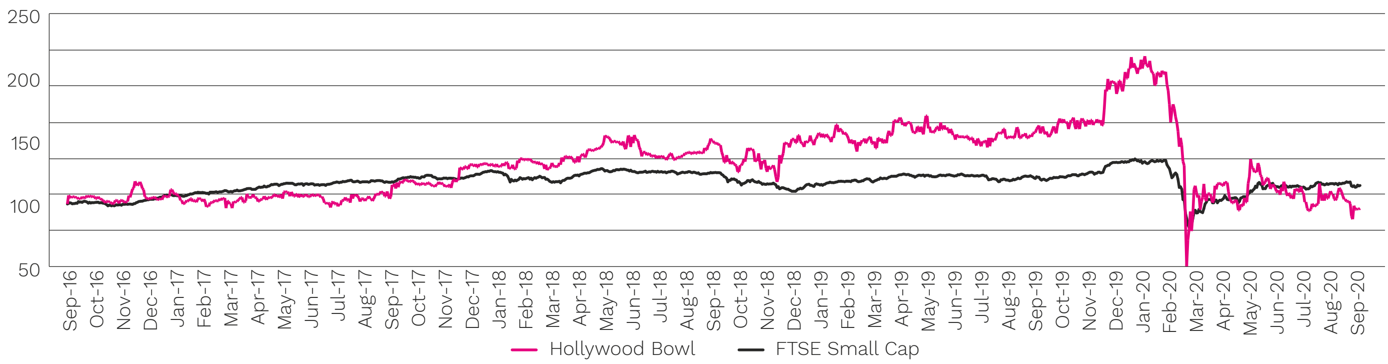
The table below sets out the total remuneration delivered to the Chief Executive Officer over the last five years, valued using the methodology applied to the single total figure of remuneration. The Remuneration Committee does not believe that the remuneration paid in earlier years as a private company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

Chief Executive Officer	**2020**	2019	2018	2017	2016
Total single figure (£'000)	**699.1**	1,061.1	536.1	514.6	301.4
Annual bonus payment level achieved (percentage of maximum opportunity)	**0%**	74.3%	68.1%	100%	N/A
LTIP vesting level achieved (percentage of maximum opportunity)	**81%**	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.

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.



CHANGE IN REMUNERATION OF DIRECTORS COMPARED TO GROUP EMPLOYEES

The table below sets out the percentage change in salary, taxable benefits and annual bonus set out in the single figure of remuneration tables (on page 63) paid to each Director in respect of FY2019 and FY2020, compared to that of the average change for employees in the Group as a whole.

	% increase in element between FY2019 and FY2020		
	Salary and fees	Taxable benefits	Annual bonus
Executive Directors			
Stephen Burns	0.6	(20.6)	(100.0)
Laurence Keen	1.3	–	(100.0)
Non-Executive Directors[1]			
Peter Boddy	(5.0)	–	–
Nick Backhouse	(4.8)	–	–
Ivan Schofield	(4.8)	–	–
Claire Tiney	(4.9)	–	–
All Group employees[2]	4.9	(6.7)	(95.0)

1 The percentage changes in fees of the Non-Executive Directors differs from the increase awarded to them for FY2020 as it takes into account a 20 per cent cut in base fees from 1 June 2020 to 30 September 2020.

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

CEO PAY RATIO

The table below shows the ratio between the single total figure of remuneration of the CEO for FY2020 and the lower quartile, median and upper quartile pay of UK employees.

	Methodology	25th percentile ratio	50th percentile ratio	75th percentile ratio
Year ended 30 September 2020	Option A	50	44	38

Total UK employee pay and benefits figures used to calculate the CEO Pay Ratio

	25th percentile pay £000	Median pay £000	75th percentile pay £000
Salary	13.8	15.6	17.7
Total employee pay and benefits	14.1	15.9	18.4

Notes

1. The Group has chosen Option A methodology to prepare the CEO pay ratio calculation as this is the most statistically robust method and is in line with the general preference of institutional investors.
2. As ratios could be unduly impacted by joiners and leavers who may not participate in all remuneration arrangements in the year of joining and leaving, the Committee has excluded any employee not employed throughout the financial year.
3. Employee pay data is based on full-time equivalent (FTE) pay for UK employees as at 30 September 2020. For each employee, total pay is calculated in line with the single figure methodology (i.e. fixed pay accrued during the financial year and the value of performance-based incentive awards vesting in relation to the performance year). Leavers and joiners are excluded. Employees on maternity or other extended leave are included pro-rata for their FTE salary, benefits and short-term incentives. No other calculation adjustments or assumptions have been made.
4. CEO pay is per the single total figure of remuneration for 2020, as set out in the table on page 67.
5. The 2020 ratio will be restated in the FY2021 Directors' Remuneration report to take account of the trued-up final LTIP vesting data for the CEO.

Supporting information for the CEO Pay Ratio

The calculations used to determine these figures are reflective of the Group's pay proposition across the workforce as all pay elements have been included to ensure equal comparisons.

RELATIVE IMPORTANCE OF THE SPEND ON PAY

The table below sets out the relative importance of the spend on pay in FY2020 and FY2019 compared with other disbursements. All figures provided are taken from the relevant Company accounts.

	Disbursements from profit in FY2020 £m	Disbursements from profit in FY2019 £m	Percentage change
Profit distributed by way of dividend	–	17.9	-100
Overall spend on pay including Executive Directors	18.9	31.1	-39.2

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 29 January 2021 and 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 14 December 2020
Peter Boddy	13 June 2016	16 September 2019	1 year 9 months
Nick Backhouse	14 June 2016	14 June 2019	1 year 6 months
Claire Tiney	14 June 2016	14 June 2019	1 year 6 months
Ivan Schofield	1 October 2017	1 October 2020	2 years 10 months

SHAREHOLDER VOTING AT GENERAL MEETINGS

The following table shows the results of the advisory vote on the Directors' Remuneration Report and the binding vote on the Remuneration Policy at our AGM held on 30 January 2020:

	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)	119,661,858	97.34	119,861,858	97.50
Against	3,272,605	2.66	3,075,945	2.50
Votes withheld	4,477		1,137	

IMPLEMENTATION OF THE POLICY IN FY2021

There are no planned changes to the implementation of the Remuneration Policy for FY2021. The Remuneration Committee proposes to implement the Policy for FY2021 as set out below:

Salary: The decision has also been taken to leave base salaries unchanged and there will be no increases for the Board including the Executive Directors in November 2020.

The salaries for FY2021 are set out below:

	Salary		
Name	**2021**	**2020**	Percentage change
Stephen Burns	**£392,700**	**£392,700**	0%
Laurence Keen	**£255,000**	**£255,000**	0%

NON-EXECUTIVE DIRECTORS' FEES

Fees for Non-Executive Directors will remain unchanged and there will be no increases in November 2020.

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's base fee is set at £46,818.

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 FY2021 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 FY2021 Annual Report so that shareholders can fully assess the basis for any payouts under the annual bonus plan. The performance measure for the annual bonus plan will be Group adjusted EBITDA.

LTIP AWARD

Awards will be made in FY2021 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 and will be subject to a further two-year holding period. In light of the uncertainty caused by COVID-19, LTIP targets have not yet been approved by the Remuneration Committee and communicated to participants. These will be disclosed in next year's Directors' Remuneration Report.

The Committee will ensure these targets are no less challenging in relative terms than the targets set for the FY2020 awards. The Committee considered the Group's share price and whether it would be appropriate to reduce the size of LTIP awards, but has agreed that it will maintain awards at the normal level but will monitor general market and share price performance over the vesting period to ensure Directors do not realise windfall gains on vesting.

COMPOSITION AND TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE

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

All members of the Remuneration Committee are Non-Executive Directors. The Remuneration Committee receives assistance from the Chairman, CEO, CFO and Company Secretary, who attend meetings by invitation, except when issues relating to their own remuneration are being discussed. The Remuneration Committee met twice 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 £16,150 for its advice during the year to 30 September 2020.

On behalf of the Board

CLAIRE TINEY
CHAIR OF THE REMUNERATION COMMITTEE
14 December 2020

The Directors present their report for the year ended 30 September 2020. Additional information which is incorporated by reference into this Directors' Report, including information required in accordance with the Companies Act 2006 and the Listing Rule 9.8.4R of the UK Financial Conduct Authority's Listing Rules, can be located as follows:

Disclosure	Location
Future business developments	Strategic Report – pages 2 to 3
Greenhouse gas emissions	Sustainability – pages 39 and 40
People, culture and employee engagement	Sustainability – pages 38 and 39
Financial risk management objectives and policies (including hedging policy and use of financial instruments)	Note 30 to the Financial Statements – pages 110 and 111
Exposure to price risk, credit risk, liquidity risk and cash flow risk	Details can be found on pages 26 to 29 of the Strategic Report and note 30 to the Financial Statements
Details of long-term incentive schemes	Directors' Remuneration Report – pages 66 to 70
Directors' responsibilities statement	Page 74
Directors' interests	Details can be found on pages 65 and 66 of the Directors' Remuneration Report
s172 Statement	Details can be found on pages 16 and 17 of the Strategic Report
Stakeholder engagement in key decisions	Details can be found on page 50

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 44 to 45. There have been no changes to the Directors during the year and up to the date of this report. The appointment and replacement of Directors is governed by the Company's Articles of Association (as detailed below), the UK Corporate Governance Code and the Companies Act 2006.

ARTICLES OF ASSOCIATION

The rules governing the appointment and replacement of Directors are set out in the Company's Articles of Association. The Articles of Association may be amended by a special resolution of the Company's shareholders. A copy of the Articles of Association can be found on the Company's website: www.hollywoodbowlgroup.com/investors/corporate-governance.

RESULTS AND DIVIDEND

The results for the year are set out in the consolidated income statement on page 84.

The Directors are not recommending the payment of a final dividend for the year ended 30 September 2020.

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 2020, the Company's share capital consisted of 157,500,000 Ordinary shares of one pence each.

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

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

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

AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES

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

At the Company's AGM held on 30 January 2020, 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 29 January 2021, and accordingly has an unexpired authority to purchase up to 15,000,000 Ordinary shares with a nominal value of £15,000.00.

DIRECTORS' INTERESTS

The number of Ordinary shares of the Company in which the Directors were beneficially interested as at 30 September 2020 are set out in the Directors' Remuneration Report on page 65.

DIRECTORS' INDEMNITIES

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

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

COMPENSATION FOR LOSS OF OFFICE

The Company does not have any agreements with any Executive Director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company share schemes may cause options and awards outstanding under such schemes to vest on a takeover. Further information is provided in the Directors' Remuneration Policy set out on page 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 2020 and 10 December 2020 (being the latest practicable date prior to publication of the Annual Report):

	At 30 September 2020		At 10 December 2020	
Name of shareholder	Number of Ordinary shares of 1 pence each held	Percentage of total voting rights held	Number of Ordinary shares of 1 pence each held	Percentage of total voting rights held
Aggregate of Standard Life Aberdeen plc affiliated investment management entities with delegated voting rights on behalf of multiple managed portfolios	20,318,505	12.90%	20,318,505	12.90%
AXA Investment Managers	7,783,664	5.19%	7,783,664	5.19%
Invesco Ltd	7,504,478	5.00%	7,504,478	5.00%
Ameriprise Financial, Inc. and its group (Columbia Threadneedle)	7,806,639	4.96%	7,806,639	4.96%
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%
Cannacord Genuity	5,389,850	3.59%	5,389,850	3.59%
Degroof Petercam Asset Management SA	4,901,643	3.11%	4,901,643	3.11%

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. During the COVID-19 pandemic, the Board has viewed communication with employees as paramount and has ensured that they are regular and drafted with employee wellbeing in mind. Opportunities for employees to provide feedback to the Company have also been made available, and such feedback has generally been positive. Additionally, a number of initiatives have been implemented and communicated to support employees, such as training opportunities, rewards and wellbeing sessions to support the transition from furlough to return to work. Further information about employees, including how they are incentivised, can be found in the Sustainability section on pages 38 and 39.

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

BRANCHES OUTSIDE THE UK

The Company has no branches outside of the UK.

POLITICAL DONATIONS

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

CHANGE OF CONTROL – SIGNIFICANT AGREEMENTS

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

AUDIT INFORMATION

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

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

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

AUDITORS

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

POST BALANCE SHEET EVENTS

The Group's centres were subject to a further lockdown resulting in all centres in England being closed from 5 November to 2 December 2020. The impact of this, as well as the local tier restrictions from 2 December 2020 are included in the going concern assessment in note 2 to the Financial Statements.

ANNUAL GENERAL MEETING

The 2021 AGM of the Company will be held on 29 January 2021 at 9.30am. The notice convening the meeting, together with details of the business to be considered and explanatory notes for each resolution, will be published separately and will be available on the Company's website and distributed to shareholders who have elected to receive hard copies of shareholder information.

The Strategic Report on pages 2 to 41, the Corporate Governance report on pages 46 to 50 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
14 December 2020

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
14 December 2020

LAURENCE KEEN
CHIEF FINANCIAL OFFICER
14 December 2020

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF 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 2020 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 2020 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 IFRS 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 five financial years ended 30 September 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole	£0.8m (2019:£1.2m) 4.3% of 4 year average of Group profit before tax (2019: 4.3% of Group profit before tax)	
Coverage	100% (2019:100%) of Group profit before tax	
Key audit matters	**vs 2019**	
Recurring risks	Recoverability of parent company investment in subsidiaries/ amounts due from group entities	◄►
New	Valuation of property, plant and equipment and right of use assets	▲
	IFRS 16 – lease arrangement (transition)	▲
Event driven	Material uncertainty related to going concern	▲

2. MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

	The risk	Our response
Going concern We draw attention to note 2 to the financial statements which indicates the potential impact of coronavirus outbreak on the Group's revenue, profitability and cash flows, in particular due to the closure of the Group's bowling and mini golf centres during the year as well as subsequent to year end. Management have modelled the impact on the cash flows and liquidity over the next 12 months under both a base case and a severe but plausible downside scenario. While the Group is able to demonstrate compliance with the bank covenants under both these scenarios, the headroom is low under the severe but plausible downside model which exposes the Group to the risk of a potential covenant breach. These events and conditions constitute a material uncertainty that may cast significant doubt on the Group's and the parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.	**Disclosure quality:** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent Company. That judgement is based on an evaluation of the inherent risks to the Group's and parent Company's business model and how those risks might affect the Group's and parent Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. If so, that fact is required to be disclosed (as has been done) and, along with a description of the circumstances, is a key financial statement disclosure.	Our procedures included: ★ **Funding assessment:** we assessed the loan covenant compliance to check whether the Group is at risk of breaching the covenants and reviewed the availability of cash and the cash flow forecasts to determine whether the assumptions are realistic, achievable and consistent with the external and internal environment; ★ **Historical comparisons:** we considered the historical accuracy of management's forecasting in the previous year in comparison to actual performance achieved; ★ **Sensitivity analysis:** we considered sensitivities over the level of financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from the risks identified individually and collectively; ★ **Assessing transparency:** we assessed the completeness and accuracy of the matters covered in the going concern disclosure against our understanding of the risks. **Our results** We found the disclosure of the material uncertainty to be acceptable.

We are required to report to you if the directors' going concern statement under the Listing Rules set out on page 30 is materially inconsistent with our audit knowledge. We have nothing to report in this respect.

3. OTHER 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. Going concern is a significant key audit matter and is described in section 2 of our report. We summarise below the other key audit matters, in decreasing order to 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
Valuation of property, plant and equipment and right of use assets £183 million (2019: £47 million) Refer to page 55 (Audit Committee Report), page 94 (accounting policy) and pages 101 and 102 (financial disclosures).	**Forecast based valuation:** The Group has significant property, plant and equipment (PPE), and right-of-use assets held on its consolidated balance sheet. Given the closure of all Hollywood Bowl centres for a period of around 5 months during the current financial year and as a result of the wider economic implications of Coronavirus pandemic particularly on the leisure industry and the impact thereof on the footfall in the Group's centres, the risk of impairment in respect of PPE and right-of-use assets at each cash generating unit (which are each one of the Group's centres) has increased. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The key assumptions used in the value in use ("VIU") calculations for estimating the recoverable amount are expected revenues and costs in the short-term cash flow forecasts, the long-term growth rate and the discount rate. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the VIU had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	Our procedures included: ★ **Assessing principles:** We evaluated whether the inputs used in the Group's assessment of impairment indicators were suitable, through discussions with management, our own knowledge of the business and market, inspection of Board minutes and other management information. ★ **Re-performance:** We re-performed the calculations that management performed for the initial trigger test and determining the VIU of each cash generating unit and compared data used in the model against source information, when applicable. ★ **Our sector experience:** For the centres where indications of impairment existed, we evaluated the assumptions used in the forecasts and plans by the management, in particular those relating to revenue and EBITDA growth for the centres. We also challenged management as to the achievability of their forecasts and business plan, taking into account the historical accuracy of previous forecasts, wider market factors (such as performance of competitors and other operators in the leisure market) and other specific evidence to support the assumptions (such as recent refurbishment of the centres). ★ **Benchmarking assumptions:** We compared management's assumptions to externally derived data in relation to key inputs such as projected economic growth, cost inflation and discount rates. ★ **Sensitivity analysis:** We performed sensitivity analysis to stress test the assumptions noted above. ★ **Assessing disclosures:** We also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the carrying amount of PPE and right-of-use assets in its cash generating units. **Our results** We found the resulting estimate of the recoverable amount of PPE and right-of-use assets in each cash generating unit to be acceptable.

	The risk	Our response
IFRS 16 – lease arrangements (transition) Right of use asset of £135 million and Lease liability of £174 million Refer to page 55 (Audit Committee Report), pages 91-93 (accounting policy) and pages 102-103 (financial disclosures).	**Subjective judgement:** Following the adoption of IFRS 16, the recognition of future lease liabilities and corresponding assets has changed with the Group bringing onto its balance sheet £167 million of future lease liabilities and £136 million of right-of-use assets on 1 October 2019. There is a risk that existing leases subject to transition are not completely identified, that transition date recognition and measurement adjustments are not accurately recorded and transition disclosures are incomplete, inaccurate or not fairly presented. Furthermore, on transition, to determine the future lease liability and base for calculating the right-of-use asset, the Group has made a number of assumptions about individual leases including lease term and discount rate. Due to it being the first year of application and the magnitude of the balance, there is a risk that inaccurate input of the key data elements or incorrect selection of assumptions such as changes in the discount rate applicable could result in a material misstatement. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the valuation of lease liability and corresponding right-of-use asset has a potential range of outcomes greater than our materiality for the financial statements as a whole.	Our procedures included: ★ **Assessing methodology and assumptions:** We have evaluated the reasonableness of management's key judgements made in preparing the transition adjustments, specifically lease term and discount rate. This included considering the appropriateness of the selection of accounting policies based on the requirements of IFRS 16, our business understanding and industry practice. ★ **Assessing base data:** We have tested the completeness and accuracy of the underlying data used in preparing the adjustment through agreeing information to the original contract or most recent invoice for rental payments and reviewing the trial balance for payments which may suggest a lease contract is in place. ★ **Independent re-performance:** We have recalculated the lease liability using the underlying data inputs. ★ **Assessing disclosures:** We also considered the adequacy of the Group's disclosures in respect of the transition to IFRS 16. **Our results** We found the resulting estimate of valuation of lease liability and right-of-use asset on transition date to be acceptable.

	The risk	Our response
Recoverability of parent Company's investment in subsidiaries /amounts due from group entities £124 million (2019: £126 million) Refer to page 114 (accounting policy) and pages 116 and 117 (financial disclosures).	**Low risk – high value:** The carrying amount of the parent company investments in subsidiaries and amounts due from group entities represent 93% (2019:99.9%) 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 budgets by considering the historical accuracy of the previous forecasts; ★ **Benchmarking assumptions:** We compared the assumptions to externally derived and historical data, as well as our own assessments in relation to key inputs, in particular the discount and growth rates; ★ **Sensitivity analysis:** We performed breakeven analysis of the key assumptions noted above to assess whether a reasonably possible change in these assumptions could trigger an impairment charge; and ★ **Comparing valuations:** We compared the sum of the discounted cashflows to the Group market capitalisation to assess the reasonableness of those cashflows. **Our results** We found the Group's assessment of the recoverability of the parent company's investment in subsidiaries and amounts due from group entities to be acceptable.

We continue to perform procedures over revenue recognition. However, following a decline in revenue due to centre closures for extended periods in the year reducing the risk relating to revenue recognition, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

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

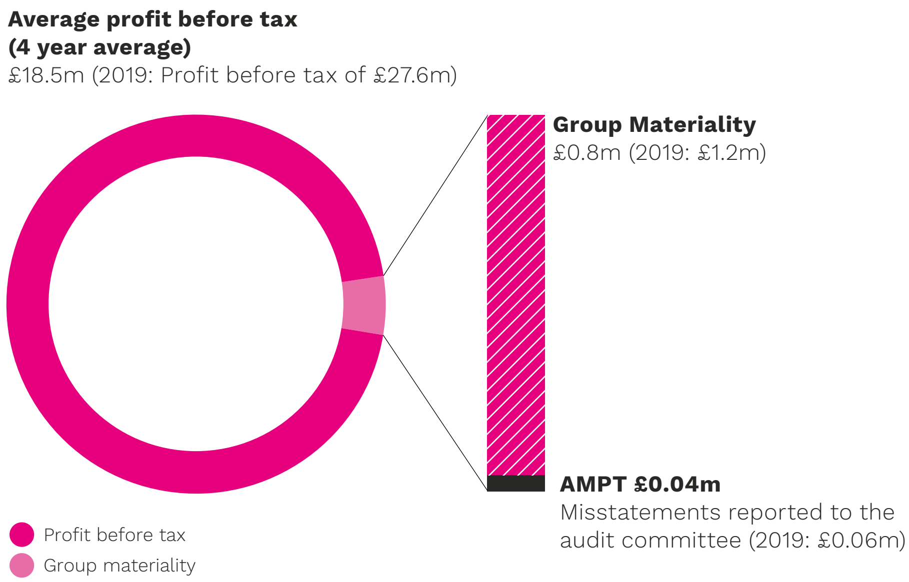
Materiality for the Group financial statements as a whole was set at £ 0.8 million determined with reference to a benchmark of Group profit before tax by averaging over the last four years (2019: £ 1.2 million determined with reference to actual profit before tax). This is due to fluctuations in the business cycle arising as a result of the impact of Coronavirus in the year, of which it represents 4.3% (2019: 4.3% of actual profit before tax).

Materiality for the parent Company financial statements as a whole was set at £ 0.74 million (2019: £ 0.9 million, determined with reference to a benchmark of company total assets (2019: company total assets) of which it represents 0.6% (2019: 0.7%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £ 40,000 (2019: £ 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 year and prior year audit was performed using the materiality level set out on this page and covered 100% of the Group's profit before tax, total revenues and total assets.

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



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, other than the material uncertainty related to going concern referred to above, we have nothing further material to add or draw attention to in relation to:

- the directors' confirmation within the Viability statement on pages 30 and 31 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 the parent 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; or
- 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 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.

7. RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 74, 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 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
14 December 2020

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDING 30 SEPTEMBER 2020

	Note	**30 September 2020 £'000**	30 September 2019 £'000
Revenue	3	**79,473**	129,894
Cost of sales		**(11,543)**	(18,542)
Gross profit		**67,930**	111,352
Administrative expenses	6	**(58,069)**	(82,908)
Operating profit		**9,861**	28,444
Underlying operating profit		**9,861**	28,064
Exceptional items	5	**–**	380
Finance income	9	**78**	167
Finance expenses	9	**(8,743)**	(1,023)
Profit before tax		**1,196**	27,588
Tax expense	10	**189**	(5,303)
Profit for the year attributable to equity shareholders		**1,385**	22,285
Other comprehensive income		**–**	–
Total comprehensive income for the year attributable to equity shareholders		**1,385**	22,285
Basic earnings per share (pence)	11	**0.90**	14.86
Diluted earnings per share (pence)	11	**0.90**	14.79

The accompanying notes on pages 88 to 111 form an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

	Note	30 September 2020 £'000	30 September 2019 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**48,220**	47,365
Right-of-use assets	13	**135,176**	–
Goodwill and intangible assets	14	**78,173**	78,457
Deferred tax asset	22	**5,295**	–
		266,864	125,822
Current assets			
Cash and cash equivalents	16	**20,784**	24,929
Trade and other receivables	17	**1,720**	8,014
Corporation tax receivable		**285**	–
Inventories	18	**1,340**	1,212
		24,129	34,155
Total assets		**290,993**	159,977
LIABILITIES			
Current liabilities			
Trade and other payables	19	**9,940**	18,464
Lease liabilities	13	**14,404**	–
Loans and borrowings	21	**5,205**	1,380
Corporation tax payable		**–**	2,517
		29,549	22,361
Non-current liabilities			
Other payables	19	**814**	6,846
Lease liabilities	13	**159,400**	–
Loans and borrowings	21	**23,833**	25,383
Deferred tax liabilities	22	**–**	596
Provisions	20	**3,903**	3,150
		187,950	35,975
Total liabilities		**217,499**	58,336
NET ASSETS		**73,494**	101,641
Equity attributable to shareholders			
Share capital	23	**1,575**	1,500
Share premium	24	**10,466**	–
Merger reserve	24	**(49,897)**	(49,897)
Retained earnings	24	**111,350**	150,038
TOTAL EQUITY		**73,494**	101,641

The accompanying notes on pages 88 to 111 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors on 14 December 2020.

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 2020

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Equity at 30 September 2018	1,500	–	(49,897)	143,335	94,938
Dividends paid	–	–	–	(16,244)	(16,244)
Share-based payments (note 28)	–	–	–	662	662
Profit for the period	–	–	–	22,285	22,285
Equity at 30 September 2019	1,500	–	(49,897)	150,038	101,641
Adjustment on initial application of IFRS 16 (note 2)	–	–	–	(31,696)	(31,696)
Taxation on IFRS 16 transition adjustment (note 2)	–	–	–	5,388	5,388
Adjusted balance at 1 October 2019	1,500	–	(49,897)	123,730	75,333
Shares issued during the year	75	10,466	–	–	10,541
Dividends paid	–	–	–	(14,489)	(14,489)
Share-based payments (note 28)	–	–	–	724	724
Profit for the period	–	–	–	1,385	1,385
Equity at 30 September 2020	**1,575**	**10,466**	**(49,897)**	**111,350**	**73,494**

The accompanying notes on pages 88 to 111 form an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Note	**30 September 2020 £'000**	30 September 2019 £'000
Cash flows from operating activities			
Profit before tax		**1,196**	27,588
Adjusted by:			
Depreciation of Property, plant and equipment	12	**7,247**	9,041
Depreciation of right-of-use assets	13	**12,171**	–
Amortisation of intangible assets	14	**507**	502
Net interest expense		**8,665**	856
Loss on disposal of property, plant and equipment and software		**22**	596
Share-based payments		**724**	662
Operating profit before working capital changes		**30,532**	39,245
(Increase)/decrease in inventories		**(128)**	42
Decrease/(increase) in trade and other receivables		**1,727**	(1,444)
(Decrease)/increase in payables and provisions		**(5,868)**	1,718
Cash inflow generated from operations		**26,263**	39,561
Interest received		**85**	160
Income tax paid – corporation tax		**(3,117)**	(5,518)
Bank interest paid		**(943)**	(871)
Lease interest paid		**(7,770)**	–
Net cash inflow from operating activities		**14,518**	33,332
Cash flows from investing activities			
Purchase of property, plant and equipment		**(13,492)**	(16,390)
Purchase of intangible assets		**(223)**	(311)
Net cash used in investing activities		**(13,715)**	(16,701)
Cash flows from financing activities			
Repayment of bank loan		**(1,500)**	(1,500)
Drawdown of borrowings		**4,000**	–
Payment of capital elements of leases		**(3,500)**	–
Issue of shares		**10,541**	–
Dividends paid		**(14,489)**	(16,244)
Net cash used in financing activities		**(4,948)**	(17,744)
Net change in cash and cash equivalents for the period		**(4,145)**	(1,113)
Cash and cash equivalents at the beginning of the period		**24,929**	26,042
Cash and cash equivalents at the end of the period	16	**20,784**	24,929

The accompanying notes on pages 88 to 111 form an integral part of these Financial Statements.

1. GENERAL INFORMATION

Hollywood Bowl Group plc (together with its subsidiaries, 'the Group') is a public limited company whose shares are publicly traded on the London Stock Exchange and is incorporated and domiciled in England and Wales. The registered office of the Parent Company is Focus 31, West Wing, Cleveland Road, Hemel Hempstead, HP2 7BW, United Kingdom. The registered Company number is 10229630. A list of the Company's subsidiaries is presented in note 15.

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

The Directors of the Group are responsible for the consolidated Financial Statements, which comprise the Financial Statements of the Company and its subsidiaries as at 30 September 2020.

2. ACCOUNTING POLICIES

The principal accounting policies applied in the consolidated Financial Statements are set out below. These accounting policies have been applied consistently to all periods presented in these consolidated Financial Statements, other than the adoption of IFRS 16 Leases which became effective for the Group from 1 October 2019. IFRS 16 is a replacement for IAS 17 Leases. There has been a significant impact on the Group's accounting for leases as a result of IFRS 16, the effect of which is set out further down this report. The financial information presented is as at and for the financial years ended 30 September 2020 and 30 September 2019.

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.

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

Judgements made by the Directors, in the application of these accounting policies, that have significant effect on the Financial Statements and estimates with a significant risk of material adjustment in the next year are discussed on page 97.

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.

NEW STANDARDS ADOPTED IN THE YEAR

During the year the Group has adopted IFRS 16 for the first time. The nature and effect of the impact of this are outlined in the leases section on page 91.

EARNINGS PER SHARE

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

The adjusted earnings per share figures have also been calculated based on earnings before adjusting items that are significant in nature and/or quantum and are considered to be distortive (see notes 5 and 11). These have been presented to provide shareholders with an additional measure of the Group's year-on-year performance.

For diluted earnings per share, the weighted average number of Ordinary shares in issue is adjusted to assume conversion of all dilutive potential Ordinary shares. The Group has one type of dilutive potential Ordinary shares, being those unvested shares granted under the Long Term Incentive Plans.

2. ACCOUNTING POLICIES CONTINUED

STANDARDS ISSUED NOT YET EFFECTIVE

At the date of authorisation of this financial information, certain new standards, amendments and interpretations to existing standards applicable to the Group have been published but are not yet effective, and have not been adopted early by the Group. These are listed below:

Standard/interpretation	Content	Applicable for financial years beginning on/after
IAS 1 Classification of liabilities as current or non-current'	In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments are not expected to have a material impact on the Group.	1 October 2023
IAS 16 Property, plant and equipment: Proceeds before intended use	In May 2020, the IASB issued Property, Plant and Equipment: Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The amendment is not expected to have a material impact on the Group.	1 October 2022
IFRS 17 Insurance contracts	In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. The amendment is not expected to have a material impact on the Group.	1 October 2023
IFRS 3 Reference to the conceptual framework	In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendment is not expected to have a material impact on the Group.	1 October 2022
IAS 37 Onerous contracts	In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendment is not expected to have a material impact on the Group.	1 October 2022
Interest rate benchmark reform: Phase 2	The amendments address issues that might affect IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 as a result of the reform of an interest rate benchmark. The amendment is not expected to have a material impact on the Group.	1 October 2021

GOING CONCERN

In assessing the going concern position of the Group for the Consolidated Financial Statements for the year ended 30 September 2020, the Directors have considered the Group's cash flow, liquidity and business activities, as well as the uncertainty caused by the COVID-19 outbreak. All of the Group's centres were closed for trade from 20 March 2020 with a phased reopening from 4 August 2020, with the majority of the centres reopening on 15 August. At 30 September 2020, the Group had cash balances of £20.8m and undrawn financing facilities of £11m.

As part of the review of the potential impact of the COVID-19 outbreak on the Group's cash flows and liquidity over the next 12 months, a base case and multiple downside scenarios were prepared. Under each scenario, mitigating actions are within management control and can be initiated as they relate to discretionary spend. The actions include reduced employee costs, maintenance and marketing spend, as well as reducing all non-essential and non-committed capital expenditure. The Group also agreed with its lending bank, Lloyds Bank plc, to a combination of liquidity-enhancing amendments to its borrowing facility. These include a number of covenant test relaxations and waivers, as well as an additional year to extend the current facility out to September 2022.

The base case has FY2021 revenues at levels of between -45 per cent and -15 per cent of FY2020 (five months actual performance and seven months budget), excluding the English lockdown in November 2020, closed centres due to local tier trading restrictions, as well as taking into account the impact of socially distanced operations. Under this base case scenario, in FY2021 the Group continues to be profitable with sufficient liquidity and no covenant breaches.

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

- revenue assumed at 11 percentage points down on the base case for FY2021;
- the centres closed due to local tier trading restrictions that commenced on 2 December 2020, to remain closed until the end of February 2021;
- in line with the revenue reduction, reduced employee costs. When centres are forced to close, taking advantage of the CJRS and no additional top up pay for centre teams;
- reduced maintenance and marketing spend, as well as reducing all non-essential and non-committed capital expenditure in FY2021; and no dividend payments in FY2021.

2. ACCOUNTING POLICIES CONTINUED

The most severe downside scenario modelled would still provide sufficient liquidity within its cash position, but under this severe downside, the TTM Group adjusted EBITDA (pre IFRS 16) loan covenant would be challenged at March 2021. In the event this covenant is breached, an extension of this covenant would need to be negotiated with Lloyds Bank plc. The Directors believe this is likely to be attained, particularly given the strong cash position of the Group in this scenario being between £18m and £22m, depending on capital expenditure, as well as its strong relationship and success on obtaining covenant waivers with its lending bank recently. The Group would also have access to £11m in undrawn RCFs.

Nevertheless in the event of extended lockdown measures impacting the Group's operations, the possibility of a covenant breach at the end of March 2021 cannot be discounted, and as such represents a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern, in which case it maybe unable to realise its assets and discharge its liabilities in the normal course of business.

Taking the above and the principal risks faced by the Group into consideration, and the Directors expectation that they could negotiate an extension to the covenant should the need arise, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future, a period of at least twelve months from the date of this report. Accordingly, the Group continues to adopt the going concern basis in preparing these financial statements.

REVENUE

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

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

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

Revenue for amusements is recognised when the customer plays the amusement machine.

Revenue from customers is disaggregated by major product and service lines, being bowling, mini golf, food and drink, amusements and other. Disaggregated revenue from contracts with customers is disclosed in note 3 on page 98.

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

OPERATING SEGMENTS

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

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

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

EMPLOYEE BENEFITS

(i) Short-term benefits

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

(ii) Defined contribution plans

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

(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.

2. ACCOUNTING POLICIES CONTINUED

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

LEASES

IFRS 16 Leases replaces existing guidance under IAS 17 and introduces a fundamental change to the recognition, measurement, presentation and disclosure of leases for lessees.

The Group adopted IFRS 16 with effect from 1 October 2019. The Group applied the standard using the modified retrospective approach and thus comparative information has not been restated and is presented, as previously reported, under IAS 17.

The new standard results in all property and amusement machine leases being recognised on the Statement of Financial Position as, from a lessee perspective, there is no longer any distinction between operating and finance leases. Under IFRS 16, an asset is based on the right to use a leased item over a long-term period and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group leases properties, which under IAS 17 were classified as a series of operating lease contracts with payments made (net of any incentives received from the lessor) charged to profit or loss as arising over the period of the lease.

The Group obtains control over amusement machines using extended credit terms over four years. For financial years up to 30 September 2019, these were accounted for as property, plant and equipment under IAS 16, with an associated creditor with respect to the extended credit. Upon adoption of IFRS 16, the Group has re-assessed the amusement machines contract as meeting the definition of a lease. Accordingly, these amusement machines have been accounted for under IFRS 16 from 1 October 2019.

From 1 October 2019, under IFRS 16, leases are recognised as a right-of-use asset with a corresponding lease liability from the date at which the leased asset becomes available for use by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

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

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

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics for amusement machines.
- Short-term leases (leases of less than 12 months) and leases with less than 12 months remaining as at the date of adoption of the new standard are not within the scope of IFRS 16.
- Leases for which the asset is of low value (IT equipment and small items of office equipment) are not within the scope of IFRS 16.
- Exclusion of initial direct costs from the measurement of the right-of-use asset on transition.
- The use of hindsight in determining the lease term when the contract included options to extend the lease.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases previously classified as 'operating leases' under the principles of IAS 17 Leases. For all leases, these liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 October 2019, specific to each type of asset. This ranged from 4.05 per cent to 5.53 per cent for property leases and 2.90 per cent for amusement machine leases.

The associated right-of-use assets were measured using the approach set out in IFRS 16.C8(b)(i), whereby right-of-use assets are measured at their carrying amount as if the standard had been applied since the lease commencement date, but discounted using the Group's incremental borrowing rate at the date of initial application.

Under IFRS 16, the right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous leases. An impairment assessment of the cash-generating unit (CGU) assets was performed on transition at 1 October 2019 with no initial impairment charge identified.

2. ACCOUNTING POLICIES CONTINUED

The effect of the accounting policy change on the Consolidated Statement of Financial Position at implementation on 1 October 2019 was:

	As at 30 September 2019 £'000	IFRS 16 adjustments £'000	As at 1 October 2019 £'000
Assets			
Property, plant and equipment	47,365	(6,312)	41,053
Right-of-use assets	–	136,337	136,337
Prepayments	7,240	(4,561)	2,679
Deferred tax asset	–	5,388	5,388
Total assets	**54,605**	**130,852**	**185,457**
Liabilities			
Lease liabilities – current	–	10,965	10,965
Lease liabilities – non-current	–	156,417	156,417
Lease incentives – current (within other payables)	219	(219)	–
Lease incentives – non-current (within other payables)	2,437	(2,437)	–
Rent-free creditor (within accruals)	1,269	(1,269)	–
Amusement machine creditor – current (within other payables)	2,652	(2,652)	–
Amusement machine creditor – non-current (within other payables)	3,645	(3,645)	–
Total liabilities	**10,222**	**157,160**	**167,382**
Retained earnings	150,038	(31,696)	118,342
Retained earnings – deferred tax	–	5,388	5,388
Total retained earnings	**150,038**	**(26,308)**	**123,730**

The adoption of IFRS 16 reduced opening retained earnings as at 1 October 2019 by £26.3m.

The table below presents a reconciliation from operating lease commitments disclosed at 30 September 2019 to lease liabilities recognised at 1 October 2019:

	£'000
Operating lease commitments disclosed at 30 September 2019	245,557
Increased rent reviews[1]	131
Effect of discounting[2]	(84,527)
Amusement machines[3]	6,221
Lease liabilities recognised as at 1 October 2019	**167,382**
Of which are:	
Current lease liabilities	10,965
Non-current lease liabilities	156,417
Lease liabilities recognised as at 1 October 2019	**167,382**

1 A number of outstanding rent reviews have been finalised since the end of FY19; these were not included in the operating lease commitments disclosed at 30 September 2019.
2 Previously, disclosures of lease commitments were undiscounted whilst under IFRS 16 lease commitments are discounted based on the Group's incremental borrowing rate.
3 Previously, amusement machines were accounted for under IAS 16 Property, plant and equipment.

During the year ended 30 September 2020, the application of IFRS 16 resulted in increased adjusted EBITDA, as reported in the Consolidated Income Statement and Statement of Comprehensive Income, of £15.8m in comparison to treatment under IAS 17 for property and IAS 16 for amusement machines. There was an increase to operating profit of £6.5m. The differences have arisen as operating lease payments under IAS 17 were replaced by a depreciation charge on right-of-use assets, and adjustments to rent free periods and other lease incentives. Profit before taxation therefore decreased by a total of £1.2m with the inclusion of £7.8m of finance costs under the new standard.

2. ACCOUNTING POLICIES CONTINUED

The table below reconciles operating profit between IAS 17 and the new standard, IFRS 16:

	£'000
Add: Operating lease costs under IAS17[1]	15,840
Impact on adjusted EBITDA for the year ended 30 September 2020	**15,840**
Less: Depreciation of right-of-use assets for leases previously recognised as operating leases under IAS 17[2]	(9,300)
Add: Gain on lease surrenders	6
Impact on operating profit for the year ended 30 September 2020	**6,546**
Less: Finance costs associated with lease liabilities	(7,770)
Impact on profit before tax for the year ended 30 September 2020	**(1,224)**

1 The Group has applied the practical expedient to all rent concessions that meet the conditions in paragraph 46B of the COVID-19-related rent concessions amendment to IFRS 16 published in May 2020 (see further detail below). This figure includes £1.4m of rent savings recognised in profit or loss to reflect changes in lease payments that arose as a result of COVID-19-related rent concessions.

2 This is net of £2.9m of depreciation that would have been charged if the amusement machine assets were still accounted for under IAS 16 Property, Plant and Equipment.

On application of IFRS 16, there will be no impact on cash flows, except in relation to tax payments. The presentation of cash flows will change. Cash flows from operating activities will increase, but this will be offset by an increase in lease capital payments.

Short-term leases and leases of low-value assets

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

Amendments to IFRS 16: COVID-19 Related Rent Concessions

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

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

PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

DILAPIDATION PROVISION

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

PROPERTY, PLANT AND EQUIPMENT

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

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

Leasehold property	★ lesser of lease period and 25 years
Lanes and Pins on strings	★ over 30–40 years
Mini-golf courses	★ over 15 years
Plant and machinery and fixtures, fittings and equipment	★ over 3–25 years
Pinspotters	★ up to 10 years

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

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

2. ACCOUNTING POLICIES CONTINUED

GOODWILL AND INTANGIBLE ASSETS

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

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

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

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

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

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash held at centres, short-term deposits with banks and other financial institutions, and credit card payments received within 72 hours.

INVENTORIES

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

IMPAIRMENT

(i) Impairment of financial assets

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

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

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

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

(ii) Impairment of non-financial assets

The carrying values of goodwill and intangible assets are reviewed at the end of each reporting period for impairment. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flows. A sensitivity analysis is also performed (see note 14). An impairment loss is recognised in the income statement immediately.

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

TAXATION

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

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

2. ACCOUNTING POLICIES CONTINUED

DEFERRED TAXATION

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

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

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

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

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

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

EQUITY

The following describes the nature and purpose of each reserve within equity:

- share capital: the nominal value of equity shares;
- share premium account: proceeds received in excess to the nominal value of shares issued, net of any transaction costs;
- retained earnings: all other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere; and
- merger reserve: represents the excess over nominal value of the fair value consideration for the business combination which arose during the Company's IPO listing. This was satisfied by the issue of shares in accordance with s612 of the Companies Act 2006.

FINANCIAL INSTRUMENTS

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

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

Financial assets

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

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

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

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

Financial assets: business model assessment

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

2. ACCOUNTING POLICIES CONTINUED

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).

Financial assets: subsequent measurement and gains and losses

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

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

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

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

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

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

FOREIGN CURRENCY TRANSACTIONS

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

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

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

2. ACCOUNTING POLICIES CONTINUED

GOVERNMENT GRANTS

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

CJRS grant is recognised against staff costs within administrative expenses in the consolidated 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.

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 34 and 35 of the Financial review which details the impact of exceptional and other adjusted items when comparing to the non-GAAP financial measures in addition to those reported in accordance with IFRS.

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

CRITICAL ACCOUNTING JUDGEMENTS

Determining the incremental borrowing rate used to measure lease liabilities

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

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

KEY SOURCES OF ESTIMATION UNCERTAINTY

The key estimates are discussed below:

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

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

The key assumptions in the value-in-use calculations include growth rates of revenue and expenses, and discount rates. Due to the ongoing COVID-19 pandemic, there is an increased level of uncertainty in all of the above assumptions such that a reasonably possible change in these assumptions could lead to a material change in the carrying value of the assets.

Further information in respect of the Group's property, plant and equipment and right-of-use assets is included in notes 12 and 13 respectively.

3. SEGMENTAL REPORTING

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

	30 September 2020 £'000	30 September 2019 £'000
Bowling	**38,542**	64,033
Food and drink	**21,516**	35,044
Amusements	**18,819**	30,395
Other	**596**	422
	79,473	129,894

4. RECONCILIATION OF OPERATING PROFIT TO GROUP ADJUSTED EBITDA

	30 September 2020 £'000	30 September 2019 £'000
Operating profit	**9,861**	28,444
Depreciation of property, plant and equipment (note 12)	**7,247**	9,041
Depreciation of right-of-use assets (note 13)	**12,171**	–
Amortisation of intangible assets (note 14)	**507**	502
Loss on disposal of property, plant and equipment, right-of-use assets and software (notes 12-14)	**22**	596
EBITDA	**29,808**	38,583
Exceptional items (note 5)	**–**	(380)
Group adjusted EBITDA	**29,808**	38,203

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, right-of-use assets 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 2020 £'000	30 September 2019 £'000
VAT rebate[1]	**–**	380
	–	380

1 In FY19 the Group was able to make a non-recurring retrospective reclaim in respect of overpaid VAT relating to transaction fees.

6. PROFIT FROM OPERATIONS

Profit from operations includes the following:

	30 September 2020 £'000	30 September 2019 £'000
Amortisation of intangible assets	**507**	502
Depreciation of property, plant and equipment	**7,247**	9,041
Depreciation of right-of-use assets	**12,171**	–
Operating leases:		
– Property	**–**	14,991
– Other	**50**	50
Loss on disposal of property, plant and equipment, right-of-use assets and software	**22**	596
Loss/(gain) on foreign exchange	**23**	(61)
Auditor's remuneration:		
– Fees payable for audit of these Financial Statements	**155**	100
Fees payable for other services		
– Audit of subsidiaries	**45**	35
– Audit of subsidiaries relating to prior year	**20**	–
– Review of interim Financial Statements	**–**	25
– Other services	**14**	9
	234	169

7. STAFF NUMBERS AND COSTS

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

	30 September 2020	30 September 2019
Directors	**6**	6
Administration	**65**	67
Operations	**1,970**	1,996
Total staff	**2,041**	2,069

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

	30 September 2020 £'000	30 September 2019 £'000
Wages and salaries	**16,563**	28,045
Social security costs	**1,371**	2,072
Pension costs	**297**	350
Share-based payments (note 28)	**695**	662
Total staff cost	**18,926**	31,129

FY20 staff costs includes £8,232,000 (FY19: £nil) of CJRS government grant received.

8. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

A) DIRECTORS' EMOLUMENTS

The Directors' emoluments and benefits were as follows:

	30 September[1] 2020 £'000	30 September[1] 2019 £'000
Salaries and bonuses	**912**	1,393
Pension contributions	**32**	26
Share-based payments (note 28)	**472**	407
Total	**1,416**	1,826

1 This includes two Executive Directors and four (2019: four) Non-Executive Directors.

The aggregate of emoluments of the highest paid Director was £699,000 (2019: £938,000) and company pension contributions of £19,000 (2019: £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 2020 £'000	30 September 2019 £'000
Salaries and bonuses	**1,265**	1,847
Pension contributions	**51**	41
Share-based payments	**730**	633
Total	**2,046**	2,521

9. FINANCE INCOME AND EXPENSES

	30 September 2020 £'000	30 September 2019 £'000
Interest on bank deposits	**78**	164
Other interest	**–**	3
Finance income	**78**	167
Interest on bank borrowings	**904**	930
Other interest	**5**	55
Finance costs on lease liabilities	**7,770**	–
Unwinding of discount on provisions	**64**	38
Finance expense	**8,743**	1,023

10. TAXATION

	30 September 2020 £'000	30 September 2019 £'000
The tax expense is as follows:		
– UK corporation tax	**339**	5,134
– Adjustment in respect of prior years	**(24)**	60
Total current tax	**315**	5,194
Deferred tax:		
Origination and reversal of temporary differences	**39**	123
Effect of changes in tax rates	**(546)**	(14)
Adjustment in respect of prior years	**3**	–
Total deferred tax	**(504)**	109
Total tax (credit)/expense	**(189)**	5,303

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 2019: 19 per cent). The differences are explained below:

	30 September 2020 £'000	30 September 2019 £'000
Profit excluding taxation	**1,196**	27,588
Tax using the UK corporation tax rate of 19% (2019: 19%)	**227**	5,242
Change in tax rate on deferred tax balances	**(546)**	(14)
Non-deductible expenses	**58**	89
Tax exempt revenues	**93**	(74)
Adjustment in respect of prior years	**(21)**	60
Total tax (credit)/expense included in profit or loss	**(189)**	5,303

The Group's standard tax rate for the year ended 30 September 2020 was 19 per cent (30 September 2019: 19 per cent).

The FY2019 adjustment in respect of prior years for current taxation of £60,000 relates to an Advance Thin Capitalisation Agreement tax liability. This was settled with HMRC during the prior year.

At Budget 2020, the government announced that the corporation tax main rate for the years starting 1 April 2020 and 2021 would remain at 19 per cent. As such, the rate used to calculate the deferred tax balances as at 30 September 2020 has increased from 17 per cent to 19 per cent.

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of Hollywood Bowl Group plc by the weighted average number of shares outstanding during the year, excluding invested shares held pursuant to Long Term Incentive Plans (note 28).

Diluted earnings per share is calculated by adjusting the weighted average number of Ordinary shares outstanding to assume conversion of all dilutive potential Ordinary shares. During the years ended 30 September 2020 and 30 September 2019, the Group had potentially dilutive shares in the form of unvested shares pursuant to Long Term Incentive Plans (note 28).

	30 September 2020	30 September 2019
Basic and diluted		
Profit for the year after tax (£'000)	**1,385**	22,285
Basic weighted average number of shares in issue for the period (number)	**153,401,639**	150,000,000
Adjustment for share awards	**935,738**	676,861
Diluted weighted average number of shares	**154,337,377**	150,676,861
Basic earnings per share (pence)	**0.90**	14.86
Diluted earnings per share (pence)	**0.90**	14.79

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 2020	30 September 2019
Adjusted underlying earnings after tax (before exceptional costs) (£'000)	**1,385**	21,905
Basic adjusted earnings per share (pence)	**0.90**	14.60
Diluted adjusted earnings per share (pence)	**0.90**	14.54

11. EARNINGS PER SHARE CONTINUED

Adjusted underlying earnings after tax is calculated as follows:

	30 September 2020 £'000	30 September 2019 £'000
Profit before taxation	**1,196**	27,588
Exceptional items (note 5)	**–**	(380)
Adjusted underlying profit before taxation	**1,196**	27,208
Add/(less) taxation	**189**	(5,303)
Adjusted underlying earnings after tax	**1,385**	21,905

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 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
Adjustment on initial application of IFRS 16 (note 2)	–	–	–	(16,362)	–	(16,362)
Additions	–	5,125	2,537	–	6,780	14,442
Disposals	(1)	(71)	(338)	–	(34)	(444)
At 30 September 2020	**1,240**	**28,652**	**12,269**	**–**	**36,157**	**78,318**
Accumulated depreciation						
At 1 October 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
Adjustment on initial application of IFRS 16 (note 2)	–	–	–	(10,050)	–	(10,050)
Depreciation charge	48	2,417	647	–	4,135	7,247
Disposals	(1)	(70)	(321)	–	(24)	(416)
At 30 September 2020	**292**	**11,011**	**4,347**	**–**	**14,448**	**30,098**
Net book value						
At 30 September 2020	**948**	**17,641**	**7,922**	**–**	**21,709**	**48,220**
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

Plant & machinery, fixtures and fittings includes £nil (30 September 2019: £1,228,000) of assets in the course of construction, relating to the development of new centres.

IMPAIRMENT

Impairment testing is carried out at the CGU level. 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.

Each CGU is tested for impairment at the balance sheet date if any indicators of impairment have been identified. The UK government restrictions implemented as a result of the COVID-19 pandemic are considered an impairment trigger. An initial impairment test was performed on all 64 centres. A detailed impairment test based on a base case was then performed on two centres, where the excess of value-in-use over the carrying value calculation was sensitive to changes in the key assumptions.

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

Cash flows beyond this three-year period are extrapolated using the estimated growth rates stated in the key assumptions. The key assumptions used in the value-in-use calculations are:

	2020	2019
Discount rate (pre-tax)	**8.5%**	8.5%
Growth rate (beyond three years)	**2.0%**	2.0%

12. PROPERTY, PLANT AND EQUIPMENT CONTINUED

The base case has FY2021 monthly revenues of between -56 per cent and -15 per cent of FY2020 (five months actual performance and seven months budget), excluding the lockdowns in October and November 2020, as well as taking into account the impact of socially distanced operations. In line with the revenue reductions the employee costs were reduced, taking advantage of the CJRS and no additional top up for centre teams. Maintenance and marketing spend, as well as all non-essential and non-committed capital expenditure were reduced in FY2021.

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 risk premium and the cost of debt.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

The estimate of the recoverable amounts associated with the two centres affords reasonable headroom over the carrying value of the property, plant and equipment and right-of-use assets under the base case. Management have sensitised the key assumptions in the impairment tests of the two centres under the base case.

A reduction in revenue of six percentage points down on the base case for FY2021 to FY2023 and an increase in the discount rate applied to the cash flows of the CGU of one per cent would not cause the carrying value to exceed its recoverable amount. Detailed impairment testing for the two centres showed that the growth rate (beyond three years) would need to be -1 per cent per annum for the assets recoverable amounts to be equal to the value-in-use calculations. Therefore, management believe that any reasonable possible change in the key assumptions would not result in an impairment charge.

13. LEASES

GROUP AS A LESSEE

The Group has lease contracts for property and amusement machines used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include variable lease payments.

The Group also has certain leases of equipment with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

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

Right-of-use assets	**Property £'000**	**Amusement machines £'000**	**Total £'000**
Cost			
At transition on 1 October 2019	130,227	6,110	136,337
Lease additions	1,762	1,995	3,757
Lease surrenders	–	(443)	(443)
Lease modifications	7,710	–	7,710
At 30 September 2020	**139,699**	**7,662**	**147,361**
Accumulated depreciation			
At transition on 1 October 2019	–	–	–
Depreciation charge to profit or loss	9,481	2,690	12,171
Depreciation charge to PPE	261	–	261
Lease surrenders	–	(247)	(247)
At 30 September 2020	**9,742**	**2,443**	**12,185**
Net book value			
At 30 September 2020	**129,957**	**5,219**	**135,176**
At 30 September 2019	–	–	–

13. LEASES CONTINUED

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

Lease liabilities	Property £'000	Amusement machines £'000	Total £'000
At transition on 1 October 2019	161,161	6,221	167,382
Lease additions	1,762	1,995	3,757
Accretion of interest	7,609	161	7,770
Lease modifications	7,710	(203)	7,507
Payments[1]	(11,142)	(1,470)	(12,612)
At 30 September 2020	**167,100**	**6,704**	**173,804**
Current	11,438	2,966	14,404
Non-current	155,662	3,738	159,400
	167,100	**6,704**	**173,804**

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

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

The following are the amounts recognised in profit or loss:

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

Variable lease payments relate to revenue-based rent top-ups at three centres.

Impairment testing is carried out as outlined in note 12.

14. GOODWILL AND INTANGIBLE ASSETS

	Goodwill £'000	Brand[1] £'000	Trademark[1] £'000	Software £'000	Total £'000
Cost					
At 1 October 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
Additions	–	–	–	223	223
Disposals	–	–	–	–	–
At 30 September 2020	**75,034**	**3,360**	**798**	**1,860**	**81,052**
Accumulated amortisation					
At 1 October 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
Amortisation charge	–	168	50	289	507
Disposals	–	–	–	–	–
At 30 September 2020	**–**	**1,020**	**316**	**1,543**	**2,879**
Net book value					
At 30 September 2020	**75,034**	**2,340**	**482**	**317**	**78,173**
At 30 September 2019	75,034	2,508	532	383	78,457
At 30 September 2018	75,034	2,676	582	356	78,648

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

14. GOODWILL AND INTANGIBLE ASSETS CONTINUED

Impairment testing is carried out at the CGU level on an annual basis. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each individual centre is considered to be a CGU. However, for the purposes of testing goodwill for impairment, it is acceptable under IAS 36 to group CGUs, in order to reflect the level at which goodwill is monitored by management. The 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:

	2020	2019
Discount rate (pre-tax)	**8.5%**	8.5%
Growth rate (beyond three years)	**2.0%**	2.0%

As part of the review of the potential impact of the COVID-19 outbreak on the cash flows of the CGU, a base case was prepared. The base case has FY2021 monthly revenues of between -56 per cent and -15 per cent of FY2020 (five months actual performance and seven months budget), closed centres due to local tier restrictions, as well as taking into account the impact of socially distanced operations. In line with the revenue reductions the employee costs were reduced, taking advantage of the CJRS and no additional top up for centre teams. Maintenance and marketing spend, as well as all non-essential and non-committed capital expenditure were reduced in FY2021. 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 risk premium and the cost of debt.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

Management have sensitised the key assumptions in the impairment tests of the CGU under the base case scenario.

The key assumptions used and sensitised were forecast growth rates and the discount rates, which were selected as they are the key variable elements of the value-in-use calculation. The combined effect of a reduction in revenue of six percentage points on the base case for FY2021 to FY2023, an increase in the discount rate applied to the cash flows of the CGU of one per cent and a reduction of one per cent in the growth rate (beyond three years), would reduce the headroom by £176.0m. This scenario would not cause the carrying value to exceed its recoverable amount. Therefore, management believe that any reasonable possible change in the key assumptions would not result in an impairment charge.

15. INVESTMENT IN SUBSIDIARIES

Hollywood Bowl Group plc's operating subsidiaries as at 30 September 2020 are as follows:

Name	Company number	Principal activity	Country of incorporation	Percentage of ordinary shares owned
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				
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 2020. 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.

16. CASH AND CASH EQUIVALENTS

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

	30 September 2020 £'000	30 September 2019 £'000
Cash at bank and in hand	**20,784**	24,929

17. TRADE AND OTHER RECEIVABLES

	30 September 2020 £'000	30 September 2019 £'000
Trade receivables	**143**	734
Other receivables	**48**	40
Prepayments	**1,529**	7,240
	1,720	8,014

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

18. INVENTORIES

	30 September 2020 £'000	30 September 2019 £'000
Goods for resale	**1,340**	1,212

Goods bought for resale recognised as a cost of sale amounted to £7,632,000 (2019: £12,172,000).

19. TRADE AND OTHER PAYABLES

	30 September 2020 £'000	30 September 2019 £'000
Current		
Trade payables	**2,909**	3,189
Other payables	**1,251**	3,493
Accruals and deferred income	**4,229**	8,735
Taxation and social security	**1,551**	3,047
Total trade and other payables	**9,940**	18,464

	30 September 2020 £'000	30 September 2019 £'000
Non-current		
Other payables	**814**	6,846

Accruals and deferred income includes a staff bonus provision of £410,000 (30 September 2019: £2,913,000). Deferred income includes £148,000 (30 September 2019: £472,000) 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 £nil (30 September 2019: £2,437,000) which were expected to be released to the income statement on a straight-line basis over the remaining term of each lease, which ranged from 1 to 25 years. In FY2019, this also included extended credit of £4,409,000 from an amusement machine supplier. These are both now accounted for as part of IFRS 16 leases (see note 2).

20. PROVISIONS

	30 September 2020 £'000	30 September 2019 £'000
Lease dilapidations provision	**3,903**	3,150

20. PROVISIONS CONTINUED

The dilapidations provision relates to potential rectification costs expected should the Group vacate its retail locations. There are no onerous leases within the estate. The movements in the dilapidations provision are summarised below:

	Dilapidations £'000
As at 30 September 2018	2,934
Released during the period	178
Unwind of discounted amount	38
As at 30 September 2019	3,150
Change in discount rate[1]	714
Provided during the year	(25)
Unwind of discounted amount	64
As at 30 September 2020	**3,903**

A provision is made for future expected dilapidation costs on the opening of leasehold properties not covered by the Landlord and Tenant Act 1985 (LTA), and is expected to be utilised on lease expiry. This also includes properties covered by the LTA where we may not extend the lease, after consideration of the long-term trading and viability of the centre. The provision in the year relates to lease extensions at 9 centres. The provision release in FY2019 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.

1 There was a reduction in the discount rate, from 2.0 per cent at 30 September 2019 to 0.25 per cent at 30 September 2020, used in preparing the dilapidations provision for the year ended 30 September 2020. This resulted in an increase in the provision in the period of £714,000 (30 September 2019: £nil), and will unwind over the term of the property leases.

21. LOANS AND BORROWINGS

	30 September 2020 £'000	30 September 2019 £'000
Current		
Bank loan	**5,205**	1,380
Borrowings (less than 1 year)	**5,205**	1,380
Non-current		
Bank loan	**23,833**	25,383
Borrowings (greater than 1 year)	**23,833**	25,383
Total borrowings	**29,038**	26,763

Bank borrowings have the following maturity profile:

	30 September 2020 £'000	30 September 2019 £'000
Due in less than 1 year	**5,500**	1,500
Less issue costs	**(295)**	(120)
	5,205	1,380
Due 2 to 5 years	**24,000**	25,500
Less issue costs	**(167)**	(117)
Total borrowings	**29,038**	26,763

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 2020 £'000	30 September 2019 £'000
Loans and borrowings brought forward	**26,763**	28,143
Repayment during the year	**(1,500)**	(1,500)
Drawdown during the year	**4,000**	–
Issue costs	**(350)**	–
Amortisation of issue costs	**125**	120
Loans and borrowings carried forward	**29,038**	26,763

21. LOANS AND BORROWINGS CONTINUED

On 7 May 2020, the Group amended its facility with Lloyds Bank plc to add an additional £10m under the CLBILS.

On 21 September 2020, the Group extended its £35m facility with Lloyds Bank plc for a further year, resulting in a revised expiry date of 2 September 2022. The next repayment of £0.3m is due on 31 December 2020 and every six months up to 30 June 2022. The remaining balance will be repayable on the expiry date of 2 September 2022.

As at 30 September 2020, the outstanding loan balance, excluding the amortisation of issue costs, was £29,500,000 (30 September 2019: £27,000,000). In addition, the Group had an undrawn £1m revolving credit facility and undrawn £10m CLBILS facility at 30 September 2020 (30 September 2019: £5m undrawn RCF). 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 2020 was 2.0 per cent (30 September 2019: 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.

During the year, the Group drew down £4m of its RCF facility with Lloyds Bank plc.

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 up to 31 March 2020, 1.50:1 for the quarter ending 30 June 2020, 2.25:1 for the quarter ending 30 September 2020, waived for the quarters ending 31 December 2020 and 31 March 2021, and 1.50:1 for the quarter ending 30 June 2021 and thereafter; 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 (waived for the quarters ending 30 June 2020, 30 September 2020, 31 December 2020 and 31 March 2021).

New covenants were introduced for 31 December 2020 and 31 March 2021:

(i) Liquidity, including balance sheet cash and undrawn RCFs, at least £17m; and
(ii) Trailing twelve month Group adjusted EBITDA pre IFRS 16 a minimum of -£3m.

The Group operated within these covenants during the period and the previous period.

22. DEFERRED TAX ASSETS AND LIABILITIES

	30 September 2020 £'000	30 September 2019 £'000
Deferred tax assets and liabilities		
Deferred tax assets	**6,115**	824
Deferred tax liabilities	**(820)**	(1,420)
	5,295	(596)

	30 September 2020 £'000	30 September 2019 £'000
Reconciliation of deferred tax balances		
Balance at beginning of period	**(596)**	(487)
Deferred tax (charge)/credit for the period	**500**	(109)
IFRS 16 transition adjustment	**5,388**	–
Adjustment in respect of prior years	**3**	–
Balance at end of period	**5,295**	(596)

The components of deferred tax are:

	30 September 2020 £'000	30 September 2019 £'000
Deferred tax assets		
Fixed assets	**5,740**	562
Other temporary differences	**375**	262
	6,115	824
Deferred tax liabilities		
Property, plant and equipment	**(376)**	(446)
Intangible assets	**(444)**	(426)
Capital gain	**–**	(548)
	(820)	(1,420)

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 2020.

The capital gain relates to a site sold in 2010, where the gain crystallised during the year.

23. SHARE CAPITAL

	30 September 2020		30 September 2019	
	Shares	£'000	Shares	£'000
Ordinary shares of £0.01 each	157,500,000	1,575	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.

During the year 7,500,000 Ordinary shares of £0.01 each were issued at a premium of £10,466,000, which is recorded in the share premium account. The net proceeds of the placing will be utilised to provide additional liquidity headroom during this unknown period of uncertainty relating to COVID-19.

The Ordinary shares are entitled to dividends.

24. 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.

25. LEASE COMMITMENTS

The Group had total commitments under non-cancellable operating leases set out below, which in the prior year primarily related to sites operating bowling alleys, which are now accounted for under IFRS 16:

	30 September 2020		30 September 2019	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within 1 year	–	50	15,704	50
In 2 to 5 years	–	49	61,778	99
In over 5 years	–	–	168,075	–
	–	99	245,557	149

Lease commitments for land and buildings are now accounted for under IFRS 16 Leases. The Group has contingent lease contracts for eight (30 September 2019: 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 £110,000 (three sites) (30 September 2019: £234,000 (four sites)). It is anticipated that top-ups totalling £626,000 will be payable in the year to 30 September 2021, based on current expectations. These have not been included in the above.

26. CAPITAL COMMITMENTS

As at 30 September 2020, the Group had entered into contracts to fit out new and refurbish existing sites for £229,000 (2019: £1,634,000). These commitments are expected to be settled in the following financial year.

27. RELATED PARTY TRANSACTIONS

30 SEPTEMBER 2020 AND 30 SEPTEMBER 2019

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

28. SHARE-BASED PAYMENTS

LONG-TERM EMPLOYEE INCENTIVE COSTS

The Group operates LTIPs for certain key management. In accordance with IFRS 2 Share Based Payment, the values of the awards are measured at fair value at the date of 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.

28. SHARE-BASED PAYMENTS CONTINUED

A summary of the movement in the LTIPs is outlined below:

Scheme name	Year of grant	Method of settlement accounting	Outstanding at 1 October 2019	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 September 2020	Exercisable at 30 September 2020
LTIP 2017	2017	Equity	428,113	–	–	–	428,113	428,113
LTIP 2018	2018	Equity	349,087	–	–	–	349,087	–
LTIP 2019	2019	Equity	403,018	–	–	–	403,018	–
LTIP 2020	2020	Equity	–	358,809	–	–	358,809	–

In accordance with the LTIP schemes outlined in the Group's Remuneration Policy, the vesting of these awards is conditional upon the achievement of an EPS target set at the time of grant, measured at the end of a three-year period ending 30 September 2019, 30 September 2020, 30 September 2021 and 30 September 2022, 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	LTIP 2020	Vesting
12.25	13.86	15.19	17.26	25%
12.25–13.75	13.86–14.85	15.19–16.28	17.26–18.49	Vesting determined on a straight-line basis
13.75	14.85	16.28	18.49	100%

During the year ended 30 September 2020, 358,809 (30 September 2019: 403,018) share awards were granted under the LTIP. For all LTIPs, the Group recognised a charge of £729,829 (30 September 2019: £633,075) and related employer national insurance of £100,716 (30 September 2019: £87,364).

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

Financial year LTIP granted	**2020**	2019	2018	2017
Share price at date of grant	**2.928**	2.320	1.950	1.565
Discount rate/dividend yield	**3%**	3%	3%	3%

The shares are dilutive for the purposes of calculating diluted earnings per share.

SAVE-AS-YOU-EARN PLAN

On 1 February 2020 Hollywood Bowl Group plc launched its third 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 per month. 126 (SAYE 2019: 96) employees took up a total of 117,143 (2019: 98,817) options with an exercise date of 1 February 2023 and an exercise price of £2.88 (2019: £2.27), 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 2020, 30 September 2019 and 30 September 2018 was estimated on the date of grant using the following assumptions:

	SAYE 2020	SAYE 2019	SAYE 2018
Exercise price:	**£2.88**	£2.27	£2.06
Dividend yield:	**3.0%**	3.0%	3.0%
Expected volatility:	**56.1%**	32.1%	28.3%
Risk-free interest rate:	**0.00%**	0.28%	0.80%
Life of option:	**3 years**	3 years	3 years
Anticipated number of options to vest:	**60%**	50%	40%

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 2020 was £0.18 (30 September 2019: £0.39).

For the year ended 30 September 2020, the Group has recognised £5,965 of share-based payment credit in the income statement (30 September 2019: expense of £28,707).

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

29. FINANCIAL INSTRUMENTS

FAIR VALUE HIERARCHY

IFRS 7 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the value measurements:

Level 1: inputs are quoted prices in active markets.
Level 2: a valuation that uses observable inputs for the asset or liability other than quoted prices in active markets.
Level 3: a valuation using unobservable inputs (i.e. a valuation technique).

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

FAIR VALUES

All financial assets held at the balance sheet date, which comprise trade and other receivables and cash and cash equivalents, are classified as financial assets held at amortised cost. All financial liabilities, which comprise trade and other payables and borrowings, are classified as financial liabilities held at amortised cost.

The following table shows the fair value of financial assets and financial liabilities within the Group at the balance sheet date. The fair value of all financial assets and liabilities are categorised as Level 2.

	30 September 2020 £'000	30 September 2019 £'000
Financial assets – measured at amortised cost		
Cash and cash equivalents	**20,784**	24,929
Trade and other receivables	**191**	774
Financial liabilities – measured at amortised cost		
Trade and other payables	**9,203**	19,607
Borrowings	**29,500**	27,000

There is no difference between the carrying value and fair value of any of the above financial assets and financial liabilities.

30. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (fair value interest rate 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 to deal only with companies which are demonstrably creditworthy. In addition, a significant proportion of revenue results from cash transactions. The aggregate financial exposure is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount of trade receivables. Management do not consider that there is any concentration of risk within either trade or other receivables.

The Group held cash and cash equivalents with banks which are rated AA- to AA+ of £19,397,000 at 30 September 2020 (30 September 2019: £23,170,000).

The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Trade receivables have not been impaired as any ECL is deemed to be insignificant.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as is possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Cash flow and fair value interest rate risk

The Group's borrowings are variable rate bank loans. The Directors monitor the Group's funding requirements and external debt markets to ensure that the Group's borrowings are appropriate to its requirements in terms of quantum, rate and duration.

The Group currently holds cash balances to provide funding for normal trading activity. The Group also has access to both short-term and long-term borrowings to finance individual projects. Trade and other payables are monitored as part of normal management routine.

30. FINANCIAL RISK MANAGEMENT CONTINUED

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
2020					
Trade and other payables	**8,179**	**460**	**354**	**–**	**8,993**
Lease liabilities	**14,404**	**10,713**	**26,985**	**121,702**	**173,804**
Borrowings	**1,184**	**29,472**	**–**	**–**	**30,656**
	23,767	**40,645**	**27,339**	**121,702**	**213,453**
2019					
Trade and other payables	**14,843**	**2,650**	**1,938**	**–**	**19,431**
Lease liabilities	**–**	**–**	**–**	**–**	**–**
Borrowings	**2,139**	**26,097**	**–**	**–**	**28,236**
	16,982	**28,747**	**1,938**	**–**	**47,667**

CAPITAL RISK MANAGEMENT

The Group's capital management objectives are:

(i) to ensure the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
(ii) to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

To meet these objectives, the Group reviews the budgets and forecasts on a regular basis to ensure there is sufficient capital to meet the needs of the Group through to profitability and positive cash flow.

The capital structure of the Group consists of shareholders' equity as set out in the consolidated statement of changes in equity. All working capital requirements are financed from existing cash resources and borrowings.

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

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 2020 and 30 September 2019, none of the Group's borrowings were at fixed rates of interest.

The effect on the profit after tax of a notional one per cent movement in LIBOR is as follows:

	2020 £'000	2019 £'000
Increase in interest rate of 1%	**(251)**	(226)
Decrease in interest rate of 1%	**163**	202

31. DIVIDENDS PAID AND PROPOSED

	30 September 2020 £'000	30 September 2019 £'000
The following dividends were declared and paid by the Group:		
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
Final dividend year ended 30 September 2019 – 5.16p per Ordinary share	**7,739**	–
Special dividend year ended 30 September 2019 – 4.50p per Ordinary share	**6,750**	–
	14,489	16,244
Proposed for approval by shareholders at AGM (not recognised as a liability at 30 September 2020)		
Final dividend year ended 30 September 2020 – 0.00p per Ordinary share (2019: 5.16p)	**–**	7,739
Special dividend year ended 30 September 2020 – 0.00p per Ordinary share (2019: 4.50p)	**–**	6,750

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

	Note	**30 September 2020 £'000**	30 September 2019 £'000
ASSETS			
Non-current assets			
Investments	5	**50,644**	50,386
Trade and other receivables	8	**72,934**	76,081
		123,578	126,467
Current assets			
Cash and cash equivalents	6	**10,304**	17
Deferred tax asset	7	**173**	134
Trade and other receivables		**82**	52
		10,559	203
Total assets		**134,137**	126,670
LIABILITIES			
Current liabilities			
Trade and other payables	9	**52,089**	40,468
Total liabilities		**52,089**	40,468
NET ASSETS		**82,048**	86,202
Equity attributable to shareholders			
Share capital	10	**1,575**	1,500
Share premium	10	**10,466**	–
Retained earnings		**70,007**	84,702
TOTAL EQUITY		**82,048**	86,202

These Financial Statements were approved by the Board of Directors on 14 December 2020.

The accompanying notes on pages 114 to 118 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 2020

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
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
Shares issued during the year	75	10,466	–	10,541
Dividends paid	–	–	(14,489)	(14,489)
Share based payments (note 5, 11)	–	–	730	730
Total comprehensive loss for the period	–	–	(936)	(936)
Equity as at 30 September 2020	**1,575**	**10,466**	**70,007**	**82,048**

The accompanying notes on pages 114 to 118 form an integral part of these Financial Statements.

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	30 September 2020 £'000	30 September 2019 £'000
Cash flows from operating activities		
Loss before tax	**(976)**	(1,093)
Adjusted by:		
Share-based payments (note 11)	**472**	407
Operating loss before working capital changes	**(504)**	(686)
Decrease/(increase) in trade and other receivables	**3,117**	(3,164)
(Decrease)/increase in trade and other payables*	**(2,867)**	3,865
Cash inflow generated from operations and net cash inflow from operating activities	**(254)**	15
Cash flows from financing activities		
Issue of shares	**10,541**	–
Net cash flows used in financing activities	**10,541**	–
Net change in cash and cash equivalents for the period	**10,287**	15
Cash and cash equivalents at the beginning of the period	**17**	2
Cash and cash equivalents at the end of the period	**10,304**	17

* Dividends paid in year ended 30 September 2020 and 30 September 2019 were paid by a subsidiary undertaking.

The accompanying notes on pages 114 to 118 form an integral part of these Financial Statements.

1. GENERAL INFORMATION

Hollywood Bowl Group plc is a public limited company which is listed on the London Stock Exchange and is domiciled and incorporated in the United Kingdom under the Companies Act 2006. The Company was incorporated on 13 June 2016, registered number 10229630.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies is set out below; these have been consistently applied throughout the period.

BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The functional and presentational currency of the Company is Pounds Sterling. The Financial Statements are presented in Pounds Sterling and all values are rounded to the nearest thousand, except where otherwise indicated.

The Financial Statements have been prepared on a going concern basis under the historical cost convention.

The financial information presented is at and for the years ended 30 September 2020 and 30 September 2019.

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 £936,000 (2019: loss £1,015,000).

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 is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

3. DIRECTORS' REMUNERATION

The Company has no employees other than the Directors.

The Directors' emoluments and benefits were as follows:

	30 September[1] 2020 £'000	30 September[1] 2019 £'000
Salaries and bonuses	**912**	1,393
Pension contributions	**32**	26
Share-based payments (note 11)	**472**	407
Total	**1,416**	1,826

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

The aggregate of emoluments of the highest paid Director were £699,000 (2019: £938,000) and company pension contributions of £19,000 (2019: £15,000) were made to a defined contribution scheme on their behalf.

4. TAXATION

	30 September 2020 £'000	30 September 2019 £'000
The tax credit is as follows:		
– UK corporation tax	–	–
Total current tax	–	–
Deferred tax:		
Origination and reversal of temporary differences	23	87
Adjustments in respect of prior years	–	–
Effect of changes in tax rates	16	(9)
Total deferred tax	39	78
Total tax credit	**39**	78

FACTORS AFFECTING CURRENT 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 2019: 19 per cent). The differences are explained below:

	30 September 2020 £'000	30 September 2019 £'000
Loss excluding taxation	(976)	(1,093)
Tax using the UK corporation tax rate of 19% (2019: 19%)	(185)	(208)
Change in tax rate on deferred tax balances	(16)	9
Adjustments in respect of prior years	–	–
Non-deductible expenses	56	(33)
Group relief	106	154
Total tax credit included in profit or loss	**(39)**	(78)

The Group's standard tax rate for the year ended 30 September 2020 was 19 per cent (30 September 2019: 19 per cent).

At Budget 2020, the government announced that the corporation tax main rate for the years starting 1 April 2020 and 2021 would remain at 19 per cent. As such, the rate used to calculate the deferred tax balances as at 30 September 2020 has increased from 17 per cent to 19 per cent.

5. INVESTMENTS

Investments in subsidiary undertakings are as follows:

	30 September 2020 £'000	30 September 2019 £'000
At the beginning of the period	50,386	50,161
Additions	258	225
At the end of the period	**50,644**	50,386

Details of the investments in subsidiary undertakings are outlined in note 15 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 2020 £'000	30 September 2019 £'000
Cash and cash equivalents	**10,304**	17

7. DEFERRED TAX ASSET

	30 September 2020 £'000	30 September 2019 £'000
Deferred tax asset		
Deferred taxation asset	**173**	134
	173	134

	30 September 2020 £'000	30 September 2019 £'000
Reconciliation of deferred tax balances		
Balance at beginning of period	**134**	56
Adjustments in respect of prior years	**–**	–
Deferred tax credit for the period	**39**	78
Balance at end of period	**173**	134

The components of deferred tax are:

	30 September 2020 £'000	30 September 2019 £'000
Deferred tax asset		
Temporary differences	**173**	134

8. TRADE AND OTHER RECEIVABLES

Current	30 September 2020 £'000	30 September 2019 £'000
Other receivables	**82**	52
	82	52

Non-current	30 September 2020 £'000	30 September 2019 £'000
Amounts owed by Group companies	**72,934**	76,081

9. TRADE AND OTHER PAYABLES

	30 September 2020 £'000	30 September 2019 £'000
Amounts owed to Group companies	**51,447**	39,544
Trade and other payables	**289**	180
Accruals and deferred income	**353**	744
	52,089	40,468

10. SHARE CAPITAL

	30 September 2020		30 September 2019	
	Shares	**£'000**	Shares	£'000
Allotted, called up and fully paid Ordinary shares of £0.01 each	**157,500,000**	**1,575**	150,000,000	1,500

During the year 7,500,000 Ordinary shares of £0.01 each were issued at a premium of £10,466,000, which is recorded in the share premium account.

11. SHARE-BASED PAYMENTS

LONG-TERM EMPLOYEE INCENTIVE COSTS

The Company operates LTIPs for the Directors. The value of the awards is measured at fair value at the date of the grant. The fair value is written off on a straight-line basis over the vesting period, based on management's estimate of the number of shares that will eventually vest.

A summary of the movement in the LTIPs is outlined below:

Scheme name	Year of grant	Method of settlement accounting	Outstanding at 1 October 2019	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 September 2020	Exercisable at 30 September 2020
LTIP 2017	2017	Equity	268,370	–	–	–	268,370	268,370
LTIP 2018	2018	Equity	218,830	–	–	–	218,830	–
LTIP 2019	2019	Equity	273,707	–	–	–	273,707	–
LTIP 2020	2020	Equity	–	221,208	–	–	221,208	–

In accordance with the LTIP schemes outlined in the Group's Remuneration Policy, the vesting of these awards is conditional upon the achievement of a Group EPS target set at the time of grant, measured at the end of a three-year period ending 30 September 2019, 30 September 2020, 30 September 2021 and 30 September 2022 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**	**LTIP 2020**	**Vesting**
12.25	13.86	15.19	17.26	25%
12.25–13.75	13.86–14.85	15.19–16.28	17.26–18.49	Vesting determined on a straight-line basis
13.75	14.85	16.28	18.49	100%

During the year ended 30 September 2020, 221,208 (30 September 2019: 273,707) share awards were granted under the LTIPs. For all LTIPs, the Company recognised a charge of £472,366 (30 September 2019: £406,939) and related employer national insurance of £65,186 (30 September 2019: £56,158).

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

Financial year LTIP granted	**2020**	2019	2018	2017
Share price at date of grant	**2.928**	2.320	1.950	1.565
Discount rate/dividend yield	**3%**	3%	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 2020 will be exempt from audit (note 15 of the Group Financial Statements).

COMPANY INFORMATION

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