Hollywood Bowl Group plc

("Hollywood Bowl" or the "Group")

Final Results for the Year Ended 30 September 2023

EXCELLENT PERFORMANCE DRIVEN BY STRONG CUSTOMER DEMAND AND THE SUCCESS OF THE GROUP'S FOCUSED INVESTMENT STRATEGY

Hollywood Bowl Group plc, the UK and Canada's largest ten-pin bowling operator, announces its audited results for the year ended 30 September 2023 ("FY2023").

Financial summary

Financial performance for FY2023 is compared to FY2022 statutory performance and excluding the impact of the reduced rate (TRR) of VAT on bowling received in FY2022.

	FY2023	FY2022 (statutory)	**FY2022 (ex TRR of VAT on bowling)[5]**	**Movement vs FY2022 (ex TRR of VAT on bowling)**
Revenues	**£215.1m[4]**	£193.7m[4]	**£185.0m**	**+16.2%**
Group adjusted EBITDA[1]	**£82.7m**	£77.5m	**£74.5m**	**+11.1%**
Group adjusted EBITDA[1] pre-IFRS 16	**£64.9m**	£60.6m	**£57.6m**	**+12.7%**
Group profit after tax	**£34.2m**	£37.5m	**£30.9m**	**+10.7%**
Group adjusted profit after tax[2]	**£36.8m**	£39.4m	**£32.8m**	**+12.2%**
Free cash flow[3]	**£29.5m**	£34.8m	**£34.8m**	**-15.4%**
Net cash/(debt)	**£52.5m**	£56.1m	**£56.1m**	**-6.4%**
Interim ordinary dividend per share	**3.27p**	3.00p	**3.00p**	**+9.0%**
Final ordinary dividend per share	**8.54p**	8.53p	**8.53p**	**+0.1%**
Special dividend per share	**2.73p**	3.00p	**3.00p**	**--9.0%**
Total dividend per share	**14.54p**	14.53p	**14.53p**	**0%**

1 Group adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) 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. These adjustments show the underlying trade of the overall business which these costs or income can distort. The reconciliation to operating profit is set out in the Chief Financial Officer's review below.

2 Adjusted group profit before / after tax is calculated as group profit before / after tax, adding back acquisition fees of £0.7m (FY2022: £1.6m) and the non-cash expense of £2.0m (FY2022: £0.4m) related to the fair value of the earn out consideration on the Teaquinn acquisition in May 2022. Also, in FY2022 it included the deduction of the non-cash credit in relation to the Teaquinn bargain purchase of £39k.

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 Group revenue in FY2022 included a total of £8.8m relating to the reduced rate (TRR) of VAT on bowling. £5.8m of this was in respect of prior years and £3.0m for FY2022. FY2023 includes £0.3m in respect of TRR of VAT.

5 FY2022 consolidated income statement included the following in respect of TRR of VAT on bowling in the UK: Revenue £8.8m, gross profit £8.8m, administrative expenses £0.1m, Group adjusted EBITDA £3.0m, Group profit before tax £8.8m, Group profit after tax of £6.6m and Group adjusted profit after tax of £6.6m.

Key highlights

Excellent performance with record revenues and profitable growth

- +4.5% like-for-like (LFL) revenue growth compared to FY2022
- Record revenues of £215.1m, up +16.2% (FY2022 ex TRR of VAT on bowling: £185.0m) (FY2022: £193.7m)
- Record Group adjusted EBITDA (pre-IFRS) of £64.9m (FY2022 ex TRR of VAT on bowling: £57.6m) (FY2022: £60.6m)

- Group adjusted profit after tax £36.8m (FY2022 ex TRR of VAT on bowling: £32.8m) (FY2022: £39.4m)

Customer experience innovation increasing customer satisfaction, dwell time and spend per game with LFL growth across all UK revenue lines

- UK average spend per game grew 3.4% to £11.06 (FY2022: £10.69)
- LFL sales growth of 7.3% in Amusements following expansion of contactless payment technology and new game formats
- 9.9% increase in food spend per game with most popular menu items still at 2019 prices
- Improved net promoter score to 64% (FY2022: 61%)

Attractive returns through investment in growing and enhancing the UK portfolio

- 13 refurbishments / rebrands including retiring the AMF brand
- Three new centres opened (Hollywood Bowl Speke, Hollywood Bowl Merry Hill and Puttstars Peterborough) and one acquired post year end (Lincoln Bowl)
- 13 Pins on Strings installed with 83% of estate now completed
- Solar panels installed on a further five centres, taking the total to 27 centres in the UK (38% of the UK estate)

Canada is trading well with strong momentum with growth strategy

- Revenues of CAD 37.3m (£22.5m) and LFL revenue growth of 15.1%
- Canada EBITDA pre-IFRS 16 CAD 7.4m (£4.5m)
- One major refurbishment and rebrand to Splitsville delivering returns above expectations and one further refurbishment underway
- Three centres acquired in February 2023 and two further centres acquired post year end as well as contracts exchanged on a new build in Ontario due for FY2024, taking the estate to 11 centres

Updated capital allocation policy reflecting a highly cash-generative business, robust balance sheet and confidence in outlook

- Ordinary dividend moves to 55% adjusted profit after tax from 50% - applied for FY2023
- FY2023 final ordinary dividend of 8.54 pence per share and special dividend of 2.73 pence bringing the full-year dividend to 14.54 pence per share (FY2022: 14.53 pence per share)
- In addition, given the surplus cash at the end of FY2023 the Group has announced a share buyback programme of up to £10m, to commence shortly after the AGM, as per the capital allocation policy in the Chief Financial Officer's review

Outlook

Robust balance sheet and resilience to inflationary pressures

- Net cash at year end of £52.5m and fully undrawn £25m RCF
- 72% of UK revenues not subject to cost of goods inflation
- New UK electricity fixed price hedge up to the end of FY2027 (increase of £1.0m per annum) while solar panel roll out offers protection against higher energy costs

Continued focus on innovating and enhancing the customer experience while maintaining value for money offer

- Lowest cost option of the major UK ten-pin bowling operators with a family of four able to bowl for under £25
- New Group reservations platform with improved functionality and performance, due to launch in FY2024

Growing and investing in the estate in the UK and Canada

- At least three further new centres to open in the UK in FY2024 and a strong pipeline for FY2025 and beyond
- At least seven UK refurbishments planned in FY2024
- Growing the Canada pipeline with new Ontario centre due to open in FY2024 and three new centres at legal stages

- Three Canada rebrands and refurbs planned with roll out of UK best practice operations in Canada
- Opportunity to add up to ten centres in Canada over the next five years, with the potential to grow the Group estate to 130+ centres across the UK and Canada by 2035

Stephen Burns, Chief Executive of Hollywood Bowl Group, commented:

"This is another excellent performance for the Group, achieved against an exceptionally strong prior year. It reflects significant customer demand, as well as the success of our customer focused strategy. Innovation of our offer has led to growth across all our revenue lines while keeping our prices low, with a family of four able to bowl for £25. We have continued to invest in and grow our estate, opening new centres in the UK and Canada where we see significant potential.

The strength of our balance sheet and our highly cash generative business model supports our profitable growth strategy in the UK and Canada. This includes continued investment in our estate, technology and enhancing our customer proposition, and the Board's decision to increase the pay-out ratio for our ordinary dividend to 55% from 50% of adjusted profit after tax. Longer term, we see the opportunity to grow our estate to at least 130 centres.

We have had an encouraging start to the year with people looking for ways to enjoy activities with families, friends and colleagues demonstrating the continued strong demand for high quality, great value leisure experiences.

Finally, I would like to thank all our team members for their hard work and continued focus on delivering the best experiences for our customers in the UK and Canada."

Enquiries:

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Chairman's statement

Hollywood Bowl Group has once again achieved another outstanding performance in FY2023. We started the financial year with real momentum, following on from an exceptional FY2022, and we have built on this to deliver another record revenue year.

This has been achieved in spite of the many and varied challenges experienced by UK businesses during the year, demonstrating the strength of our customer offer, resilience to inflationary pressures, robust balance sheet and cash-generative business. I continue to be impressed by the clarity of purpose and single-minded pursuit of excellence consistently demonstrated by all of our team members in executing the Group strategy which has led to our track record of sustained profitable growth.

The Group's financial performance in FY2023 exceeded the Board's expectations, driven by our focus on enhancing the customer experience and investment in improving the quality of our estate through our ongoing refurbishment programme. We continue to expand our footprint, through new centre openings and acquisitions both in the UK and Canada. Our planned investments in technology have supported centres' sales and yield growth, while also improving our customers' digital journey.

Our operating model drove like-for-like (LFL) sales growth across our four main revenue streams and our relatively fixed cost base helped deliver another year of strong profits. We were also able to take advantage of

favourable conditions in July and August, where the unseasonable wet weather encouraged more families to seek out indoor leisure and entertainment activities, leading to our busiest ever month in the UK in August.

In light of our performance, the Board is pleased to declare a final ordinary dividend of 8.54 pence per share as well as a special dividend of 2.73 pence per share.

Furthermore, given our robust financial position, prospects and cash generation, as well as the Board's focus on delivering shareholder returns and capital efficiency, the Board has extended the Group's capital allocation policy around excess cash to include share buybacks of up to £10m in FY2024, alongside special dividends. The Board determined that share buybacks can provide flexibility to achieve an optimal use of cash to deliver value for shareholders and can represent an attractive investment opportunity for the Company.

Affordable fun, safe and healthy competition

We know that across, the UK families are facing cost of living challenges and so we work hard to ensure our customer offer remains compelling and to deliver our core purpose of bringing families and friends together for affordable fun and safe, healthy competition. A family of four can still enjoy an outing with us for as little as £25 during peak times – the best value for money of all the branded UK bowling operators.

Our amusement machines can still be enjoyed for as little as £1 but operational improvements in the year have enabled us to drive yield growth. Our simplified menus focus on speed, quality, consistency and value for money and although higher food and beverage costs meant we introduced some modest price increases, our most popular items haven't changed in price since 2019. Our value-for-money customer proposition has attracted more visits over the year from new and returning customers who are choosing to spend more time in our centres, boosting the spend per game.

Further investment in the UK estate

We opened three new centres in the UK during the year in Speke, Peterborough and Merry Hill, all of which are performing in line with expectations. Our refurbishment programme saw 13 centres receive successful upgrades including some centres which are on their second or third refurbishment.

Post the year end, we were also pleased to announce the acquisition of Lincoln Bowl on 2 October, which included the long leasehold. The centre meets our strict investment criteria and has 20 lanes with a bar, diner and amusements, and will be rebranded as a Hollywood Bowl in the first half of FY2024.

A new growth market

Canada is an exciting growth opportunity for the Group and we have made excellent progress since we acquired Splitsville, comprising five centres, and Striker Bowling Solutions in May 2022. We were quick to add a sixth centre, Kingston, in July 2022 and this year we acquired three bowling centres in Calgary, a strategically important location between our current centres in British Columbia and Ontario. Post the year end, we acquired a further two centres, and have recently started a new build in Ontario, due to open in FY2024.

We have also commenced our refurbishment programme in Canada, based on our UK model, with one centre completed during the year and one currently on site due to complete in H1 FY2024. The rebranded and refurbished centre in Richmond Hill has been extremely well received, attracting a broader customer base, more diverse revenue streams and higher yields, underpinning our belief in the long-term opportunity of the Canadian market.

Our initial strategic rationale for entering Canada is being reaffirmed the more we learn. The market, whilst very well established, remains highly fragmented and often under-invested, with many centres single-owned or small-group-owned businesses, providing an excellent runway for growth.

The Canadian market shares many similarities with the UK and in FY2023, we undertook a large customer research project to understand fully how we should adapt our UK operating model for the Canadian market. The results solidified our view that our operating model would be very well received and that customers are open to our high-quality family-friendly offering to sit alongside competitive bowling leagues. Where differences exist, we are able to tailor our offering accordingly. For example, there are more opportunities for the corporate offering due to a higher expectation of frequent socialising amongst work colleagues, and for school-age students in the winter months where cold weather encourages activities indoors.

Integration with the wider Group is going well with the ongoing sharing of knowledge and innovation between our UK and Canadian colleagues. Both sides make regular visits to gain greater understanding of the differing operating models, and how we can introduce 'best practice' whilst maintaining the entrepreneurial spirit that initially attracted us.

We have been developing a new Centre Manager pipeline and putting the structures in place to allow rapid development in Canada, including transferring four of our UK team members, one to help introduce our training and development programmes, two Centre Managers and one of our UK Regional Managers who started as Director of Operations in October 2023.

Board changes

In July 2023, we appointed Rachel Addison to the Board as a Non-Executive Director and as a member of the Audit, Remuneration and Nomination Committees. With c.30 years of finance and operational management

experience, Rachel has held a number of senior leadership and board positions across media and technology businesses, bringing financial and operational experience, including in digital media, which will be of great value to the Group. Rachel's appointment comes at a time of change for the Board and is part of our succession planning programme. Nick Backhouse, who has been a member of the Board and Chair of the Audit Committee since the Group's listing in 2016, is due to retire by rotation at our Annual General Meeting (AGM) in January 2024. He has been a real asset to the Group and his consistent, steady advice, as well as his wise counsel, has been of great value to Hollywood Bowl Group's development.

Sustainable growth
In recognition of the importance we place on environmental and social considerations in our decision making, in FY2023 the Board formed a Corporate Responsibility Committee (CRC) consisting of Board and Executive Committee members, and chaired by Non-Executive Director Ivan Schofield. During the year the CRC established its terms of reference and worked with the long-standing Corporate Responsibility Steering Group to set the Group's net zero strategy. Having already made an early start to how we manage our direct environmental impacts – we have reduced our UK direct emissions by 62 per cent since 2016 – this year we report on our indirect Scope 3 emissions for the first time, which we estimate makes up around 90 per cent of our total emissions. It is from this baseline year that we will set science-based targets in our commitment to reach net zero by 2050. Our pathway to net zero strategy will see us build on our progress to date and continue to make sustainability-led improvements across the Group. We look forward to working closely with our UK and Canadian colleagues, and our suppliers, to make our plan a reality.

Investing in our people
Our People team has worked extremely hard this year to develop our next generation of Centre Managers, senior leaders and technicians, doubling the number of our industry-leading training and development programmes. I was delighted when the Group was once again recognised as one of The UK's 25 Best Big Companies to Work For in 2023, rising up the ranks to 12th position, and that our Hemel Hempstead support centre was given the highest 3* standard for workplace engagement.

Exciting growth opportunity
Like all businesses, we have experienced a number of external challenges in recent years, however, the Group has emerged stronger than ever and I am excited about the opportunities ahead.

Our operating model, multiple revenue streams and strong balance sheet, which includes no debt, gives us plenty of headroom to keep investing in our growth strategy. Although we are not immune from inflationary pressures, we are well insulated given our relatively fixed cost base with over 72 per cent of Group revenues not subject to cost of goods inflation.

Our unwavering focus is on keeping our leisure experiences fresh, relevant and affordable to our customers and on generating further attractive returns through investment in our customer experience. Technology continues to play a big part in this, and I am looking forward to seeing the launch of our new self-developed customer booking system later in the coming year. FY2024 will see further investment in growing and improving the quality of our estate in the UK and Canada, enhancing the customer experience through refurbishments and investment in our proprietary technology that will support the next stages of growth across both countries.

I would like to thank all our team members, suppliers, landlords, partners and investors for their support and contributions to delivering yet another outstanding year, and I look forward to sharing in our continued success.

Peter Boddy
Non-Executive Chairman
17 December 2023

Chief Executive Officer's review

A record performance
I am delighted with the Group's excellent performance in FY2023, a year in which we continue to strengthen our position as a UK market leader in competitive socialising and as one of the largest operators of ten-pin bowling centres in the world.

Hollywood Bowl Group continues to deliver sustainable, profitable growth, with total revenue of £215.1m, 11.0 per cent growth on FY2022 (16.2 per cent excluding the reduced rate (TRR) of VAT benefit on bowling activities in FY2022) and Group like-for-like (LFL) revenue growth of 4.5 per cent.

Our results reflect the success of our customer-focused operating model as well as our clear and consistent strategy in delivering sustainable profit growth and shareholder returns while maximising favourable trading conditions. We offer fantastic value-for-money family-friendly entertainment experiences and the efforts of all our team members ensure our customers enjoy consistent positive experiences, as reflected by our excellent customer service scores.

Our strong financial position allows us to invest in growing our high-quality portfolio domestically and internationally with new centre openings, acquisitions and our rolling refurbishment programme and rebrands. We also continue to invest in innovation and technology as a key driver of the customers' digital journey and experience.

Group adjusted profit after tax was £36.8m, adjusting for acquisition fees of £0.7m and the non-cash expense of £2.0m related to the fair value of the earn out consideration on the Canada acquisition in May 20222. Statutory profit after tax was £34.2m. Free cash flow of £29.5m demonstrates our cash generative business model, and net cash of £52.5m at the end of FY2023 enables our continued investment in the business.

Growth in all revenue lines

Against an exceptionally successful prior year, UK LFL revenue (which excludes TRR of VAT on bowling activities in FY2022) grew by 4.1 per cent, with our main revenue lines – bowling, food, drink and amusements – all showing LFL growth. Whilst our trading levels were helped by some very favourable weather in the UK, it is due to our unrelenting customer-focused operating model that we were able to take advantage of this and deliver a record year.

We saw UK LFL game volumes grow by 0.7 per cent and spend per game (excluding TRR of VAT on bowling activities in FY2022) by 3.4 per cent to £11.06, up from £10.69 in FY2022. Our dynamic pricing technology, which allows us to offer better value for customers at non-peak periods, helped drive incremental volume and carefully controlled yield enhancement, yet we still offer the best value for money and best invested product of all the branded UK bowling operators.

Food spend in the UK was up in the year showing a 9.9 per cent improvement, with our focus on speed, quality, consistency and value-for-money driving this growth. New menu items have been added in line with customer feedback and sales data, and although we have made some small changes to price to mitigate food inflationary increases, the most popular menu items were still below their 2019 price points. Our drinks range also offers excellent value-for-money. Spend on drink in the UK grew on a per game basis by 2.3 per cent, underpinned by further enhancements to the at lane ordering systems and the national rollout of a new drinks range.

Refurbishments and space optimisation projects, coupled with the expansion of contactless payment technology and new game formats, helped drive LFL sales growth of 7.3 per cent in amusements in UK centres. We have kept the price to play at £1 for the majority of our machines despite the significant improvement in the gaming experience but are utilising new payment technology to enhance the yield on certain games where appropriate.

We are very encouraged by the performance of our Canadian business in the first full trading year since the acquisition in May 2022. LFL revenue increased by 15.1 per cent on a constant currency basis. This underpins our belief that there is significant longer-term opportunity to add further value through leveraging our customer-led operating model, technology and digital marketing experience.

Growth strategy – investment and innovation

Our growth strategy remains unchanged. The new centre opening programme is on track in both the UK and Canada. We continue to grow LFL revenue through the improvement of the existing estate and our refurbishment programme continues to deliver above our 33 per cent returns hurdle rate.

FY2023 was a record year of investment in the estate and a very busy time for our property teams. In total, we invested £30.3m (excluding professional fees on acquisitions) on new centre openings, refurbishments and acquisitions.

In the UK, we were pleased to open three new centres in the year, Hollywood Bowl Speke, Hollywood Bowl Merry Hill, and Puttstars Peterborough. Lincoln Bowl was acquired on 2 October bringing our total UK estate to 71 centres.

We remain confident in our ability to deliver on our plan of an average of three new openings a year. At present we are on site at another new location and are planning to commence development at three others in early Q2 FY2024. This year will see the opening of our long-anticipated centre at the £70m Northern Gateway leisure complex development in Colchester, combining 26 bowling lanes, mini-golf, bar, diner and an amusement offer.

We completed 13 UK centre refurbishments, introducing the very latest design innovations and technological improvements to the sites. These refurbishments included retiring the AMF brand from the portfolio after rebranding the final two centres and space optimisation programmes at three centres: increasing amusement space at Puttstars Harrow, creating a six-lane duck-pin bowling area aimed at younger families and corporates at Puttstars Leeds and incorporating a nine-hole Puttstars in underutilised space at Hollywood Bowl Leeds. Combining offers at centres where space configuration makes it possible, is proving popular with customers, keeps our offering fresh and supports centre yield increases. All the refurbishments are delivering returns in line with expectations, with the last 13 projects averaging more than a 40 per cent return on investment. We expect to carry out between eight and ten refurbishments in FY2024.

The Pins on Strings rollout in the UK has continued, with a further 13 centres benefiting from this cost saving technology which also enhances our customer experience by significantly reducing games per stop. 54 centres now have the machines installed (83 per cent of the Group's UK bowling estate),

Investment in the digital customer journey has continued, as we refine our sales and marketing activity and online booking systems. Online sales conversions, centre yields and capacity utilisation have improved through targeted marketing and dynamic pricing. In FY2023 we have been developing our own bespoke booking system.

As our business has evolved and grown, we have become aware of the limitations of current third-party platforms and have decided to make the investment in a new modern and flexible technology platform that can evolve and support our next stage of growth. Built by our in-house development team, the open-source, multi-channel technology will integrate with our current CRM tools and improve the booking experience for our customers and team members. Now nearing completion, the new system will be launched in Q3 FY2024 in the UK and rolled out to Canada at a later date.

Canada – expansion and acquisitions

Our Canadian operations traded ahead of expectations, contributing CAD 37.3m (£22.5m) in revenue and over CAD 7.4m (£4.5m) of EBITDA on a pre-IFRS 16 basis.

We have made good progress with our growth strategy in Canada, focused on four areas:

1. investing in the existing estate;
2. acquiring existing businesses that complement the current estate;
3. opening new centres; and
4. supporting the Canadian bowling market with Striker's products and services.

The refurbishment programme is also progressing well, with one major refurbishment and rebrand to Splitsville completed and one on site. The newly refurbished centre has been very well received by customers with returns on investment performing well above our hurdle rate in Canada. Post completion, LFL revenue growth at this centre has been over 30 per cent.

This performance in Canada has been supported by insights gained from detailed customer research carried out in FY2023, which in many ways echoes the UK's customer needs. Although there are some variances, such as a greater corporate and educational emphasis, the research confirmed that our UK customer focused operating model will translate well for the Canadian market where there are significant opportunities for sector consolidation and growth.

Our pipeline of new site opportunities and acquisitions is building with several centres in the diligence process. In February 2023, we acquired three new centres in Calgary. We also exchanged contracts on a 43,000 square feet new build in Ontario featuring 24 lanes, scheduled to open in FY2024. Post the year end, we have acquired two further centres, one in Ontario and one in Vancouver, bringing us to 11 centres in Canada at the time of writing.

The Striker business continues to grow as a result of increased investment into bowling centres across the country. Revenues totalled CAD 7.1m (£4.3m) and the order book is strong with several large installation and maintenance projects signed to commence in FY2024.

We continue to share ideas between the businesses, adapting the UK operating model to a Canadian audience whilst maintaining the entrepreneurial spirit of the local management. In order to share best practice across the Group, we were able to sponsor four UK team members to take up permanent roles in Canada – one to head up talent development, which will be vital to growing our operations and evolving the business culture, two Centre Managers and the Director of Operations. As the Canadian operations develop, we plan to offer more opportunities for team member exchanges.

An outstanding team

We have an excellent reputation for our positive working culture and creating outstanding workplaces is one of the three pillars of our sustainability strategy. In FY2023, we refreshed our employer brand aimed at improving communications in our business, attracting a more diverse team and answering the key question of why a candidate might want to work with us. The initial insight study highlighted areas of improvement and we have been taking action to address this. The response since launch has been fantastic with significant improvements in team member engagement, social media and website traffic and job applications.

For the second year running we rank amongst one of the Top 25 UK's Best Big Companies to Work For in 2023. Our Hemel Hempstead office was awarded the top 3* rank for its working practices, placing us amongst a select few businesses. Our UK net promoter score has also increased against the previous year.

Our team members continue to impress, supported by our industry-leading in-house training and development programme. Although there continues to be considerable competition for labour in the leisure market, our exposure has been cushioned somewhat by our low exposure to the London area. Furthermore, our refreshed employer brand launched during the year has made a significant difference to our ability to attract talent. It is important that we remain competitive and therefore we increased average hourly pay for team members by over 9 per cent and Centre Manager and Assistant Centre Managers have seen salary increases of over 5 per cent during the year.

For FY2023, we will pay out over £2.6m in centre level management bonuses, with Centre Managers on average receiving over 64 per cent of base of pay and Assistant Centre Managers receiving over 14 per cent base of pay. Also, more than half of our hourly rate team members received bonuses measured against financial, environmental and customer satisfaction criteria, equating to £0.6m in total.

Sustainable growth
Running our business in a sustainable manner is a key focus for the Group and is integral to our decision making. Good progress was made across all sustainability metrics and we met our key FY2023 targets across our three sustainability pillars. The solar panel rollout bringing the total to 27 centres, further reducing our reliance on purchased electricity.

Our indirect Scope 3 emissions are published for the first time this year, which has helped us to develop our pathway to the net zero strategy and enabled us to set science-based targets (SBTs) from FY2024, using FY2023 as a baseline year.

Over the next two years, we will be aligning our Canadian operations with our UK sustainability strategy so that from FY2025 we can collectively report our environmental and social progress across the Group.

Outlook
After another year of exceptional performance, we remain focused on sustainable profitable growth and continued investment across all areas of the business. It is anticipated that the increases to national minimum (living) wage rates, which were announced in the Autumn Statement, will be c. £0.6m for H2 FY2024 (c. £1.2m annualised), whilst the other changes, such as business rates, are expected to have minimal impact. We are confident that our high-quality leisure experience offers great value for money, which is why families and friends are continuing to choose our inclusive and affordable offerings for their leisure spending.

With a strong balance sheet and a highly cash generative business model, we see the potential in the future to grow our business to at least 130 centres in the UK and Canada.

I would like to thank all our team members in the UK and Canada for their continued dedication to our customers and Hollywood Bowl Group and look forward to another successful and exciting year ahead.

Stephen Burns

Chief Executive Officer
17 December 2023

Chief Financial Officer's review

Group financial results

	FY2023	FY2022	FY2022 (excluding TRR of VAT on bowling)[6]	Movement FY2023 vs FY2022 (excluding TRR of VAT on bowling)
Revenue	**£215.1m**[5]	£193.7m[5]	£185.0m	+16.2%
Adjusted gross profit[1]	**£177.6m**	£164.3m	£155.6m	+14.0%
Adjusted gross profit margin[1]	**82.6%**	84.8%	84.1%	-150bps
Administrative expenses	**£123.5m**	£108.9m	£108.8m	+13.5%
Group adjusted EBITDA[2]	**£82.7m**	£77.5m	£74.5m	+11.1%
Group adjusted EBITDA[2] pre-IFRS 16	**£64.9m**	£60.6m	£57.6m	+12.7%
Group profit before tax	**£45.1m**	£46.7m	£37.9m	+19.0%
Group profit after tax	**£34.2m**	£37.5m	£30.9m	+10.7%
Group adjusted profit before tax[3]	**£47.8m**	£48.7m	£39.9m	+19.8%
Group adjusted profit after tax[3]	**£36.8m**	£39.4m	£32.8m	+12.2%
Free cash flow[4]	**£29.5m**	£34.8m	£34.8m	-15.4%
Total dividend per share	**14.54p**	14.53p	14.53p	+0.0%

1 Adjusted gross profit margin is calculated as revenue less directly attributable cost of goods sold and excludes any payroll costs.
2 Group adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) 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. These adjustments show the underlying trade of the overall business which these costs or income can distort. The reconciliation to operating profit is set out below.
3 Adjusted group profit before / after tax is calculated as group profit before / after tax, adding back acquisition fees of £0.7m (FY2022: £1.6m) and the non-cash expense of £2.0m (FY2022: £0.4m) related to the fair value of the earn out consideration on the Teaquinn acquisition in May 2022. Also, in FY2022 it included the deduction of the non-cash credit in relation to the Teaquinn bargain purchase of £39,075.

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.
5 Group revenue in FY2022 included a total of £8.8m relating to the reduced rate (TRR) of VAT on bowling. £5.8m of this was in respect of prior years and £3.0m for FY2022. FY2023 includes £0.3m in respect of TRR of VAT.
6 FY2022 consolidated income statement included the following in respect of TRR of VAT on bowling in the UK: Revenue £8.8m, gross profit £8.8m, administrative expenses £0.1m, Group adjusted EBITDA £3.0m, Group profit before tax £8.8m, Group profit after tax of £6.6m and Group adjusted profit after tax of £6.6m.
7 Revenues in GBP based on an actual foreign exchange rate over the relevant period, unless otherwise stated.

Following the introduction of the lease accounting standard IFRS 16, the Group continues 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 that 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.

All LFL revenue commentary excludes the impact of TRR of VAT on bowling. New centres in the UK and Canada are included in LFL revenue after they complete the calendar anniversary of their opening date.

Further details on the alternative performance measures used are at the end of this report.

Revenue

On the back of record revenues in FY2022, it was pleasing to see continued growth, with UK LFL growth of 4.1 per cent in FY2023.

UK LFL revenue growth was a combination of spend per game growth of 3.4 per cent, taking LFL average spend per game to £11.06, as well as LFL game volume growth of 0.7 per cent. The LFL growth, alongside the performance of the new UK centres, resulted in record UK revenues of £192.4m and growth of 7.6 per cent compared to the underlying revenues in FY2022 (excluding the impact of TRR of VAT on bowling of £8.8m in FY2022). It is worth noting that UK centres benefited from the unseasonable wet weather in July and August, with both months recording strong revenue and August achieving a record month (£20.2m).

Canadian LFL revenue growth, when reviewing in Canadian Dollars to allow for disaggregating the foreign currency effect, was 15.1 per cent.

Total statutory revenue for FY2023 was £215.1m, 11.0 per cent growth on FY2022 (16.2 per cent growth excluding TRR of VAT on bowling in FY2022).

Adjusted gross profit

Adjusted gross profit is calculated as revenue less directly attributable cost of good sold and does not include any payroll costs. Gross profit was £177.6m, 8.1 per cent growth on FY2022 (14.0 per cent growth excluding TRR of VAT on bowling in FY2022), with gross profit margin at 82.6 per cent.

Adjusted gross profit for the UK business was £161.2m with a margin of 83.7 per cent. The trend of amusements growing at a higher rate than bowling continued, producing a higher gross profit overall, albeit at a reduced gross profit margin (amusements has a lower gross profit margin).

Adjusted gross profit for the Canadian business was in line with expectations at CAD 27.2m (£16.4m), with a margin of 73.1 per cent. The lower margin rate when compared to the UK business is as expected due to the lower gross profit margin of the Striker bowling equipment and installations business, the higher food and drink mix in the Canadian bowling centres and the lower contractual amusement gross profit margin. Splitsville centres contributed CAD 25.2m (£15.2m) of gross profit.

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.

Total administrative expenses on a statutory basis were £123.5m. On a pre-IFRS 16 basis, administrative expenses were £130.0m, compared to £114.1m in FY2022.

Employee costs in centres increased to £40.7m, an increase of £7.0m when compared to FY2022, due to a combination of salary increases and the impact of higher LFL revenues, new UK centres, as well as the full-year effect of employee costs in Canadian centres, which resulted in an increase of CAD 7.0m (£4.1m).

Total property-related costs, accounted for under pre-IFRS 16, were £36.6m, with £33.9m for the UK business (FY2022: £33.3m). Rent costs in the UK accounted for £17.6m in FY2023, an increase of £0.4m compared to the prior year. Underlying business rates in the UK increased year on year by £1.6m as the COVID-19 concessions were removed during FY2023. However, due to business rate reduction claims made in respect of the 2015 revaluation finally being agreed, the Group received £2.3m in refunds (net of professional fees), resulting in an overall decrease in UK business rates of £0.7m. Total property costs in the UK increased by £1.1m, with new centre costs increasing by £0.9m. Canadian property centre costs were in line with expectations at CAD 4.5m (£2.7m).

Our current UK electricity hedge runs out at the end of FY2024. We are therefore pleased to have agreed a new hedge up to the end of FY2027, with FY2025 seeing a modest increase of 33 per cent (£1.0m) compared to our current FY2024 hedge rate, whilst we would still be able to take advantage of lower costs should such market conditions prevail during this period. At the end of FY2023, we had 27 centres with solar panels installed, resulting in over 38 per cent of our UK estate benefiting from this technology, which aids in the Group's ESG strategy as well as some level of protection against higher energy costs.

Total property costs, under IFRS 16, were £39.6m, including £10.4m accounted for as property lease assets depreciation and £9.8m in implied interest relating to the lease liability.

Corporate costs include all central costs as well as the out-performance bonus for centres. Total corporate costs increased by £3.2m to £25.3m when compared to FY2022. UK corporate costs increased by £1.3m to £22.8m with the main driver of this being increased marketing spend. As we continue to build out our support team in Canada for growth, this, combined with a full year of ownership, resulted in corporate costs increasing by CAD 3.3m to CAD 3.9m (£2.3m). The additional people in Canada included a Director of Operations as well as leaders in marketing, people and property.

The statutory depreciation, amortisation and impairment charge for FY2023 was £26.1m compared to £25.7m in FY2022. Excluding property lease assets depreciation, this charge in FY2023 was £14.9m. This is due to the continued capital investment programme, including new centres and refurbishments, as well as the full year impact of Canada.

We undertook detailed impairment testing which resulted in an impairment charge in the year of a total of £2.2m (FY2022: £4.3m). The discount rate used for the weighted average cost of capital (WACC) was 12.7 per cent pre-tax (FY2022: 16.0 per cent). See note 12 to the Financial Statements for more information.

Canadian performance

Following the Teaquinn acquisition in May 2022, the Group has continued to grow its footprint in Canada. During FY2023 the Group acquired three entertainment centres in Calgary, with one new build in Ontario signed and due to open in early 2024.

The business continues to trade in line with expectations, with total revenues in Canada of CAD 37.3m (£22.5m), and just over CAD 7.4m (£4.5m) of EBITDA on a pre-IFRS 16 basis. Of this, Striker, the bowling equipment and installations business, contributed CAD 7.1m (£4.3m) of revenue and CAD 0.9m (£0.8m) of EBITDA. On a LFL basis revenue grew by 15.1 per cent.

Adjusted gross profit (which excludes payroll costs) was in line with expectations at CAD 27.2m (£16.4m), with a margin of 73.1 per cent. The lower margin rate when compared to the UK business is in line with expectations because of the lower gross profit margin of the Striker bowling equipment and installations business, higher food and drink mix and the lower contractual amusement gross profit margin.

Exceptional costs

Exceptional costs relate in the main to two areas. The first is the acquisition costs in relation to the acquisition of three entertainment centres in Calgary and acquisitions in progress at year end, which totalled £0.7m. The second is the earn out consideration for Teaquinn President Pat Haggerty, which is an exceptional cost of £2.0m in FY2023 (of which £1.8m is in administrative expenses and £0.2m is in interest expenses). See the table below for exceptional items included in the Group adjusted EBITDA and operating profit reconciliation.

As noted in the FY2022 full-year results, the earn out consideration is considered 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 these exceptional costs is shown in note 5 to the Financial Statements.

Group adjusted EBITDA and operating profit

Group adjusted EBITDA pre-IFRS 16 increased to a record £64.9m and includes a contribution of £4.5m (CAD 7.4m) from the Canadian business.

Compared to FY2022 pre-IFRS 16, this was an increase of 7.1 per cent. When excluding the impacts of TRR of VAT (£3.0m in FY2022) this increase is 12.7 per cent.

	FY2023 £'000	FY2022 £'000
Operating profit[1]	**54,085**	55,449
Depreciation	**25,317**	25,052
Amortisation	**820**	624
Loss on property, right-of-use assets, plant and equipment and software disposal	**306**	18
Exceptional items	**2,203**	(3,688)
Group adjusted EBITDA under IFRS 16	**82,731**	77,455
IFRS 16 adjustment	**(17,799)**	(16,850)
Group adjusted EBITDA pre-IFRS 16	**64,932**	60,605

1 IFRS 16 adoption has an impact on EBITDA, with the removal of rent from the calculation. For Group adjusted EBITDA pre-IFRS 16, it is deducted for comparative purposes and is used by investors as a key measure of the business. The IFRS 16 adjustment is in relation to all rents that are considered to be non-variable and of a nature to be captured by the standard.

The increase is primarily due to the strong LFL revenue performance, the new UK centre performance, the Group's relatively fixed cost base, and the Canadian business. 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 above.

Share-based payments

During the year, the Group granted further Long-Term Incentive Plan (LTIP) shares to the senior leadership team as well as starting a new save as you earn scheme (SAYE) for all team members. The LTIP 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 103 of the Annual Report. The Group recognised a total charge of £1.2m (FY2022: £0.9m) in relation to the Group's share-based arrangements. Share-based costs are not classified as exceptional costs.

Financing

Finance costs increased to £9.0m in FY2023 (FY2022: £8.8m) comprising mainly of implied interest relating to the lease liability under IFRS 16 of £9.8m. Bank interest costs in relation to the Group's undrawn revolving credit facility of £0.2m were offset by the interest received (£1.4m) on the Group's bank balances.

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 £52.5m as at 30 September 2023, compared to £56.1m at 30 September 2022. Detail on the cash movement in the year is shown in the table below.

Capital expenditure

During the financial year, the Group invested net capex of £30.3m, including £7.4m on the acquisition of three centres in Calgary.

A total of £7.0m was invested into the refurbishment programme, with 15 UK centres and two Canadian centres, some of which were still be completed at the end of FY2023. This included a rebrand of Splitsville Richmond Hill, Canada and the final two rebrands of AMF to Hollywood Bowl, in Torquay and Worthing. Despite inflationary pressures, returns on the UK refurbishments continue to exceed the Group's hurdle rate of 33 per cent.

New UK centre capital expenditure was a net £6.8m. This relates, in the main, to three centres opened in the year – Hollywood Bowl in Speke and Merry Hill Birmingham and Puttstars Peterborough.

The Group's strong balance sheet ensures that it can continue to invest in profitable growth with plans to open more locations during FY2024 and beyond.

The Group spent £9.1m on maintenance capital in the UK, including continued spend on the rollout of Pins on Strings technology and solar panel installations. At the end of FY2023, Pins on Strings were in 56 centres and solar panels on 27 centres.

Technology investment was £0.8m as we continue to enhance the digital customer journey ahead of the launch of our in-house core reservations platform in FY2024. We also upgraded the website, payment platform and customer data platform, and maintained a continued focus on our cyber security.

Considering the rolling refurbishment programme, maintenance capital, and the new centres in the UK and Canada, we expect capital expenditure, including acquisitions to be in the region of £35m to £40m in FY2024.

Cash flow and net debt

	FY2023 £'000	FY2022 £'000
Group adjusted EBITDA under IFRS 16	**82,731**	77,455
Movement in working capital	**(1,103)**	8,814
Maintenance capital expenditure	**(9,072)**	(9,323)
Taxation	**(9,099)**	(6,616)
Payment of capital elements of leases	**(11,419)**	(14,450)
Adjusted operating cash flow (OCF)[1]	**52,037**	55,881
Adjusted OCF conversion	**62.9%**	72.2%
Expansionary capital expenditure[2]	**(13,786)**	(12,508)
Disposal proceeds	**10**	2
Net bank interest received/(paid)	**1,008**	(104)
Lease interest paid	**(9,808)**	(8,452)
Free cash flow (FCF)[3]	**29,462**	34,819
Exceptional items	**(343)**	4,091
Acquisition of Teaquinn Holdings Inc	**—**	(8,099)

Cash acquired in Teaquinn Holdings Inc	**—**	415
Acquisition of Calgary centres	**(7,716)**	—
Cash acquired in Calgary centres	**319**	—
Dividends paid	**(25,338)**	(5,132)
Equity placing (net of fees)	**6**	30
Net cash flow	**(3,610)**	26,124

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

Taxation
The Group's tax charge for the year is £10.9m arising on the profit before tax generated in the period. The increase in the Group's effective rate of tax to 24.2 per cent is a combination of the increase in the UK corporation tax rate from 19 per cent to 25 per cent from April 2023 as well as the effect of the disallowable element, for tax purposes, of the earn out provision charged in FY2023.

Earnings
Statutory profit before tax for the year was £45.1m and 3.4 per cent lower than FY2022. It is worth noting that FY2022 included a profit before tax benefit of £8.6m due to TRR of VAT.

The Group delivered profit after tax of £34.2m (FY2022: £37.5m) and basic earnings per share was 19.92 pence (FY2022: 21.91 pence).

Group adjusted profit before tax is £47.8m, whilst Group adjusted profit after tax is £36.8m.

The adjustments are made to reflect the underlying trade of the Group. These adjustments are adding back acquisition fees of £0.7m and the non-cash expense of £2.0m related to the fair value of the earn out consideration on the Canadian acquisition in May 2022. For more detail see note 5 to the Financial Statements.

Dividend and capital allocation policy
The Group's highly cash generative business model and strong balance sheet mean the business is well placed to continue to invest in its customer-led, UK and international growth strategy and to take advantage of opportunities as they arise, while delivering attractive shareholder returns.

The Board has reviewed its capital allocation policy with the updated priorities for 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 in line with adjusted profit after tax. Given the Group's continued strong performance and the cash balance, the ordinary dividend will be based on a payout of 55 per cent of adjusted profit after tax;
- any excess cash will be available for distribution to shareholders as the Board deems appropriate, without impacting on investment in the growth of the business.

The FY2023 ordinary dividend will be based on a payout of 55 per cent of adjusted profit after tax, in line with the revised capital allocation policy and reflecting the Board's confidence in the Group's strategy, strong balance sheet and focus on delivering shareholder returns.

Therefore, the Board has declared a final ordinary dividend of 8.54 pence per share, based on an adjusted profit after tax of £36.8m (adjusted earnings per share of 21.48 pence).

In line with the Group's capital allocation policy, the Board has proposed a special dividend of 2.73 pence per share be paid to shareholders alongside the ordinary dividend, bringing the full-year dividend to 14.54 pence per share (FY2022: 14.53 pence per share).

Furthermore, given the surplus cash at the end of FY2023, the Group announces a share buyback programme of up to £10m, which is intended to commence shortly after the AGM.

The Board will periodically assess the progress of this share buyback programme in light of the Group's capital allocation needs. Investing in the Group's profitable growth remains the priority use of cash and any future returns to shareholders will be subject to operational capital requirements, financial performance and other available strategic growth opportunities.

Subject to approval from shareholders at the AGM, the ex-dividend date is 1 February 2024, with a record date of 2 February 2024 and a payment date of 23 February 2024.

Going concern
As detailed in note 2 to the Financial Statements, 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.

Post-year-end events
We were pleased to complete three acquisitions in early FY2024.

In the UK, on 2 October, we purchased the assets, including the long leasehold, of Lincoln Bowl for total consideration of £4.4m.

In Canada we completed two acquisitions. The first is the acquisition of a successful family entertainment centre in Guelph, Ontario called Woodlawn Bowl Inc, for CAD 4.71m, which on a proforma EBITDA pre-IFRS 16 basis, generated CAD 1.07m. The second is the acquisition of the assets and lease of a family entertainment centre in Vancouver, called Lucky 9 Bowling Centre Limited as well as its associated restaurant and bar, Monkey 9 Brewing Pub Corp, for a total consideration of CAD 425,000.

Laurence Keen
Chief Financial Officer
17 December 2023

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.

UK like-for-like (LFL) revenue for FY2023 is calculated as:

- Total Group revenues £215.1m, less
- New UK centre revenues for FY2022 and FY2023 that have not annualised £6.3m, less
- VAT rebates of £0.3m relating to prior periods, less
- Canada revenues for FY2023 of £22.5m

New centres are included in the LFL revenue after they complete the calendar anniversary of their opening date. LFL UK comparatives for FY2022 are £178.7m.

Adjusted gross profit margin is calculated as total revenue less directly attributable cost of goods sold. Management do not consider it helpful to include any payroll costs in the gross margin because although these costs do vary to some extent with volume, it is in no way linear. These amounts are presented separately on the consolidated income statement.

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. Useful for investors to evaluation cash from normalised trading.

LFL spend per game is defined as LFL 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.

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 considering 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. Investors see this as growth potential.

Adjusted profit after tax is calculated as statutory profit after tax, adding back the acquisition fees in Canada of £0.6m and the non-cash expense of £2.0m related to the fair value of the earn out consideration on the Canadian acquisition in May 2022. This adjusted profit after tax is also used to calculate adjusted earnings per share.

Constant currency exchange rates are the actual periodic exchange rates from the previous financial period and are used to eliminate the effects of the exchange rate fluctuations in assessing certain KPIs and performance.

Consolidated income statement and statement of comprehensive income

Year ending 30 September 2023

	Note	**Before exceptional items 30 September 2023 £'000**	**Exceptional items (note 5) 30 September 2023 £'000**	**Total 30 September 2023 £'000**	Before exceptional Items re-presented[1] 30 September 2022 £'000	Exceptional items (note 5) 30 September 2022 £'000	Total re-presented[1] 30 September 2022 £'000
Revenue	3	**214,829**	**253**	**215,082**	187,949	5,792	193,741
Cost of goods sold		**(37,491)**	**—**	**(37,491)**	(29,392)	—	(29,392)
Centre staff costs[1]		**(40,717)**	**—**	**(40,717)**	(33,713)	—	(33,713)
Gross profit		**136,621**	**253**	**136,874**	124,844	5,792	130,636
Gain on bargain purchase		**—**	**—**	**—**	—	39	39
Administrative expenses[1]	6	**(80,333)**	**(2,456)**	**(82,789)**	(73,083)	(2,143)	(75,226)
Operating profit		**56,288**	**(2,203)**	**54,085**	51,761	3,688	55,449
Finance income	8	**1,440**	**—**	**1,440**	12	—	12
Finance expenses	8	**(10,220)**	**(225)**	**(10,445)**	(8,774)	(22)	(8,796)
Profit before tax		**47,508**	**(2,428)**	**45,080**	42,999	3,666	46,665
Tax charge	9	**(10,866)**	**(63)**	**(10,929)**	(8,135)	(1,079)	(9,214)
Profit for the year attributable to equity shareholders		**36,642**	**(2,491)**	**34,151**	34,864	2,587	37,451
Other comprehensive income							
Retranslation (loss)/gain of foreign currency denominated operations		**(544)**	**—**	**(544)**	411	—	411
Total comprehensive income for the year attributable to equity shareholders		**36,098**	**(2,491)**	**33,607**	35,275	2,587	37,862
Basic earnings per share (pence)	10			**19.92**			21.91
Diluted earnings per share (pence)	10			**19.82**			21.78

[1]The Directors have reviewed their presentation of the Financial Statements and have now disclosed centre staff costs within gross profit. Centre staff costs were previously disclosed within administrative expenses. Comparatives have also been re-presented.

Consolidated statement of financial position

As at 30 September 2023

	Note	**30 September 2023 £'000**	30 September 2022 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**78,279**	68,641
Right-of-use assets	12	**150,811**	147,455
Goodwill and intangible assets	13	**89,376**	81,794
Deferred tax asset	17	**1,309**	1,647
		319,775	299,537
Current assets			
Cash and cash equivalents		**52,455**	56,066
Trade and other receivables	14	**8,116**	5,130
Corporation tax receivable		**715**	271
Inventories		**2,445**	2,148
		63,731	63,615
Total assets		**383,506**	363,152
LIABILITIES			
Current liabilities			
Trade and other payables	15	**29,109**	28,681
Lease liabilities	12	**12,553**	11,557

	Note	2023	2022
		41,662	40,238
Non-current liabilities			
Other payables	15	**5,208**	3,000
Lease liabilities	12	**181,652**	176,812
Deferred tax liability	17	**1,960**	—
Provisions		**5,084**	4,682
		193,904	184,494
Total liabilities		**235,566**	224,732
NET ASSETS		**147,940**	138,420
Equity attributable to shareholders			
Share capital		**1,717**	1,711
Share premium		**39,716**	39,716
Merger reserve		**(49,897)**	(49,897)
Foreign currency translation reserve		**(133)**	411
Retained earnings		**156,537**	146,479
TOTAL EQUITY		**147,940**	138,420

Consolidated statement of changes in equity

For the year ended 30 September 2023

	Share capital £'000	Share premium £'000	Merger reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total £'000
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
Shares issued during the year	6	—	—	—	—	6
Dividends paid	—	—	—	—	(25,338)	(25,338)
Share-based payments	—	—	—	—	1,204	1,204
Deferred tax on share-based payments	—	—	—	—	41	41
Retranslation of foreign currency denominated operations	—	—	—	(544)	—	(544)
Profit for the year	—	—	—	—	34,151	34,151
Equity at 30 September 2023	**1,717**	**39,716**	**(49,897)**	**(133)**	**156,537**	**147,940**

Consolidated statement of cash flows

For the year ended 30 September 2023

	Note	30 September 2023 £'000	30 September 2022 £'000
Cash flows from operating activities			
Profit before tax		**45,080**	46,665
Adjusted by:			
Depreciation of property, plant and equipment (PPE)	11	**10,142**	8,721
Depreciation of right-of-use (ROU) assets	12	**12,965**	12,010
Amortisation of intangible assets	13	**820**	624
Impairment of PPE and ROU assets	11, 12	**2,210**	4,321
Net interest expense	8	**9,005**	8,784
Loss on disposal of property, plant and equipment and software		**306**	18
Gain on bargain purchase		**—**	(39)
Share-based payments		**1,204**	944
Operating profit before working capital changes		**81,732**	82,048
Increase in inventories		**(251)**	(423)
Increase in trade and other receivables		**(2,849)**	(1,248)
Increase in payables and provisions		**2,741**	9,963
Cash inflow generated from operations		**81,373**	90,340

Interest received		**1,305**	12
Income tax paid – corporation tax		**(9,100)**	(6,616)
Bank interest paid		**(296)**	(115)
Lease interest paid		**(9,808)**	(8,452)
Net cash inflow from operating activities		**63,474**	75,169
Cash flows from investing activities			
Acquisition of subsidiaries	20	**(7,716)**	(8,099)
Subsidiary cash acquired	20	**319**	415
Purchase of property, plant and equipment		**(21,801)**	(21,653)
Purchase of intangible assets		**(1,057)**	(178)
Proceeds from sale of assets		**10**	2
Net cash used in investing activities		**(30,245)**	(29,513)
Cash flows from financing activities			
Payment of capital elements of leases		**(11,419)**	(14,450)
Issue of shares		**6**	30
Dividends paid		**(25,338)**	(5,132)
Net cash used in financing activities		**(36,751)**	(19,552)
Net change in cash and cash equivalents for the year		**(3,522)**	26,104
Effect of foreign exchange rates on cash and cash equivalents		**(89)**	20
Cash and cash equivalents at the beginning of the year		**56,066**	29,942
Cash and cash equivalents at the end of the year		**52,455**	56,066

Notes to the financial statements

For the year ended 30 September 2023

1. **General information**

The financial information set out above does not constitute the company's statutory accounts for the years ended 30 September 2023 or 2022, but is derived from these accounts. Statutory accounts for 2022 have been delivered to the registrar of companies, and those for 2023 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 15 February 2023, the Group acquired HLD Investments Inc. (operating as YYC Bowling & Entertainment), Mountain View Bowl Inc and Wong and Lewis Investments Inc. (operating as Let's Bowl), three Canadian-based ten-pin bowling businesses. These three companies are consolidated in Hollywood Bowl Group plc's Financial Statements with effect from 15 February 2023.

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 2023.

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 2023 and 30 September 2022.

Statement of compliance

The consolidated Financial Statements have been prepared in accordance with UK-adopted International Accounting 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 intragroup transactions are eliminated in preparing the consolidated financial statements.

The results of HLD Investments Inc. (operating as YYC Bowling & Entertainment), Mountain View Bowl Inc and Wong and Lewis Investments Inc. (operating as Let's Bowl), are included from the date of acquisition on 15 February 2023.

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
IAS 12 International tax reform pillar two model rules	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.	1 October 2023
IAS 7 and IFRS 7 Supplier finance arrangements	The amendments introduce new disclosures relating to supplier finance arrangements that assist users of the financial statements to assess the effects of these arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk.	1 October 2024
IFRS 16 Lease liability in a sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the	1 October 2024

Standard/interpretation	Content	Applicable for financial years beginning on/after
	lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	
IAS 21 Lack of exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	1 October 2025

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

Climate change

In preparing the consolidated 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 Disclosures (TCFD) and the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulation 2022 and our sustainability targets.

The expected environmental impact on the business has been modelled. The current available information and assessment did not identify any risks that would require the useful economic life 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.

For many years, Hollywood Bowl Group plc has placed sustainability at the centre of its strategy and has been working on becoming a more sustainable business. A number of actions have been implemented to help mitigate and adapt against climate-related risks. The cost and benefits of such actions are embedded into the cost structure of the business and are included in our five-year plan. This includes the roll-out of Pins-on-Strings technology, solar panels, and the move to 100 per cent renewable energy. The five-year plan has been used to support our impairment reviews and going concern and viability assessment (see viability statement).

Our TCFD disclosures in the full annual report include climate-related risks and opportunities based on various scenarios. When considering climate scenario analysis, and modelling severe but plausible downside scenarios, we have used the NGFS ‘early action’ scenario as the most severe case for climate transition risks, and the IPCC’s SSP5-8.5 as the most severe case for physical climate risk. Whilst these represent situations where climate could have a significant effect on the operations, these do not include our future mitigating actions which we would adopt as part of our strategy. The quantifications do not therefore represent a likely financial forecast and are not directly incorporated into any projections of our long-term cash flows.

The assessment with respect to the impact of climate change will be kept under review by management, as the future impacts depend on factors outside of the Group’s control, which are not all currently known.

Going concern

In assessing the going concern position of the Group for the Consolidated Financial Statements for the year ended 30 September 2023, 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 2023, the Group had cash balances of £52.5m, no outstanding loan balances and an undrawn RCF of £25m, giving an overall liquidity of £77.5m.

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 FY2024 as well as the first three months of FY2025 which forms part of the Board approved five-year plan. As noted above, the cost and benefits of our actions on climate change are embedded into the cost structure of the business and included in our 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. 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 c.3 and 4 per cent from the assumed base case for FY2024 and FY2025 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. 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 and Company have adequate resources to continue in operation and meet their liabilities as they fall due for the foreseeable future, a period of at least 12 months from the date of this report.

Accordingly, the Group and Company continue to adopt the going concern basis in preparing these Financial Statements.

Leases

The Group as lessee

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

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

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 assessed 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 the sensitivity of these assumptions is disclosed in note 11. Reasonable possible changes to the assumptions in the future in three mini-golf centres may lead to material adjustments to the carrying amount. The carrying amount of property, plant and equipment is £2,210,000 and right-of-use assets is £1,719,000 at these centres.

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.

Contingent consideration

Non-current other payables includes contingent consideration in respect of the acquisition of Teaquinn Holdings Inc. in FY2022. 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 and recognised over the duration of the employment contract to FY2026. The key assumptions include a range of possible outcomes for the value of the contingent consideration based on Teaquinn's forecasted EBITDA pre-IFRS 16 and the year of payment.

Further information in respect of the Group's contingent consideration is included in note 15.

Other estimates

The acquisition of HLD Investments Inc. (operating as YYC Bowling & Entertainment), Mountain View Bowl Inc and Wong and Lewis Investments Inc. (operating as Let's Bowl) 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 intangible assets identified as part of the purchase price allocation, involves estimation and consequently the fair value exercise is recorded as another accounting estimate. The amortisation charge is sensitive to the value of the intangible asset values, so a higher or lower fair value calculation would lead to a change in the 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. 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 2023 £'000	Exceptional income UK (note 5) 30 September 2023 £'000	Total UK 30 September 2023 £'000	Canada 30 September 2023 £'000	Total 30 September 2023 £'000
Bowling	**86,988**	192	**87,180**	**9,765**	**96,945**
Food and drink	**50,671**	—	**50,671**	**5,265**	**55,936**
Amusements	**51,938**	61	**51,999**	**2,794**	**54,793**
Mini-golf	**2,576**	—	**2,576**	**128**	**2,704**
Installation of bowling equipment	—	—	—	**4,391**	**4,391**
Other	**183**	—	**183**	**130**	**313**
	192,356	**253**	**192,609**	**22,473**	**215,082**

	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
Bowling	86,409	5,792	92,201	2,253	94,454
Food and drink	46,660	—	46,660	1,067	47,727
Amusements	46,510	—	46,510	773	47,283
Mini-golf	1,973	—	1,973	—	1,973
Installation of bowling equipment	—	—	—	2,040	2,040
Other	176	—	176	88	264
	181,728	5,792	187,520	6,221	193,741

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

	Year ended 30 September 2023			Year ended 30 September 2022		
	UK £'000	**Canada £'000**	**Total £'000**	UK £'000	Canada £'000	Total £'000
Revenue	**192,609**	**22,473**	**215,082**	187,520	6,221	193,741
Group adjusted EBITDA as defined in note 4	**76,828**	**5,903**	**82,731**	76,289	1,166	77,455
Operating profit	**52,428**	**1,657**	**54,085**	54,673	776	55,449
Finance income	**1,296**	**144**	**1,440**	—	12	12
Finance expense	**9,291**	**1,154**	**10,445**	8,541	255	8,796
Depreciation and amortisation	**21,973**	**1,954**	**23,927**	20,965	390	21,355
Impairment of PPE and ROU assets	**2,210**	**—**	**2,210**	4,321	—	4,321
Profit before tax	**44,434**	**646**	**45,080**	46,132	533	46,665
Non-current asset additions – Property, plant and equipment	**18,844**	**3,157**	**22,001**	21,750	322	22,072
Non-current asset additions – Intangible assets	**1,057**	**—**	**1,057**	108	70	178
Total assets	**341,589**	**41,917**	**383,506**	338,278	24,874	363,152
Total liabilities	**207,798**	**27,768**	**235,566**	208,930	15,802	224,732

4. Reconciliation of operating profit to Group adjusted EBITDA

	30 September 2023 £'000	30 September 2022 £'000
Operating profit	**54,085**	55,449
Depreciation of property, plant and equipment (note 11)	**10,142**	8,721
Depreciation of right-of-use assets (note 12)	**12,965**	12,010
Amortisation of intangible assets (note 13)	**820**	624
Impairment of property, plant and equipment (note 11)	**1,392**	2,535
Impairment of right-of-use assets (note 12)	**818**	1,786
Loss on disposal of property, plant and equipment, right-of-use assets and software (notes 11–13)	**306**	18
Exceptional items (note 5)	**2,203**	(3,688)
Group adjusted EBITDA	**82,731**	77,455

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.

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 2023 £'000**	30 September 2022 £'000
VAT rebate [1]	**253**	5,792
Administrative expenses [2]	**(2)**	(144)
Acquisition fees [3]	**(700)**	(1,557)
Gain on bargain purchase [4]	**—**	39
Contingent consideration [5]	**(1,979)**	(464)
Exceptional items before tax	**(2,428)**	3,666
Tax charge	**(63)**	(1,079)
Exceptional items after tax	**(2,491)**	2,587

1 During the prior 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 relating to package sales totalling £193,000, (30 September 2022: £5,792,000 relating to leisure bowling) included within bowling revenue.
In addition, a rebate of £60,000 overpaid VAT on gaming machines for the period 1 January 2003 to 31 December 2005 was received in the year (30 September 2022: £nil).

2 Expenses associated with the VAT rebate, relating to additional profit share due to landlords, (30 September 2022: 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 HLD Investments Inc. (operating as YYC Bowling & Entertainment), Mountain View Bowl Inc and Wong and Lewis Investments Inc. (operating as Let's Bowl) during the year (note 20) and Lincoln Bowl post year end (note 21). (30 September 2022: acquisition of Teaquinn).

4 Prior year, gain on bargain purchase in relation to the acquisition of Teaquinn in May 2022.

5 Contingent consideration of £1,754,000 in administrative expenses and £225,000 of interest expense (30 September 2022: £442,000 in administrative expenses and £22,000 of interest expense) in relation to the acquisition of Teaquinn in May 2022.

6. Expenses and auditor's remuneration

Included in profit from operations are the following:

	30 September 2023 £'000	30 September 2022 £'000
Amortisation of intangible assets	**820**	624
Depreciation of property, plant and equipment	**10,142**	8,721
Depreciation of right-of-use assets	**12,965**	12,010
Impairment of property, plant and equipment	**1,633**	2,535
Impairment reversal of property, plant and equipment	**(241)**	—
Impairment of right-of-use assets	**1,277**	1,786
Impairment reversal of right-of-use assets	**(459)**	—
Operating leases	**57**	57
Loss on disposal of property, plant and equipment, right-of-use assets and software	**306**	18
Exceptional items (note 5)	**2,428**	(3,666)
Loss on foreign exchange	**208**	154
Auditor's remuneration:		
– Fees payable for audit of these Financial Statements	**344**	317
Fees payable for other services:		
– Audit of subsidiaries	**71**	66
– Other services	**8**	16
	423	399

7. Staff numbers and costs

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

	30 September 2023	30 September 2022
Directors	**7**	7
Administration	**112**	91
Operations	**2,668**	2,432
Total staff	**2,787**	2,530

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

	30 September	30 September

	2023 £'000	2022 £'000
Wages and salaries	**49,988**	42,808
Social security costs	**3,882**	3,600
Pension costs	**543**	475
Share-based payments	**1,204**	944
Total staff cost	**55,617**	47,827

Staff costs included within cost of sales are £40,717,000 (30 September 2022: £33,713,000). The balance of staff costs are recorded within administrative expenses.

Wages and salaries includes £1,754,000 (30 September 2022: £442,000) of contingent consideration in relation to the acquisition of Teaquinn in May 2022.

8. Finance income and expenses

	30 September 2023 £'000	30 September 2022 £'000
Interest on bank deposits	**1,440**	12
Finance income	**1,440**	12
Interest on bank borrowings	**200**	199
Other interest	**9**	2
Finance costs on lease liabilities	**9,808**	8,452
Unwinding of discount on contingent consideration	**225**	46
Unwinding of discount on provisions	**203**	97
Finance expense	**10,445**	8,796

9. Taxation

	30 September 2023 £'000	30 September 2022 £'000
The tax expense is as follows:		
– UK corporation tax	**7,704**	6,436
– Adjustment in respect of prior years	**312**	10
– Foreign tax suffered	**692**	250
– Effects of foreign exchange	**—**	3
Total current tax	**8,708**	6,699
Deferred tax:		
Origination and reversal of temporary differences	**1,996**	2,431
Effect of changes in tax rates	**161**	95
Adjustment in respect of prior years	**64**	(11)
Total deferred tax	**2,221**	2,515
Total tax expense	**10,929**	9,214

Factors affecting current tax charge:

The tax assessed on the profit for the period is different to the standard rate of corporation tax in the UK of 22 per cent (30 September 2022: 19 per cent). The differences are explained below:

	30 September 2023 £'000	30 September 2022 £'000
Profit excluding taxation	**45,080**	46,665
Tax using the UK corporation tax rate of 22% (2022: 19%)	**9,918**	8,866
Change in tax rate on deferred tax balances	**154**	95
Non-deductible expenses	**60**	388
Non-deductible acquisition related exceptional costs	**523**	296
Effects of overseas tax rates	**137**	66
Effects of capital allowances super deduction	**(182)**	(577)
Share-based payments	**(57)**	81
Adjustment in respect of prior years	**376**	(1)
Total tax expense included in profit or loss	**10,929**	9,214

The Group's standard tax rate for the year ended 30 September 2023 was 22 per cent (30 September 2022: 19 per cent).

The UK corporation tax main rate increased from 19 per cent to 25 per cent from 1 April 2023. As such, the rate used to calculate the deferred tax balances has increased from a blended rate depending on when the deferred tax balance would have been released, to 25 per cent.

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 2023 and 30 September 2022, the Group had potentially dilutive ordinary shares in the form of unvested shares pursuant to LTIPs and SAYE schemes.

	30 September 2023	30 September 2022
Basic and diluted		
Profit for the year after tax (£'000)	**34,151**	37,451
Basic weighted average number of shares in issue for the period (number)	**171,468,034**	170,949,286
Adjustment for share awards	**833,880**	963,218
Diluted weighted average number of shares	**172,301,914**	171,912,504
Basic earnings per share (pence)	**19.92**	21.91
Diluted earnings per share (pence)	**19.82**	21.78

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 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.	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**
Additions	—	—	11,554	4,269	6,178	22,001
Acquisition (note 20)	—	—	77	74	46	197
Disposals	—	—	(451)	(222)	(1,840)	(2,513)
Effects of movement in foreign exchange	(517)	—	(102)	(8)	(34)	(661)
At 30 September 2023	**6,889**	**1,240**	**49,764**	**22,163**	**54,868**	**134,924**
Accumulated depreciation						
At 1 October 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**
Depreciation charge	63	29	3,399	740	5,911	10,142
Impairment charge	—	—	—	—	1,633	1,633
Impairment reversal	—	—	—	—	(241)	(241)
Disposals	—	—	(436)	(162)	(1,548)	(2,146)
Effects of movement in foreign exchange	(1)	—	(1)	—	—	(2)
At 30 September 2023	**86**	**417**	**21,819**	**5,112**	**29,211**	**56,645**
Net book value						
At 30 September 2023	**6,803**	**823**	**27,945**	**17,051**	**25,657**	**78,279**
At 30 September 2022	7,382	852	19,829	13,516	27,062	68,641

Plant and machinery, fixtures and fittings includes £845,000 (30 September 2022: £2,916,000) 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 eight centres assessing for indicators of impairment. A detailed impairment test based on a base case was then performed on ten 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 ten 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.

The key assumptions used in the value-in-use calculations are revenue growth and cost inflation assumptions and the key risks to those assumptions are the potential adverse variations in the economic environment leading to a deterioration in trading conditions and performance during FY2024 and FY2025. 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:

	2023	2022
Discount rate (pre-tax)	**12.7%**	16.0%
Growth rate (beyond five 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.

Detailed impairment testing, due to the financial performance of certain centres, resulted in the recognition of an impairment charge in the year of £1,633,000 (FY2022: £2,535,000) against property, plant and equipment assets and £1,277,000 (FY2022: £1,786,000) against right-of-use assets for three mini-golf centres (note 12), which form part of the UK operating segment. The impairment charge in the year was reduced by the reversal of a charge in a previous period of £241,000 against property, plant and equipment assets and £459,000 against right-of-use assets for one bowling centre. Following the recognition of the impairment charge, the carrying value of property, plant and equipment is £2,210,000 (30 September 2022: £3,456,000) and right-of-use assets is £1,719,000 (30 September 2022: £3,151,000) for these three UK mini-golf centres (note 12).

Sensitivity to changes in assumptions

The estimate of the recoverable amounts for seven centres affords reasonable headroom over the carrying value of the property, plant and equipment and right-of-use asset, and an impairment charge of £2,910,000 (30 September 2022: £4,321,000) for three centres under the base case. Management have sensitised the key assumptions in the impairment tests of these ten centres under the base case.

A reduction in revenue of three and four percentage points down on the base case for FY2024 and FY2025 respectively and a one percentage point increase in operating costs on the base case for FY2024 and FY2025 to reflect higher inflation, would not cause the carrying value to exceed its recoverable amount for these seven centres, which include bowling and mini-golf centres. Therefore, management believe that any reasonable possible changes in the key assumptions would not result in an impairment charge for the seven centres. However, a further impairment of £530,000 would arise under this sensitised case in relation to three centres where we have already recognised an impairment charge in the year, but this could be as high as £1,788,000 if the revenue reduction were 10 percentage points.

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 nine (FY2022: ten) 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 2021	148,722	8,109	156,831
Lease additions	7,805	3,462	11,267
Acquisition of Teaquinn Holdings Inc.	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**
Lease additions	2,452	5,522	7,974
Acquisition (note 20)	4,911	—	4,911
Lease surrenders	—	(1,071)	(1,071)
Lease modifications	5,418	—	5,418
Effects of movement in foreign exchange	(1,070)	—	(1,070)
At 30 September 2023	**185,971**	**15,690**	**201,661**
Accumulated depreciation			
At 1 October 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**
Depreciation charge	10,464	2,501	12,965
Impairment charge	1,277	—	1,277
Impairment reversal	(459)	—	(459)
Lease surrenders	—	(977)	(977)
At 30 September 2023	**42,546**	**8,304**	**50,850**
Net book value			
At 30 September 2023	**143,425**	**7,386**	**150,811**
At 30 September 2022	142,996	4,459	147,455

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 2021	168,530	5,410	173,940
Lease additions	7,805	3,462	11,267
Acquisition of Teaquinn Holdings Inc.	11,510	—	11,510
Accretion of interest	8,354	98	8,452
Lease modifications	5,640	—	5,640
Lease surrenders	—	(157)	(157)
Payments[1]	(19,873)	(2,994)	(22,867)
Effects of movement in foreign exchange	584	—	584
At 30 September 2022	**182,550**	**5,819**	**188,369**
Lease additions	2,452	5,522	7,974
Acquisition (note 20)	4,911	—	4,911
Accretion of interest	9,568	240	9,808
Lease modifications	5,418	—	5,418
Lease surrenders	—	(145)	(145)
Payments[1]	(17,882)	(3,167)	(21,049)
Effects of movement in foreign exchange	(1,081)	—	(1,081)
At 30 September 2023	**185,936**	**8,269**	**194,205**
Current	9,304	3,249	12,553
Non-current	176,632	5,020	181,652
At 30 September 2023	**185,936**	**8,269**	**194,205**
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

1 In FY2023, £179,000 (FY2022: £35,000) of rent payments were part of the working capital movements in the year.

The following are the amounts recognised in profit or loss:

	2023 £'000	2022 £'000
Depreciation expense of right-of-use assets	**12,965**	12,010
Impairment charge of right-of-use assets	**818**	1,786
Interest expense on lease liabilities	**9,808**	8,452
Expense relating to leases of low-value assets (included in administrative expenses)	**57**	57
Variable lease payments (included in administrative expenses)	**824**	788
Total amount recognised in profit or loss	**24,472**	23,093

The Group has contingent lease contracts for nine (FY2022: ten) sites. There is a revenue-based rent top-up on these sites. Variable lease payments include revenue-based rent top-ups at eight (FY2022: ten) centres totalling £619,000 (FY2022: £716,000). It is anticipated that top-ups totalling £962,000 will be payable in the year to 30 September 2024 based on current expectations.

Impairment testing is carried out as outlined in note 12. Detailed impairment testing resulted in the recognition of an impairment charge in the year of £1,277,000 (FY2022: £1,786,000) against right-of-use assets for three UK centres (FY2022: three UK centres). The impairment charge in the year was reduced by the reversal of a charge in a previous financial period of £459,000 against right-of-use assets for one 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 2021	75,034	3,360	798	—	2,112	81,304
Additions	70	—	—	—	108	178
Acquisition of Teaquinn Holdings Inc.	90	3,888	—	314	—	4,292
At 30 September 2022	**75,194**	**7,248**	**798**	**314**	**2,220**	**85,774**
Additions	—	—	—	—	1,057	1,057
Acquisition (note 20)	6,865	—	—	503	—	7,368
Effects of movement in foreign exchange	(11)	—	—	(12)	—	(23)
At 30 September 2023	**82,048**	**7,248**	**798**	**805**	**3,277**	**94,176**
Accumulated amortisation						
At 1 October 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**
Amortisation charge	—	568	50	45	157	820
At 30 September 2023	**—**	**2,091**	**466**	**53**	**2,190**	**4,800**
Net book value						
At 30 September 2023	**82,048**	**5,157**	**332**	**752**	**1,087**	**89,376**
At 30 September 2022	75,194	5,725	382	306	187	81,794

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

The components of goodwill comprise the following businesses:

	30 September 2023	30 September 2022
UK	**75,034**	75,034
Canada	**7,014**	160
	82,048	75,194

At the acquisition date, goodwill is allocated to each group of CGUs expected to benefit from the combination.

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 goodwill acquisition in the year relates to the three centres acquired in Canada (note 20). These three centres are considered a CGU for the purpose of goodwill impairment testing for Canada. These CGU's form part of the UK and Canada operating segments respectively.

The recoverable amount of each of the CGU's 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.

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:

	2023	2022
Discount rate (pre-tax)	**12.7%**	16.0%
Growth rate (beyond five 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 3.5 percentage points on the base case for FY2024 and FY2025, 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 UK headroom by £52.2m. 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.

The goodwill on the Canada acquisition in the year is included in note 20. Management believe that any reasonable change in the key assumptions would not result in an impairment charge.

14. Trade and other receivables

	30 September 2023 £'000	30 September 2022 £'000
Trade receivables	**2,356**	836
Other receivables	**129**	245
Prepayments	**5,631**	4,049
	8,116	5,130

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 2023 £'000	30 September 2022 £'000
Current		
Trade payables	**7,025**	5,306
Other payables	**1,366**	1,310
Accruals and deferred income	**15,421**	17,000
Taxation and social security	**5,297**	5,065
Total trade and other payables	**29,109**	28,681

	30 September 2023 £'000	30 September 2022 £'000
Non-current		
Other payables	**5,208**	3,000

Accruals and deferred income includes a staff bonus accrual of £4,955,000 (30 September 2022: £7,758,000) and deferred consideration of £nil (30 September 2022: £164,000) in relation to the acquisition of Teaquinn Holdings Inc. Deferred income includes £801,000 (30 September 2022: £983,000) of customer deposits received in advance and £1,870,000 (30 September 2022: £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 £2,359,000 (30 September 2022: £464,000) of contingent consideration and £1,862,000 (30 September 2022: £1,841,000) of deferred consideration in respect of the acquisition of Teaquinn Holdings Inc. 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's forecasted EBITDA pre-IFRS 16 and the year of payment. This ranges from a payment (undiscounted) in FY2025 of £9,084,000 (undiscounted) to a payment in FY2026 of £10,300,000 (undiscounted), using the FY2023 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. In FY2023, this re-assessment resulted in an additional charge of £485,000 being recognised in exceptional administrative expenses.

16. Loans and borrowings

On 29 September 2021, the Group entered into a £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 2023 and 30 September 2022 was therefore 0.6125 per cent.

Issue costs of £135,000 were paid to Barclays Bank plc on commencement of the RCF. These costs are being amortised over the term of the facility and are included within prepayments (note 14).

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 2023 £'000	30 September 2022 £'000
Deferred tax assets and liabilities		
Deferred tax assets - UK	**6,500**	7,050
Deferred tax assets - Canada	**244**	
Deferred tax liabilities - UK	**(5,191)**	
Deferred tax liabilities - Canada	**(2,204)**	(5,403)
	(651)	1,647

	30 September 2023 £'000	30 September 2022 £'000
Reconciliation of deferred tax balances		
Balance at the beginning of the year	**1,647**	6,290
Deferred tax credit for the year – in profit or loss	**(2,157)**	(2,543)
Deferred tax credit for the year – in equity	**8**	(29)
On acquisition	**(148)**	(2,040)
Effects of foreign exchange	**63**	(43)
Adjustment in respect of prior years	**(64)**	12
Balance at the end of the year	**(651)**	1,647

The components of deferred tax are:

	30 September 2023 £'000	30 September 2022 £'000
Deferred tax assets		
Fixed assets	**6,080**	6,314
Trading losses	**15**	—
Other temporary differences	**649**	736
	6,744	7,050
Deferred tax liabilities		
Property, plant and equipment	**(5,857)**	(3,694)
Intangible assets	**(1,538)**	(1,709)
	(7,395)	(5,403)

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 2023.

18. Related party transactions

30 September 2023 and 30 September 2022

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

19. Dividends paid and proposed

	30 September	30 September

	2023 £'000	2022 £'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
Final dividend year ended 30 September 2022 - 8.53 pence per ordinary share	**14,592**	—
Special dividend year ended 30 September 2022 - 3.00 pence per ordinary share	**5,132**	—
Interim dividend year ended 30 September 2023 – 3.27 pence per ordinary share	**5,614**	—
Proposed for the approval by shareholders at AGM (not recognised as a liability at 30 September 2023):		
Final dividend year ended 30 September 2023 – 8.54 pence per ordinary share (2022: 8.53 pence)	**14,664**	14,592
Special dividend year ended 30 September 2023 – 2.73 pence per ordinary share (2022: 3.00 pence)	**4,688**	5,132

During the year to 30 September 2024, the Group is considering a share buyback of up to £10m if it falls in line with the Group's cash allocation policy.

20. Acquisition of HLD Investments Inc. (operating as YYC Bowling & Entertainment), Mountain View Bowl Inc and Wong and Lewis Investments Inc. (operating as Let's Bowl)

On 15 February 2023, the Group acquired 100 per cent of the issued share capital and voting rights of HLD Investments Inc. (operating as YYC Bowling & Entertainment), Mountain View Bowl Inc and Wong and Lewis Investments Inc. (operating as Let's Bowl), based in Canada. All three businesses are operators of ten-pin bowling centres. The purpose of the acquisition was to grow the Group's core ten-pin bowling business in the region.

HLD Investments Inc. (operating as YYC Bowling & Entertainment), Mountain View Bowl Inc and Wong and Lewis Investments Inc. (operating as Let's Bowl) are consolidated in Hollywood Bowl Group plc's interim financial statements with effect from the completion of the acquisition on 15 February 2023.

Since acquisition, these three entities have been dissolved and amalgamated into Xtreme Bowling Entertainment Corporation.

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	**7,716**
Recognised amounts of identifiable net assets	
Property, plant and equipment	197
Right-of-use assets	4,911
Intangible assets	503
Inventories	46
Trade and other receivables	178
Cash and cash equivalents	319
Trade and other payables	(276)
Lease liabilities	(4,911)
Deferred tax liabilities	(116)
Identifiable net assets	**851**
Goodwill arising on acquisition	**6,865**
Consideration for equity settled in cash	7,716
Cash and cash equivalents acquired	(319)
Net cash outflow on acquisition	**7,397**
Acquisition costs paid charged to expenses	453
Net cash paid in relation to the acquisition	**7,850**

Acquisition related costs of £453,000 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 £503,000 in relation to customer relationships. The customer relationships have been valued using the multi-period excess earnings method.

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 IFRS 16.

The fair value and gross contractual amounts receivable of trade and other receivables acquired as part of the business combination amounted to £178,000. At the acquisition date the Group's best estimate of the contractual cash flows expected not to be collected amounted to £nil.

Goodwill amounting to £6,865,000 was recognised on acquisition (note 13). The goodwill relates to the locations of the bowling centres aquired, the expected commercial opportunities of an enhanced leisure offering in an underserved market and the expected synergies from combining the three centres into the Hollywood Bowl Group.

In the period since acquisition to 30 September 2023, the Group recognised £2,956,000 of revenue and £1,330,000 of profit before tax in relation to the acquired businesses. Had the acquisition occurred on 1 October 2022, the contribution to the Group's revenue would have been £5,407,000 and the contribution to the Group's profit before tax for the period would have been £2,406,000.

21. Events after the reporting date

Three acquisitions were completed in early FY2024. In the UK, on 2 October 2023, the Group purchased the assets, including the long leasehold, of Lincoln Bowl for total consideration of £4.375m.

In Canada, the Group completed two acquisitions. The first was the acquisition of a family entertainment centre in Guelph, Ontario, called Woodlawn Bowl Inc, for CAD 4.71m on 7 November 2023. The second was the acquisition of the assets and lease of a family entertainment centre in Vancouver, called Lucky 9 Bowling Centre Limited as well as its associated restaurant and bar, Monkey 9 Brewing Pub Corp, for a total consideration of CAD 0.425m on 11 November 2023.

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 risks 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 it is 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 the 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

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.

Principal risks
The Board has identified 11 principal risks. 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 risk

1. Economic environment

Risk and impact	*Mitigating factors*	*Risk change*
• Change in economic conditions, in particular a recession, as well as inflationary pressures and the 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.	• There is still a risk of a contraction on disposable income levels, impacting consumer confidence and discretionary income. The Group has low customer frequency per annum and also the lowest price per game of the branded operators in the UK. Therefore, whilst it would suffer in such a recession, the Board is comfortable that coupled with the low price point, 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 and acquiring sites 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 in the UK until September 2027. Plans are developed to mitigate many cost increases, as well as a flexible labour model, if required, in an economic downturn.	Unchanged

2. Covenant breach

Risk and impact	*Mitigating factors*	*Risk change*
• 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.	• Financial resilience has always been central to our decision making and will remain key for the foreseeable future. • The current RCF is £25m, 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, which under the agreement results in a cost of less than £200k per annum. • Net cash position was £52.5m at the end of September 2023. • 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, Group adjusted EBITDA (pre-IFRS 16) and covenant forecasts to ensure risks are identified early. Tight	Decreasing

	• 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 and growth

Risk and impact	*Mitigating factors*	*Risk change*
• Competitive environment for new centres results in less new Group centre openings. • New competitive socialising concepts could 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 and Canada. • We met with the top five landlords in Canada in July 2023 with positive feedback and a number of opportunities in negotiation. • Continued focus with landlords on initial investment, innovation, as well as refurbishment and maintenance capital. • Strong financial covenant provides forward-looking landlords with both value and comfort.	New

Operational Risk

4. Core systems

Risk and impact	*Mitigating factors*	*Risk change*
• Failure in the stability or availability of information through IT systems could affect Group business and operations. • Customers not being able to book through the website is a bigger risk given the higher proportion of online bookings compared to prior years. • Inaccuracy of data could lead to incorrect business decisions being made.	• All core UK 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. • Our new Compass reservations system will be rolled out to the Group estate from FY2024 Q3. This system has been built in house and will have improved performance, resilience and future development flexibility compared to the existing system. It will also remove the reliance on an external partner. • The CRM/CMS and CDP system is hosted by a third party utilising cloud infrastructure with data recovery contingency in place. • Our core Canadian systems are still server based and moving towards cloud based over the next 12 months in line with the platforms adopted by our UK operation. • All Group technology changes which affect core systems are subject to authorisation and change control procedures with steering groups in place for key projects.	Unchanged

5. Food and drink suppliers

Risk and impact	*Mitigating factors*	*Risk change*
• Operational business failures from key suppliers. • Unable to provide customers with a full experience.	• The Group has key food and drink suppliers under contract with tight service level agreements (SLAs). Alternative suppliers that know our business could be introduced, if needed, at short notice. UK centres hold between 14 and 21 days of food and drink product. Canadian centres hold	Unchanged

- marginally more food and drink stock due to their supplier base and potential for missed deliveries.
- Regular reviews and updates are held with external partners to identify any perceived risk and its resolution. This process was updated in November 2022 with substitute products available in all scenarios. A policy is in place to ensure the safe procurement of food and drink within allergen controls.
- Regular reviews of food and drink menus are also undertaken to ensure appropriate stockturn and profitability.
- Splitsville uses Xtreme Hospitality (XH), a group buying company, and Molson Coors, 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

Risk and impact	***Mitigating factors***	***Risk change***
• 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. There are half-yearly meetings between the CEO, CFO and the Namco UK leadership team. • 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. • The Canadian supplier is Player 1 which is a subsidiary of Cineplex Inc. which is listed on the Canadian stock market. Quarterly meetings are held with Player 1.	Unchanged

7. Management retention and recruitment

Risk and impact	***Mitigating factors***	***Risk change***
• Loss of key personnel – centre managers. • Lack of direction at centre level with effect on customer experience. • More competitive recruitment landscape due to Brexit impact of reduced hospitality worker availability. • 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 in the UK, 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 bonus schemes were reviewed for the estate reopening in May 2021 and again at the end of FY2022, to ensure they were still a strong recruitment and retention tool. The management bonuses were introduced into the Canadian business for FY2023 and we are reviewing how to implement a team member hourly scheme in Canada for FY2024. • The hourly scheme has paid out to an average of c.52 per cent of the UK team in each month in FY2023.	Unchanged

8. Food safety

Risk and impact	*Mitigating factors*	*Risk change*
• Major food incident including allergen or fresh food issues. • Loss of trade and reputation, potential closure and litigation.	• Food and drink audits are undertaken in all centres based upon learnings of prior year and food incidents seen in other companies. • UK – 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 (May 2023). • 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. • Canada – all food menus have an allergen disclaimer. Allergen checks are undertaken with all customers when they order and are also audited. An Allergen Control Policy is being drafted in line with the launch of the new menu and with the new Head of Food and Drink. This will be reviewed by the UK before going live.	Unchanged

Technical risks

9. Cyber security and GDPR

Risk and impact	*Mitigating factors*	*Risk change*
• Risk of cyber-attack/terrorism could impact the Group's ability to keep trading and prevent customers from booking online. • Non-accreditation can lead to the acquiring bank removing transaction processing. • Data protection or GDPR breach. Theft of customer email addresses and impact on brand reputation in the case of a breach.	• The area is a key focus for the Group and it 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 the integrity of the firewalls. • An external Security Operations Centre is in place to provide 24/7/365 monitoring and actioning of cyber security alerts and an additional retained service to work with the Group on a priority basis should a breach occur. • Advancements in the internal IT infrastructure have resulted in a more secure way of working. By leveraging Microsoft technologies such as AI threat intelligence and NCSC recommended baselines, our overall IT estate utilises widely accepted security solutions and configurations. The Group website is hosted in Amazon Web Services which enforces a high level of physical security to safeguard its data centres, with military grade perimeter controls. • The website and booking site are protected by Cloudflare WAF with DDoS (Distributed Denial of Service) protection. • There is active protection of the network against a DDoS attack. • Payment systems have been upgraded to use P2PE payment devices, greatly reducing PCI DSS risks with cardholder present transactions in centres. New payment technology for ecommerce ensures that no card data passes through Group networks. 98 per cent of transactions operate in a PCI DSS secure environment. There are plans to address the	Unchanged

remaining 2 per cent of transactions that occur through the contact centre by implementing pay-by-link.

- Quarterly vulnerability scanning is being implemented against the PCI standard. Annual penetration testing is conducted through a third-party cyber security company.
- Advanced data loss protection is also now in place to limit unauthorised, undisclosed, or unidentified migration or movements of data outside of our control on unsecured and unmanaged devices, including mobile phones.
- Cyber Essentials certification has been achieved and was successfully externally audited in September 2023.
- A Data Protection Officer has been in position for a number of years in the UK and we have a dedicated Cyber Security Manager who oversees our strategy, applications and activity in this area with periodic updates given to the Board.
- A training course on GDPR awareness is on STARS (online training tool) and all team members have to complete this before being able to work on shift.
- In FY2024 we are continuing to upgrade the IT infrastructure and networks in our Canadian business to move from centre-based operations to centrally hosted and managed services.

Regulatory risks

10. Compliance

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

11. Climate change

Risk and impact	*Mitigating factors*	*Risk change*
• 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. • The CRC monitors and reports on climate-related risks and opportunities. • Our TCFD disclosure includes scenario planning which was undertaken to understand materiality of risks. This did not identify any material short to mid-term risks for the Group. • The range of climate-related targets has been extended for FY2024. • The Group's UK net zero transition plan and milestone targets are in the full Annual Report.	Unchanged