Hollywood Bowl Group plc

("Hollywood Bowl" or the "Group")

Final Results for the Year Ended 30 September 2022

INVESTMENT IN UK GROWTH AND INTERNATIONAL EXPANSION DRIVING EXCELLENT PERFORMANCE AND RECORD REVENUE

Hollywood Bowl Group plc, the UK's largest ten-pin bowling operator, announces its audited results for the year ended 30 September 2022 ("FY2022").

Financial summary

Financial performance for FY2022 is compared to FY2019, the last period of uninterrupted trading.

	12 months ended 30 September 2022	12 months ended 30 September 2019	**Movement**
Total revenues	**£193.7m**	£129.9m	+49.2%
Gross profit	**£164.3m**	£111.4m	+47.6%
Group adjusted EBITDA[1]	**£77.5m**	N/A	N/A
Group adjusted EBITDA[1] pre-IFRS 16	**£60.6m**	£38.2m	+58.6%
Group profit after tax	**£37.5m**	£22.3m	+68.1%
Adjusted group profit after tax[2]	**£39.4m**	£22.3m	+77.0%
Free cash flow[3]	**£34.8m**	£14.7m	+142.6%
Net cash/(debt)[4]	**£56.1m**	(£2.1m)	
Interim ordinary dividend per share	**3.00 pence**	2.27 pence	
Final ordinary dividend per share	**8.53 pence**	5.16 pence	
Special dividend per share	**3.00 pence**	4.50 pence	
Total dividend per share	**14.53 pence**	11.93 pence	+21.7%

Key highlights

Excellent FY2022 performance supported by strong customer demand

- 28.3% LFL revenue growth compared to FY2019
- Record revenues of £193.7m, up 49.2% compared with FY2019 (FY2019: £129.9m)
- Group adjusted EBITDA (pre-IFRS) of £60.6m, an increase of 58.6% to FY2019 (£38.2m)

Innovation and technology investment driving 8.4% higher spend per game (SPG) and excellent customer satisfaction scores

- Games LFL volumes increased by 18.3%
- Total amusement revenues grew 49.9% compared with FY2019 and food and drinks revenue increased by 18.6% despite a reduction in average menu prices
- Continued rollout of Pins on Strings with 15 centres completed in FY2022, bringing the total completed to 41 (65% of the estate) with returns in line with expectations
- Improved overall net promotor score to 61%, up 6.1%pts vs. FY2019

New centre openings and ongoing refurbishment strategy continuing to generate attractive, above target returns

- Six centres refurbished and two AMF centres rebranded to Hollywood Bowl
- Three new centres opened in FY2022: Hollywood Bowl in Belfast and Birmingham Resorts World, and Puttstars in Harrow
- Two additional centres (Hollywood Bowl Speke and Puttstars Peterborough) opened in H1 FY2023 with two new Hollywood Bowl centres due to start construction during FY2023
- A further 10 centres, at least, targeted for opening before the end of FY2025

Canadian acquisition performing in line with expectations and growth strategy underway

- For the four months post acquisition, LFL revenues grew by more than 20%, with total revenues of £6.2m and EBITDA pre-IFRS 16 of £1.0m
- First new centre acquisition completed in Kingston, Ontario and the Splitsville brand acquisition pipeline continues to build
- First refurbishment expected to complete in H1 FY2023
- Opportunity to add up to 10 centres over the next five years, with the potential of at least a further 20 sites over the next 10 years

Ongoing investment in our people to retain and attract the best talent

- Introduced a sector-leading incentive-based bonus scheme for team members
- One off cost-of-living payment paid in H2 FY2022 totalling £0.6m
- Expanded training and development programmes for team members

Strong balance sheet and continued significant cash generation

- Updated capital allocation policy (with FY2025 net cash ratio[5] target of 0.5X) focused on profitable growth and shareholder returns
- Final ordinary dividend and special dividend declared

Outlook

Resilient customer demand and significant opportunity to grow the business

- Lowest cost option of the major UK ten-pin bowling operators with a family of four able to bowl for under £24
- Strong trading momentum at the start of FY2023 with encouraging pre-bookings for the Christmas period
- Significant longer-term opportunity to grow to more than 110 centres across the three experiential leisure brands: Hollywood Bowl and Puttstars in the UK and Splitsville in Canada

Well insulated from inflationary pressures

- UK electricity usage costs are hedged to the end of FY2024, and the solar panel installation programme remains on track with 22 centres now completed or under construction (c.30% of Group's UK centres)
- Over 74% of revenues are not subject to inflation in cost of goods sold
- Food and drink costs represent less than 10% of overall costs with simplification of the menu minimising exposure to supply chain and food inflation
- Labour costs account for less than 20% of revenue at a centre level

Strong and flexible balance sheet enables the Group to invest in profitable growth

- Net cash at year end of £56.1m
- Undrawn £25m revolving credit facility in place to December 2024

Stephen Burns, Chief Executive Officer, commented:

"I am delighted with our excellent performance and record revenue this year, which demonstrates the continued success of our proven customer-led strategy. It is also testament to the significant efforts of our team who have provided consistently great, affordable experiences, appealing to customers facing increasing pressures during the cost-of-living crisis.

"We are well positioned to continue to grow our business, supported by our strong balance sheet, highly cash generative business model and our resilience to inflationary pressures. We are very excited about the growth opportunities for our Hollywood Bowl, Puttstars and Splitsville brands in the UK and Canada and our ability to generate further attractive returns through investment in our customer experience.

"We have had a strong start to the new financial year with an encouraging number of pre-bookings received ahead of Christmas, demonstrating the continued strong demand for high quality, great value leisure experiences that families and friends can enjoy together."

Enquiries

Hollywood Bowl Group PLC Stephen Burns, Chief Executive Officer	Via Tulchan Communications

Laurence Keen, Chief Financial Officer
Mat Hart, Chief Marketing and Technology Officer

Tulchan Communications
Will Palfreyman
James Macey White
Laura Marshall

Hollywoodbowl@tulchangroup.com
+44 (0)20 7353 4200

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

2 Adjusted group profit after tax is calculated as group profit after tax, adding back the Teaquinn acquisition fees of £1.6m, a non-cash expense of £0.4m related to the fair value of the earn out consideration on the Teaquinn acquisition and deducting the non-cash credit in relation to the Teaquinn bargain purchase of £39,075.

3 Free cash flow is defined as net cash flow pre-exceptional items, cost of acquisitions, debt facility repayment, RCF drawdowns, dividends and equity placing.

4 Net cash/(debt) is defined as cash and cash equivalents as per the statement of financial position less any bank borrowings.

5 Net cash ratio target is defined as proforma net cash divided by Group adjusted EBITDA pre-IFRS 16. Proforma net cash is defined as cash and cash equivalents as per the statement of financial position less any bank borrowings less any final ordinary dividends for the financial year.

Chairman’s statement

Each year, I cannot help but enthuse about the people who work with us at Hollywood Bowl Group, and FY2022 has been no different.

A record year flashed by and, as customers returned in their droves, our Centre Managers and team members delivered excellent customer service unfailingly throughout the year.

The Group’s excellent financial performance in FY2022 exceeded the Board’s expectations, as well as the FY2019 (the last full year of uninterrupted trading) revenue levels by 28.3 per cent on a like-for-like (LFL) basis. We have made further progress against our customer-led strategy, investing in and growing our estate, including announcing a new milestone for the business this year with our first international acquisition in Canada. We have continued to improve our customer experience, and we are proud of the great value for money we offer families and friends across the UK and Canada. As a result of this excellent performance we were pleased to reinstate our dividend for the year and set out the Group’s updated capital allocation policy, which centres on sustainable profit growth and shareholder returns, in the Chief Financial Officer’s review below.

Demand for great value competitive socialising remains strong, and we achieved four of our five-highest ever revenue months during the year. The UK summer of travel disruptions in 2021, knocked foreign travel off the agenda for many, benefiting the domestic leisure and entertainment sector in that period, and we continued to see the benefit of that during the early months of FY2022. We also experienced our second-highest revenue month on record during August 2022, despite the heatwave, with our centres also providing our customers a welcome reprieve from the hot weather.

This excellent performance has been achieved by our teams who have stood up to the many, well-publicised challenges experienced by businesses throughout the year, including COVID-19 related absences, labour shortages and supply chain issues. Our Centre Managers successfully navigated these challenges while coordinating multiple on-site operations and leading their teams on a daily basis. I salute their efforts in delivering on our purpose and providing consistently excellent customer experiences. We were pleased to reward this significant team effort with a sector-leading bonus scheme in the year.

I am extremely proud of the way our senior leadership team (SLT) has continued to create stakeholder value while innovating and elevating customer experiences. We have seized opportunities to make the Group more operationally efficient, while supporting our Centre Managers to make well-informed decisions at local level. Together, the Board and SLT remain laser focused on our strategic growth initiatives.

We have invested further in our portfolio, refurbishing or rebranding eight centres during the year. We continue to implement and introduce a number of performance enhancing initiatives, such as optimising the layouts in our centres to create more lanes and extra space for our amusements. We have accelerated our digital offering and improved how we interact with customers – amplifying their experiences to meet heightened expectations. Work included in-centre digital displays, improved Customer Relationship Management (CRM) capability, as well as website and IT architecture improvements that collectively help improve our customers’ interactions.

We have grown the portfolio during the year, opening two new Hollywood Bowl centres in Resorts World Birmingham and in Belfast, both of which are trading in line with expectations, and we continue to see significant opportunity to grow the brand in the UK and add to our pipeline.

Since the launch of our new Puttstars leisure brand, a unique and modern twist on indoor mini-golf, in March 2020, we have been testing the format and refining the value proposition. COVID-19 halted progress for nearly two years, however, since the lifting of restrictions, the trial is progressing well. Informed by customer research and the lessons we have learned, we are refining the operational delivery and making modifications in the centre environments and game-play. We opened two new Puttstars during the calendar year, and we continue to see opportunity to add to our pipeline and grow the brand by expanding into those five-star locations across the UK where a Hollywood Bowl centre is not suitable, for example, where there is a smaller available footprint.

Looking further afield, an exciting highlight of the year was the acquisition in May of Teaquinn Holdings Inc (Teaquinn) in Canada for an initial consideration of CAD 17m (approximately £10.6m), which was funded from the Group’s existing cash resources. The

business comprises Splitsville, a Canadian ten-pin bowling brand, and Striker Bowling Solutions, a supplier and installer of bowling equipment across Canada.

This was an excellent opportunity to acquire a well-operated, freehold-backed business with an experienced existing management team led by founder Pat Haggerty. The Canadian bowling market is well established but fragmented and under invested, and ripe for consolidation. Together with Pat, we see significant potential for profitable growth in a territory which shares many characteristics of the UK market of some ten years ago. In addition to refurbishment opportunities, we have the potential to add up to ten sites to the portfolio over the next five years. The Board believes this is an opportunity that aligns well with our strategic growth plans with targeted returns in line with our financial investment criteria.

In October 2021, we appointed Melanie Dickinson to the Board as Chief People Officer in recognition of the huge importance we place on our team members, and the impact that her role has had on the success of the Group. We conducted full pay reviews and awarded well-earned bonuses to our team members, recognising their contribution to a stellar performance in FY2022. We did this on the back of a bonus scheme introduced last year, rewarding our centre teams for displaying behaviours that align with Group strategy and environmental performance targets. Excellent service is fundamental to our success, and is embedded in everything we do and the rewards we offer.

In the context of our focus on our team members, I was delighted that the Group was recognised as one of The UK's 25 Best Big Companies to Work For in 2022.

We welcomed Julia Porter as an Independent Non-Executive Director on 1 September 2022, and as a member of the Audit, Nomination and Remuneration Committees.

We will sadly say goodbye to Claire Tiney following a three-month handover with Julia, who will become Chair of the Remuneration Committee as Claire will be retiring by rotation at the AGM in January 2023.

I would like to thank Claire for her excellent insights and contribution to the Group since 2016, and the other members of the Board for their valued contributions during the year.

Operating sustainably has long been a priority for the Group. Having evolved our wider environmental, social and governance (ESG) strategy in FY2021, this year we have further embedded sustainability considerations in the way we operate, and have extended our targets and stated ambitions.

This year for the first time, we have integrated the Task Force on Climate-related Financial Disclosures (TCFD) framework and recommendations in our reporting, giving more visibility on the climate-related risks we face, the environmental initiatives we are currently undertaking, and the steps required to meet stakeholder expectations. We are putting additional systems and processes in place to mitigate against future risks and measure performance in this area.

We work hard to mitigate business risks, and although inflationary pressures are expected to continue, we are well placed to withstand them through our operating model, as well as our multiple revenue streams. We are exceptionally pleased to have closed FY2022 in a robust cash and liquidity position. With no current debt we are not directly impacted by interest rate rises.

The investments and refurbishments made to our estate have allowed us to deliver great value to all of our stakeholders, while keeping true to our purpose of bringing people together for affordable and healthy competition that is safe and fun, in a wholly positive environment.

Our strict return on investment hurdle rate currently has sufficient headroom to allow us to continue our capital investment and refurbishment programmes, as well as pursue our expansion plans. We are confident in our ability to not only withstand but to succeed in the face of the current headwinds, and are committed to keeping our prices affordable for customers so they can continue to enjoy a family treat at one of our bowling or mini-golf centres.

I would like to thank all the suppliers, landlords, partners, shareholders and other stakeholders that have worked with us to ensure our business could deliver such an outstanding performance, and I hope you will continue to share in the Group's success in the years ahead.

Peter Boddy
Non-Executive Chairman
15 December 2022

Chief Executive Officer's review

I am very pleased to report another excellent performance for Hollywood Bowl Group in FY2022. For the first time since FY2019, trading has been largely uninterrupted. Our results are reflective of the effectiveness of our industry-leading operating model, the execution of our clear and consistent strategy, and the continued strong customer demand for fantastic value-for-money family entertainment experiences.

This excellent performance is also due to the efforts of our team members who have worked hard to deliver great value-for-money and family-friendly experiences, as shown by the consistently high customer satisfaction scores achieved throughout the year.

We started the financial year with real momentum and trading has remained strong throughout the year. Our strong financial position enabled us to take advantage of the favourable market environment to invest in growing our portfolio in the UK. We marked a key milestone for the business with our first international expansion into Canada via an acquisition in May 2022. The quality of our overall estate is constantly improving, with new centre openings and refurbishments generating attractive returns and enhancing our customer experience.

A record performance across all revenue lines

The profit before tax grew by £46.2m when compared to FY2021, to £46.7m and was £19.1m (69.2 per cent) ahead of FY2019 (our last year of uninterrupted trading). Group adjusted EBITDA pre-IFRS 16 was £60.6m vs £38.2m in FY2019. Each of our centres, that has been open for at least 12 months, had a positive contribution with an average EBITDA for FY2022 (on a pre-IFRS 16 basis) of £1.15m per centre, which is an industry-leading result.

The free cash flow of £34.8m demonstrates our highly cash generative business model, and with net cash of £56.1m at the end of FY2022, the business is in excellent financial health.

Total revenues grew to £193.7m, a 49.2 per cent increase when compared to FY2019, with all revenue lines seeing considerable growth driven by increases in footfall and spend. Games volumes grew by 18.3 per cent on a LFL basis compared to FY2019, whilst LFL spend per game grew by 8.4 per cent, up from £9.64 in FY2019 to £10.45 in FY2022.

As well as increased game volumes, the improvements and investments we have made in our centres have continued to drive average spend per game. We have optimised the layout of centres to increase the space allocated to amusements, and have also added additional lanes in certain centres. Amusement spend per game benefited from this increased density, as well as new game formats and improvements in payment technology which remove barriers to play. Food and beverage LFL revenue saw an increase of 18.6 per cent compared to FY2019, despite a reduction in average menu pricing. This was a result of our strategic decision to simplify our menus during the COVID-19 period, to focus on speed of delivery and quality at accessible price points which in turn increased our order volume.

We have been pleased with the trading we have seen in Canada since our acquisition. Total revenue was CAD 9.6m with EBITDA pre-IFRS 16 of CAD 1.6m. COVID-19 restrictions were lifted in Canada at the end of March 2022, and the result reflects a similar 'bounce' in demand that was experienced in the UK from May 2021.

An outstanding, committed team

I cannot praise our team members enough for their hard work and dedication, and for delivering great customer experiences throughout the year, as reflected by our net promoter score which has increased by 6.1 percentage points compared to FY2019. This was achieved against a backdrop of challenges experienced across the leisure sector including supply chain issues and

COVID-19 related absences, particularly during the peak of the Omicron wave.

We recognised and incentivised these efforts with a generous review of our pay and benefits packages and bonus schemes reflecting our long-held belief that the Group's success should be shared appropriately.

Incentive-based bonuses paid out to our Centre Managers in FY2022 were on average 135 per cent of base pay, whilst our Assistant Managers received an average 24 per cent of base pay. Furthermore, 64 per cent of our hourly rate team members received bonuses measured against financial, environmental and customer satisfaction performance criteria, which equated to £0.7m in FY2022.

These payments were well deserved in an excellent year and our teams have entered FY2023 stronger than ever.

We have worked very hard on our people initiatives to continue to attract and retain the very best talent in an increasingly competitive labour market. We have expanded our industry-leading training and development programmes, introducing talent programmes for our Technicians and Contact Centre team for the first time. In total, 25 new candidates joined our Centre Manager in Training programme and 75 candidates joined our Assistant Manager in Training programme.

We are acutely aware that the cost of living crisis has the potential to impact our team members over the coming months. We therefore took the decision to further support them by providing a one-off cost of living payment to team members in September which totalled £0.6m.

We were enormously proud to have been recognised as one of the UK's Best Big Companies To Work for in 2022. This accolade is a testament to the fantastic working culture we have built, and the importance we place on creating outstanding workplaces, which is one of the three pillars of our sustainability strategy.

Innovating and investing

We have continued to generate attractive returns on the investments in our portfolio during the year and our new centre pipeline is progressing well.

We are pleased to have opened two new Hollywood Bowl centres in Resorts World Birmingham and Belfast, as well as a Puttstars in Harrow. At the end of FY2022, our UK estate consisted of 67 centres, including four Puttstars. We opened two new centres, Hollywood Bowl Speke and Puttstars Peterborough, at the start of FY2023, and are due on site at two new Hollywood Bowl locations in FY2023. Our pipeline continues to build and we are targeting to open a further ten UK centres before the end of FY2025.

We refurbished or rebranded eight centres during the year, all of which are delivering returns in line with our hurdle rate of 33 per cent or above. As part of our refurbishment strategy, we have invested in enhancing the customer experience in our centres resulting in higher spend per game. The combination of our dining and bar areas means that they can be managed more efficiently, and has also increased the capacity and density of family-friendly games and amusement machines. This initiative, alongside the introduction of payment technology that removes barriers to play, has helped drive revenues in amusements. We plan to commence at least seven further refurbishments or rebrands in FY2023, including converting our last two AMF Bowling centres to Hollywood Bowl.

A total of 15 centres have benefited from the installation of Pins on Strings technology in the period, taking the total of the estate now completed to 41 centres (65 per cent of the estate).

Investment in all aspects of the digital customer journey has continued. Since lockdowns ended, there has been a shift in the way customers make bookings, with the majority now made online. We have made further investments in our website and booking

engine to improve sales conversions, encourage early bookings and improve dynamic pricing, allowing us to offer better value for customers at non-peak periods, driving overall capacity utilisation, whilst also automatically driving yield during the peak periods. We have also improved our CRM capabilities, enabling us to be more selective and targeted in our marketing to improve engagement and conversion rates.

During the year, we continued to introduce dynamic digital displays to encourage customer engagement and friendly competition at our centres. Positioned strategically, these displays publish live scoring leader boards and showcase food and drink content that reflect customer profile changes through the day. To stimulate food and beverage sales further, we have upgraded our WIFI networks in all centres to support at-lane ordering.

We continue to significantly invest in our technology initiatives and grow our IT team. We have recently appointed a new IT and Digital Transformation Director who takes on a strategic role in the ongoing development of our IT capability, as the digital customer journey becomes ever more important.

International expansion and acquisition
In May 2022, we were delighted to announce the acquisition of Teaquinn, comprising Splitsville, an operator of five ten-pin bowling centres, and Striker Bowling Solutions, a B2B supplier and installer of bowling equipment, for an initial consideration of CAD 17m (approximately £10.6m). This acquisition is a key milestone for the Group as we take our first steps internationally, in line with our long-term growth plan.

The company is a well-operated, freehold asset-backed business that provides us with an exciting platform for growth in the fragmented and under-invested Canadian market. Bowling is well established in Canada; it is a popular pastime and there are more established leagues and regular, committed players when compared to the UK, but we believe there is an opportunity to leverage our customer-led operating model, technology and digital marketing experience to meet unmet demand for affordable family leisure experiences.

The Canadian market is ripe for consolidation with many centres under single ownership and few groups operating more than three centres. In addition, there are a number of well-populated urban areas that are currently under-served by family entertainment offers where we see potential for growth.

We will work with Pat Haggerty, Founder and President of Teaquinn, and his management team, to grow our portfolio in this new market while maintaining our typical 'test and learn' approach. Since the acquisition, we have focused on putting in place the financial systems and structure that will support this growth, including recruiting a VP of Operations, Head of Marketing and Director of Finance.

We have completed our first acquisition in Kingston, Ontario, bringing the number of centres we own in Canada to six; five in Ontario and one in British Columbia.

We have an identified pipeline of new site opportunities with the potential that at least ten sites can be added over the next five years, and at least a further 20 sites over the next ten years. Our mid-term goal is to open two new sites per year on average.

Similar to our UK strategy, we will continue to apply a rolling refurbishment programme that fits within our strict return on investment criteria. Our first refurbishment is expected to complete in H1 FY2023, and we also plan to refurbish the recently acquired centre in Kingston, Ontario. Striker supplies and maintains a large number of bowling centres across Canada, which will benefit us and allow us to fit out our own centres

at cost, as we build the business.

We have been very pleased with the trading results since the acquisition. COVID-19 restrictions were lifted fully in March 2022, and trading has followed a similar pattern to the UK with an initial rebound in demand. We achieved double digit LFL revenue growth against 2019 for the four months to 30 September 2022.

Placing sustainability at the heart of our business
Energy efficiency remains a key focus, and the Group's programme of solar panel installations remained on track with a total of 22 centres now completed or under construction, with more than 30 per cent of our centres close to, or actively generating, their own energy. We will continue to negotiate with our landlords if we see a feasible opportunity to install solar panels; we believe that circa. 50 per cent of our UK current estate could benefit from this approach.

We are making good progress with our waste reduction and recycling targets, with our team members' bonus allocation in part being measured against how effectively waste is managed and recycled. This has supported an excellent performance with eight centres recycling over 85 per cent of all waste produced. On average, 77.7 per cent of our waste in FY2022, in the UK, was recycled, compared to 71.6 per cent in FY2021.

We continue to embed more targets and stated ambitions in our ESG strategy and have, for the first time this year, integrated the TCFD framework and recommendations in our reporting. By doing so we are giving our stakeholders more visibility on the climate-related risks we face, and the current and developing plans to mitigate against them.

In recognition of our commitment to sustainability, in FY2023 we are establishing a Corporate Responsibility Committee that will report directly to the Board and will be headed by Ivan Schofield.

Well insulated from inflationary pressures
We are mindful of the increasing cost pressures and have continued to focus on controlling our costs throughout the year and we remain well insulated from wider inflationary pressures. Our UK electricity usage costs are hedged to the end of FY2024 and over 70 per cent of our revenues are not subject to inflation in cost of goods sold. Labour costs account for less than 20 per cent of revenue at centre level, and food and drink costs represent less than 10 per cent of overall costs and through the work undertaken to simplify our menus, we have reduced our exposure to supply chain and food inflation.

This enables us to keep our prices low, and our headline price remains the lowest of all the branded bowling operators – a family of four is able to bowl with us for less than £24.

Outlook

We have continued the momentum from FY2022 into the start of the current financial year with strong demand and encouraging pre-bookings for the Christmas period.

Against the backdrop of the increasing cost of living, we believe our great value-for-money offer will remain attractive to families seeking affordable, family-friendly leisure experiences. We are committed to continuing to invest in and supporting our team members to deliver these positive customer experiences.

We are focused on continuing to execute our customer-led strategy and generate attractive returns through investing in the overall quality of the estate via new centre openings, refurbishments and rebrands, innovation of the customer offer and technology enhancements.

The strength of our balance sheet, alongside our highly cash generative business model, means we are in an excellent position to pursue our growth strategy, and we see the potential in the future to grow our business to more than 110 centres, through our Hollywood Bowl and Puttstars brands in the UK, and Splitsville in Canada.

I would like to thank each and every member of our team for their efforts last year and look forward to another successful and exciting year ahead.

Stephen Burns

Chief Executive Officer

15 December 2022

Chief Financial Officer's review

Group financial results

	FY2022	FY2021	FY2019	Movement FY2022 vs FY2019
Revenue	**£193.7m**[4]	£71.9m	£129.9m	+49.2%
Gross profit	**£164.3m**	£61.6m	£111.4m	+47.6%
Gross profit margin	**84.8%**	85.7%	85.7%	-0.9%pts
Administrative expenses	**£108.9m**	£54.9m	£82.9m	+31.3%
Group adjusted EBITDA[1]	**£77.5m**	£30.6m	N/A	N/A
Group adjusted EBITDA[1] pre-IFRS 16	**£60.6m**	£15.1m	£38.2m	+58.6%
Group profit after tax	**£37.5m**	£1.7m	£22.3m	+68.1%
Adjusted group profit after tax[2]	**£39.4m**	£1.7m	£22.3m	+77.0%
Free cash flow[3]	**£34.8m**	£8.7m	£14.4m	+142.6%
Total dividend per share	**14.53p**	nil	11.93p	+21.8%

1 Group adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) reflects the underlying trade of the overall business. It is calculated as statutory operating profit plus depreciation, amortisation, impairment, loss on disposal of property, right-of-use assets, plant and equipment and software and any exceptional costs or income, and is also shown pre-IFRS 16 as well as adjusted for IFRS 16. Government grant income of £2.8m is included in Group adjusted EBITDA for FY2021. The reconciliation to operating profit is set out below in this section of the report.

2 Adjusted group profit after tax is calculated as group profit after tax, adding back the Teaquinn acquisition fees of £1.6m, the non-cash expense of £0.4m related to the fair value of the earn out consideration on the Teaquinn acquisition and deducting the non-cash credit in relation to the Teaquinn bargain purchase of £39,075.

3 Free cash flow is defined as net cash flow pre exceptional items, cost of acquisitions, debt facility repayment, RCF drawdowns, dividends and equity placing.

4 During FY2020 the Chancellor announced the reduced rate (TRR) of VAT on hospitality activities from which bowling activities were initially excluded. The Tenpin Bowling Proprietors Association has been lobbying on the industry's behalf, since that date, for the sector to be treated in line with the hospitality industry. We received confirmation on 12 April 2022 that HMRC agreed that there is indeed a clear distinction between the sport of competitive bowling and the leisure activity of bowling – with the latter being able to benefit from TRR of VAT retrospectively.

Following the introduction of the new lease accounting standard IFRS 16, the Group has decided to maintain the reporting of Group adjusted EBITDA on a pre-IFRS 16 basis, as well as on an IFRS 16 basis. This is because the pre-IFRS 16 measure is consistent with the basis used for business decisions, as well as a measure investors use to consider the underlying business performance. For the purposes of this review, the commentary will clearly state when it is referring to figures on an IFRS 16 or pre-IFRS 16 basis.

The trading periods of FY2020 and FY2021 were disrupted due to a combination of COVID-19 lockdowns and trading restrictions once open; therefore comparisons for this FY2022 financial review are made with FY2019 (the last full year of uninterrupted trading) unless otherwise stated.

All LFL revenue commentary excludes the impact of TRR of VAT on bowling and revenue relating to the Group's Canadian business, which was acquired in May 2022, as well as any new centres opened from FY2019 onwards.

Revenue

The Group continued its trajectory of strong momentum from FY2021 into FY2022, with significant LFL growth at 28.3 per cent when compared to the same period in FY2019. It is worth noting that the warm summer weather in the UK did not impact negatively on revenues, with August 2022 recording the second-highest revenue month (after August 2021) at £17.8m.

LFL revenue growth was a combination of a growth in spend per game of 8.4 per cent, as well as game volume growth of 18.3 per cent. The exceptionally strong LFL growth, alongside the performance of the Group's new UK centres, resulted in record UK

revenues of £181.7m, and growth of 37.6 per cent compared to FY2019. This excludes the prior periods impact of TRR of VAT on bowling activities which was worth £5.8m.

The Group is very pleased with the performance of our Canadian business Teaquinn since its acquisition in May 2022. Total revenues were CAD 9.6m, (£6.2m) with Splitsville accounting for CAD 6.4m.

Total statutory revenue for FY2022 (including the prior periods impact of TRR) was £193.7m.

Gross profit margin
Statutory gross profit was £164.3m with margin at 84.8 per cent.

Gross profit for the UK business was £160.2m with a margin of 85.4 per cent. Excluding the prior periods impact of TRR of VAT, gross profit was £154.4m at a margin of 85.0 per cent, a decline of 70 basis points compared to FY2019, which was in line with expectations.

Revenues grew across all categories, but the strongest growth was seen in amusements, with LFL revenue growth of over 40 per cent, outstripping other revenue lines. Given the amusements' lower margin rate, this has impacted on the overall gross profit margin but equated to more gross profit overall.

Gross profit for Teaquinn was in line with expectations at CAD 6.4m (£4.1m), with a margin of 66.2 per cent. This lower margin rate when compared to the UK business is as guided on acquisition, and is due to a combination of the higher food and drink mix in the Splitsville centres, the lower amusement gross margin as well as the effect of the lower gross profit margin of the Striker business (which as a gross profit margin of circa. 30 per cent).

Administrative expenses
Following the adoption of IFRS 16 in FY2020, administrative expenses exclude property rents (turnover rents are not excluded), and include the depreciation of property right-of-use assets.

Administrative expenses on a statutory basis were £108.9m. On a pre-IFRS 16 basis, administrative expenses were £114.1m, compared to £82.9m during the corresponding period in FY2019.

Employee costs in centres increased to £33.7m, an increase of £8.7m when compared to FY2019, due to a combination of salary increases over the periods and the impact of higher revenues. The balance of the increase compared to FY2019 is in respect of new centres in the UK and the employee costs in the Canadian business of CAD 2.5m (£1.8m).

Total property-related costs, accounted for under pre-IFRS 16, were £34.5m, with £33.3m for the UK business (FY2019: £30.6m). Property costs in the UK increased by £2.7m, with new centre costs of £4.5m, whilst business rates were lower due to the government implemented COVID-19 concession in the first half of FY2022.

Energy costs continue to be a focus for the Group. UK electricity usage costs are hedged to the end of FY2024, and we continue to work closely with our landlords to install solar panels on more centres. In all, 17 centres had solar panels installed in FY2022 resulting in nearly 30 per cent (22 centres) of our UK estate benefiting from this technology. The Group generated 1,865,982 kWh of electricity from its solar panels and used 20,480,858 kWh of electricity in total. It is estimated that on an annual basis, solar will generate up to 20 per cent of electricity used.

Total property costs, under IFRS 16, were £35.9m, including £9.8m accounted for as property lease assets depreciation and £8.5m in implied interest relating to the lease liability under IFRS 16.

Corporate costs include all central costs as well as the out-performance bonus for centres. Total corporate costs increased by £10.2m when compared to FY2019, to £22.1m. The main driver of this increase is centre management out-performance bonuses, which account for £6.4m incremental cost. This is reflective of the hard work and commitment of our outstanding centre teams across the estate. Other increases have been seen in marketing spend, of £0.9m, and £1.4m in the support centre headcount as we continue to invest in our teams.

Group adjusted EBITDA and operating profit

	FY2022 £'000	FY2021 £'000
Operating profit[1]	**55,449**	9,580
Depreciation and impairment	**25,052**	20,472
Amortisation	**624**	477
Loss on property, right-of-use assets, plant and equipment and software disposal	**18**	29
Exceptional items	**(3,688)**	—
Group adjusted EBITDA under IFRS 16	**77,455**	30,558
IFRS 16 adjustment[2]	**(16,850)**	(15,416)
Group adjusted EBITDA pre-IFRS 16	**60,605**	15,142

1 Operating profit in FY2021 includes government grant income of £2.8m (FY2022: nil).

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

Cash flow and net debt

	FY2022 £'000	FY2021 £'000
Group adjusted EBITDA under IFRS 16	**77,455**	30,558
Movement in working capital	**8,814**	6,905
Maintenance capital expenditure	**(9,323)**	(5,951)
Taxation	**(6,616)**	—
Payment of capital elements of leases	**(14,450)**	(9,420)
Adjusted operating cash flow (OCF)[1]	**55,881**	22,092
Adjusted OCF conversion	**72.2%**	72.3%
Expansionary capital expenditure[2]	**(12,508)**	(3,631)
Disposal proceeds	**2**	—
Net bank loan interest paid	**(104)**	(1,207)
Lease interest paid	**(8,452)**	(7,952)
Debt repayments[3]	—	(600)
Free cash flow (FCF)[4]	**34,819**	8,702
Exceptional items	**4,091**	—
Acquisition of Teaquinn Holdings Inc	**(8,099)**	—
Cash acquired in Teaquinn Holdings Inc	**415**	—
Debt facility repayment[3]	—	(24,900)
(Repayment)/drawdown of RCF[3]	—	(4,000)
Dividends paid	**(5,132)**	—
Equity placing (net of fees)	30	29,356
Net cash flow	**26,124**	9,158

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

2 Expansionary capital expenditure includes refurbishment and new centre capital expenditure.

3 Note 16 to the Financial Statements includes the aggregated amounts debt repayments, debt facility repayment and repayment/drawdown of the RCF.

4 Free cash flow is defined as net cash flow pre exceptional items, cost of acquisitions, debt facility repayment, RCF drawdowns, dividends and equity placing.

The statutory depreciation, amortisation and impairment charge for FY2022 was £25.7m compared to £20.9m in FY2021. Excluding property lease assets depreciation, this charge in FY2022 was £14.1m. This is due to the continued capital investment programme, including new centres and refurbishments.

Detailed impairment testing resulted in an impairment charge in the year of £2.5m against property, plant and equipment and £1.8m against right-of-use assets for three centres. The discount rate used for the weighted average cost of capital (WACC) is calculated with reference to the latest market assumptions for the risk-free rate, equity risk premium and the cost of debt. These discount rates were impacted by the volatility in the debt markets as at 30 September 2022. The WACC discount rate (pre-tax) is 16.0 per cent (FY2021: 12.7 per cent).

Exceptional items

As a result of the HMRC position on TRR of VAT, the Group made a retrospective claim for overpaid VAT, and the prior period amounts have been classified as exceptional items. The total exceptional income in relation to this, net of associated expenses, is £5.6m. Note 5 to the financial statements includes more detail on the impact of TRR of VAT included in the full year results.

Exceptional costs relate to the acquisition of Teaquinn. Acquisitions costs totalled £1.6m. The earn out consideration for Pat Haggerty has been recognised as an exceptional cost of £0.5m in FY2022. The earn out consideration is considered as a post acquisition employment expense and not in the scope of IFRS 3., but instead is accounted for under IAS 19. The earn out has a cost impact in the following financial years up to and including at least FY2025.

More detail on this and the acquisition of Teaquinn is shown in note 20 to the Financial Statements.

Group adjusted EBITDA and operating profit

Group adjusted EBITDA pre-IFRS 16 (excluding the prior periods impact of TRR of VAT on bowling activities) increased to a record £60.6m and includes a contribution of £1.0m from Teaquinn.

Compared to FY2019 this was an increase of 58.6 per cent. The increase is primarily due to the increased revenue performance and the Group's relatively fixed cost base.

The reconciliation between statutory operating profit and Group adjusted EBITDA on both a pre-IFRS 16 and under-IFRS 16 basis is shown in the table below.

Share-based payments

During the year, the Group granted further Long Term Incentive Plan (LTIP) shares to the senior leadership team. These awards vest in three years providing continuous employment during the period, and attainment of performance conditions relating to earnings per share (EPS), as outlined on page 102 of the Annual Report. The Group recognised a total charge of £939,812 in relation to the Group's share-based LTIP arrangements. Share-based costs are not classified as exceptional costs.

Financing
Finance costs decreased to £8.8m in FY2022 (FY2021: £9.1m) comprising mainly of implied interest relating to the lease liability under IFRS 16 of £8.2m. An amount of £0.2m is associated with the Group bank borrowing facility.

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

Cash flow and liquidity
The liquidity position of the Group remains strong, with a net cash position of £56.1m as at 30 September 2022, compared to £29.9m at 30 September 2021. Detail on the cash movement in the year is shown in the table above.

Capital expenditure
During the financial year, the Group invested net capex of £21.8m. A total of £3.6m was invested into the refurbishment programme, with eight UK centres completed including a rebrand of AMF to Hollywood Bowl in Shrewsbury, as well as interim spends of £0.8m on two Canadian centres.

New UK centre capital expenditure was a net £9.2m. This relates to the three centres opened in the year (£7.7m) as well as interim payments totalling £1.5m in relation to Hollywood Bowl Speke and Puttstars Peterborough, which opened in early FY2023.

The Group's strong balance sheet ensures that it can continue to invest in profitable growth with plans to open more locations during FY2023 and beyond.

Despite inflationary pressures, returns on these refurbishments are expected to continue to exceed the Group's hurdle rate of 33 per cent.

The Group spent £9.3m on maintenance capital in the UK. This includes £4.1m for the continued rollout of Pins on Strings technology across the Group with 15 centres completed in FY2022, bringing the total to 41 centres; as well as £1.5m spent on installing further solar panels, with 22 centres now benefitting from this technology.

Investments were also made to in-centre digital displays as well as the Group's CRM, website and IT architecture to increase performance and to continue to improve our customers' digital experience.

In light of the rolling refurbishment programme, maintenance capital, as well as new centres in the UK and Canada, we expect capital expenditure to be in the region of £21m to £23m in FY2023.

Taxation
The Group's tax charge for the year is £9.2m arising on the profit before tax generated in the period.

Earnings
Statutory profit before tax for the year was a record £46.7m, and 69.2 per cent higher than FY2019, the last comparable period.

The Group delivered profit after tax of £37.5m (FY2021: £1.7m and FY2019: £22.3m) and basic earnings per share was 21.91 pence (FY2021: 1.05 pence and FY2019: 14.86 pence).

Adjusted profit after tax is £39.4m. This is calculated to take account of the impact of the costs associated with the Teaquinn acquisition.

It is calculated as statutory profit after tax, adding back the Teaquinn acquisition fees of £1.6m, the non-cash expense of £0.4m related to earn out consideration on the Teaquinn acquisition and deducting the non-cash credit in relation to the Teaquinn bargain purchase of £39,075.

Dividend and capital allocation policy
The Board has declared a final dividend of 8.53 pence per share, based on an adjusted profit after tax of £39.4m (adjusted earnings per share of 23.07 pence).

Given the Group's strong liquidity position, the Board has reviewed its capital allocation policy with the priorities for the use of cash as follows:

- Capital investment into the existing centres through an effective maintenance and refurbishment programme
- Investments into new centre opportunities, including expansion in both the UK and Canada
- To pay and grow the ordinary dividend every year with a payout of 50 per cent of adjusted profit after tax
- Any excess cash will be available for additional distribution to shareholders as the Board deems appropriate, without impacting on our ability for investment in the growth of the business.

The Board believes that setting a proforma net cash[1] to Group adjusted EBITDA pre-IFRS 16[2] ratio target (net cash ratio target), provides a good guide for the future allocation of surplus cash within the business. The Board has set a net cash ratio target of 0.5 times and will look for this target to be achieved by the end of FY2025, as set out below.

- End of FY2022 0.600X
- End of FY2023 0.570X
- End of FY2024 0.535X
- End of FY2025 0.500X

In line with this strategy, the Board has proposed a special dividend of 3.0 pence per share be paid to shareholders alongside the ordinary dividend of 8.53 pence per share, bringing the full year dividend to 14.53 pence per share.

Subject to approval from shareholders at the AGM, the ex-dividend date is 2 February 2023, with a record date of 3 February 2023 and a payment date of 24 February 2023.

Going concern
In assessing the going concern position of the Group for the Consolidated Financial Statements for the year ended 30 September 2022, the Directors have considered the Group's cash flow, liquidity, and business activities, as well as the principal risks identified in the Group's Risk Register.

As at 30 September 2022, the Group had cash balances of £56.1m, no outstanding loan balances, no COVID-19 concession deferrals and an undrawn RCF of £25m, giving an overall liquidity of £81.1m.

The Group has undertaken a review of its liquidity using a base case and a severe but plausible downside scenario.

The base case is the Board approved budget for FY2023 as well as the first three months of FY2024 which forms part of the Board approved five-year plan. Under this scenario there would be positive cash flow, strong profit performance and all covenants would be passed. It should also be noted that the RCF remains undrawn.

The most severe downside scenario stress tests for reasonably adverse variations in the economic environment leading to a deterioration in trading conditions and performance. Under this severe but plausible downside scenario, the Group has modelled revenues dropping by 4 per cent and 5 per cent for FY2023 and FY2024 respectively, from the assumed base case and inflation continues at an even higher rate than in the base case, specifically around cost of labour. The model still assumes that investments into new centres would continue, whilst refurbishments in the early part of FY2024 would be reduced and the Pins on Strings would be delayed until FY2025. These are all mitigating factors that the Group has in its control. Under this scenario, the Group will still be profitable and have sufficient liquidity within its cash position to not draw down the RCF, with all financial covenants passed.

Taking the above and the principal risks faced by the Group into consideration, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future, a period of at least 12 months from the date of this report.

Accordingly, the Group continues to adopt the going concern basis in preparing these Financial Statements.

Outlook and guidance
We remain in a strong position to continue to take full advantage of the opportunities we have both in the UK and Canada. Our entry into Canada presents us with a significant opportunity to apply our successful business model in a similarly fragmented and underfunded market as the UK was ten years ago.

With UK electricity usage costs hedged to the end of FY2024 and labour costs representing less than 20 per cent of revenue at centre level, we have the ability to absorb most inflationary pressures through the dynamics of our business.

We will continue to provide great value for money through focused pricing, and we believe any price increases we may need to pass on in FY2023 will be minimal. Our capital deployment programmes remain unaffected. We believe we are able to achieve our hurdle rate of 33 per cent return on investment in the seven refurbishments taking place in FY2023. As a result of our improved centre environments, together with the continued roll out of Pins on Strings, dwell time should increase further and therefore encourage higher customer spend.

Laurence Keen
Chief Financial Officer
15 December 2022

1 Proforma net cash is defined as cash and cash equivalents as per the statement of financial position less any bank borrowings less any final ordinary dividends for the financial year
2 Group adjusted EBITDA pre-IFRS 16 is calculated as shown on page 45 of the Annual Report and excluding any impact from TRR of VAT in current and prior periods

Note on alternative performance measures (APMs)
The Group uses APMs to enable management and users of the financial statements to better understand elements of the financial performance in the period. APMs referenced earlier in the report are explained as follows. It should be noted that trading periods for FY2020 and FY2021 were disrupted due to a combination of COVID-19 lockdowns and trading restrictions once open, therefore comparisons in this financial review use FY2019 as a base.

Like-for-like (LFL) revenue for FY2022 is calculated as:

- Total revenues £193.7m, less
- TRR of VAT for prior periods £5.8m, less
- TRR of VAT for FY2022 £3.0m, less
- New centres revenues from FY2019 onwards £12.2m, less
- Teaquinn revenues £6.2m

New centres are included in the LFL revenue after they complete the calendar anniversary of their opening date.

LFL comparatives for FY2019 are £129.9m.

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

Free cash flow is defined as net cash flow pre-dividends, exceptional items, acquisition costs, bank funding and any equity placing.

Spend per game is defined as UK revenue in the year (excluding any revenues relating to TRR of VAT for prior years (£5.8m) and TRR of VAT for FY2022 (£3.0m)) divided by the number of bowling games and golf rounds played in the UK.

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

Expansionary capital expenditure includes all capital on new centres, refurbishments and rebrands only.

Adjusted profit after tax is calculated as statutory profit after tax, adding back the Teaquinn acquisition fees of £1.6m, the non-cash expense of £0.4m related to the fair value of the earn out consideration on the Teaquinn acquisition, as well as deducting the non-cash credit in relation to the Teaquinn bargain purchase. This adjusted profit after tax is also used to calculated adjusted earnings per share.

Consolidated income statement and statement of comprehensive income

Year ending 30 September 2022

	Note	Before exceptional items 30 September 2022 £'000	Exceptional items (note 5) 30 September 2022 £'000	Total 30 September 2022 £'000	30 September 2021 £'000
Revenue	3	187,949	5,792	**193,741**	71,878
Cost of sales		(29,392)	—	**(29,392)**	(10,257)
Gross profit		158,557	5,792	**164,349**	61,621
Other income		—	—	—	2,814
Gain on bargain purchase	20	—	39	**39**	—
Administrative expenses	6	(106,796)	(2,143)	**(108,939)**	(54,855)
Operating profit		51,761	3,688	**55,449**	9,580
Finance income	8	12	—	**12**	—
Finance expenses	8	(8,774)	(22)	**(8,796)**	(9,118)
Profit before tax		42,999	3,666	**46,665**	462
Tax (charge)/credit	9	(8,135)	(1,079)	**(9,214)**	1,266
Profit for the year attributable to equity shareholders		34,864	2,587	**37,451**	1,728
Other comprehensive income					
Retranslation gain of foreign currency denominated operations		411	—	**411**	—
Total comprehensive income for the year attributable to equity shareholders		35,275	2,587	**37,862**	1,728
Basic earnings per share (pence)	10			**21.91**	1.05
Diluted earnings per share (pence)	10			**21.78**	1.04

Consolidated statement of financial position

As at 30 September 2022

	Note	30 September 2022 £'000	30 September 2021 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**68,641**	49,036
Right-of-use assets	12	**147,455**	132,342
Goodwill and intangible assets	13	**81,794**	77,948
Deferred tax asset	17	**1,647**	6,290
		299,537	265,616
Current assets			
Cash and cash equivalents		**56,066**	29,942
Trade and other receivables	14	**5,130**	3,300
Corporation tax receivable		**271**	650
Inventories		**2,148**	1,461
		63,615	35,353
Total assets		**363,152**	300,969
LIABILITIES			
Current liabilities			
Trade and other payables	15	**28,681**	18,142
Lease liabilities	12	**11,557**	13,811

		40,238	31,953
Non-current liabilities			
Other payables	15	**3,000**	565
Lease liabilities	12	**176,812**	160,129
Provisions		**4,682**	3,635
		184,494	164,329
Total liabilities		**224,732**	196,282
NET ASSETS		**138,420**	104,687
Equity attributable to shareholders			
Share capital		**1,711**	1,706
Share premium		**39,716**	39,691
Merger reserve		**(49,897)**	(49,897)
Foreign currency translation reserve		**411**	—
Retained earnings		**146,479**	113,187
TOTAL EQUITY		**138,420**	104,687

Consolidated statement of changes in equity

For the year ended 30 September 2022

	Share capital £'000	Share premium £'000	Merger reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total £'000
Equity at 30 September 2020	1,575	10,466	(49,897)	—	111,350	73,494
Shares issued during the year	131	29,225	—	—	—	29,356
Share-based payments	—	—	—	—	16	16
Deferred tax on share-based payments	—	—	—	—	93	93
Profit for the year	—	—	—	—	1,728	1,728
Equity at 30 September 2021	1,706	39,691	(49,897)	—	113,187	104,687
Shares issued during the year	5	25	—	—	—	30
Dividends paid	—	—	—	—	(5,132)	(5,132)
Share-based payments	—	—	—	—	944	944
Deferred tax on share-based payments	—	—	—	—	29	29
Retranslation of foreign currency denominated operations	—	—	—	411	—	411
Profit for the year	—	—	—	—	37,451	37,451
Equity at 30 September 2022	**1,711**	**39,716**	**(49,897)**	**411**	**146,479**	**138,420**

Consolidated statement of cash flows

For the year ended 30 September 2022

	Note	**30 September 2022 £'000**	Restated[1] 30 September 2021 £'000
Cash flows from operating activities			
Profit before tax		**46,665**	462
Adjusted by:			
Depreciation of property, plant and equipment (PPE)	11	**8,721**	7,740
Depreciation of right-of-use (ROU) assets	12	**12,010**	11,882
Amortisation of intangible assets	13	**624**	477
Impairment of PPE and ROU assets	11, 12	**4,321**	850
Net interest expense	8	**8,784**	9,118
Loss on disposal of property, plant and equipment and software		**18**	29
COVID-19 rent concessions[1]		—	(2,110)[1]
Gain on bargain purchase	20	**(39)**	—
Share-based payments		**944**	16
Operating profit before working capital changes		**82,048**	28,464[1]
Increase in inventories		**(423)**	(121)
Increase in trade and other receivables		**(1,248)**	(1,446)
Increase in payables and provisions		**9,983**	8,456
Cash inflow generated from operations		**90,360**	35,353[1]
Interest received		**12**	—
Income tax paid – corporation tax		**(6,616)**	—
Bank interest paid		**(115)**	(1,207)
Lease interest paid		**(8,452)**	(7,952)

	Note	2022	2021
Net cash inflow from operating activities		**75,189**	26,194[1]
Cash flows from investing activities			
Acquisition of subsidiaries	20	**(8,099)**	—
Subsidiary cash acquired	20	**415**	—
Purchase of property, plant and equipment		**(21,653)**	(9,330)
Purchase of intangible assets		**(178)**	(252)
Sale of assets		**2**	—
Net cash used in investing activities		**(29,513)**	(9,582)
Cash flows from financing activities			
Repayment of bank loan		—	(29,500)
Payment of capital elements of leases		**(14,450)**	(7,310)[1]
Issue of shares		**30**	29,356
Dividends paid		**(5,132)**	—
Net cash used in financing activities		**(19,552)**	(7,454)[1]
Net change in cash and cash equivalents for the year		**26,124**	9,158
Cash and cash equivalents at the beginning of the year		**29,942**	20,784
Cash and cash equivalents at the end of the year		**56,066**	29,942

1 Following the FRC's corporate reporting review of the Group's Annual Report and Accounts to 30 September 2021, £2,110,000 of COVID-19 rent concessions disclosed as payment of capital elements of leases under cash flows from financing activities in the 2021 financial statements have been restated as adjustments to cash flows from operating activities within the 2021 comparative above. The effect of this change is a decrease of £2,110,000 in net cash used in financing activities and a decrease in net cash inflow from operating activities. There is no impact to the net change in cash and cash equivalents for the year. See note 21 'Cash flow information'.

Notes to the financial statements

For the year ended 30 September 2022

1. General information

The financial information set out above does not constitute the company's statutory accounts for the years ended 30 September 2022 or 2021, but is derived from these accounts. Statutory accounts for 2021 have been delivered to the registrar of companies, and those for 2022 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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

On 24 May 2022, the Company acquired Teaquinn Holdings Inc. (Teaquinn). Teaquinn comprises of Splitsville, an operator of ten-pin bowling centres and Striker Bowling Solutions, a supplier and installer of bowling equipment, based in Canada. Teaquinn is consolidated in Hollywood Bowl Group plc's Financial Statements with effect from 24 May 2022.

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

The Directors of the Group are responsible for the consolidated Financial Statements, which comprise the Financial Statements of the Company and its subsidiaries as at 30 September 2022.

2. Accounting policies

The principal accounting policies applied in the consolidated Financial Statements are set out below. These accounting policies have been applied consistently to all periods presented in these consolidated Financial Statements. The financial information presented is as at and for the financial years ended 30 September 2022 and 30 September 2021.

Statement of compliance

The consolidated Financial Statements have been prepared in accordance with UK-adopted International Account Standards and the requirements of the Companies Act 2006. The functional currency of entities in the Group are Pounds Sterling and Canadian Dollars. The consolidated Financial Statements are presented in Pounds Sterling and all values are rounded to the nearest thousand, except where otherwise indicated.

Basis of preparation

The consolidated Financial Statements have been prepared on a going concern basis under the historical cost convention, except for fair value items on acquisition (see note 20).

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

Basis of consolidation

The consolidated financial information incorporates the Financial Statements of the Company and all of its subsidiary undertakings. The Financial Statements of all Group companies are adjusted, where necessary, to ensure the use of consistent accounting policies. Acquisitions are accounted for under the acquisition method from the date control passes to the Group. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill, or a gain on bargain purchase if the fair values of the identifiable net assets are below the cost of acquisition. Intragroup balances and any unrealised gains and losses or income and expenses arising from intragoup transactions are eliminated in preparing the consolidated financial statements.

The results of Teaquinn are included from the date of acquisition on 24 May 2022.

Earnings per share

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

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has two types of dilutive potential ordinary shares, being those unvested shares granted under the Long Term Incentive Plans and Save-As-You-Earn plans.

Standards issued not yet effective

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

Standard/interpretation	Content	Applicable for financial years beginning on/after
IAS 1 Classification of liabilities as current or non-current	In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current.	1 October 2023
IAS 1 Presentation of financial statements and IFRS Practice Statement 2 making materiality judgements-disclosure of accounting policies	The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’.	1 October 2023
IAS 8 Definition of accounting estimates	The amendments replace the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are ‘monetary amounts in financial statements that are subject to measurement uncertainty’.	1 October 2023
IAS 12 Deferred tax related to assets and liabilities arising from a single transaction	The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability.	1 October 2023
IFRS 17 Insurance contracts	In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.	1 October 2023
Annual improvements to IFRS Standards 2018–2020	The annual improvements include amendments to four Standards: IFRS 1 First-time adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture.	1 October 2022
IFRS 3 Reference to the conceptual framework	In May 2020, the IASB issued amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework.	1 October 2022
IAS 16 Property, plant and equipment: proceeds before intended use	In May 2020, the IASB issued property, plant and equipment: proceeds before intended use, which prohibits entities deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management.	1 October 2022
IAS 37 Provisions, contingent liabilities and contingent assets	In May 2020, the IASB issued amendments to specify which costs a company includes when assessing whether a contract will be loss making.	1 October 2022

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

Going concern

In assessing the going concern position of the Group for the Consolidated Financial Statements for the year ended 30 September 2022, the Directors have considered the Group’s cash flow, liquidity, and business activities, as well as the principal risks identified in the Groups Risk Register.

As at 30 September 2022, the Group had cash balances of £56.1m, no outstanding loan balances, no COVID-19 concession deferrals and an undrawn RCF of £25m, giving an overall liquidity of £81.1m.

The Group has undertaken a review of its liquidity using a base case and a severe but plausible downside scenario.

The base case is the Board approved budget for FY2023 as well as the first three months of FY2024 which forms part of the Board approved five-year plan. Under this scenario there would be positive cash flow, strong profit performance and all covenants would be passed. It should also be noted that the RCF remains undrawn. Furthermore, it is assumed that the Group adhere to its capital allocation policy as outlined in the Chief Financial Officer's review.

The most severe downside scenario stress tests for reasonably adverse variations in the economic environment leading to a deterioration in trading conditions and performance.

Under this severe but plausible downside scenario, the Group has modelled revenues dropping by circa 4 and 5 per cent from the assumed base case for FY2023 and FY2024 respectively and inflation continues at an even higher rate than in the base case, specifically around cost of labour.

The model still assumes that investments into new centres would continue, whilst refurbishments in the early part of FY2024 would be reduced and further Pins on Strings installs would be delayed until FY2025. These are all mitigating factors that the Group has in its control. Under this scenario, the Group will still be profitable and have sufficient liquidity within its cash position to not draw down the RCF, with all financial covenants passed.

Taking the above and the principal risks faced by the Group into consideration, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future, a period of at least 12 months from the date of this report.

Accordingly, the Group continues to adopt the going concern basis in preparing these Financial Statements.

In preparing the financial statements management has considered the impact of climate change, taking into account the relevant disclosures in the Strategic report, including those made in accordance with the recommendations of the Task Force on Climate-related Financial Disclosure.

The expected environmental impact of climate change on the business has been modelled. The current available information and assessment did not identify any risks that would require the useful economic lives of assets to be reduced in the year or identify the need for impairment that would impact the carrying values of such assets or have any other impact on the financial statements. The impact assessments will be continuously updated to reflect the latest available information on the impact of climate change.

Leases

The Group as lessee

The Group assesses whether a contract is, or contains, a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee from the date at which the leased asset becomes available for use by the Group, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The lease term is the non-cancellable period for which the lessee has the right to use an underlying asset plus periods covered by an extension option if an extension is reasonably certain. The majority of property leases are covered by the Landlord and Tenant Act 1985 (LTA) which gives the right to extend the lease beyond the termination date. The Group expects to extend the property leases covered by the LTA. This extension period is not included within the lease term as a termination date cannot be determined as the Group are not reasonably certain to extend the lease given the contractual rights of the landlord under certain circumstances.

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

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

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

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

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 12.

Summary of critical accounting estimates and judgements

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

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

Critical accounting judgements

Dilapidation provision

A provision is made for future expected dilapidation costs on the opening of leasehold properties not covered by the LTA and is expected to be utilised on lease expiry. This also includes properties covered by the LTA where we may not extend the lease, after consideration of the long-term trading and viability of the centre. Properties covered by the LTA provide security of tenure and we intend to occupy these premises indefinitely until the landlord serves notice that the centre is to be redeveloped. As such, no charge for dilapidations can be imposed and no dilapidation provision is considered necessary as the outflow of economic benefit is not considered to be probable.

Key sources of estimation uncertainty

The key estimates are discussed below:

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

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

The key assumptions in the value-in-use calculations include growth rates of revenue and expenses, and discount rates. The carrying value of property, plant and equipment and right-of-use assets have been assessed to reasonable possible changes in key assumptions and these would not lead to a material impairment.

Further information in respect of the Group's property, plant and equipment and right-of-use assets is included in notes 11 and 12 respectively.

Other estimates

The acquisition of Teaquinn Holdings Inc. has been accounted for using the acquisition method under IFRS 3. The identifiable assets, liabilities and contingent liabilities are recognised at their fair value at date of acquisition (note 20). The fair value of the net assets identified were determined with assistance from independent experts using professional valuation techniques appropriate to the individual category of asset or liability. Calculating the fair values of net assets, notably the fair values of contingent consideration, freehold property and intangible assets identified as part of the purchase price allocation, involves estimation and consequently the fair value exercise is recorded as an other accounting estimate. The depreciation and amortisation charge is sensitive to the value of the freehold property and intangible asset values, so a higher or lower fair value calculation would lead to a change in the depreciation and amortisation charge in the period following acquisition. These estimates are not considered key sources of estimation uncertainty as a material adjustment to the carrying value is not expected in the following financial year.

3. Segmental reporting

Management consider that the Group consists of 2 operating segments, as it operates within the UK and Canada (30 September 2021: UK only, no exceptional income). No single customer provides more than ten per cent of the Group's revenue. Within these two operating segment there are multiple revenue streams which consist of the following:

	Before exceptional income UK 30 September 2022 £'000	**Exceptional income UK (note 5) 30 September 2022 £'000**	**Total UK 30 September 2022 £'000**	**Canada 30 September 2022 £'000**	**Total 30 September 2022 £'000**	30 September 2021 £'000
Bowling	**86,409**	**5,792**	**92,201**	**2,253**	**94,454**	34,769
Food and drink	**46,660**	—	**46,660**	**1,067**	**47,727**	17,396
Amusements	**46,510**	—	**46,510**	**773**	**47,283**	18,625
Mini-golf	**1,973**	—	**1,973**	—	**1,973**	1,076
Installation of bowling equipment	—	—	—	**2,040**	**2,040**	—
Other	**176**	—	**176**	**88**	**264**	12
	181,728	**5,792**	**187,520**	**6,221**	**193,741**	71,878

The UK operating segment includes the Hollywood Bowl, AMF Bowling and Puttstars brands. The Canada operating segment includes the Splitsville and Striker Bowling Solutions brands.

Year ended 30 September 2022	**UK £'000**	**Canada £'000**	**Total £'000**
Revenue	**187,520**	**6,221**	**193,741**
Group adjusted EBITDA as defined in note 4	**76,289**	**1,166**	**77,455**
Operating profit	**54,673**	**776**	**55,449**
Finance income	**—**	**12**	**12**
Finance expense	**8,541**	**255**	**8,796**
Depreciation and amortisation	**20,965**	**390**	**21,355**
Impairment of PPE and ROU assets	**4,321**	**—**	**4,321**
Profit before tax	**46,132**	**533**	**46,665**
Non-current asset additions – Property, plant and equipment	**21,750**	**322**	**22,072**
Non-current asset additions – Intangible assets	**108**	**70**	**178**
Total assets	**339,194**	**25,492**	**364,686**
Total liabilities	**208,549**	**17,717**	**226,266**

4. Reconciliation of operating profit to Group adjusted EBITDA

	30 September 2022 £'000	30 September 2021 £'000
Operating profit	**55,449**	9,580
Depreciation of property, plant and equipment (note 11)	**8,721**	7,740
Depreciation of right-of-use assets (note 12)	**12,010**	11,882
Amortisation of intangible assets (note 13)	**624**	477
Impairment of property, plant and equipment (note 11)	**2,535**	299
Impairment of right-of-use assets (note 12)	**1,786**	551
Loss on disposal of property, plant and equipment, right-of-use assets and software (notes 11–13)	**18**	29
Exceptional items (note 5)	**(3,688)**	—
Group adjusted EBITDA	**77,455**	30,558

Group adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) reflects the underlying trade of the overall business. It is calculated as operating profit plus depreciation, amortisation, impairment losses, loss on disposal of property, plant and equipment, right-of-use assets and software and exceptional items. Operating profit in FY2021 includes government grant income of £2,814,000.

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

5. Exceptional items

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

Exceptional items:	**30 September 2022**	30 September 2021
VAT rebate [1]	**5,792**	—
Administrative expenses [2]	**(144)**	—
Acquisition fees [3]	**(1,557)**	—
Gain on bargain purchase [4]	**39**	—
Contingent consideration [5]	**(464)**	—
Exceptional items before tax	**(3,666)**	—
Tax charge	**(1,079)**	—
Exceptional items after tax	**(2,587)**	—

1 During the year, HMRC conducted a review of its policy position on the reduced rate of VAT for leisure and hospitality and the extent to which it applies to bowling. Following its review, HMRC now accepts that leisure bowling should fall within the scope of the temporary reduced rate of VAT for leisure and hospitality, as a similar activity to those listed in Group 16 of schedule 7A of the VAT Act 1994. As a result, the Group made a retrospective claim for overpaid output VAT for the period 15 July 2020 to 30 September 2021 totalling £5,792,000, included within bowling revenue.

2 Expenses associated with the VAT rebate, relating to additional turnover rent, profit share due to landlords and also professional fees, which are included within administrative expenses.

3 Legal and professional fees relating to the acquisition of Teaquinn during the year (note 20).

4 Gain on bargain purchase in relation to the acquisition of Teaquinn during the year (note 20).

5 Contingent consideration of £442,000 in administrative expenses and £22,000 of interest expense in relation to the acquisition of Teaquinn during the year (note 20).

6. Expenses and auditor’s remuneration

Included in profit from operations are the following:

	30 September 2022 £’000	30 September 2021 £’000
Amortisation of intangible assets	**624**	477
Depreciation of property, plant and equipment	**8,721**	7,740
Depreciation of right-of-use assets	**12,010**	11,882
Impairment of property, plant and equipment	**2,535**	299
Impairment of right-of-use assets	**1,786**	551
Operating leases	**57**	43
Loss on disposal of property, plant and equipment, right-of-use assets and software	**18**	29
Exceptional items (note 5)	**(3,666)**	—
Loss on foreign exchange	**154**	16
Auditor’s remuneration:		
– Fees payable for audit of these Financial Statements	**317**	228
Fees payable for other services:		
– Audit of subsidiaries	**66**	82
– Other services	**16**	11
	399	321

7. Staff numbers and costs

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

	30 September 2022	30 September 2021
Directors	**7**	6
Administration	**91**	58
Operations	**2,432**	1,723
Total staff	**2,530**	1,787

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

	30 September 2022 £’000	30 September 2021 £’000
Wages and salaries	**42,808**	15,853
Social security costs	**3,600**	1,648
Pension costs	**475**	336
Share-based payments	**944**	16
Total staff cost	**47,827**	17,853

FY2022 wages and salaries includes £442,000 of contingent consideration in relation to the acquisition of Teaquinn (note 20).

FY2021 wages and salaries includes £8,287,000 of Coronavirus Job Retention Scheme government grant received.

8. Finance income and expenses

	30 September 2022 £'000	30 September 2021 £'000
Interest on bank deposits	**12**	—
Finance income	**12**	—
Interest on bank borrowings	**199**	1,155
Other interest	**2**	3
Finance costs on lease liabilities	**8,452**	7,952
Unwinding of discount on contingent consideration	**46**	—
Unwinding of discount on provisions	**97**	8
Finance expense	**8,796**	9,118

9. Taxation

	30 September 2022 £'000	30 September 2021 £'000
The tax expense/(credit) is as follows:		
– UK corporation tax	**6,436**	(384)
– Adjustment in respect of prior years	**10**	20
– Foreign tax suffered	**250**	—
– Effects of foreign exchange	**3**	—
Total current tax	**6,699**	(364)
Deferred tax:		
Origination and reversal of temporary differences	**2,431**	287
Effect of changes in tax rates	**95**	(1,202)
Adjustment in respect of prior years	**(11)**	13
Total deferred tax	**2,515**	(902)
Total tax expense/(credit)	**9,214**	(1,266)

Factors affecting current tax credit:

The tax assessed on the profit for the period is different to the standard rate of corporation tax in the UK of 19 per cent (30 September 2021: 19 per cent). The differences are explained below:

	30 September 2022 £'000	30 September 2021 £'000
Profit excluding taxation	**46,665**	462
Tax using the UK corporation tax rate of 19% (2021: 19%)	**8,866**	88
Change in tax rate on deferred tax balances	**95**	(1,202)
Non-deductible expenses	**388**	22
Non-deductible acquisition related exceptional costs	**296**	—
Effects of overseas tax rates	**66**	—
Effects of capital allowances super deduction	**(577)**	(137)
Share-based payments	**81**	(69)
Adjustment in respect of prior years	**(1)**	32
Total tax expense/(credit) included in profit or loss	**9,214**	(1,266)

The Group's standard tax rate for the year ended 30 September 2022 was 19 per cent (30 September 2021: 19 per cent).

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

10. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of Hollywood Bowl Group plc by the weighted average number of shares outstanding during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the years ended 30 September 2022 and 30 September 2021, the Group had potentially dilutive ordinary shares in the form of unvested shares pursuant to LTIPs and SAYE schemes.

	30 September 2022	30 September 2021
Basic and diluted		
Profit for the year after tax (£'000)	**37,451**	1,728
Basic weighted average number of shares in issue for the period (number)	**170,949,286**	164,607,791
Adjustment for share awards	**963,218**	859,432
Diluted weighted average number of shares	**171,912,504**	165,467,223
Basic earnings per share (pence)	**21.91**	1.05
Diluted earnings per share (pence)	**21.78**	1.04

11. Property, plant and equipment

	Freehold property £'000	Long leasehold property £'000	Short leasehold property £'000	Lanes and pinspotters £'000	Plant and machinery, fixtures and fittings	Total £'000
Cost						
At 1 October 2020	—	1,240	28,652	12,269	36,157	78,318
Additions	—	—	1,435	1,489	6,406	9,330
Disposals	—	—	(424)	(448)	(406)	(1,278)
At 30 September 2021	—	**1,240**	**29,663**	**13,310**	**42,157**	**86,370**
Additions	—	—	8,127	5,238	8,707	22,072
Acquisition of Teaquinn Holdings Inc. (note 20)	7,061	—	872	284	237	8,454
Disposals	—	—	(24)	(796)	(595)	(1,415)
Effects of movement in foreign exchange	345	—	48	14	12	419
At 30 September 2022	**7,406**	**1,240**	**38,686**	**18,050**	**50,518**	**115,900**
Accumulated depreciation						
At 1 October 2020	—	292	11,011	4,347	14,448	30,098
Depreciation charge	—	48	2,773	694	4,225	7,740
Impairment charge	—	—	—	—	299	299
Disposals	—	—	(38)	(428)	(337)	(803)
At 30 September 2021	—	340	13,746	4,613	18,635	37,334
Depreciation charge	24	48	3,047	706	4,896	8,721
Impairment charge	—	—	2,088	—	447	2,535
Disposals	—	—	(24)	(785)	(522)	(1,331)
At 30 September 2022	**24**	**388**	**18,857**	**4,534**	**23,456**	**47,259**
Net book value						
At 30 September 2022	**7,382**	**852**	**19,829**	**13,516**	**27,062**	**68,641**
At 30 September 2021	—	900	15,917	8,697	23,522	49,036

Plant and machinery, fixtures and fittings includes £2,916,000 (30 September 2021: £2,162,000) of assets in the course of construction, relating to the development of new centres.

Impairment

Impairment testing is carried out at the CGU level on an annual basis at the balance sheet date, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each individual centre is considered to be a CGU.

An initial impairment test was performed on all seventy three centres assessing for indicators of impairment. A detailed impairment test based on a base case was then performed on nine 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 nine centres have been tested for impairment by comparing the carrying value of each CGU with its recoverable amount determined from value-in-use calculations using cash flow projections based on financial budgets approved by the Board covering a five-year period. This base case assumes all centres remain open during FY2023, and the financial years thereafter, and there are no further trading restrictions associated with the COVID-19 pandemic.

The key assumptions used in the value-in-use calculations are the potential adverse variations in the economic environment leading to a deterioration in trading conditions and performance during FY2023 and FY2024. Cash flows beyond this two-year period are included in the Board-approved five-year plan and assume a recovery in the economy and the performance of our centres. The other assumptions used in the value-in-use calculations were:

	2022	2021
Discount rate (pre-tax)	**16.0%**	12.7%
Growth rate (beyond three years)	**2.5%**	2.5%

Discount rates reflect current market assessments of the time value of money and the risks specific to the industry. This is the benchmark used by management to assess operating performance and to evaluate future capital investment proposals. These discount rates are derived from the Group's weighted average cost of capital. Changes in the discount rates over the years are

calculated with reference to latest market assumptions for the risk-free rate, equity risk premium and the cost of debt. These discount rates were impacted by the volatility in the debt markets at the time of calculation, 30 September 2022.

Detailed impairment testing resulted in the recognition of an impairment charge in the year of £2,535,000 (FY2021: £299,000) against property, plant and equipment assets and £1,786,000 (FY2021: £551,000) against right-of-use assets for three UK centres (note 12). Following the recognition of the impairment charge, the carrying value of property, plant and equipment is £3,456,000 and right-of-use assets is £3,151,000 for these three UK centres (note 12).

Sensitivity to changes in assumptions

The estimate of the recoverable amounts for six centres affords reasonable headroom over the carrying value of the property, plant and equipment and right-of-use asset, and an impairment charge of £2,535,000 for three centres under the base case. Management have sensitised the key assumptions in the impairment tests of these nine centres under the base case.

A reduction in revenue of four and five percentage points down on the base case for FY2023 and FY2024 respectively and an increase in operating costs to reflect higher inflation would not cause the carrying value to exceed its recoverable

amount for these six centres. Therefore, management believe that any reasonable possible changes in the key assumptions would not result in an impairment charge. A further impairment of £400,000 would arise under this sensitised case in relation to three centres where we have already recognised an impairment charge in the year.

12. 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 ten (FY2021: eight) lease contracts that include variable lease payments in the form of revenue-based rent top-ups.

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

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

Right-of-use assets	Property £'000	Amusement machines £'000	Total £'000
Cost			
At 1 October 2020	139,699	7,662	147,361
Lease additions	2,581	587	3,168
Lease surrenders	—	(140)	(140)
Lease modifications	6,442	—	6,442
At 30 September 2021	148,722	8,109	156,831
Lease additions	7,805	3,462	11,267
Acquisition of Teaquinn Holdings Inc. (note 20)	11,510	—	11,510
Lease surrenders	—	(332)	(332)
Lease modifications	5,640	—	5,640
Effects of movement in foreign exchange	583	—	583
At 30 September 2022	**174,260**	**11,239**	**185,499**
Accumulated depreciation			
At 1 October 2020	9,742	2,443	12,185
Depreciation charge	9,339	2,543	11,882
Impairment charge	551	—	551
Lease surrenders	—	(129)	(129)
At 30 September 2021	19,632	4,857	24,489
Depreciation charge	9,846	2,164	12,010
Impairment charge	1,786	—	1,786
Lease surrenders	—	(241)	(241)
At 30 September 2022	**31,264**	**6,780**	**38,044**
Net book value			
At 30 September 2022	**142,996**	**4,459**	**147,455**
At 30 September 2021	129,090	3,252	132,342

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

Lease liabilities	Property £'000	Amusement machines £'000	Total £'000
At 1 October 2020	167,100	6,704	173,804
Lease additions	2,581	587	3,168
Accretion of interest	7,836	116	7,952
Lease modifications	6,442	(11)	6,431
Payments[1]	(15,429)	(1,986)	(17,415)
At 30 September 2021	168,530	5,410	173,940
Lease additions	7,805	3,462	11,267

Acquisition of Teaquinn Holdings Inc. (note 20)	11,510	—	11,510
Accretion of interest	8,354	98	8,452
Lease modifications	5,640	(157)	5,483
Payments[2]	(19,873)	(2,994)	(22,867)
Effects of movement in foreign exchange	584	—	584
At 30 September 2022	**182,550**	**5,819**	**188,369**
Current	9,027	2,530	11,557
Non-current	173,523	3,289	176,812
At 30 September 2022	**182,550**	**5,819**	**188,369**
Current	11,644	2,167	13,811
Non-current	156,886	3,243	160,129
At 30 September 2021	168,530	5,410	173,940

1 In FY2021, as a result of COVID-19 rent concessions, £991,000 of property payments and £745,000 of amusement machine payments noted above were deferred during the year and are netted off the payments. A further £2,110,000 of rent savings were taken to profit or loss as a credit to variable lease payments within administrative expenses.

2 In FY2022, £35,000 (FY2021: £43,000) of rent payments were part of the working capital movements in the year.

The following are the amounts recognised in profit or loss:

	2022 £'000	2021 £'000
Depreciation expense of right-of-use assets	**12,010**	11,882
Impairment charge of right-of-use assets	**1,786**	551
Interest expense on lease liabilities	**8,452**	7,952
Expense relating to leases of low-value assets (included in administrative expenses)	**57**	43
Variable lease payments (included in administrative expenses)	**788**	581
COVID-19 rent savings (included in administrative expenses)	—	(2,110)
Total amount recognised in profit or loss	**23,093**	18,899

The Group has contingent lease contracts for ten (FY2021: eight) sites. There is a revenue-based rent top-up on these sites. Variable lease payments include revenue-based rent top-ups at ten (FY2021: six) centres totalling £716,000 (FY2021: £320,000). It is anticipated that top-ups totalling £737,000 will be payable in the year to 30 September 2023 based on current expectations.

Impairment testing is carried out as outlined in note 11. Detailed impairment testing resulted in the recognition of an impairment charge in the year of £1,786,000 (FY2021: £551,000) against right-of-use assets for three UK centres (FY2021: one UK centre).

13. Goodwill and intangible assets

	Goodwill £'000	Brands[1] £'000	Trademark[2] £'000	Customer relationships £'000	Software £'000	Total £'000
Cost						
At 1 October 2020	75,034	3,360	798	—	1,860	81,052
Additions	—	—	—	—	252	252
At 30 September 2021	**75,034**	**3,360**	**798**	—	**2,112**	**81,304**
Additions	70	—	—	—	108	178
Acquisition of Teaquinn Holdings Inc. (note 20)	90	3,888	—	314	—	4,292
At 30 September 2022	**75,194**	**7,248**	**798**	**314**	**2,220**	**85,774**
Accumulated amortisation						
At 1 October 2020	—	1,020	316	—	1,543	2,879
Amortisation charge	—	168	50	—	259	477
At 30 September 2021	—	1,188	366	—	1,802	3,356
Amortisation charge	—	335	50	8	231	624
At 30 September 2022	—	**1,523**	**416**	**8**	**2,033**	**3,980**
Net book value						
At 30 September 2022	**75,194**	**5,725**	**382**	**306**	**187**	**81,794**
At 30 September 2021	75,034	2,172	432	—	310	77,948

1 This relates to the Hollywood Bowl, Splitsville and Striker Bowling Solutions brands.

2 This relates to the Hollywood Bowl trademark only.

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

The 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 five-year period. This base case assumes all centres remain open during FY2023, and the financial years thereafter, and there are no further trading restrictions associated with the COVID-19 pandemic.

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

	2022	2021
Discount rate (pre-tax)	**16.0%**	12.7%
Growth rate (beyond three years)	**2.5%**	2.5%

Discount rates reflect current market assessments of the time value of money and the risks specific to the industry. This is the benchmark used by management to assess operating performance and to evaluate future capital investment proposals. These discount rates are derived from the Group's weighted average cost of capital. Changes in the discount rates over the years are calculated with reference to latest market assumptions for the risk-free rate, equity risk premium and the cost of debt.

Sensitivity to changes in assumptions

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

The key assumptions used and sensitised were forecast growth rates and the discount rates, which were selected as they are the key variable elements of the value-in-use calculation. The combined effect of a reduction in revenue of 4.4 percentage points on the base case for FY2023 and FY2024, an increase in the discount rate applied to the cash flows of the CGU of one per cent and a reduction of one per cent in the growth rate (beyond five years), would reduce the headroom by £57.3m. This scenario would not cause the carrying value to exceed its recoverable amount. Therefore, management believes that any reasonable possible change in the key assumptions would not result in an impairment charge.

14. Trade and other receivables

	30 September 2022 £'000	30 September 2021 £'000
Trade receivables	**836**	611
Other receivables	**245**	89
Prepayments	**4,049**	2,600
	5,130	3,300

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

15. Trade and other payables

	30 September 2022 £'000	30 September 2021 £'000
Current		
Trade payables	**5,306**	5,121
Other payables	**1,310**	1,131
Accruals and deferred income	**17,000**	7,421
Taxation and social security	**5,065**	4,469
Total trade and other payables	**28,681**	18,142

	30 September 2022 £'000	30 September 2021 £'000
Non-current		
Other payables	**3,000**	565

Accruals and deferred income includes a staff bonus accrual of £7,758,000 (30 September 2021: £1,405,000) and deferred consideration of £164,000 (30 September 2021: £nil) in relation to the acquisition of Teaquinn Holdings Inc. Deferred income includes £983,000 (30 September 2021: £746,000) of customer deposits received in advance and £160,000 relating to bowling equipment installations, all of which is recognised in the income statement during the following financial year.

Non-current other payables includes £464,000 (30 September 2021: £nil) of contingent consideration and £1,841,000 (30 September 2021: £nil) of deferred consideration in respect of the acquisition of Teaquinn Holdings Inc. (note 20). The additional consideration to be paid is contingent on the future financial performance of Teaquinn Holdings Inc in FY2025 or FY2026. This is based on a multiple of 9.2x Teaquinn's EBITDA pre-IFRS 16 in the financial period of settlement and is capped at CAD 17m. The contingent consideration has been accounted for as post acquisition employee remuneration in accordance with IFRS 3 paragraph B55 and recognised over the duration of the employment contract to FY2026. The present value of the contingent consideration has been discounted using a WACC of 13 per cent. There is a range of possible outcomes for the value of the contingent consideration based on Teaquinn forecasted EBITDA pre-IFRS 16 and the year of payment. This ranges from a payment (undiscounted) in FY2025 of £6,000,000 (undiscounted) to a payment in FY2026 of £9,015,000 (undiscounted), using the FY2022 year-end exchange rate. The fair value of the contingent consideration will be re-assessed at every financial reporting date, with changes recognised in the income statement.

16. Loans and borrowings

	30 September 2022 £'000	30 September 2021 £'000
Loans and borrowings brought forward	**—**	29,038
Repayment during the year	**—**	(29,500)
Drawdown during the year	**—**	—
Issue costs	**—**	—
Amortisation of issue costs	**—**	462
Loans and borrowings carried forward	**—**	—

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

The RCF has a termination date of 31 December 2024. Interest is charged on any drawn balance based on the reference rate (SONIA), plus a margin of 1.75 per cent.

A commitment fee equal to 35 per cent of the drawn margin is payable on the undrawn facility balance. The commitment fee rate as at 30 September 2022 and 30 September 2021 was therefore 0.6125 per cent.

Issue costs of £135,000 were paid to Barclays Bank plc on commencement of the RCF. These costs are being amortised over the term of the facility and are included within prepayments.

The terms of the Barclays Bank plc facility include the following Group financial covenants:

(i) For the 7-month period ending 31 December 2021, the ratio of total net debt to Group adjusted EBITDA pre-IFRS 16 shall not exceed 1.75:1.

(ii) For the 12-month period ending on each reference date, commencing 31 March 2022 and each quarter thereafter, the ratio of total net debt to Group adjusted EBITDA pre-IFRS 16 shall not exceed 1.75:1.

The Group operated within the covenants during the year and the previous year.

17. Deferred tax assets and liabilities

	30 September 2022 £'000	30 September 2021 £'000
Deferred tax assets and liabilities		
Deferred tax assets	**7,050**	7,809
Deferred tax liabilities	**(5,403)**	(1,519)
	1,647	6,290

	30 September 2022 £'000	30 September 2021 £'000
Reconciliation of deferred tax balances		
Balance at the beginning of the year	**6,290**	5,295
Deferred tax credit for the year – in profit or loss	**(2,543)**	915
Deferred tax credit for the year – in equity	**(29)**	93
On acquisition of Teaquinn (note 20)	**(2,040)**	—
Effects of foreign exchange	**(43)**	—
Adjustment in respect of prior years	**12**	(13)
Balance at the end of the year	**1,647**	6,290

The components of deferred tax are:

	30 September 2022 £'000	30 September 2021 £'000
Deferred tax assets		
Fixed assets	**6,314**	6,706
Trading losses	**—**	439
Other temporary differences	**736**	664
	7,050	7,809
Deferred tax liabilities		
Property, plant and equipment	**(3,694)**	(721)
Intangible assets	**(1,709)**	(798)
	(5,403)	(1,519)

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 2022.

18. Related party transactions

30 September 2022 and 30 September 2021

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

19. Dividends paid and proposed

	30 September 2022 £'000	30 September 2021 £'000
The following dividends were declared and paid by the Group:		
Interim dividend year ended 30 September 2022 – 3.00 pence per ordinary share	**5,132**	—
Proposed for the approval by shareholders at AGM (not recognised as a liability at 30 September 2022):		
Final dividend year ended 30 September 2022 – 8.53 pence per ordinary share	**14,598**	—
Special dividend year ended 30 September 2022 – 3.00 pence per ordinary share	**5,132**	—

20. Acquisition of Teaquinn Holdings Inc.

On 24 May 2022, the Company acquired 100% of the issued share capital and voting rights of Teaquinn Holdings Inc., the holding company of Splitsville and Striker Bowling Solutions, based in Canada. Splitsville is an operator of ten-pin bowling centres and Striker Bowling Solutions, a supplier and installer of bowling equipment. The purpose of the acquisition was to grow the Group's core ten-pin bowling business by expanding into a new geographical region.

Teaquinn is consolidated in Hollywood Bowl Group plc's financial statements with effect from the completion of the acquisition on 24 May 2022.

The details of the business combination are as follows (stated at acquisition date fair values):

	£'000
Fair value of consideration transferred	
Amount settled in cash	**10,080**
Recognised amounts of identifiable net assets	
Property, plant and equipment	**8,454**
Right-of-use assets	**11,510**
Intangible assets	**4,292**
Other non-current assets	**6**
Inventories	**265**
Trade and other receivables	**631**
Cash and cash equivalents	**415**
Current tax liability	**(425)**
Trade and other payables	**(1,479)**
Lease liabilities	**(11,510)**
Deferred tax liabilities	**(2,040)**
Identifiable net assets	**10,119**
Gain on bargain purchase	**39**
Consideration for equity settled in cash	**10,080**
Cash and cash equivalents acquired	**(415)**
Net cash outflow on acquisition	**9,665**
Acquisition costs paid charged to expenses	**1,557**
Net cash paid relation to the acquisition	**11,222**

The fair value of the consideration transferred of £10,080,000 includes the fair value of deferred consideration of £164,000 and £1,817,000, included within current and non-current liabilities respectively at 30 September 2022, which is expected to be settled in FY2023 and FY2026 respectively.

In addition to the net cash outflow on acquisition, contingent consideration of £464,000 has been recognised in administrative expenses in the year. The contingent consideration has been accounted for as post acquisition employee remuneration in accordance with IFRS 3 paragraph B55. This amount is included within non-current liabilities at 30 September 2022, and is expected to be settled in FY2026 for a total of £8,360,000 (undiscounted) using the FY2022 year-end exchange rate. The contingent consideration is to be paid based on a multiple of 9.2x Teaquinn's EBITDA pre-IFRS 16 in the financial period of settlement and is capped at CAD 17m. The present value of the contingent consideration has been discounted using a WACC of 13 per cent. There is a range of possible outcomes for the value of the contingent consideration based on Teaquinn forecasted EBITDA pre-IFRS 16 and the year of payment. This ranges from a payment (undiscounted) in FY2025 of £6,000,000 (undiscounted) to a payment in FY2026 of £9,015,000 (undiscounted), using the FY2022 year-end exchange rate.

The gain on bargain purchase arose as a result of the contingent consideration aspect of the acquisition price relating to post acquisition employee remuneration as opposed to forming part of the purchase consideration. The gain on bargain purchase is disclosed as a separate line item in the consolidated income statement.

Acquisition related costs of £1,557,000 are not included as part of the consideration transferred and have been

recognised as an expense in the consolidated income statement within administrative expenses.

The fair value of the identifiable intangible assets acquired includes £3,770,000 and £118,000 in relation to the Splitsville and Striker Bowling Solutions brand names respectively, and £314,000 in relation to customer relationships. The brand names have been valued using the relief from royalty method and customer relationships have been valued using the multi-period excess earnings method.

The fair value of property, plant and equipment includes freehold land and buildings of £7,061,000, an uplift of £5,504,000 on the carrying value prior to the acquisition. The fair value adjustment is based on the open market value using the direct comparison approach of two properties that were valued by third party experts in accordance with the Canadian Uniform Standards of Professional Appraisal Practice as developed by the Standards Board of the Appraisal Institute of Canada.

The fair value of right-of-use assets and lease liabilities were measured as the present value of the remaining lease payments, in accordance with the Group's policy on page 135 of the Annual report.

The fair value and gross contractual amounts receivable of trade and other receivables acquired as part of the business combination amounted to £618,000. At the acquisition date the Group's best estimate of the contractual cash flows expected not to be collected amounted to £nil.

In the period since acquisition to 30 September 2022, the Group recognised £6,221,000 of revenue and £383,000 of profit after tax in relation to the acquired business. Had the acquisition occurred on 1 October 2021, the contribution of Teaquinn to the Group's revenue would have been £12,795,000 and the contribution to the Group's profit before tax for the period would have been £2,187,000.

21. Cash flow information

Restatement of comparative cash flow information

Following the FRC's corporate reporting review of the Group's Annual Report and Accounts to 30 September 2021 it was felt that, with respect to the comparative for that period, it would be more appropriate for the £2,110,000 in rent concessions to be presented within the adjustments to cash flows from operating activities, and not within the payment of capital leases as originally disclosed.

As a result of this review, the comparative consolidated cash flow statement has been restated as follows:

Year ended 30 September 2021	Previously reported £'000	Restatement £'000	Restated £'000
Cash flow statement line item			
Operating profit before working capital changes	30,574	(2,110)	28,464
Net cash inflow from operating activities	28,304	(2,110)	26,194
Payment of capital elements of leases	(9,420)	2,110	(7,310)
Net cash used in financing activities	(9,564)	2,110	(7,454)

There is no adjustment to the net change in cash and cash equivalents for the year.

The FRC's enquiries, which were limited to a review of the September 2021 Annual Report and Accounts, are now complete. The FRC review does not benefit from detailed knowledge of our business or an understanding of the underlying transactions entered into, and accordingly the review provides no assurance that the Annual Report and Accounts are correct in all material respects.

Risk management

Our approach to risk

The Board and senior management take their responsibility for risk management and internal controls very seriously, and for reviewing their effectiveness at least bi-annually. An effective risk management process balances the risk and rewards as well as being dependent on the judgement of the likelihood and impact of the risk involved. The Board has overall responsibility for ensuring there is an effective risk management process in place and to provide reasonable assurance that they are fully understood and managed.

When we look at risk, we specifically consider the effects it could have on our business model, our culture and therefore our ability to deliver our long-term strategic purpose.

We consider both short and long-term risks and split them into the following groups: financial, social, operational, technical, governance and environmental risks.

Risk appetite

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

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

Our risk management process

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

Department heads

Each functional area of the Group maintains an operational risk register, where senior management identifies and documents the risks that their department faces in the short term, as well as the longer term. A review of these risks is undertaken on at least a bi-annual basis to compile 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

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 risks, appetite and mitigation actions at least twice yearly and uses its findings to finalise the Group's principal risks.

The principal and emerging risks are taken into account in the Board's consideration of long-term viability as outlined in the Viability statement.

Risk management activities

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

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

We continually review the organisation's risk profile to verify that current and emerging risks have been identified and considered by each head of department.

Each risk has been scaled as shown on the risk heat map.

Principal risks

The Board has identified 12 principal risks which are set out below. These are the risks which we believe to be the most material to our business model, which could adversely affect the revenue, profit, cash flow and assets of the Group and operations, which may prevent the Group from achieving its strategic objectives.

We acknowledge that risks and uncertainties of which we are unaware, or which we currently believe are immaterial, may have an adverse effect on the Group.

Financial risks

Risk	Risk and impact	Mitigating factors
1 Economic environment **Increasing**	• Change in economic conditions in particular a recession due to the after-effects of COVID-19, as well as inflationary pressures and the current war in Ukraine • Adverse economic conditions, including, but not limited to, increases in interest rates/ inflation may affect Group results • A decline in spend on discretionary leisure activity could negatively affect all financial as well as non-financial KPIs	• An economic contraction is likely, impacting consumer confidence and discretionary income. The Group's has low customer frequency per annum and also the lowest price per game of the branded operators. Therefore, whilst it would suffer in such a recession, the Board is satisfied that the majority of centre locations are based in high-footfall locations which should better withstand a recessionary decline • Along with appropriate financial modelling and available liquidity, a focus on opening new centres in high-quality locations only with appropriate property costs, as well as capital contributions, remains key to the Group's new centre-opening strategy • We have an unrelenting focus on service, costs and value, along with electricity hedged until September 2024. Plans are developed to mitigate many cost increases, as well as a flexible labour model, if required, in an economic downturn
2 Covenant breach **Decreasing**	• The banking facility, with Barclays Plc, has quarterly leverage covenant tests which are set at a level the Group is comfortably forecasting to be within • Covenant breach could result in a review of banking arrangements and potential liquidity issues	• The potential for future pandemic lockdowns has elevated this risk, and financial resilience has therefore become central to our decision-making and will remain key for the foreseeable future • The current RCF is £25m, with a margin of 175bps above SONIA as well as an accordion of £5m. Net leverage covenants are 1.75x and are tested quarterly. The facility is currently undrawn • Group revenue and profit performance since reopening in May 2021 have been above internal and external forecasts, which has resulted in a net cash position of £56.1m at the end of FY2022 • Appropriate financial modelling has been undertaken to support the assessment of the business as a going concern. The Group has headroom on the current facility with leverage cover within its covenant levels, as shown in the monthly Board packs. We prepare short-term and long-term cash flow, EBITDA (pre-IFRS 16) and covenant forecasts to ensure risks are identified early. Tight controls exist over the approval for capital expenditure and expenses • The Directors consider that the combination of events required to lower the profitability of the Group to the point of breaching bank covenants is unlikely
3 Expansion/ growth **NEW**	• Competitive environment for new centres results in less new Group centre openings • New concepts appear more attractive to landlords • Higher rents offered by short-term private groups	• The Group uses multiple agents to seek out opportunities across the UK • Continued focus with landlords on initial investment as well as refurbishment and maintenance capital • Strong financial covenant provides forward-looking landlords with both value and comfort • Relaunched property flyer in June 2022, with good success

Operational risks

Risk	Risk and impact	Mitigating factors

4 **Core systems** **Unchanged**	• Failure in the stability or availability of information through IT systems could affect Group business and operations • Customers not being able to book through the website is a bigger risk given the higher proportion of online bookings compared to prior years • Inaccuracy of data could lead to incorrect business decisions being made	• All UK core systems (non-cloud based) are backed up to our disaster recovery centre • The reservation systems, provided by a third party, are hosted by Microsoft Azure Cloud for added resilience and performance. This also has full business continuity provision and scalability for peak trading periods. The CRM/CDP system is hosted by a third party utilising cloud infrastructure with data recovery contingency in place • The reservations system also has an offline mode, so in-centre customers could still book but the Customer Contact Centre (CCC) and online booking facility would be down. A back-up system exists for CCC to take credit card payments offline. A full audit process exists for offline functionality • All technology changes which affect core systems are authorised via change control procedures • The Group undertakes periodic strategic reviews of its core system set-up with associated market comparisons of available operating systems to ensure that it has the most appropriate technology in place
5 **Suppliers (non-amusements)** **Unchanged**	• Operational business failures from key suppliers (non-IT) • Unable to provide customers with a full experience	• The Group has key UK suppliers in food and drink under contract with tight service level agreements (SLAs). Alternative suppliers that know our business could be introduced, if needed, at short notice. Centres hold between 14 and 21 days of food, drink and amusement products. Regular reviews and updates are held with external partners to identify any perceived risk and its resolution. This process has been required since reopening in 2021, with substitute products available in all scenarios. A policy is in place to ensure the safe procurement of food and drink within allergen controls • Splitsville uses Xtreme Hospitality (XH), a group buying company, to align itself with tier one suppliers in all service categories including food and drink. If XH is unable to provide a service or product, Splitsville is able to source directly itself
6 **Amusement supplier** **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 half-yearly meetings between the CEO, the 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 during or post any consumer recession • Player 1 is the amusements supplier to Splitsville. Player 1 is a subsidiary Cineplex Inc which is listed on the Canadian stock market. Quarterly meetings are held with Player 1

7 **Management retention and recruitment**	• Loss of key personnel – centre managers • Lack of direction at centre level with effect on customer experience • More competitive recruitment landscape due to Brexit and COVID-19 pandemic • More difficult to execute business plans and strategy, impacting on revenue and profitability	• The Group runs Centre Manager in Training (CMIT) and Assistant Manager in Training (AMIT) programmes annually, which identify centre talent and develop team members ready for these roles. Centre managers in training run centres, with assistance from their regional support manager as well as experienced centre managers from across the region, when a vacancy needs to be filled at short notice • The Group bonus schemes were reviewed for the estate reopening in May 2021, to ensure they were still a strong recruitment and retention tool. The incentives now benefit all team members in-centre including hourly and salaried team. The hourly scheme has paid out to over 64 per cent of Team Members since the start of FY2022 • All 18-21 year olds are paid 20p above NMW/NLW, once they have completed their probation period • Wellbeing guides were issued across the business during the pandemic, as well as frequent Group Zoom Q&A sessions and updates via our team member app, to improve team engagement
8 **Food safety** **Unchanged**	• Major food incident including allergen or fresh food issues • Loss of trade and reputation, potential closure and litigation	• Food and drink audits are undertaken in all centres based upon learnings of the prior year and food incidents seen in other companies, as well as for health, safety and legal compliance. online training, which includes allergen and intolerance issues, is reviewed, understood and complied with by team members • Allergen awareness is part of our team member training matrix which needs be completed before team members can take food or drink orders. Information is regularly updated and remains a focus for the centres. This was enhanced further in the latest menu, along with an online allergens list which is available for all customers. A primary local authority partnership is in place with South Gloucestershire covering health and safety, as well as food safety • In conjunction with the supply chain risk the Allergen Control Policy has been reviewed and updated • All food menus have an allergen disclaimer • All food menus have a QR code linking the customer to up-to-date allergen content for each product, updated through the 'Nutritics' system

Technical risks

Risk	Risk and impact	Mitigating factors

Risk	Risk and impact	Mitigating factors
9 **GDPR and cyber security** **Increasing**	• Data protection or GDPR breach. Theft of customer email addresses and impact on brand reputation in the case of a breach • Risk of cyber-attack/terrorism could impact the Group's ability to keep trading. More bookings are being taken online currently, which increases this risk	• The Group adopts a multi-faceted approach to protecting its IT networks through protected firewalls and secure two-factor authentication passwords, as well as the frequent running of vulnerability scans to ensure integrity of the firewalls • A Data Protection Officer has been in position for a number of years and attends external courses to continue to build knowledge • All team members have been briefed via online presentations. A training course on GDPR awareness was created on STARS (online training tool) and all team members have to complete this before being able to work on shift • A cyber security partner is in place to handle any cyber security breaches and will work with the Group on a priority basis – 365x24x7 – if necessary • Periodic penetration testing is conducted through a third-party cyber security company • In FY2023 we will be upgrading the IT infrastructure and networks in our Canadian business to move from centres based operations to centrally hosted and managed services
10 **Targeted IT threat / attack** **NEW**	• Website hack • Increased threat of targeted hack post COVID-19 reopening • Prevent customers from booking online • PCI accreditation • Non-accreditation can lead to acquiring bank removing transaction processing	• The Group has an externally hosted website by Fortrabbit in a secure infrastructure using AWS under ISO 27001 and PCI accreditation • It deploys proactive security on its infrastructure in the form of regular patching and upgrades as well as penetration testing • AWS enforces a high level of physical security to safeguard its data centres, with military grade perimeter controls for example • The web site and booking site are protected by Cloudflare WAF with Distributed Denial of Service (DDoS) protection • There is active protection of the network against a DDoS attack • A quarterly review meeting is held with the card acquirer, to keep abreast of market developments and any new technical requirements for PCI and security • A PCI gap analysis is performed annually to ensure the business infrastructure is in line with the current published PCI standards. Recommendations from the latest review are being addressed in a project to select and implement new payment devices, services and processes to further reduce this risk

Regulatory risk

Risk	Risk and impact	Mitigating factors
11 **Compliance** **Unchanged**	• Failure to adhere to regulatory requirements such as listing rules, taxation, health and safety, planning regulations and other laws • Potential financial penalties and reputational damage	• Expert opinion is sought where relevant. We run regular training and development for appropriately qualified staff • The Board has oversight of the management of regulatory risk and ensures that each member of the Board is aware of their responsibilities • Compliance documentation for centres to complete for health and safety, and food safety, is updated and circulated twice per year. Adherence to Company/legal standards is audited by the internal audit team

Environmental risk

Risk	Risk and impact	Mitigating factors
12 **Climate change** **NEW**	• Increasing carbon taxes • Business interruption and damage to assets • Cost of transitioning operations to net zero	• Significant progress already made with solar panel installations and transitioning energy contracts to renewable sources • Corporate Responsibility Committee created to closely monitor and report on climate related risks and opportunities • Extended range of climate related targets created • TCFD disclosure completed in FY2022 including scenario planning to understand materiality of risks • Net zero plan and target being created in FY2023