hollywood bowl
group plc

Annual Report and Accounts
2016

Our mission

We endeavour to ensure our customers become loyal fans of our brands

as we create fun-filled, safe and great value experiences to surprise and delight them on every visit

We will only recruit the most energetic and engaging individuals

who share our values and are proud to be part of our culture. We will provide our teams with a fun and supportive environment, with opportunities to develop rewarding careers

We will always run our business with long-term objectives

and will responsibly and ethically manage any risks that arise. We will be a rewarding investment for our shareholders and will deliver attractive returns

Highlights

+23.9% total revenue growth

£29.4m adjusted EBITDA[1]

+6.8% Like-for-like revenue growth[1]

+10.3% operating profit growth

1 Refer to Financial Review section (page 16) for definitions of adjusted EBITDA (Earnings before interest, tax, depreciation and amortisation) and like-for-like revenue growth.

Contents

Company Overview

The UK ten-pin bowling market leader

We are the UK's largest ten-pin bowling operator, specialising in operating large, high-quality bowling centres that offer a family entertainment experience. Our centres are predominantly located in out-of-town, multi-use leisure parks (alongside cinema and casual dining sites) and large retail parks. Each centre offers at least 16 bowling lanes, on-site dining, licensed bars and state-of-the-art family games arcades.

Bowling

Bowling is our core and fastest-growing revenue stream, and we operate 1,307 lanes across 54 centres

48% of revenue

24% of revenue

Amusements

Family-focused arcades offer traditional games such as air hockey and basketball hoops, games with prizes and state-of-the-art video games

Our brands

hollywood bowl

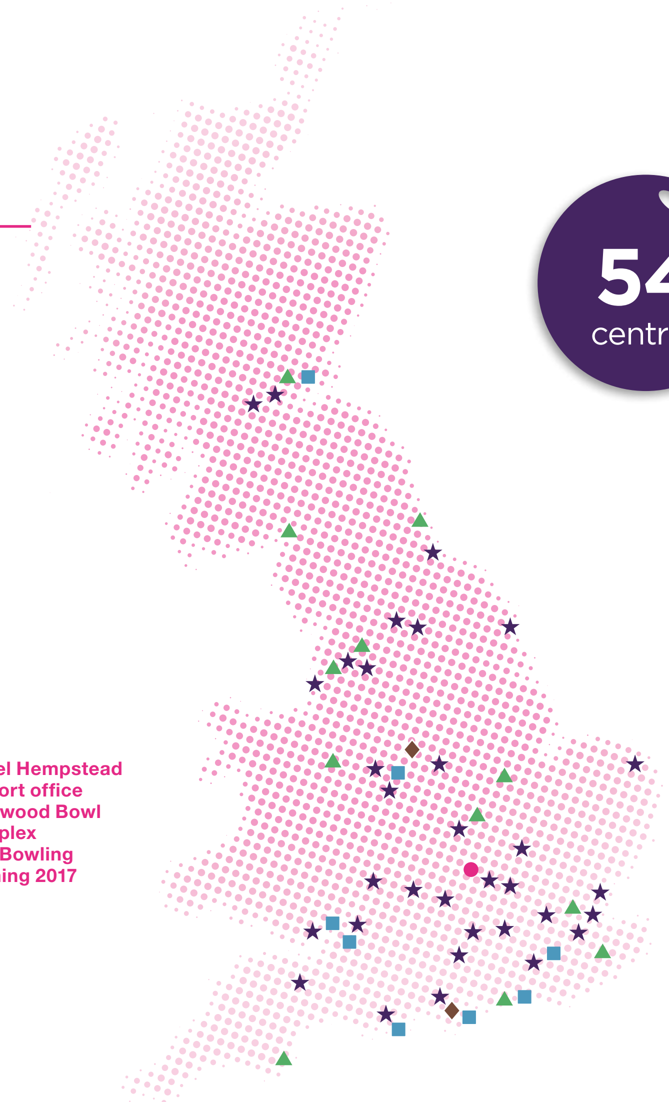
Our core brand, with 34 centres situated in prime locations at leisure parks

BOWLPLEX

8 centres situated in prime locations at leisure parks. Refurbishing and rebranding to Hollywood Bowl

AMF BOWLING

12 centres, mainly in non-prime locations



- ● Hemel Hempstead support office
- ★ Hollywood Bowl
- ■ Bowlplex
- ▲ AMF Bowling
- ◆ Opening 2017

54
centres

Drink

Licensed bars are located in every centre, offering a wide range of soft and alcoholic drinks

18%
of revenue

10%
of revenue

Food

Ranges from a standard menu to higher-end food offering with Harry's Diner and Hollywood Diner

Chairman's Statement

A milestone year for the group

Peter Boddy
Chairman

We were delighted to achieve a major Group milestone this year and list on the Main Market of the London Stock Exchange on 21 September 2016, and I welcome our new shareholders to this exciting business.

We focus on offering a high-quality bowling experience, with an emphasis on family-friendly entertainment, and we are well-placed to take advantage of the forecast growth in the UK ten-pin bowling market.

Our proposition is extremely competitive, and we have identified a number of opportunities to drive further growth. We have a strong pipeline of new centres, and our refurbishment programme aims to refurbish and rebrand between 7 and 10 centres each year.

Hollywood Bowl Group has had an excellent year. Highlights include the acquisition of Bowlplex in December 2015, adding 11 new sites to our portfolio, and the successful rebranding of 3 of these centres into Hollywood Bowl, as well as an increase in like-for-like and total Group revenue, and EBITDA.

This financial performance demonstrates the strength of our proven operating model with superior customer service, high-quality product offering and a disciplined pricing strategy.

Our strong balance sheet has been further strengthened by our listing, which has also given us greater flexibility to capitalise on growth opportunities and to generate long-term value for all shareholders. Our enhanced public profile and status with customers, landlords, developers and business partners will assist in the recruitment of key management and employees, as well as provide our management and employees with the opportunity to be owners of this great business and give access to capital markets to deliver our strategy.

I believe that good corporate governance is vital to support our future sustainable growth and the Board, which has extensive experience of running companies in the leisure and retail sectors, is committed to the highest standards of corporate governance. At IPO we appointed Nick Backhouse as the Senior Independent Non-Executive Director and Chairman of the Audit Committee and Claire Tiney as a Non-Executive Director and Chair of the Remuneration Committee. Nick and Claire bring significant additional experience and support to the Board and have already made a significant contribution to the Board's discussions. Our Corporate Governance Report describes the work we have done throughout the IPO process to develop our Board and Committee processes and to support the development of a robust governance structure.

We intend to adopt a progressive dividend policy while maintaining an appropriate level of dividend cover. While we have only just started operating as a publicly-listed company, the Board is pleased to recommend a final dividend for the year ending 30 September 2016 of 0.19 pence per Ordinary Share, reflecting the short period of the financial year that the Group was listed.

I would like to record my thanks to the Board and to the whole team for their commitment and dedication to the Group over 2016. I believe that attracting, motivating and retaining employees of the right calibre is vital to the continued success of the Group, and in 2017 we will introduce a scheme to give all our team the opportunity to become shareholders of the business.

A key element of our culture is the promotion of corporate social responsibility within our business and our local communities, which we believe supports continued generation of sustainable value and enhances our ability to deliver on our strategic objectives.

I have been enormously impressed by the progress of Hollywood Bowl Group over the past year and I am very excited to continue as Chairman. I believe we are well-positioned to create value for both institutional and employee shareholders as we work every day to generate the right levels of positive energy to deliver the best possible experience for our customers.

Peter Boddy
Chairman
13 December 2016

Chief Executive's Review

Delivering sustainable, profitable growth

Stephen Burns
Chief Executive Officer

I am delighted to present my first Chief Executive's Review statement following our listing on the Main Market of the London Stock Exchange in September 2016.

It has been a fantastic year for Hollywood Bowl Group. The transformational acquisition of Bowlplex, the continued successful roll-out of our refurbishment programme and our customer-focused operating model, have combined to deliver revenue growth of 23.9 per cent on the prior year, and 6.8 per cent on a like-for-like basis. This led to Group adjusted EBITDA[1] of £29.4m, showing a 42.6 per cent increase over the year.

Hollywood Bowl Group is the UK ten-pin bowling market leader, with 54 centres across the UK operating out of a high-quality property portfolio. Our ongoing refurbishment programme and investment in new centres over FY2016 has increased our scale, resulting in reduced operational and capital costs, improving margins and higher returns.

Our enhanced offering is gaining more traction with our core family customer group, which is coming to our venues more frequently, and extending their experience once there. Our state-of-the-art centres, coupled with our strong covenant, makes us an attractive choice for landlords looking for a leisure operator. This underpins the growth of our estate and our future development pipeline.

Strategic progress

Our strategy focuses around 2 core elements: organic growth and investment-led growth and we are pleased with the progress we have made in FY2016.

Like-for-like growth

Our rise in like-for-like growth has a number of drivers, including an increasing number of visits per customer. The branded bowling industry average frequency of visit per customer is circa 1 times per year. Hollywood Bowl Group has outperformed this, increasing its average to 1.32 for FY2016. This result is testament to our refurbishment programme, which has resulted in more customers experiencing our high-quality environment. We have invested in enhancing service levels and are also using our Customer Relationship Management (CRM) system and customer database to encourage more regular visits and to promote other revenue streams via targeted campaigns.

We continue to work to increase spend per game by improving the customer experience and 'dwell time' in each centre. The average spend per game rose from £8.12 to £8.63 in FY2016, while the number of games played increased from 10.4m in FY2015 to 12.1m in FY2016. Our prices remain among the lowest of the major multiple ten-pin bowling operators which we believe provides scope to more effectively target promotions without impacting the Group's relative price competitiveness.

1 Earnings before interest, tax, depreciation and amortisation.

Chief Executive's Review
continued

"Our focus remains on delivering an exceptional experience for every customer, every time, increasing value for shareholders."

Stephen Burns
Chief Executive Officer

The introduction of Hollywood Diner has increased food spend of customers on-site over FY2016 by 19 per cent year-on-year against the rest of the estate. Our high-quality amusements offering has complex and engaging games, and is well maintained, resulting in shortened repair call-out times, leading to an increase in average amusements spend per game of 8.8 per cent in FY2016. The introduction of VIP lanes, currently in 23 centres, which cost an additional £1 per game per person, have also driven incremental increases in spend per game.

Refurbishment and conversion programme

We completed 8 full refurbishments in FY2016 including the rebrand of 3 Bowlplex centres in Oxford, Basingstoke and Poole Tower Park to Hollywood Bowl. Refurbishments have included a full refresh of all external signage, the introduction of new bowling environments, a new customer-friendly scoring system, new dining concepts such as the Hollywood Diner, as well as the introduction of VIP lanes. The 8 refurbishments are on track to outperform our 33 per cent targeted Return on Investment (ROI).

Development of our property portfolio

We aim to grow the portfolio through new openings and selective acquisitions. We have integrated the 11 Bowlplex centres acquired in December 2015, with initial returns from the first 3 rebrandings delivering above expectations. We intend to refurbish an average of 3 Bowlplex centres a year, to bring them in line with the higher standards across the remainder of the Group's estate.

Ongoing focus on our existing portfolio has also paid dividends, with a surrender and new lease arrangement on our Liverpool centre, which should result in an estimated £450,000 benefit in FY2017, and includes a clause to relocate next to a new cinema on the redeveloped Edge Lane Park in 2018.

Focus on people

We operate centres in a range of different markets and each one draws on our central support network to fulfil their local customer-led ambitions. Our people are instrumental in the running of our business and we are passionate that diversity in our employee base, combined with high levels of employee well-being and job satisfaction, is integral to delivering a high-quality customer experience. Our Net Promoter Score (NPS) level of 58 per cent is testament to our successful approach.

We are committed to providing an inclusive and supportive environment for all our people, with opportunities to develop rewarding careers.

Centre Managers and Assistant Managers receive an uncapped bonus for hitting their profit budget which, in turn, entitles them to share in a proportion of any amount achieved over targeted management profit (EBITDA pre-property costs), subject to also meeting customer engagement and satisfaction targets.

In November 2016, we introduced a share scheme, granting free shares for centre management, and all team members will also have the opportunity to invest in additional shares via a Share Incentive Plan (SIP) in the near future.

Use of technology

Our technology platform offers scalability and flexibility to support future growth. Over FY2016, we continued to invest in the development of our sophisticated CRM system to enable and improve customer targeting. Our web-based reservation and CRM system has been a key enabler of growth. Accordingly we prioritised the migration of the Bowlplex centres so that all 54 centres now use this system.

We have also made further improvements to our proprietary scoring system, enabling us to deliver a more personalised communications flow pre- and post-visit, as well as enhancing the 'in-centre experience' and encouraging multi-bowler data capture throughout the game. We will continue to deploy our proprietary scoring system in our centres as part of refurbishment and new centre openings.

Our digital marketing programme has driven significant revenue and remains a key strategic area. This focus on understanding the customer and using targeted marketing to reach them has allowed us to respond to consumer trends in order to drive more frequent customer visits.

Outlook

The new financial year has started well and in line with the Board's expectations. October through to the Easter holidays is a key trading period for any indoor leisure-based business and we have been pleased with the performance to date.

The Bowlplex centres are now fully integrated and reaping the benefits from the introduction of the Group's operating model, with revenues up 9.4 per cent year-on-year. The refurbishment and rebrand of the Brighton Bowlplex will be completed in time for the Christmas 2016 trading period, and we are on course to complete between 7 and 10 refurbishments/rebrands in FY2017.

Our property pipeline is at its strongest in our history. We are on schedule to open in the Southampton Watermark development during December 2016, and in the intu shopping centre in Derby during April 2017. We are also in advanced stages of negotiation with landlords on 4 further potential new sites with 4 others under review. We are well-positioned to deliver on our target of opening 2 new centres per year.

3 months into our life as a listed business, our strategic priorities and financial results are progressing well. Our focus remains on delivering an exceptional experience for every customer, every time, increasing value for shareholders.

Stephen Burns
Chief Executive Officer
13 December 2016

Our history[1]

2010

The Original Bowling Company is formed, merging 18 AMF Centres and 24 Hollywood Bowl centres acquired from Mitchells & Butlers

2011

Stephen Burns joins the Group as Business Development Director. Introduction of talent development programme

2012

New CRM and reservations system introduced

2013

Opened Rochester and Milton Keynes centres. Maidstone centre relocated. Stephen Burns becomes Managing Director

2014

Opened Cheltenham, closed Havant centre. Launched award-winning employee brand. Stephen Burns becomes Chief Executive Officer; Laurence Keen joins as Finance Director. Epiris backs management buyout

2015

Completed acquisition of 16 Bowlplex centres. Divested 6 centres following CMA review

2016

Hollywood Bowl Group plc admitted to the Main Market of the London Stock Exchange. Our 55th centre to open in Southampton in December

1 Calendar year

Market leader and well-positioned in the wider leisure sector

The ten-pin bowling market is part of the wider UK leisure sector and offers a competitively-priced family leisure experience and broad customer appeal.

The UK leisure sector was worth an estimated £80.3bn in 2015, of which ten-pin bowling had a market share of 0.3 per cent. The UK ten-pin bowling market generated estimated sales of £303m in 2015, of which Hollywood Bowl Group had a market share of approximately 33 per cent[1].

Competitive landscape

There are 4 types of operator[2] within the UK ten-pin bowling market:

- Major multiples (estimated 71 per cent market share) operating 5 or more centres (which includes Hollywood Bowl Group).
- Other multiples (estimated 5 per cent market share), operating fewer than 5 centres.
- Urban bowling operators (estimated 7 per cent market share) operating smaller sites with a focus on the ‘urban’ market and an emphasis on food and beverage sales, catering to professionals.
- Independent operators (estimated 17 per cent market share) operating single centres, which are typically smaller and situated in tertiary locations.

Recent growth

The amount of total sites in the UK ten-pin bowling market has remained relatively static over the past 5 years, as a number of independent sites have closed while Hollywood Bowl Group and QLP have opened centres.

However, from 2013 to 2015, ten-pin bowling was the fastest-growing segment of the UK leisure sector, with 6 per cent revenue growth compared to an average growth of 3 per cent across the wider UK leisure sector[3].

This growth was largely driven by the major multiples, as they have invested in reinvigorating customer engagement through CRM platforms, refocusing the bowling proposition towards family leisure, improving ancillary product offerings and driving operating improvements. Hollywood Bowl Group delivered the greatest growth in this market segment, with a CAGR of 10.7 per cent over 2013 to 2015.

Number of centres by operator in 2016

- 9 Big Apple
- 9 Namco
- 31 MFA
- 36 Tenpin
- 54 Hollywood Bowl Group

Growth of major multiples £m

Source: Pragma Consulting Report (June 2016).

Market growth opportunities

As with the wider UK leisure market, growth in ten-pin bowling is predominantly driven by macroeconomic factors such as increases in GDP, consumer confidence and disposable income.

The major multiples segment of the UK ten-pin bowling market is forecast to grow by a CAGR of 4.3 per cent per annum from 2015 to 2019, greater than the total UK leisure sector forecast growth of 3 per cent[4].

This growth is expected to be underpinned by developing new sites, continued refurbishment of existing centres and improvement in the customer experience, increasing participation in ten-pin bowling, visit frequency and spend per game. There is also scope for major multiples to increase their share of the ten-pin bowling market as weaker operators, particularly independent operators and other multiples, become less competitive or exit the market.

By comparing visits to ten-pin bowling centres with visits to the cinema, it is evident that the opportunity to increase the size of the ten-pin bowling market in the UK is significant[5], in terms of both numbers of centres and frequency of visits.

In the UK, ten-pin bowling is a relatively low-frequency activity compared to other forms of leisure such as the cinema. 67 per cent of consumers have not participated in ten-pin bowling over the past 12 months, compared to 32 per cent for cinemas[6]. This could be due to the accessibility of bowling sites – an estimated 47 per cent of the UK population live within a 15-minute drive of a bowling centre, compared to 69 per cent living within a 15-minute drive of a cinema[7].

This indicates that there is significant potential for ten-pin bowling centre roll-out in the UK given the extent of under-served regions and opportunities to increase participation through improved customer propositions and competitive pricing relative to other leisure experiences.

Hollywood Bowl Group is leading the way in driving growth in the major multiple segment with our refurbishment and new site development programme and focused strategy of driving repeat visits and a higher spend per game.

The Group has identified at least 20 potential new sites in the medium term. This assessment incorporates factors such as catchment size and demography; competitor presence; and centre type and availability.

From our established opening model, relationships with landlords, strong covenant and continued maintenance programme across the estate, Hollywood Bowl Group is well-positioned to capitalise on the market growth potential.

Key:
1, 2, 3, 4, 5 and 7, Pragma Consulting Report (June 2016).
6, Mintel Leisure Report 2015.

UK leisure sector[1]

£80.3bn
(2015)

UK ten-pin bowling sector[1]

£303m
(2015)

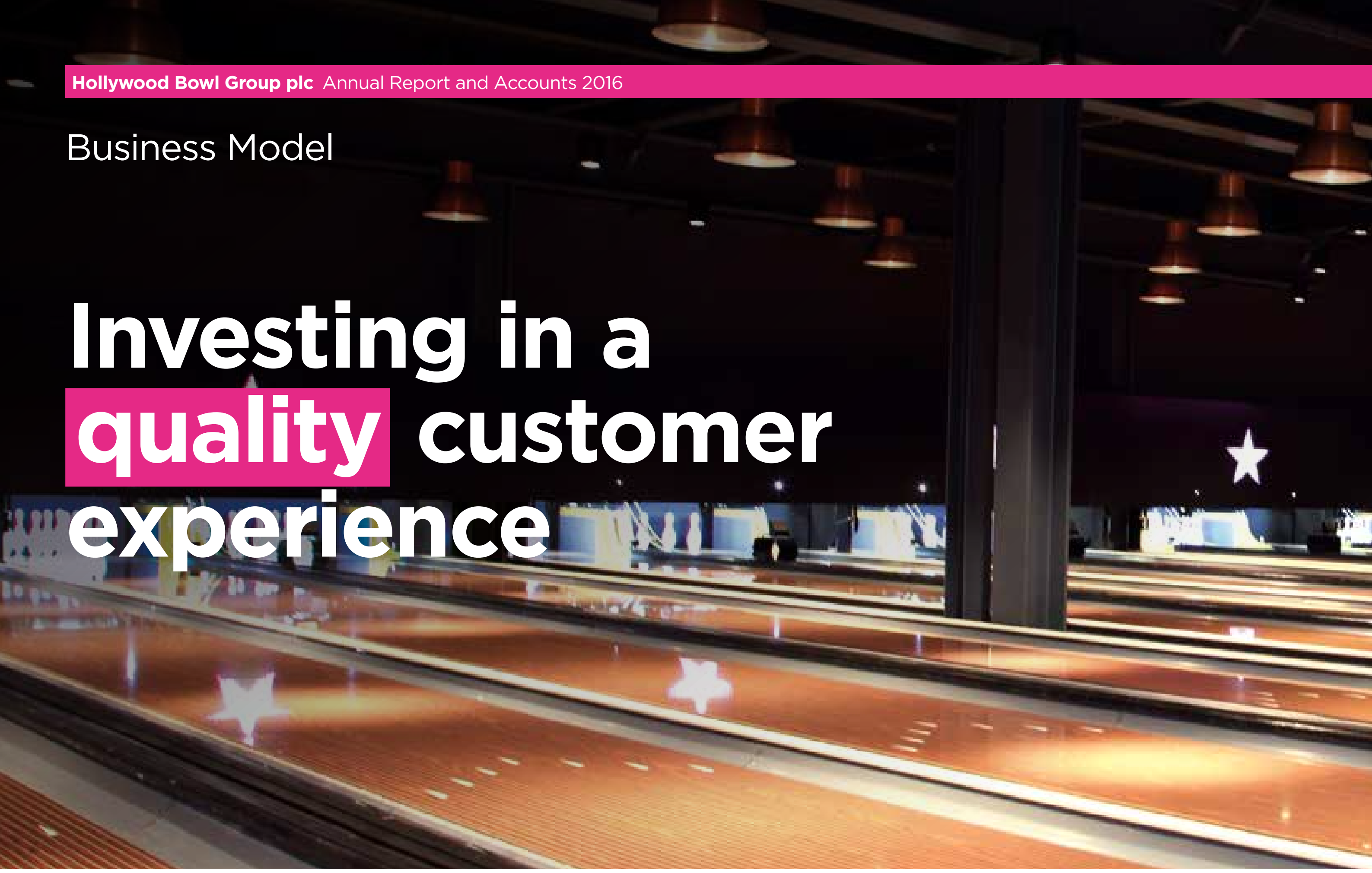
Market growth[3]

Ten-pin bowling market
6%
CAGR

Leisure sector
3%
CAGR

Business Model

Investing in a quality customer experience



At Hollywood Bowl Group we have an unrelenting focus on delivering the best leisure experience for every customer.

All of our brands offer high-quality family entertainment and excellent customer service.

To enhance the quality of our offering and increase the frequency of customer visits, we continually invest in training and technology-led innovation and in developing exciting, fun-filled customer environments and products.

Revenues

Bowling
The inclusive game where the competition is healthy and everyone gets to celebrate.

Amusements
We make it playful with fun-filled family focused arcades combining traditional and leading edge games.

Food
Classic American favourites to enjoy after the game or as part of our party packages.

Drink
It's always sociable in our welcoming bar areas that increase customer dwell time.

Upgraded American-themed diners

Investment

Refurbishment
Our ongoing refurbishment programme covers all internal areas and external signage.

Rebranding
Rebranding of Bowlplex to our core brand Hollywood Bowl.

New development
Strategic expansion in the property portfolio through a new centre pipeline.

Spick and span
Ongoing maintenance and regular refresh of our amusements offer.

Delivering a premium bowling experience

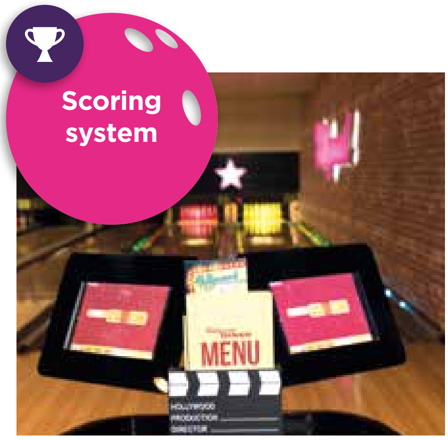
Customer engagement

CRM
Sophisticated CRM systems to support understanding of customer needs and targeted marketing.

Digital
Digital marketing drives traffic to a high-conversion responsive website.

Customer contact centre
A 50-seat customer contact centre to manage all calls and take bookings.

Bowling scoring system
Improving customer engagement during and post-centre visit.



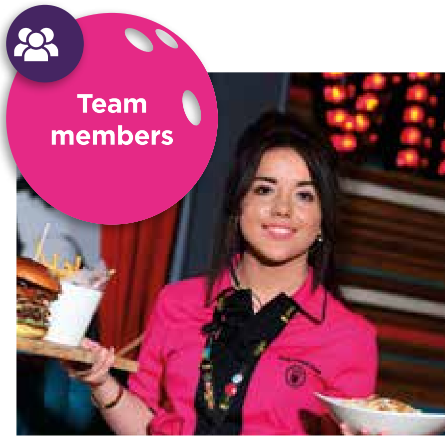
Driving customer engagement

Team and culture

Talent
Management programmes are in place to attract, retain and nurture top talent.

Incentives
Highly-targeted incentive structure for our Centre Managers.

Positive culture
Our customer-focused culture promotes consistent behaviours and attitudes.



Enhancing our customers' experience

Organic and investment led growth

Initiatives

Driving like-for-like growth

Driving like-for-like growth by attracting new customers, increasing the frequency of visits and raising the spend per game. This strategy is supported by a focus on improving the customer experience through investments in technology, training our people, marketing and refurbishment.

Refurbishment programme

Undertaking 7 to 10 refurbishments per year over the medium term to generate improved sales and profitability at existing centres. Future refurbished centres will benefit from the introduction of new dining concepts such as Hollywood Diner and an upgraded bar offering, as well as investment in the bowling experience – including the introduction of VIP lanes. These all support higher prices and a higher spend per game, as well as driving game volumes and visit frequency.

Conversion of Bowlplex estate

We gained 11 centres from the acquisition of Bowlplex in December 2015. We aim to refurbish and rebrand an average of 3 Bowlplex centres a year, bringing them in line with the higher standards across the remainder of the Group's estate.

New centres and acquisitions

We plan to open 2 new centres per year, dependent on them meeting our acquisition criteria and rental prices. There are opportunities to achieve further growth through the acquisition of existing bowling sites from other operators and improving their operations by converting them into Hollywood Bowl centres as per the current Bowlplex rebranding strategy.

Focus on people

Our people underpin our business model. They are the external face of our business and are all responsible for ensuring that our customers enjoy the greatest possible experience every time they visit. Promoting internal team succession is a key focus for the Group.

We operate high-quality family entertainment centres. We will continue to achieve this by driving like-for-like growth, undertaking refurbishment where necessary, developing new centres and investing in our people. By doing this, we will provide a great customer experience, achieve profitable growth and deliver strong returns on capital invested.

KPIs

Progress

Like-for-like revenue growth %

2016	**6.8**
2015	9.1
2014	8.1

In 2016, our like-for-like revenue grew by 6.8 per cent supported by average spend which increased by 4.3 per cent. With ancillary spend up 4.1 per cent, and bowling spend per game up 4.5 per cent, we are encouraged that our approach is gaining a greater share of wallet, with customers increasing their dwell time in our centres.

Number of centres refurbished/rebranded

2016	**8**
2015	7
2014	5
2013	2

Refurbishment spend £m

2016	**2,860**
2015	2,417
2014	1,129
2013	480

In FY2016, we refurbished/rebranded 8 centres with an average ROI greater than 33 per cent. We have 7–10 more refurbishments planned for FY2017 and are confident we can maintain this level of ROI as we continue to roll out our family-focused model.

Average centre revenue for Bowlplex £m

2016	**1.68**
2015	1.55

We have refurbished and rebranded 3 Bowlplex centres to Hollywood Bowl centres in FY2016, with 8 more still to be refurbished and rebranded. The average revenue per Bowlplex centre for FY2016 was £1.68m compared to the prior year of £1.55m.

Number of new Group centres

2016	**11**
2015	1
2014	1

Our new centre pipeline is strong, with Southampton due to open in December 2016 and Derby in April 2017. We also have a number of other key opportunities in advanced stages. All 11 centres in FY2016 were part of the Bowplex acquisition.

In FY2016 we ran our third Centre Manager and Assistant Managers in Training programmes and introduced a new talent programme, 'Senior Leadership Development'. The success of these programmes is clear: in FY2016, 51 per cent of our management positions were filled internally, a 25 per cent increase on FY2015.

Key Performance Indicators

How we measure our performance

We monitor our performance by regularly reviewing Key Performance Indicator (KPI) metrics, and we use these to give us a thorough understanding of the drivers of our performance, our operations and our financial condition.

KPIs

Some of the measures described are not measures of financial performance under generally accepted accounting principles, including International Financial Reporting Standards (IFRS), and should not be considered in isolation or as an alternative to the IFRS financial statements.

Revenue £m

Revenue is generated from customers visiting the centres and bowling or spending money on one of the ancillary revenue streams – amusements, diner or bar.

Revenue generating capex £m

Capital expenditure on refurbishments, rebrands and new centres. This does not include any maintenance capex.

Like-for-like revenue growth %

Like-for-like revenue is total revenue excluding any new centres, closed centres, acquisitions and any other non like-for-like revenue.

Net debt/(cash) £m

Net debt is defined as borrowings from bank facilities less cash and cash equivalents.

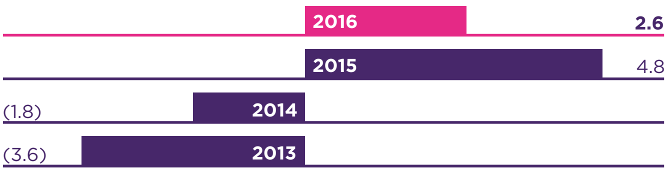
Gross profit %

Gross profit per cent is calculated as revenue minus the cost of sales and any irrecoverable VAT, divided by revenue. Bowling has a 100 per cent gross profit while each of the revenue streams have an associated cost of sales.

Adjusted EBITDA £m

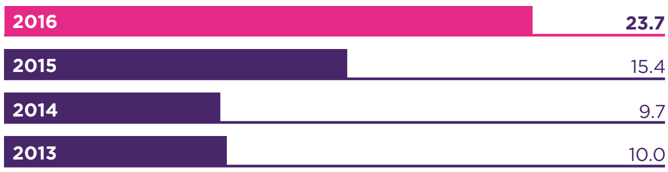
Adjusted EBITDA is calculated as operating profit before depreciation, amortisation, exceptional items and other income.

Profit/(loss) before tax £m



Profit/(loss) before tax from the financial statements.

Operating cash flow £m



Operating cash flow is calculated as Adjusted EBITDA less working capital less maintenance capital expenditure less corporation tax paid.

Adjusted EBITDA margin %

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

Total average spend per game £

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

Financial Review

A strong performance in a year of progress

Laurence Keen
Chief Financial Officer

Summary

	30 September 2016 £'000	30 September 2015 £'000
Total number of centres	**54**	44
Number of games played	**12.1m**	10.4m
Revenue	**£106.6m**	£86.0m
Gross profit	**83.9%**	82.6%
Group adjusted EBITDA[1]	**£29.4m**	£20.6m
Group operating cash flow[2]	**£23.7m**	£15.4m
Group expansionary capital expenditure	**£3.5m**	£2.4m

1 Group adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) reflects the underlying trade of the overall business and excludes any one-off benefits (VAT rebates for prior years), and costs (the net costs on two property transactions – Liverpool and Avonmeads – restructuring costs for Bowlplex acquisition and IPO related expenses). It is our view that these are not recurring costs.

2 Group operating cash flow is calculated as Group adjusted EBITDA less working capital and maintenance capital expenditure.

Our Group adjusted EBITDA growth has been achieved through continued customer focus and ensuring that each of our centres offers a great family experience on every visit. Group adjusted EBITDA increased by 42.6 per cent during the year mainly due to revenue growth over this period. This has been driven through the acquisition of Bowlplex (December 2015) as well as the growth of the core estate through refurbishments and continued spend on maintenance capital.

Growth drivers

The strength of the Group's strategy is reflected in our revenue performance for the year, which was driven by 3 main areas: the acquisition of Bowlplex in December 2015; growth in spend per game; and like-for-like growth in the number of games.

Bowlplex revenues since acquisition were £15.6m and increased 9.4 per cent versus prior year over the same period. This was in part due to the implementation of the Group's process and procedures, including the Customer Contact Centre (CCC), CRM and reservation system and rebranding of 3 centres during the second half of FY2016 to Hollywood Bowl.

Over the past 12 months, we have invested in refurbishing 5 centres which are on track to deliver above 33 per cent ROI, as well as rebranding 3 Bowlplex centres, with extremely encouraging returns of 94 per cent on capital invested (although with less than 26 weeks post-investment for these 3 centres, we urge caution in extrapolating this out to the full year). VIP lanes are also now operating in 23 centres and customers continue to enjoy the surprise and delight element of this.

The continued investment in our centres and teams delivered like-for-like revenue growth of 6.8 per cent.

Like-for-like revenue is defined as total revenue excluding any new centre openings, acquisitions (2016: £15.6m), closed centres (2016: £0.3m, 2015: £1.4m) from the current or prior year, and any other non like-for-like income (VAT on children's shoes and 'no-shows' 2016: £0.4m) and is used as a key measure of same centre growth.

Given the challenging summer with unprecedented dry and hot weather over the school holidays, we are pleased with our record sales performance over this period.

Group revenue increased by 23.9 per cent (£20.6m) to £106.6m, from £86.0m in the year ended 20 September 2015.

Gross margin
Gross profit margin improved from 82.6 per cent to 83.9 per cent primarily as a result of the full-year effect of new food and drink contracts, and improved terms on amusements for the like-for-like estate post the Bowlplex acquisition. The slight change in revenue mix also helped margins, with bowling increasing its share from 47.97 per cent to 48.21 per cent, with a 100 per cent gross profit.

Administrative expenses
Administration expenses increased by 31.7 per cent driven primarily by the acquisition of Bowlplex.

	30 September 2016 £'000	30 September 2015 £'000
Employee costs	**20,024**	16,658
Other fixed property	**26,332**	22,343
Maintenance and supplies	**1,796**	1,545
Other expenses	**3,848**	2,203
Corporate costs	**8,822**	7,737
(Profit)/loss on disposal of property, plant and equipment	**(745)**	17
Depreciation and amortisation	**9,809**	8,266
Exceptional items (excludes other income of £1,395,000)	**6,558**	(722)
	76,444	58,047

Administrative expenses increased to £76.4m in the full year to 30 September 2016, from £58.0m in the previous year. Property and employee costs are the largest expenses in the business, with the year-on-year increase primarily the result of the acquisition of Bowlplex in December 2015. Property costs on a constant basis stayed static across both years, at £22.0m with rent reviews and property rates increases netted off by a reduction in utility usage with the full-year effect of LED lighting and a lower insurance charge in the year. Employee costs on a constant centre basis increased from £16.5m to £16.9m, driven by the national living wage and national minimum wage impacts.

Total maintenance and supply costs increased by 16.2 per cent due to Bowlplex centres as well as purchasing new balls to ensure customers are receiving a great experience in our centres.

Group adjusted EBITDA
Group adjusted EBITDA increased during the year mainly due to revenue growth over the 12-month period, driven through the acquisition of Bowlplex as well as the growth of the core estate through refurbishments and continued spend on maintenance capital to ensure that all centres are inviting family entertainment centres.

Depreciation increased from £7.8m in 2015 to £9.3m in 2016, largely as a result of the Bowlplex acquisition. Corporate costs increased by 14 per cent to £8.8m in FY2016, from £7.7m in FY2015. This is due to the investment in specific business functions to support the integration of Bowlplex, more CCC heads, the inclusion of a proportion of the plc costs with Non-Executive Directors, while bonuses were materially the same as the prior year. Professional fees also rose in FY2016 as a result of advisers receiving 10 per cent of the rate rebates and an increase in audit fees, on account of the audit in a plc environment and a half-year audit for the purpose of IPO. As a percentage of total sales, total corporate costs represented 8.3 per cent in FY2016, against 8.9 per cent in FY2015.

> **"The strength of the Group's strategy is reflected in our revenue performance and EBITDA margin for the year."**
>
> **Laurence Keen**
> Chief Financial Officer

Group adjusted EBITDA

	30 September 2016 £'000	30 September 2015 £'000
Operating profit	**14,378**	13,034
Depreciation	**9,316**	7,758
Amortisation	**493**	508
EBITDA	**24,187**	21,300
Exceptional items	**5,163**	(722)
Adjusted EBITDA	**29,350**	20,578

Management use EBITDA adjusted for exceptional items (adjusted EBITDA) as a key performance measure of the business.

Exceptional items
In FY2016, exceptional items totalled £5.2m, with the main components being a £1.4m VAT rebate; costs of £2.3m relating to the acquisition of Bowlplex; £2.3m of IPO costs; a £1.6m reverse premium for the Liverpool lease negotiation and a one-off cost of £0.6m for the allocation of free shares to employees (Centre Management) on IPO.

In FY2015, exceptional items totalled £0.7m and consisted predominantly of £1.0m resulting from a sector-wide reassessment of rates in the period which meant that the majority of the Group's centres were eligible for rebates. Included in this £1.0m are all the historical rebates back to April 2010 received by the Operating Group. Offsetting this rates rebate, an exceptional charge of £0.2m was recorded in relation to the investment by Electra Investments Limited in FY2014.

	30 September 2016 £'000	30 September 2015 £'000
VAT rebate[1]	**1,395**	–
Rates rebate[2]	**79**	1,009
Property costs[3]	**(648)**	–
Acquisition related expenses[4]	**(2,334)**	(163)
Restructuring and legal costs[5]	**(757)**	(124)
IPO related expenses[6]	**(2,298)**	–
Share-based payments[7]	**(600)**	–
	(5,163)	722

1 The Group was able to make a one-off retrospective reclaim in respect of overpaid VAT relating to customers who were 'no-shows' and children's shoe hire. This VAT rebate relates to a rebate for FY2012 to 2015. This has been classified as other income in the consolidated statement of comprehensive income. Going forward this will not be classified as exceptional income as it will be recognised within revenue.

2 There was a sector-wide property rating appeal which was settled during FY2015 and resulted in a majority of the Group's centres receiving one-off rebates for the period from April 2010 onwards. Most of this was received in FY2015. With the new rating list effective from April 2017, the normal rates appeals process will be followed and in-year refunds will not be included within exceptional costs.

3 For FY2016 this includes profit for the sale of the Avonmeads Centre (£0.8m) and a reverse premium (£1.6m) for exiting a lease rental contract for the Liverpool centre.

Financial Review
continued

4 Costs relating to the acquisition of Bowlplex in December 2015. These costs include legal and research fees in connection with the lengthy CMA process which was part of the acquisition.
5 Costs relating to restructuring in readiness for, and subsequent to the acquisition of the Kanyeco Group in September 2014, and the acquisition of Bowlplex in December 2015. Also includes costs for the management of the Group by Epiris.
6 Costs associated with the IPO of Hollywood Bowl Group plc on the London Stock Exchange on 21 September 2016. Costs include legal and accounting transaction fees along with corporate banking costs.
7 Allocation of shares to employees on IPO date. Shares issued to employees have been recorded at fair value, being the strike price at IPO. This comprises the fair value of the shares (£527,000) and the employers' national insurance expense (£73,000). This was a one-off allocation of shares to employees as part of the IPO. Share-based payments and other Long Term Incentive Plans (LTIPs) will not be included in exceptional items as these are envisaged to be recurring and part of the normal course of business going forward.

Finance costs
Net interest payment and other finance charges increased by 46.2 per cent from £8.1m for FY2015 to £11.9m in FY2016, driven primarily by an increase in subordinated shareholder loans (£1.2m) and the write off of £3.0m of capitalised financing fees and the costs of cancelling an interest rate swap, both done as part of the listing.

Taxation
The Group has incurred a tax charge of £1.4m for the year compared to £1.2m for the year to 30 September 2015.

Earnings
Profit for the year was £1.2m which was lower than the prior year by £2.4m as a result of the factors discussed in the notes above.

Basic earnings per share was 1.12p, while adjusted earnings per share was 13.23p. This is calculated by excluding exceptional costs and shareholder loan interest.

Dividend
Although the business only listed on 21 September 2016 it intends to pay a dividend of 0.19 pence per share. Subject to shareholder approval at the AGM on 23 February 2017, this will be paid on 24 March 2017 to shareholders on the register on 24 February 2017.

Cash flows
The Group continues to deliver strong cash generation with Group operating cash flow 53.8 per cent higher at £23.7m (2015: £15.4m) due to an increase in EBITDA and efficient use of working capital, offset by increased investment in maintenance capital as the estate grows. All of this resulted in an increase in Group operating cash flow conversion to 80.7 per cent (2015: 74.8 per cent).

	30 September 2016 £'000	30 September 2015 £'000
Group adjusted EBITDA	**29,350**	20,578
Movement in working capital	**2,468**	1,074
Maintenance capital expenditure[1]	**(5,768)**	(4,419)
Taxation	**(2,352)**	(1,835)
Operating cash flow	**23,698**	15,398
Operating cash flow conversion	**80.7%**	74.8%
Expansionary capital expenditure	**(3,468)**	(2,407)
Disposal proceeds	**1,430**	–
Exceptional items	**(2,484)**	722
Interest paid	**(2,093)**	(2,304)
Acquisition of subsidiary	**(22,801)**	–
Cash acquired in subsidiary	**970**	–
Cash flows from financing activities	**(724)**	(693)
Net cash flow	**(5,472)**	10,716

1 Maintenance capital expenditure includes amusements capital and £1.28m of amusements disposal proceeds.

Liquidity and capital resources
The Group's liquidity requirements arise primarily from its growth strategy, make interest payments on its indebtedness and meet the working capital requirements of the business. The Operating Group's principal sources of liquidity have been its cash flow from operating activities, its bank loans and its subordinated shareholder loans.

In preparation for the IPO, the Group undertook a capital reorganisation and refinancing, and executed a complex steps plan which included the creation of a new holding company, share exchanges and repayment arrangements for previous shareholders and bank debt. By applying the principles of reverse acquisition accounting in accordance with IFRS 3 'business combinations', the results of the Group are presented as if Hollywood Bowl Group plc had always owned Kanyeco Limited. Further details about the accounting for the IPO are included in Note 2.

There was no primary raise at IPO. A new term loan was agreed at the time of the IPO, which reduced the Group's bank debt down to £30m. As a result of the IPO and the refinancing, combined with strong trading, net debt decreased to £20.8m.

Incorporation and capital reduction
On 13 June 2016, Hollywood Bowl Group plc was incorporated and registered in England and Wales under the Companies Act 2006 as a public limited company.

The Company has reduced its share capital by means of a court-sanctioned reduction in capital in order to provide it with the distributable reserves required to support the intended dividend policy. The capital reduction received court approval on 9 November 2016 and is detailed in the post balance sheet events note.

Capital expenditure

	30 September 2016 £'000	30 September 2015 £'000
Maintenance	**4,439**	2,675
Amusements supplier	**2,607**	2,194
Refurbishment	**2,860**	2,417
New centres	**608**	1,263
Landlord contributions	**–**	(1,255)
Net disposal (proceeds)/costs	**(2,708)**	(450)
Total capital expenditures	**7,806**	6,844

Maintenance capital spend increased by a total of £1.3m (30 per cent) due to the increased number of sites during the year as well as the requirement for a higher spend in the Bowlplex sites to bring them up to the Group's technical standards, which in turn provides the customer with an overall better experience.

Expansionary capital expenditure increased by 18 per cent as the refurbishment programme continued, with 5 centres being refurbished, as well as higher spends on the 3 Bowlplex rebrands undertaken during the financial year. Management views centres as typically needing refurbishment every 6 to 8 years. Expansionary capital expenditure also includes some spend on the FY2017 openings in Southampton and Derby.

Refurbishments completed in the financial year were:

- Leeds
- Surrey Quays
- Manchester
- Birmingham
- Bolton
- The 3 Bowlplex rebrands in FY2016:
  - Poole Tower Park;
  - Oxford;
  - Basingstoke.

Balance sheet

	30 September 2016 £'000	30 September 2015 £'000
ASSETS		
Non-current assets		
Property, plant and equipment	**37,264**	30,854
Intangible assets	**79,228**	66,186
	116,492	97,040
Current assets		
Cash and cash equivalent	**9,224**	14,696
Trade and other receivables	**9,634**	8,023
Inventories	**1,018**	703
	19,876	23,422
Total assets	**136,368**	120,462
LIABILITIES		
Current liabilities		
Trade and other payables	**18,866**	14,127
Borrowings	**–**	1,009
Corporation tax payable	**1,034**	637
	19,900	15,773
Non-current liabilities		
Other payables	**6,941**	7,886
Borrowings	**29,403**	92,285
Deferred tax liabilities	**2,230**	1,765
Provisions	**3,476**	2,904
Derivative financial instruments	**55**	134
	42,105	104,974
Total liabilities	**62,005**	120,747
NET ASSETS/(LIABILITIES)	**74,363**	(285)
Equity attributable to shareholders		
Share capital	**71,512**	49,932
Share premium	**51,832**	–
Merger reserve	**(49,897)**	(49,847)
Capital redemption reserve	**99**	–
Retained earnings	**817**	(370)
TOTAL EQUITY/(DEFICIT)	**74,363**	(285)

Laurence Keen
Chief Financial Officer
13 December 2016

Effective risk management

The Board retains ultimate responsibility for the Group's risk management framework and annually reviews the Group's principal risks.

In order to gain a full understanding of the risk exposure of the Group we have reviewed each area of the business, and each member of the senior leadership team has classified the risk, taking into account the likelihood of their occurrence and the scale of the impact (both financial and reputational) on the business. Each department is responsible for evaluating current controls and drawing up plans to improve the controls and manage the risk where appropriate. Details of the risk and controls are recorded on the Group's risk register which is a working document and will be updated throughout the year and presented to the Board half-yearly.

The Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten the Group's business model, future performance, solvency and liquidity. The risk factors addressed below are those which we believe to be the most material to us in implementing our business model and strategy, and which could adversely affect the operations, revenue, profit, cash flow or assets of the Group. Additional risks and uncertainties currently unknown to us, or which we currently believe are immaterial, may also have an adverse effect on the Group.

Type of risk	Risk	Potential effect	Mitigation
Financial	Adverse economic conditions may have an effect on Group results	A decline in spend on discretionary leisure activity could lead to a reduction in profits	The majority of sites are based in high footfall areas that should stand up against a recessionary decline. The Board continually reviews its revenue streams for opportunities to enhance the customer experience
Financial	Adversely impacted by a failure to review funding arrangements when they become due, or a failure to meet banking covenants	Covenant breach	The Group has considerable headroom on current facility with gross debt significantly below market opportunity for funding. We prepare short-term and long-term cash flow, EBITDA and covenant forecasts to ensure any risks are identified early. Tight controls exist over the approval for capex and expenses
Information technology /operational	Failure in the stability or availability of information through IT systems	Customers not being able to book through the website or CCC, and inability to collect revenue	Systems are backed up to our Disaster Recovery Centre. The reservations system also has an offline mode, so customers could still book but the CCC and online booking facility would be down. A back-up system exists for CCC to take credit card payments offline. A full audit process exists for offline functionality
Operational	Operational business failures from key suppliers (non-IT)	Unable to provide customers with a full experience	The Group has key suppliers in food and drink with tight Service Level Agreements stated in contracts, with other supplier options that know our business and could be introduced if needed at short notice. Centres hold between 14 and 21 days of food, drink and amusements product
Operational	Any disruption which affects Group relationship with amusements suppliers	Amusements income	Regular key supplier meetings between our Head of Amusements, and Namco and Gamestech. Key issues are discussed as well as future plans. There are biannual meetings between the Board and Namco
Operational	Loss of key personnel – Centre Managers	Lack of direction at centre level and therefore effect on customers	The Company runs a Centre Manager in Training (CMIT) programme annually, which identifies potential Centre Managers and develops them into these roles for the future. At any one time, there are 5–7 CMITs across the Group who are able to step into a Centre Manager role if required. The CMITs can run a centre with support from the Regional Support Manager, as well as from other more experienced Centre Managers across the region

Type of risk	Risk	Potential effect	Mitigation
Operational	Inability to recruit CCC team members or other head office support functions due to increased local competition or lack of local skills	Reduced CCC capacity and impact on head office functional delivery	We hold regular CCC recruitment events, and our in-house recruitment team supports all Head Office vacancies. We offer enhanced packages to extend the recruitment catchment area
Technical	Data protection breach	Breach leading to access of customer email addresses and subsequent impact on reputation with customer base	The Group's networks are all protected by firewalls and secure passwords. Security vulnerability scans are frequently run on firewalls to ensure they are secure. In addition, the Group plans to move to a new analytics system to allow the IT team to see real-time or historical threat analytics The Group does not hold any customer financial payment information
Regulatory	Failure to adhere to regulatory requirements such as Listing Rules, taxation, heath and safety, planning regulations and other laws	Potential financial penalties and reputational damage	Expert opinion is sought where relevant. We run employment and continuous training and development for appropriately-qualified staff The Board has oversight of the management of regulatory risk and ensures that each member of the Board is aware of their responsibilities. Health and safety risk assessments and audits are carried out by the internal audit team, who provide recommendations where necessary

While the principal risks and uncertainties could impact future performance, none of them are considered likely, individually or collectively, to affect the viability of the Group during the 3-year assessment period.

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code (the Code) the Directors have also assessed the Group's prospects and viability over a 3-year period to 30 September 2019. This 3-year assessment period was selected as it corresponds with the Board's strategic planning horizon as well as the time period over which senior management are remunerated via LTIPs.

In making this assessment, the Directors took account of the Group's current financial position, annual budget, 3-year plan forecasts and sensitivity testing. The Board also considered a number of other factors, including the Group business model, its strategy, risks and uncertainties. Based on this assessment, the Directors have a reasonable expectation that the Group will continue in operation and meet all its liabilities as they fall due during the period up to 30 September 2019.

While the Board has complied with provision C.2.2 of the Code in making this viability statement, the timing of the IPO in relation to the Group's year end has necessarily placed constraints on the extent of the supporting assessments. The Board intends to develop and adopt a more sophisticated and holistic approach to its assessment of the Group's prospects and liabilities under provision C.2.2 of the Code during the course of FY2017. The Group is operationally strong with a robust balance sheet and cash position, and has a track record of delivering profitable and sustainable growth, which is expected to continue.

Going concern

On 21 September 2016, the Group's shares were admitted to trading on the Main Market of the London Stock Exchange and it entered into a new £30m, 5-year loan facility (see Note 20 to the Financial Statements for details). There was no primary fundraise at the IPO and all proceeds were distributed to existing shareholders. The Directors believe that this has:

- Given the Group a stronger capital structure, enabling it to continue its growth strategy and make it even more attractive as a key tenant.
- Allowed the Group access to a wider range of capital raising options, which could be used for acquisition opportunities.
- Removed any private equity loan notes, which attract a higher rate of interest than normal bank facilities.
- Provided the Group with a lower rate of interest on its bank loan facility, which will reduce interest payments and allow further investment of cash.

The Group is in a strong financial position to continue its operations for the foreseeable future. For these reasons, the Directors have adopted the going concern basis in preparing the Financial Statements.

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

Corporate social responsibility

A key element of our culture is the promotion of corporate social responsibility within our business, which we believe supports the continued generation of sustainable value and enhances our ability to deliver on our strategic objectives.

Our vision is to enhance the well-being of our people, customers and the communities in which we operate.

Customers

We believe bowling is an activity that promotes healthy competition and provides an inclusive, interactive experience, enabling families to spend quality time together and improve their well-being.

We are committed to ensuring access and delivering an inclusive, fun-filled experience for customers of all abilities, with concessionary rates available for a number of user groups.

We recognise that poor diets are an important health challenge in the UK and are committed to improving the information available on the sourcing of our food products and nutritional values on our menus. We are developing our range of healthy eating and drinking choices, for example, super food salads for grown-ups and more vegetables for children.

People

We employ over 1,700 people with more working during the school holidays, which are our busier periods. We provide our teams with structured inductions, including a focus on customer service, and health and safety training, ensuring they have a safe but fun-filled experience. All of our Centre Managers go through a team member induction before moving onto management training.

We believe that the diversity of our employees, combined with high levels of employee well-being and job satisfaction, is integral to delivering a high-quality customer experience. We are committed to providing an inclusive and supportive environment with opportunities to develop rewarding careers through multiple talent programmes and a flat leadership structure.

We want our team to have a career with us and we run a variety of programmes, including an annual Centre Manager In Training programme to identify potential Centre Managers and develop them into future leadership roles. Through our internal training programmes we promoted 58 of our team in FY2016, including 7 who became Centre Managers.

Our employees[1]

Board	1	5
Senior managers	3	12
All team	957	806

1 As at 30 September 2016.

Training and investment

We operate a bonus scheme which starts at Assistant Manager level and rewards the performance of the team across the centre. The scheme is based on personal performance as well as the outperformance of the centre versus profit target, and importantly includes a customer experience measure to ensure that we always remain on purpose.

It is our belief that no individual should be discriminated against on the ground of race, colour, ethnicity, religious belief, political affiliation, gender, age or disability.

Communities

As an employer with multiple locations around the UK, we seek to support local communities and charities through fundraising, awareness and access. In FY2016, we launched an initiative with Neighbourly.com to connect with local charities and community projects in each of our centres and our Hemel Hempstead support centre. We provide support and awareness through cash pledges, additional fundraising, access to our centres and volunteering days.

Health and safety

Through the design of our centres and the training provided to our teams, safety is a key part of the Hollywood Bowl Group experience, and we are fully committed to providing a safe environment for both team members and visitors to our centres. We comply with all safety legislation and act on all reported incidents. As part of our internal audit reviews, we undertake safety audits. The output from these reviews, as well as any incident reports, is reviewed by the Directors on a monthly basis.

Environment

Hollywood Bowl Group has a strong and genuine commitment to conduct all of its operations in an ethical and responsible manner. This is demonstrated in our environmental and energy achievements.

Greenhouse gas

Greenhouse gas (GHG) emissions for FY2016 have been measured as required under the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, and the GHG Protocol Corporate Accounting and Reporting standards (revised edition), and the data has been provided by Schneider Electric through analysis of our utility invoices.

Scope 1 emissions	**896** tCO_2e
Scope 2 emissions	**8,195** tCO_2e
Total Scope 1 and 2 emissions	**9,091** tCO_2e
Intensity ratio (tCO_2e per centre)	**162.3**

Electricity usage

Our commitment to efficiently and ethically use natural resources is ongoing and since 2010 we have reduced our intensity ratio for Scope 2 emissions (electricity per centre) by over 29 per cent.

These reductions in electricity usage have been achieved by a range of methods, including:

- Changes to air handling plant, maximising efficiency of control strategies, and investing in new plant and machinery.
- Changing lighting to LED. We have converted 75 per cent of our lighting to LED and continue to roll out this programme, aiming to convert over 80 per cent by the end of FY2017. The majority of the remaining lamps not converted are controlled by motion sensors in low footfall areas.
- Behavioural change within our teams with conscious efforts to reduce electricity usage.

Waste recycling

We recycle the waste that we produce as part of our commitment to mitigate against the environmental impacts of our operations. At the start of FY2016 we were recycling 70 per cent of our waste but due to the integration of the new Bowlplex centres into the estate this fell to 59 per cent in FY2016.

The target for FY2017 is to once again achieve 70 per cent. We also recycle the cooking oil that we use; in FY2016 we achieved a 78 per cent recycling level, over 2 per cent higher than in the previous year.

Governance

Letter from the Chairman

“The Board is committed to the highest standards of corporate governance.”

Peter Boddy
Chairman

Dear Shareholders
I am pleased to introduce our first Corporate Governance Report.

As we noted in our IPO Prospectus, the Board is committed to the highest standards of corporate governance and intends to comply with the requirements of the Code as it applies to smaller companies (ie those below the FTSE 350).

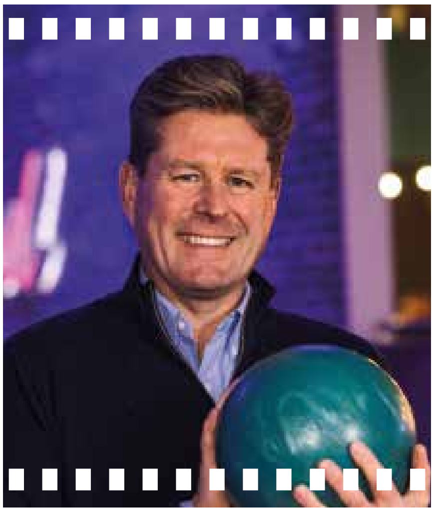
In preparing for listing, much work was carried out to ensure that the Board had constituted appropriate Committees and adopted relevant policies and procedures to support the development of a robust governance structure and compliance with the Code and other obligations of a company listed on the London Stock Exchange’s Main Market. We recognise that achieving a sound corporate governance structure is not a tick box exercise. Further work is required to ensure that our policies and procedures are successfully embedded throughout the business. We aim to lead by example in setting the culture and values of the Company that will help to deliver long-term success for shareholders and stakeholders. We have already started to make progress in these areas since the year end, and I look forward to reporting our further progress to you next year.

I believe that in Nick Backhouse and Claire Tiney we have appointed excellent independent Non-Executive Directors who both bring experience relevant to our sector and our new status as a listed company. Nick and Claire joined the Group in the lead up to the IPO and have both already made a significant contribution to the Board.

As the Company only listed on 21 September 2016, it is not practicable to expect full compliance with certain provisions of the Code for the year under review. Accordingly, this report includes a description of how the Company has applied the principles of the Code since 21 September 2016 and how it intends to apply those principles throughout FY2017.

Peter Boddy
Chairman
13 December 2016

Board of Directors



Peter Boddy
Non-Executive Chairman

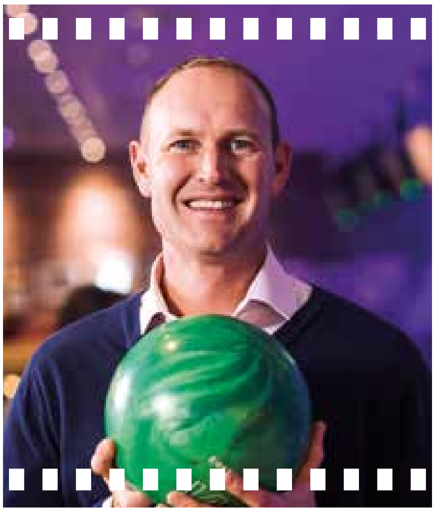
Appointment
Peter joined the Group as Non-Executive Chairman in 2014.

Committee membership
Chairman of the Nomination Committee.

Skills and experience
Peter currently holds chairmanships in 3 other companies: Xercise4Less (the low-cost gym chain); Novus Leisure Limited, (operator of late night bars and clubs), and The Harley Medical Group, all of which are backed by private equity.

Prior to this, Peter held the positions of CEO or Managing Director in a number of successful private equity backed leisure sector companies including Fitness First UK, Megabowl Group Limited and Maxinutrition Limited.

Peter has a degree in Economics from De Montfort University and an MBA from Warwick Business School.

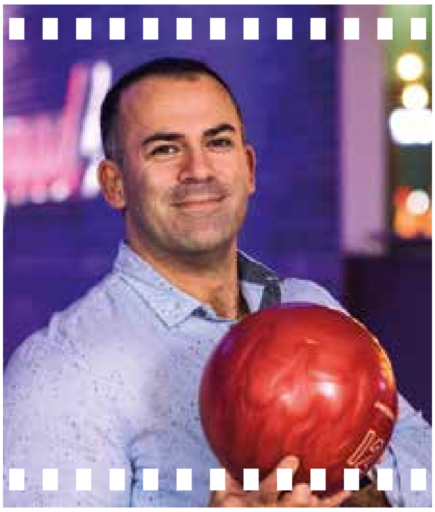


Stephen Burns
Chief Executive Officer

Appointment
Stephen joined the Group as Business Development Director in 2011, being promoted to Managing Director in 2012 and becoming Chief Executive Officer in 2014.

Skills and experience
Before joining the Group, Stephen worked within the health and fitness industry, holding various roles within Cannons Health and Fitness Limited from 1999, becoming Sales and Client Retention Director from 2007 upon the successful acquisition of Cannons Health and Fitness Limited by Nuffield Health, and then becoming Regional Director in 2009.

In 2011, Stephen was appointed to the operating board of MWB Business Exchange, a public company specialising in serviced offices, meeting and conference rooms, and virtual offices, looking after the CEC and outer London brands.

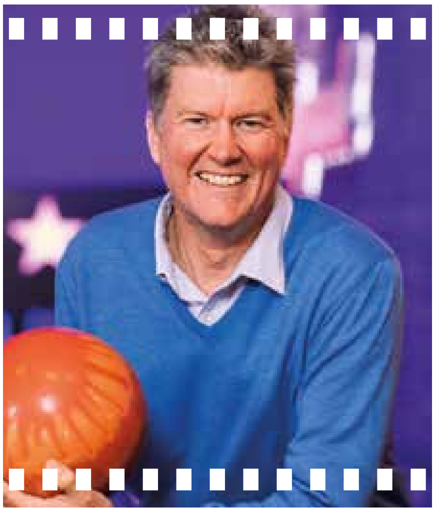


Laurence Keen
Chief Financial Officer

Appointment
Laurence joined the Group as Finance Director in 2014.

Skills and experience
Laurence has a first class degree in Business, Mathematics and Statistics from the London School of Economics and Political Science. He is a qualified ICAEW Chartered Accountant and has also been a Fellow since 2012 (having qualified in 2000).

His previous role was UK Development Director for Paddy Power from 2012. He has also held senior retail and finance roles for Debenhams PLC, Pizza Hut (UK) Limited and Tesco PLC.



Nick Backhouse
Senior Independent Non-Executive Director

Appointment
Nick joined the Group as Senior Independent Non-Executive Director prior to Admission.

Committee membership
Chairman of the Audit Committee, member of the Nomination Committee and Remuneration Committee.

Skills and experience
Nick is the Senior Independent Director of the Guardian Media Group plc, a Non-Executive Director of Marston's PLC where he also chairs the Audit Committee and is a Trustee of the Chichester Festival Theatre.

He was previously the Deputy Chief Executive Officer of the David Lloyd Leisure Group and a Non-Executive Director of All3Media Limited. He has also been Group Finance Director of National Car Parks and Chief Financial Officer for each of Freeserve plc and the Laurel Pub Company and was, prior to that, a Board Director of Baring Brothers.

He is a Fellow of the Institute of Chartered Accountants and has an MA in Economics from Cambridge University.

Claire Tiney
Non-Executive Director

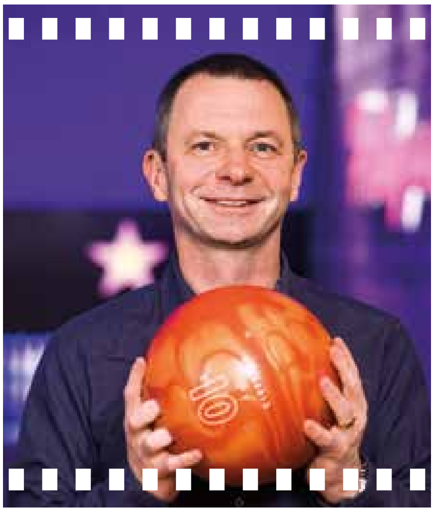
Appointment
Claire joined the Group as Non-Executive Director prior to Admission.

Committee membership
Chair of the Remuneration Committee, member of the Audit Committee and the Nomination Committee.

Skills and experience
Claire has over 20 years' board level experience encompassing executive and non-executive roles in blue-chip retailing, property development and the services sector, across the UK and Western Europe.

Claire runs her own business as an HR Consultant, executive coach and facilitator, having spent 15 years as an Executive Director in a number of businesses including Homeserve plc, Mothercare plc and WH Smith Group plc. Most recently she was HR Director at McArthurGlen Group, the developer and owner of designer outlet villages throughout Europe.

She was previously a Non-Executive Director of Family Mosaic and is currently a Non-Executive Director of Volution plc and of Topps Tiles plc. She has an MBA from Stirling University.



Bill Priestley
Non-Executive Director

Appointment
Bill was appointed to the Board prior to Admission.

Skills and experience
Bill is the Chief Investment Partner at Epiris, an independent private equity fund manager specialising in buyouts and co-investments, where he leads the investment team and sits on the Investment Committee.

Bill joined Epiris in 2014 after having previously held the roles of Co-Chief Executive Officer and Managing Director at LGV Capital, a mid-market private equity house owned by Legal & General PLC, where he worked for over 10 years. Bill has also worked at N M Rothschild & Sons and Barclays, and currently serves on the Boards of Innovia Group and TGI Fridays. Bill has a degree in Law from Cambridge University.

Corporate Governance Report

UK Corporate Governance Code – Compliance Statement

The Company adopted the Code on 21 September 2016 on admission of its shares to the UKLA's Official List and listing on the Main Market of the London Stock Exchange. Prior to that date it was not a premium listed company and was therefore not required to comply with the principles and provisions of the Code. Since 21 September 2016, and including the period between admission and the end of the financial year, the Company has applied all of the main principles of the Code as they apply to it as a 'smaller company' (defined in the Code as being a company below the FTSE 350) and has complied with all relevant provisions of the Code except as indicated below:

Provision	Explanation
A.3.1 – The Chairman was not independent on appointment	Page 29
B.6.1 – The Board has not carried out a performance evaluation	Page 30
B.6.3 – The Non-Executive Directors have not formally evaluated the Chairman's performance	Page 30
C.2.3 – The Board has not, in the period since IPO, carried out a review of the effectiveness of the Company's risk management and internal control systems	Page 34
C.3.1 and D.2.1 – The Audit and Remuneration Committees were not, until 24 November 2016, comprised only of independent Non-Executive Directors	Page 29

Board governance

Governance structure

The Company's governance structure is designed such that the Board focuses on providing entrepreneurial leadership to the Group, sets the Group's strategy, monitors performance and ensures that appropriate financial and human resources are in place for the Company to meet its objectives. The Board is also responsible for taking the lead in setting and embedding the Company's culture, value and standards, and for ensuring that appropriate systems, procedures and controls are in place to support the effective assessment and management of risk and the safeguarding of shareholder interests.

The Board operates in accordance with the Company's Articles of Association (Articles), and has established Audit, Remuneration and Nomination Committees to assist it in discharging its responsibilities. Each Committee has its own written terms of reference (available on the Company's website) which have been reviewed since the IPO and will be reviewed annually.

Certain matters are specifically reserved for decision by the Board and documented in a written schedule which will also be reviewed annually. The schedule of matters reserved for the Board includes:

Strategy and management

- Leadership of the Company, setting values and standards
- Approving, developing and monitoring strategic aims and objectives
- Oversight of Group operations

Structure and capital

- Changes to capital or corporate structure
- Changes to Group management and control structure

Financial reporting and controls

- Approval of annual and half-year financial statements
- Approval of dividend policy
- Approval of significant changes in accounting policy
- Approval of treasury policies

Internal controls

- Ensuring maintenance of sound internal control and risk management systems, and assessing their effectiveness
- Approving Group risk appetite statements

Board membership

- Changes to the structure, size and composition of the Board
- Ensuring adequate succession planning
- Appointments to the Board including the roles of Chairman, CEO, SID and Company Secretary

Remuneration

- Determining the policy for the Directors and other senior executives
- Determining Non-Executive Director fees
- Introduction of new SIPs or changes to existing plans to be put to shareholders

Corporate governance

- Review of Group's overall governance arrangements
- Determining the independence of Directors
- Considering the views of shareholders
- Authorising any conflicts of interest

Other

- Approval and monitoring of the Share Dealing Code
- Approval of political donations
- Approval of overall level of insurance for the Group

Key Board roles and responsibilities

Chairman and Chief Executive Officer

There is a clear division of responsibilities between the Chairman and Chief Executive Officer. The roles of the Chairman and Chief Executive Officer are held by different people (Peter Boddy and Stephen Burns respectively) and the purpose of each role is clear and distinct and set out in respective job descriptions. As Chairman, Peter is responsible for the leadership and overall effectiveness of the Board and setting the Board's agenda; Stephen reports to Peter and the Board and is responsible for all executive management matters of the Group.

Senior Independent Director (SID)

Nick Backhouse was appointed as Senior Independent Director prior to Admission. In this role, Nick provides a sounding board for the Chairman, and will lead the Non-Executive Directors' appraisal of the Chairman on an annual basis. Nick is also available to shareholders if they have concerns which contact through the normal channels of the Chief Executive Officer or Chairman has failed to resolve or for which such contact is inappropriate.

Non-Executive Directors

The Non-Executive Directors have been appointed to provide objective and constructive challenge to management and to help develop proposals on strategy. The Chairman and Non-Executive Directors will meet regularly without the Executive Directors present.

Pursuant to the Relationship Agreement entered into between Electra Private Equity Partners 2006 Scottish LP, its manager Epiris and the Company at the time of the IPO, the Electra Shareholders are entitled to appoint 1 nominee Non-Executive Director to the Board for so long as the Electra Shareholders are entitled to exercise or control, directly or indirectly, 10 per cent or more of the votes able to be cast on all or substantially all matters at general meetings of the Company. The first such appointee as nominee non-independent Non-Executive Director is Bill Priestley.

Board and Committee independence

The Board currently consists of 6 Directors (including the Chairman) 2 of whom are considered to be independent as indicated in the table below:

Non-independent	Independent
Peter Boddy (Chairman)	Nick Backhouse (SID)
Bill Priestley (Electra Shareholders nominee)	Claire Tiney
Stephen Burns (Chief Executive Officer)	
Laurence Keen (Chief Financial Officer)	

The Company, therefore, complies with provision B.1.2 of the Code as it applies to smaller companies as it has 2 independent Non-Executive Directors on the Board.

The Company does not comply with provision A.3.1 of the Code which requires that the Chairman should, on appointment, meet the independence criteria set out in provision B.1.1 of the Code. This is because, at Admission, the Chairman held shares in the Company and also held shares in Kanyeco Limited, the holding company of the Group prior to Admission. Nevertheless the Board considers that the fact of the Chairman's shareholding in the Company (including its relative size) does not influence his independence of character and judgement within the meaning of Code provision B.1.1 and it does not influence him or the Board in the proper discharge of their duties and the operation of the business of the Group.

Although the Code does not expressly state that all members of the Audit and Remuneration Committees must be independent, the Board recognised that market practice and investor expectations are that they should be. Bill Priestley was therefore asked to step down as a member of the Audit and Remuneration Committees with effect from 24 November 2016, and those Committees have comprised only independent Non-Executive Directors from that date.

Relationship Agreement

On 16 September 2016, the Company and the Electra Shareholders entered into the Relationship Agreement which regulates aspects of the ongoing relationship between the Company and the Electra Shareholders. The principal purpose of the Relationship Agreement is to ensure that the Company is capable of carrying on its business independently of the Electra Shareholders and their associates, that transactions and relationships with the Electra Shareholders and their associates (including any transactions and relationships with any member of the Group) are at arm's length and on normal commercial terms. The Relationship Agreement will continue for so long as: (i) the shares are listed on the premium listing segment of the Official List; and (ii) the Electra Shareholders, together with their associates, when taken together, hold 10 per cent or more of the issued share capital of the Company.

Under the Relationship Agreement, the Electra Shareholders are entitled to appoint to the Board 1 Non-Executive Director (as noted above) and 1 person to attend as an observer at each meeting of the Board and each meeting of the Remuneration Committee, Audit Committee and Nomination Committee. The Company has agreed to pay Epiris a fee of £50,000 per annum for so long as a Non-Executive Director appointed by the Electra Shareholders remains on the Board.

Board process

Since Admission the Board has met on 4 occasions, with key matters discussed including reviewing the Group risk register, reviewing the terms of reference of its Committees and approving the 2016 Annual Report and financial statements. All Directors were present at each meeting.

The Board intends to meet formally at least 10 times a year, with ad hoc meetings called as and when circumstances require it to meet at short notice. The Board has approved an annual calendar of agenda items to ensure that all matters are given due consideration and are reviewed at the appropriate point in the regulatory and financial cycle. At least once a year, the Board will undertake a full strategic review of the business operations as part of the budget review.

All Directors are expected to attend all meetings of the Board and any Committees of which they are members, and to devote sufficient time to the Company's affairs to fulfil their duties as Directors. The Non-Executive Directors' letters of appointment currently anticipate that each Non-Executive Director will need to commit a minimum of 2 days per month to the Company but clarify that more time may be required. Non-Executive Directors will need to attend scheduled and emergency Board and Committee meetings, at least 1 site visit per year and the AGM. In addition, the Non-Executive Directors are expected to commit appropriate preparation time ahead of each meeting.

Since IPO, the Chairman and the Non-Executive Directors have visited a number of the Company's centres in order to meet the local management teams and further develop their knowledge and understanding of the Company's operations and the way the Company culture discussed by the Board is put into practice at centre level.

Where Directors are unable to attend a meeting, they are encouraged to submit any comments on papers or matters to be discussed to the Chairman in advance to ensure that their views are recorded and taken into account during the meeting. The Chairman and Non-Executive Directors will meet without the Executive Directors present on a number of occasions throughout the year.

Appointment and election

The Board considers all Directors to be effective, committed to their roles and have sufficient time to perform their duties. Accordingly, and in accordance with the Company's Articles, all members of the Board, having not previously been elected by shareholders, will be offering themselves for election at the Company's first Annual General Meeting (AGM) on 23 February 2017.

All of the Directors have service agreements or letters of appointment and the details of their terms are set out in the Directors' Remuneration Policy on page 39.

Corporate Governance Report continued

Training and induction

In preparation for listing, all Directors received an induction briefing from the Company's legal adviser, CMS Cameron McKenna LLP, on their duties and responsibilities as Directors of a publicly quoted company. A full, formal and tailored induction programme will be developed for any new Directors joining the Board. The Chairman, with the support of the Company Secretary, will ensure that the development and ongoing training needs of individual Directors and the Board as a whole are reviewed and agreed at least annually.

The Company Secretary will ensure that the Board is briefed on forthcoming legal and regulatory developments, as well as developments in corporate governance best practice.

Evaluation and effectiveness

Given the short period of time between listing and the financial year end, and the fact that the independent Non-Executive Directors only joined the Group shortly prior to the IPO, the Board did not consider it appropriate to carry out a performance evaluation process prior to publication of the 2016 Annual Report. The Company has not therefore complied with provisions B.6.1 or B.6.3 of the Code in the period under review. The Board believes that a meaningful evaluation can only take place after it has been working together for a reasonable time, and therefore an agreed approach to evaluation will be developed and implemented before the end of FY2017 and annually thereafter. This will include consideration as to whether it is appropriate to carry out an externally facilitated evaluation process.

Conflicts of interest

The Company's Articles set out the policy for dealing with Directors' conflicts of interest and are in line with the Companies Act 2006. The Articles permit the Board to authorise conflicts and potential conflicts, as long as the potentially conflicted Director is not counted in the quorum and does not vote on the resolution to authorise. The Board has approved a procedure by which Directors are briefed on their duty to avoid conflicts of interests and required to immediately notify the Company Secretary when a conflict or potential conflict does arise in order that Board authorisation can be sought. If the Board determines that a conflict or potential conflict can be authorised, it may impose additional conditions to manage such conflicts of interest.

In addition, Directors are reminded at the beginning of each Board meeting to notify the Board of any further conflicts of interest in accordance with sections 175, 177 and 182 of the Companies Act 2006.

Information and support

Agendas and accompanying papers are distributed to the Board and Committee members well in advance of each Board or Committee meeting. These include reports from Executive Directors, other members of senior management and external advisers. Members of senior management are invited to attend meetings to present relevant matters to the Board. All Directors have direct access to senior management should they require additional information on any of the items to be discussed.

The Board and the Audit Committee will also receive further regular and specific reports to allow the monitoring of the adequacy of the Company's systems of internal controls.

The information supplied to the Board and its Committees will be kept under review and formally assessed on an annual basis as part of the Board evaluation exercise to ensure it is fit for purpose and supports the Directors in effectively discharging their duties under the Companies Act, Listing Rules, Disclosure Guidance and the Code.

Relations with shareholders

As part of its ongoing investor relations programme, the Group aims to maintain an active dialogue with its shareholders, including institutional investors, to discuss issues relating to the performance of the Group including strategy and new developments.

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

The Company's first AGM since Admission will take place on 23 February 2017 at Investec Bank plc, 2 Gresham Street, London EC2V 7QP. The Chairman, and the Chairs of the Audit and Remuneration Committees, will be present to answer questions put to them by shareholders. The Annual Report and financial statements and Notice of the AGM will be sent to shareholders at least 20 working days prior to the date of the meeting. To encourage shareholders to participate in the AGM process, the Company will offer electronic proxy voting through both our registrar's website and, for CREST members, the CREST service. Voting will be conducted by way of a poll and the results will be announced through the Regulatory News Service and made available on the Company's website.

Nomination Committee Report

"We are focused on succession planning and ensuring an appropriate balance of skills on the Board."

Peter Boddy
Chairman

Committee members

Peter Boddy – Non-Executive Chairman
Nick Backhouse
Claire Tiney

Role and responsibilities

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

Specific duties of the Nomination Committee include:

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

The Nomination Committee is also responsible for keeping under review Board succession plans and for making recommendations on the composition of the Board Committees.

Meetings

It is intended that the Nomination Committee will meet at least once per year and otherwise as required in order to discharge its duties. Only members of the Nomination Committee have the right to attend meetings, but other Directors, executives or advisers may be invited to attend all or part of any meeting as appropriate.

The Nomination Committee did not meet in the period between IPO and 30 September 2016, but has met on 1 occasion since 30 September 2016 with all members of the Committee in attendance. The meeting focused on succession planning, a review of the Committee's terms of reference and the Board Diversity Policy. We also reviewed the composition of the Board and its Committees, and recommended to the Board that Bill Priestley be asked to step down as a member of the Audit and Remuneration Committees to ensure they are fully independent in line with the Code and investor expectations. We are satisfied that we have a good balance of skills and experience on the Board to support the Company's future development.

Diversity

The Company's policy is that no individual should be discriminated against on the grounds of race, colour, ethnicity, religious belief, political affiliation, gender, age or disability, and this extends to Board appointments. The Board recognises the benefits of diversity, including gender diversity, on the Board, although it believes that all appointments should be made on merit, whilst ensuring that there is an appropriate balance of skills and experience within the Board. The Board currently consists of 17 per cent (1) female and 83 per cent (5) male Board members.

Annual evaluation

As the Nomination Committee has only been established for a short time, a formal performance evaluation has not been conducted. It is intended that a performance evaluation will be conducted in 2017 and reported on in the Company's 2017 Annual Report.

Peter Boddy
Chairman of the Nomination Committee
13 December 2016

Audit Committee Report

"As a newly listed company, we recognise the importance of ensuring our systems and controls are robust and effective."

Nick Backhouse
Chairman of the Audit Committee

Committee members

Nick Backhouse – Chairman
Claire Tiney

Dear Shareholders

On behalf of the Board, I am pleased to present the Audit Committee Report for the period ended 30 September 2016.

The Hollywood Bowl Group plc Audit Committee was formally established by the Board in the lead up to IPO and I was appointed its Chairman when I became a Director of the Group. Claire Tiney and Bill Priestley joined me as the other members of the Committee, Bill having since stepped down as a member to ensure the Committee is fully independent in line with the Code and investor expectations. The Board is satisfied that by virtue of my qualification as a Chartered Accountant, my executive background in finance roles, and my experience as an audit committee chair in other non-executive positions, I have recent and relevant financial experience as recommended under provision C.3.1 of the Code as it applies to the Company.

The Committee's role is to assist the Board with the discharge of its responsibilities in relation to internal and external audits and controls, including reviewing the Group's annual financial statements, considering the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal control systems in place within the Group.

It is our intention to meet at least 3 times per year, and although we did not meet formally prior to the IPO we have met on 2 occasions since the year end, principally to discuss matters in connection with the Annual Report and financial statements, but also to set our schedule for 2016–17. A summary of the matters we discussed is set out in the following report. Key points to draw to your attention are:

Significant accounting judgements

The significant accounting judgements identified by the finance team and the external audit were discussed by the Audit Committee at our meeting on 30 November. Details of the significant judgements and how they have been addressed are set out on page 33.

Risk management and internal control

The Group's systems of risk management and internal control were reviewed extensively as part of the pre-IPO process, and it was concluded that the systems currently in place are satisfactory and work effectively. As a newly listed company, we recognise the importance of ensuring these systems are robust and effective and we expect to work with the finance team to ensure they are kept under review and developed where necessary during the coming financial year.

We have also supported management in the development of the process underlying the Board's long-term viability statement (see page 21). As noted in that statement, we will continue to develop this process during 2017 so that a more sophisticated and holistic approach is adopted for the viability statement in the 2017 Annual Report.

External auditor

The Committee has reviewed our external auditor's (KPMG LLP) independence and performance and following that review we have recommended that KPMG LLP be reappointed as the Group's auditor at the next AGM.

We have discussed a policy for the provision of non-audit services by the external auditor and the Committee will ensure that the policy, which is described in the following report, is implemented and operated effectively in accordance with the requirements of the new EU Statutory Audit regime.

Annual evaluation

As the Audit Committee has only been established for a short time, we have not conducted a formal performance evaluation but will do so in advance of FY2017 end.

We have made good progress since the IPO and will continue to work with the management team and the Board to ensure our governance and control processes operate effectively to support the delivery of the Group's strategy.

Nick Backhouse
Chairman of the Audit Committee
13 December 2016

Duties and responsibilities

The Audit Committee's duties and responsibilities are set out in its terms of reference which are available on the Company's website.

Meetings and attendees

The Group did have an established Audit Committee in the years prior to the IPO which met on an annual basis to consider the financial statements. The current Hollywood Bowl Group plc Audit Committee was established at IPO and will normally meet not fewer than 3 times a year.

The internal and external auditors have the right to attend meetings. Outside of the formal meeting programme, the Audit Committee Chairman will maintain a dialogue with key individuals involved in the Company's governance, including the Chairman, the Chief Executive Officer, the Chief Financial Officer and the external audit lead Partner.

Activity since IPO

The Audit Committee did not meet in the period between IPO and 30 September 2016, but has met on 2 occasions since the year end.

All members of the Committee attended both meetings, and matters discussed included:

- Reviewing the Committee's terms of reference and recommending changes to the Board;
- Review of the Company's risk register and considering the process to support the long-term viability statement;
- Consideration of the Group's policy on the provision of non-audit services by the external auditor;
- Reviewing the Group's whistleblowing arrangements; and
- Reviewing the Annual Report and financial statements and recommending their approval by the Board.

Significant issues considered in relation to the financial statements

Significant issues and accounting judgements are identified by the finance team and the external audit process and are reviewed by the Audit Committee. The significant issues considered by the Committee in respect of the year ended 30 September 2016 are set out in the table below.

Significant accounting judgements table

Significant issues and judgements	How the issues were addressed
Accounting for the IPO and IPO-related costs	The Audit Committee considered management's judgements in applying the principles of reverse acquisition accounting under IFRS3 "Business Combinations" as described in Note 2 to the Financial Statements. The Audit Committee also reviewed and challenged the accounting treatment and disclosure of the transaction costs incurred as part of the IPO process, and concluded that the judgements made by management in accounting for the IPO and IPO costs were reasonable and appropriate.
Goodwill impairment assessment	Impairment reviews have been performed by management at 30 September 2016. The cash flow forecasts used were based on the budget approved by the board with assumed growth rates thereafter. The Audit Committee reviewed and considered the key assumptions around future growth rates and discount rates used, and is satisfied that there is no impairment of goodwill as at 30 September 2016. Please refer to Note 13 to the Financial Statements for further information.
Estimated useful life of Property, Plant and Equipment (PPE)	The Audit Committee reviewed management's estimate of the useful life of PPE, and in particular considered management's judgement that there should be no impairment of PPE at the Group's underperforming centres. The Audit Committee was satisfied that PPE were fairly stated as at 30 September 2016.

Audit Committee Report
continued

Risk management and internal control

The Board has overall responsibility for setting the Group's risk appetite and ensuring that there is an effective risk management framework. The Board has, however, delegated responsibility for review of the risk management methodology and effectiveness of internal controls to the Audit Committee. Given the short period between IPO and the year end, the Committee has taken the view that a review of the effectiveness of the risk management and internal control systems before the publication of this report was neither feasible or necessary especially as they were reviewed as part of the pre-IPO process. The Company does not therefore strictly comply with provision C.2.3 of the Code for the period since IPO. The Audit Committee intends to keep the risk management and internal control systems under review going forward and to support the Board in carrying out an annual review of their effectiveness. The Audit Committee will provide oversight and advice to the Board on current risk exposures and future risk strategy. Further details of the Group's risk management approach, structure and principal risks are set out in the Strategic Report on pages 20 and 21.

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

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

In reviewing the effectiveness of the system of internal controls, the Audit Committee will, going forward:

- Review the risk register compiled and maintained by senior managers within the Group and question and challenge where necessary;
- Regularly review the system of financial and accounting controls; and
- Report to the Board on the risk and control culture within the Group.

The Audit Committee has not identified, nor been advised of, any failings or weaknesses in the internal control systems or risk management processes that are determined to be significant. As part of its ongoing review the Audit Committee will consider the FRC's 2014 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.

Internal audit

The Group has an internal audit function which focuses on performing regular testing over the processes and controls implemented across centres. Internal audit findings are presented to the relevant Centre Manager and the Chief Financial Officer for review. The Audit Committee will keep under review the effectiveness of the internal audit function, and whether the scope of its work should be extended to cover processes and controls at a wider Group level.

External auditor

The Audit Committee is responsible for overseeing the Group's relationship with its external auditor, KPMG LLP. This includes the ongoing assessment of the auditor's independence and the effectiveness of the external audit process, the results of which inform the Committee's recommendation to the Board as to the auditor's appointment (subject to shareholder approval) or otherwise.

Appointment and tenure

KPMG LLP was first appointed as the external auditor of the Company in 2007. The current lead audit Partner, Mike Woodward, has been in place for 10 years, and will rotate off as lead Partner not later than the end of the September 2017 audit.

In accordance with the Code and EU legislation, the Committee intends to put the external audit out to tender at least every 10 years post-IPO.

Non-audit services

The engagement of the external audit firm to provide non-audit services to the Group can impact on the independence assessment, and the Company has, therefore, adopted a policy which requires Audit Committee approval for any non-audit services the value of which exceeds £25,000. The engagement of the external auditor to provide any non-audit services for less than £25,000 must be discussed by the Chief Financial Officer with the Audit Committee Chairman in advance. The policy recognises that certain non-audit services may not be carried out by the external auditor (in accordance with the EU Statutory Audit regime).

During the year ended 30 September 2016, KPMG LLP were engaged to provide non-audit services relating to the Bowlplex acquisition and subsequent site disposal, and certain tax related services. Significantly KPMG LLP also provided certain non-audit services in respect of the IPO, including the preparation of reports on the Company's historic financial position. As a result, given the work on the IPO, the fees paid to KPMG LLP in respect of non-audit services during the year totalled £968,000, representing 645 per cent of the total audit fee. KPMG LLP has not been engaged to provide any non-audit services to the Group since the IPO.

Whistleblowing

The Company has adopted procedures by which employees may, in confidence, raise concerns relating to possible improprieties in matters of financial reporting, financial control or any other matter. The whistleblowing policy applies to all employees of the Group. The Audit Committee is responsible for monitoring the Group's whistleblowing arrangements and the policy will be reviewed periodically by the Board. We have reviewed these arrangements since year end and the Committee is satisfied that they are effective, facilitate the proportionate and independent investigation of reported matters, and allow appropriate follow up action to be taken.

Chair of the Remuneration Committee's Annual Statement

"A policy that aligns all stakeholders and the business strategy and is fair to all concerned."

Claire Tiney
Chair of the Remuneration Committee

Committee members

Claire Tiney – Chair
Nick Backhouse

Dear Shareholders

As Chair of the Remuneration Committee, I am pleased to present the report of the Board covering the policy and practice for the first time as a listed company.

This report has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the UKLA Listing Rules and the Code. The report is split into 3 parts:

- The Annual Statement by the Chair of the Remuneration Committee.
- The Directors' Remuneration Policy (the Policy) which sets out the Company's remuneration policy for Directors and the key factors that were taken into account in setting the Policy. This Policy will be put to a binding shareholder vote at the AGM on 23 February 2017 and will apply for 3 years from the date of approval.
- The Annual Report on Remuneration which sets out payments made to the Directors and details the link between Company performance and remuneration for FY2016. The Annual Report on Remuneration together with this letter is subject to an advisory shareholder vote at the AGM.

In the IPO Prospectus we set out some of the core principles for our Policy. These have been further developed and are set out in detail in the Policy.

Remuneration highlights for FY2016

At the time of listing, executive reward was carefully reviewed and scrutinised to ensure appropriate remuneration arrangements were in place to support the next phase of the Company's growth strategy. This included:

- Transitioning from a private equity backed business to a listed company with the associated development of a new policy and associated incentive plans.
- Linking the remuneration of Executive Directors to the performance of the Company. The Policy aims to support a high performance culture. Annual bonus measures are based on Group financial performance over the year and paid part in cash (up to a maximum of 65 per cent of the award) and part in shares deferred for 2 years.
- The launch of the new LTIP with the first grants to be made during FY2017. Awards will vest at the end of 3 years subject to satisfaction of a performance condition measuring EPS in the final year of the performance period.

Key activities of the Remuneration Committee

The Remuneration Committee's key activities during FY2016 and in the period since the IPO were focused on the:

- Agreement of the Remuneration Committee's terms of reference;
- Formulation of the Company remuneration policy as a listed company;
- Setting the policy for the Chairman's fee, and with the Board, the Non-Executive Director fees;
- Implementing the Company's new LTIP;
- Determining the level of bonus payments in respect of this financial year; and
- Drafting the Company's first Directors' Remuneration Report as a listed company.

My philosophy and that of the Remuneration Committee can be encapsulated in having a policy that aligns all the stakeholders and the business strategy, enables us to retain and recruit executives in a competitive sector, sets challenging targets and is fair to all concerned.

I hope that you find the information in this report helpful and I look forward to your support at the Company's AGM.

I am always happy to hear from the Company's shareholders and you can contact me via the Company Secretary if you have any questions on this report or more generally in relation to the Company's remuneration.

Claire Tiney
Chair of the Remuneration Committee
13 December 2016

Directors' Remuneration Policy

Remuneration Policy

Introduction

The Policy as set out below will be put to a binding shareholder vote at the AGM on 23 February 2017 and will apply for the period of 3 years from the date of approval.

Policy summary

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

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

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

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

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

UK Corporate Governance Code

The Remuneration Committee is comfortable that the proposed Policy is in line with the provisions of the Code. In particular, the Policy contains the following components which address key elements of the 2014 Code:

- A LTIP with a 3-year performance period designed to promote the long-term success of the Company;
- Malus and clawback provisions for the annual bonus and LTIPs to enable the Company to recover sums paid or withhold the payment of any sum in the event of material misstatement resulting in an adjustment in the audited consolidated accounts of the Company or action or conduct which, in the reasonable opinion of the Board, amounts to employee misbehaviour, fraud or gross misconduct.

Discretion

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

Differences in policy from the wider employee population

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

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

How the element supports our short and long-term strategic objectives	Operation	Opportunity	Performance metrics used, weighting and time period applicable
Salary Provides a base level of remuneration to support the recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	Salaries are reviewed annually and any changes are effective from 1 November. When determining an appropriate level of salary, the Remuneration Committee considers: • Remuneration practices within the Company; • The performance of the individual Executive Director; • The individual Executive Director's experience and responsibilities; • The general performance of the Company; • Salaries within the ranges paid by companies in the comparator group used for remuneration benchmarking; and • The economic environment.	Base salaries will be set at an appropriate level with a comparator group of comparable sized listed companies and will normally increase with increases made to the wider employee workforce. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted Policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the average until the target positioning is achieved. The Committee recognises that the current base salaries for Executive Directors are below the market level but when setting the base salaries has given regard to the considerable shareholding in the Company of the current Executive Directors and a desire to focus the remuneration structure on a long-term strategy.	None
Benefits Provides a competitive level of benefits.	The Executive Directors receive benefits which include, but are not limited to, family private health cover, death in service life assurance, income protection insurance and travel expenses for business-related travel (including tax if any). The Remuneration Committee recognises the need to maintain suitable flexibility in the determination of benefits that ensure it is able to support the objective of attracting and retaining employees. Accordingly, the Remuneration Committee would expect to be able to adopt benefits such as relocation expenses, tax equalisation and support in meeting specific costs incurred by Directors.	The maximum will be set at the cost of providing the benefits described.	None
Pensions Currently Executive Directors receive an employer's contribution equal to 5 per cent of base salary.	On recruitment, the Committee retains discretion to provide pension funding up to the maximum opportunity in the form of a salary supplement, which would not form part of the salary for the purposes of determining the extent of participation in the Company's incentive arrangements.	15 per cent of base salary per annum.	None
Annual Bonus Plan The Annual Bonus Plan provides a significant incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders.	The Remuneration Committee will determine the bonus payable after the year end based on performance against objectives and targets. Bonus payments per individual will be both proportionate to the overall size of the bonus pot and each individual's performance versus their personal objectives. Annual bonuses are paid part in cash and part in shares deferred for 2 years. The maximum proportion of an annual bonus which may be paid in cash is 65 per cent. On change of control the Remuneration Committee may pay bonuses on a pro rata basis measured on performance up to the date of change of control. Annual bonus payments will be subject to malus at the Remuneration Committee's discretion in the event of leaving for a competitor or gross misconduct.	The maximum bonus opportunity is 100 per cent of base salary.	The bonus payout is based on Group financial performance measured over the financial year. The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance year if there is a significant and material event which causes the Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Remuneration Committee believe that the bonus outcome is not a fair and accurate reflection of business performance. The Remuneration Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the bonus plan in advance would not be in shareholder interests. Actual targets, performance achieved and awards made will be published at the end of the performance periods so shareholders can fully assess the basis for any payouts under the annual bonus.

Directors' Remuneration Policy continued

How the element supports our short and long-term strategic objectives	Operation	Opportunity	Performance metrics used, weighting and time period applicable
Long-Term Incentive Plan (LTIP) Awards are designed to incentivise the Executive Directors to maximise total shareholder returns by successfully delivering the Company's objectives and to share in the resulting increase in total shareholder value. The use of EPS as a performance metric ensures Executive Directors are focused on ensuring the annual profit performance targeted by the Annual Bonus Plan flows through to long-term sustainable EPS growth.	Awards are granted annually to Executive Directors in the form of nil cost options or conditional awards of shares. These will vest at the end of a 3-year period subject to: • the Executive Director's continued employment at the date of vesting; and • satisfaction of the performance conditions. The Remuneration Committee may award dividend equivalents on awards to the extent that these vest. Malus and clawback provisions will apply.	Award maximum of 150 per cent of base salary. The maximum opportunity under the initial LTIP awards to be made during FY2017 may not exceed 100 per cent of base salary.	The awards will vest subject to the satisfaction of a performance condition measuring EPS in the final year of the performance period. The Remuneration Committee may use different measures for subsequent awards, as appropriate. No material change will be made to the type of performance conditions without prior shareholder consultation. The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance period if there is a significant and material event which causes the Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Remuneration Committee believe that the vesting outcome is not a fair and accurate reflection of business performance.
All-Employee Plan To encourage wide employee share ownership and thereby align employees' interests with shareholders.	The Company has a Share Incentive Plan (SIP) in which the Executive Directors are eligible to participate (which is HMRC approved and is open to all eligible staff). The Company also has the facility to operate a sharesave scheme.	UK scheme in line with HMRC limits as amended from time to time.	None
Shareholding requirement To support long-term commitment to the Company and the alignment of Executive Director interests with those of shareholders.	The Remuneration Committee has adopted formal shareholding guidelines that will encourage the Executive Directors to build up over a 5-year period and then subsequently hold a shareholding equivalent to a percentage of base salary. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements.	200 per cent of salary.	None
Chairman and Non-Executive Director fees Provides a level of fees to support recruitment and retention of Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Company's strategic objectives.	The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors, other than the Chairman whose remuneration is considered by the Remuneration Committee and recommended to the Board. Non-Executive Directors are paid a base fee. An additional payment is paid to the Senior Independent Director in respect of the additional duties of this role. No additional fees are paid to Non-Executive Directors or the Chairman of the Company for the membership or chairmanship of committees. Fees are reviewed annually, based on equivalent roles in an appropriate comparator group used to review salaries paid to the Executive Directors. Non-Executive Directors do not participate in any variable remuneration or benefits arrangements.	The base fees for Non-Executive Directors are set with reference to the market rate. In general the level of fee increase for the Non-Executive Directors will be set taking account of any change in responsibility and will take into account the general rise in salaries across the UK workforce. The Company will pay reasonable expenses incurred by the Chairman and Non-Executive Directors.	None

Recruitment policy

The Company's approach when setting the remuneration of any newly recruited Executive Director will be assessed in line with the same principles for the Executive Directors, as set out in the Policy table. The Remuneration Committee's approach to recruitment remuneration is to pay no more than is necessary to attract candidates of the appropriate calibre and experience needed for the role from the market in which the Company competes. The Remuneration Committee is mindful that it wishes to avoid paying more than it considers necessary to secure the preferred candidate and will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments made on recruitment and the appropriateness of any performance measures associated with an award.

The remuneration package for a new Executive Director would be set in accordance with the terms of the Company's approved Policy. Given a new Executive Director would not have the significant shareholding of the current Executive Directors, the base salary on recruitment may be higher than the incumbent and they will be entitled to a pension contribution of up to 15 per cent of salary, in line with the Policy. In the year of recruitment, the maximum variable pay will be 250 per cent of salary (other than in exceptional circumstances where up to 350 per cent of salary may be made if sign-on compensation is provided).

The Remuneration Committee's policy is not to provide sign-on compensation. However, in exceptional circumstances where the Remuneration Committee decides to provide this type of compensation it will endeavour to provide the compensation in equity, subject to a holding period during which cessation of employment will generally result in forfeiture and subject to the satisfaction of performance targets. The maximum value of this one-off compensation will be proportionate to the overall remuneration offered by the Company and in all circumstances is limited to 100 per cent of salary. The Committee will carefully consider this matter to ensure consistency with the principles outlined earlier, particularly in relation to shareholder alignment, and will take appropriate external advice before finalising a decision in this regard and where practical consult with the Company's key shareholders.

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

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

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

Where an existing employee is promoted to the Board, the Policy set out above would apply from the date of promotion but there would be no retrospective application of the Policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the person concerned. These would be disclosed to shareholders in the Remuneration Report for the relevant financial year.

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

Service agreements and letters of appointment

Each of the Executive Directors' service agreements is for a rolling term and may be terminated by the Company or the Executive Director by giving 6 months' notice.

The Remuneration Committee's policy for setting notice periods is that a 6-month period will apply for Executive Directors. The Remuneration Committee may in exceptional circumstances arising on recruitment, allow a longer period, which would in any event reduce to 6 months following the first year of employment.

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

The Non-Executive Directors of the Company (including the Chairman) do not have service contracts. The Non-Executive Directors are appointed by letters of appointment. Each independent Non-Executive Director's term of office runs for an initial period of 3 years unless terminated earlier upon written notice or upon their resignations.

The initial terms of the Non-Executive Directors' positions are subject to their election by the Company's shareholders at the AGM scheduled to be held on 23 February 2017 and to re-election at any subsequent AGM at which the Non-Executive Directors stand for re-election.

The details of each Non-Executive Director's term which they are currently serving are set out below:

Name	Date of appointment	Current term (full years)	Notice periods by Company (months)	Notice periods by Director (months)
Peter Boddy	24 June 2016	3	1	1
Nick Backhouse	14 June 2016	3	1	1
Claire Tiney	14 June 2016	3	1	1
Bill Priestley	24 June 2016	3	1	1

Directors' Remuneration Policy
continued

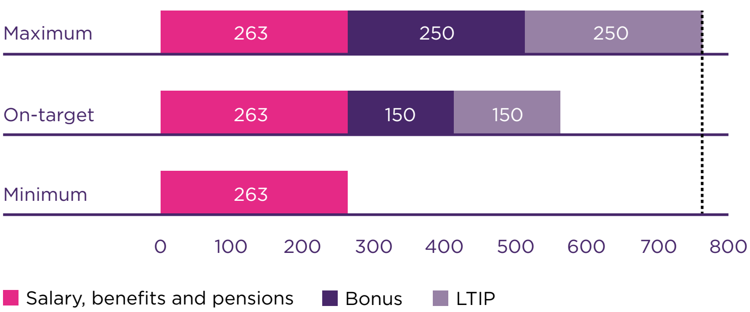
Illustrations of the application of the Policy

The chart below illustrates the remuneration that would be paid to each of the Executive Directors, based on salaries with effect from 21 September 2016 under 3 different performance scenarios: (i) Minimum; (ii) On-target; and (iii) Maximum. The elements of remuneration have been categorised into 3 components: (i) Fixed; (ii) Annual Bonus; and (iii) LTIP, with the assumptions set out below:

Element	Description	Minimum	On-Target	Maximum
Fixed	Salary, benefits and pension	Included	Included	Included
Annual Bonus	Annual bonus	No variable payable	60% of maximum bonus	100% of maximum bonus
LTIP	Award under the LTIP	No annual minimum. Multiple year and variable	60% of the maximum award	100% of the maximum award

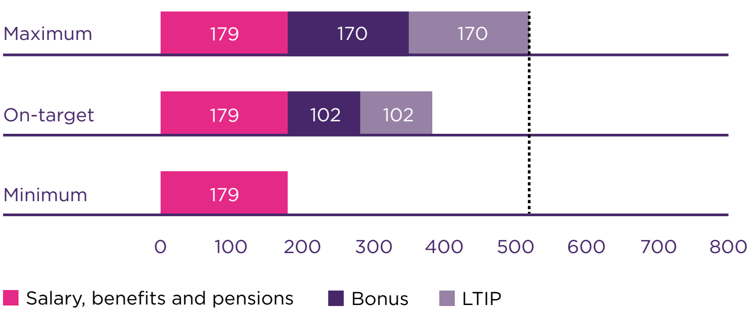
In accordance with the regulations, share price growth has not been included. In addition, dividend equivalents have not been added to LTIP share awards for the purposes of this illustration.

CEO £'000



At minimum, variable remuneration is 0 per cent of salary; on-target, variable remuneration represents 120 per cent of salary and at maximum, variable remuneration represents 200 per cent of salary.

CFO £'000



At minimum variable remuneration is 0 per cent of salary; at target, variable remuneration represents 120 per cent of salary and at maximum, variable remuneration represents 200 per cent of salary.

Payment for loss of office

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

When determining any loss of office payment for a departing individual the Remuneration Committee will always seek to minimise cost to the Company whilst seeking to address the circumstances at the time.

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

Change of control

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

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

Statement of conditions elsewhere in the Company

The Remuneration Committee considers pay and employment conditions across the Company when reviewing the remuneration of the Executive Directors and other senior employees. In particular, the Remuneration Committee considers the range of base pay increases across the Group. While the Company does not directly consult with employees as part of the process of reviewing executive pay and formulating the Policy set out in this report, the Company does receive updates from the Executive Directors on their discussions and reviews with senior management and employees.

The Company does not use remuneration comparison measurements.

Consideration of shareholder views

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

Annual Report on Remuneration

Single total figure of remuneration (audited)

Executive Directors (audited)

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in respect of FY2016. Comparative figures for FY2015 have also been provided. Figures provided have been calculated in accordance with the UK disclosure requirements: the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (Schedule 8 to the Regulations).

	Salary[1] (£'000)		Benefits (£'000)		Bonus (£'000)		LTIP (£'000)		Pension (£'000)		Total (£'000)	
Name	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Stephen Burns[2]	**180.3**	160.0	**1.7**	1.4	**111.2**	120.0	**nil**	nil	**8.2**	7.7	**301.4**	289.1
Laurence Keen[2]	**133.1**	130	**1.5**	0.8	**86.8**	105.0	**nil**	nil	**6.3**	6.2	**227.7**	242.0

1 Executive Director salaries were reviewed on Admission and increased with effect from 21 September 2016 to £250,000 for Stephen Burns and £170,000 for Laurence Keen.
2 For the period from the Group restructure (16 September 2016) to the year end, the salary received by Stephen Burns and Laurence Keen was £10,000 and £7,000 respectively. These amounts are included in the total salary figures for 2016.

Non-Executive Directors (audited)

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

	2016			2015		
	Fees (£'000)	**Taxable benefits (£'000)**	**Total (£'000)**	Fees (£'000)	Taxable benefits (£'000)	Total (£'000)
Peter Boddy – Chair[3]	**56**	**–**	**56**	55	–	55
Nick Backhouse – Senior Independent Director, Chair – Audit Committee	**15**	**–**	**15**	–	–	–
Claire Tiney – Chair – Remuneration Committee	**13**	**–**	**13**	–	–	–
Bill Priestley	**–**	**–**	**–**	–	–	–

3 For the period from the Group restructure (16 September 2016) to the year end, Peter Boddy received a fee of £3,000. This amount is included in the total fees received by Peter Boddy in 2016.

Bill Priestley is appointed to the Board as a representative of the Electra Shareholders in accordance with the provisions of the Relationship Agreement. The Company has agreed to pay Electra Partners a fee of £50,000 per annum for so long as a Non-Executive Director appointed by the Electra Shareholders remains on the Board.

Additional information regarding single figure table (audited)

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

Bonus awards (audited)

Cash bonuses were awarded to Stephen Burns (£112,200) and Laurence Keen (£86,800) in respect of the year ended 30 September 2016. The awards were made in accordance with arrangements in place prior to the IPO.

Long-term incentives awarded in 2016 (audited)

There were no awards made during FY2016. The first awards under the new LTIP plans will be made during FY2017.

Payments to past Directors/payments for loss of office (audited)

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

Statement of Directors' shareholdings and share interests (audited)

Shareholding requirements in operation at the Company are currently 200 per cent of base salary for the CEO and the CFO. Executive Directors are required to build up their shareholdings over a reasonable amount of time which would normally be 5 years. The number of shares of the Company in which current Directors had a beneficial interest and details of long-term incentive interests as at 30 September 2016 are set out in the table below.

Director	**Shareholding requirement (percentage of salary)**	**Current shareholding (percentage of salary)**	**Beneficially owned shares[4]**	**Unvested LTIP interests subject to performance conditions**	**Shareholding requirement met?**
Stephen Burns	200	2,211	3,276,041	–	Yes
Laurence Keen	200	1,464	1,475,325	–	Yes

4 The share price of 168.75 pence as at 30 September 2016 has been taken for the purpose of calculating the current shareholding as a percentage of salary. Unvested LTIP shares and options do not count towards satisfaction of the shareholding guidelines.

Non-Executive Directors are not subject to a shareholding requirement. Details of their interests in shares are set out below:

Director	Shares held 30 September 2016
Peter Boddy	**863,596**
Nick Backhouse	**15,625**
Claire Tiney	**3,125**
Bill Priestley	**31,250**

No changes in interests of the Executive or Non-Executive Directors set out above have taken place between 30 September 2016 and the date of this report.

Comparison of overall performance and pay

It should be noted that the Company listed on 21 September 2016 and, therefore, has limited listed share price history until the financial year end on 30 September 2016. Therefore it is not felt to be appropriate to present a comparison of performance versus a comparator in the report this year.

Chief Executive Officer historic remuneration

The table below sets out the total remuneration delivered to the Chief Executive Officer over the last 2 years, valued using the methodology applied to the single total figure of remuneration. The Remuneration Committee does not believe that the remuneration payable in its earlier years as a private company bares any comparative value to that paid in its later years and, therefore, the Remuneration Committee has chosen to disclose remuneration only for the 2 most recent financial years:

Chief Executive Officer	2016	2015
Total single figure (£'000)	**301.4**	289.1
Annual bonus payment level achieved (percentage of maximum opportunity)	**N/A**	N/A
LTIP vesting level achieved (percentage of maximum opportunity)	**N/A**	N/A

It should be noted that the Company only introduced the LTIP on Admission.

Change in Chief Executive Officer's remuneration compared with employees

The following table sets out the change in the remuneration paid to the Chief Executive Officer from 2015 to 2016 compared with the average percentage change for employees.

The Chief Executive Officer's remuneration disclosed in the table below has been calculated to take into account base salary, taxable benefits and annual bonus (including any amount deferred). The employee pay (on which the average percentage change is based) is calculated using the increase in the earnings of full-time UK employees using P60 and P11d data from tax years 2015 and 2016. Part time employees have been excluded from the analysis. The employee analysis is done on a matched basis such that the same individuals appear in the 2015 and 2016 populations.

	Salary			Taxable benefits			Bonus		
	£'000		Percentage change	£'000		Percentage change	£'000		Percentage change
	2016	2015		2016	2015		2016	2015	
Chief Executive Officer	**180**	160	12.5	**1.7**	1.4	21.4	**111.2**	120.0	-7.3
Total pay	**19,838**[1]	16,740	18.5	**89**	61	45.9	**2,273**	2,311	-1.6
Number of employees	**1,745**	1,586	10.0	**1,745**	1,386	10.0	**1,745**	1,386	10.0
Average per employee	**11.4**[2]	12.1	-5.9	**0.1**	0.1	-49.0	**1.3**	1.7	-21.9

1 This excludes exceptional share-based payments for 2016 as these are deemed to be non-recurring costs.
2 This reduction is due to the addition of Bowlplex employees.

Annual Report on Remuneration continued

Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in FY2016 and FY2015 compared with other disbursements. All figures provided are taken from the relevant Company Accounts.

	Disbursements from profit in FY2016 (£m)	Disbursements from profit in FY2015 (£m)	Percentage change
Profit distributed by way of dividend	**0.3**	–	N/A
Overall spend on pay including Executive Directors	**22,385**[1]	19,259	16.2

1 This excludes exceptional share-based payments for 2016 as these are deemed to be non-recurring costs.

Shareholder voting at general meetings

This is the Company's first year as a public company and therefore the FY2017 AGM will be the first. This means that there is no historic voting to disclose on the Company's executive remuneration.

Implementation of Policy in FY2017

The Remuneration Committee proposes to implement the Policy for FY2017 as set out below:

Salary

The salaries for FY2017 are set out below:

	Salary		
Name	2017[1]	**2016**	Percentage change
Stephen Burns	£250,000	**£180,000**	39
Laurence Keen	£170,000	**£132,250**	29

1 Note that the salary increases for FY2017 were with effect from 21 September 2016 following a review of base salary levels prior to Admission.

Changes to Non-Executive Directors' Fees

No changes are proposed to the current fee components in place. Breakdown of fee components will remain as follows:

Chairman fee	£80,000
Senior Independent Director fee	£5,000
Base fee	£45,000
Chairman of Audit Committee fee	No additional fee
Chair of Remuneration Committee fee	No additional fee

Benefits and pension

No changes are proposed to benefits or pension.

Annual Bonus Plan

The maximum bonus opportunity for the Executive Directors is 100 per cent of salary.

Annual bonus outcomes will be determined purely based on achievement of financial targets.

The Remuneration Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the Annual Bonus Plan in advance would not be in shareholder interests. Actual targets, performance achieved and awards made will be published at the end of the performance periods so shareholders can fully assess the basis for any payouts under the Annual Bonus Plan.

LTIP award

It is intended that the first grant under the LTIP will be made during FY2017.

The initial LTIP awards for the Executive Directors will be:

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

The proportion of the awards vesting will be based on adjusted EPS performance measured in the final year of the 3-year performance period. The awards will vest based on the following adjusted EPS targets:

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

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

Composition and terms of reference of the Remuneration Committee

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

All members of the Remuneration Committee are Non-Executive Directors. Claire Tiney (Chair) and Nick Backhouse, who are both independent Non-Executive Directors, were appointed on 14 June 2016. Bill Priestley was appointed as a member of the Remuneration Committee on 24 June 2016, but stepped down with effect from 24 November 2016 to ensure that the Committee is fully independent in line with the Code and investor expectations. The Remuneration Committee receives assistance from the CEO, CFO and Company Secretary, who attend meetings by invitation, except when issues relating to their own remuneration are being discussed. The Remuneration Committee met 3 times during the period between IPO and the date of this report. All members attended each meeting.

Advisers to the Remuneration Committee

Following a formal tendering process carried out by the Board prior to the IPO of the Company, the Committee has engaged the services of PricewaterhouseCoopers LLP (PwC) as independent remuneration adviser.

During the financial year, PwC advised the Company on all aspects of Policy for Executive Directors and members of the Executive Team and the associated drafting for the Prospectus. PwC also provided advice to the Company in relation to the drafting and implementation of executive and employee incentives and advice in relation to Company pension arrangements.

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

PwC received a fixed fee of £17,500 for their advice during the year to 30 September 2016.

On behalf of the Board

Claire Tiney
Chair of the Remuneration Committee
13 December 2016

Directors' Report

The Directors present their report for the year ended 30 September 2016. Additional information which is incorporated by reference into this Directors' Report, including information required in accordance with the Companies Act 2006 and Listing Rule 9.8.4R of the UK Financial Conduct Authority's Listing Rules, can be located as follows:

Disclosure	Location
Future business developments	Strategic Report – pages 4 to 23
Greenhouse gas emissions	CSR Report – page 23
Financial risk management objectives and policies (including hedging policy and use of financial instruments)	Notes 27 and 28 to the financial statements – pages 74 to 76
Details of long-term incentive schemes	Directors' Remuneration Report – page 38
Directors' responsibilities statement	Page 49

On 13 June 2016 the Company was incorporated as Marilyn plc. On 14 June 2016 it was renamed as Hollywood Bowl Group plc.

Directors

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

Peter Boddy[1]	appointed 13 June 2016
Stephen Burns[1]	appointed 14 June 2016
Laurence Keen[1]	appointed 14 June 2016
Bill Priestley[1]	appointed 13 June 2016
Nick Backhouse	appointed 14 June 2016
Claire Tiney	appointed 14 June 2016

1 Served as Directors of Kanyeco Limited, the holding Company of the Group prior to the IPO.

The roles and biographies of the Directors as at the date of this report are set out on pages 26 and 27.

Results and dividend

The results for the year are set out in the consolidated statement of comprehensive income on page 54. The Directors recommend the payment of a final dividend of 0.19 pence per share on 24 March 2017 subject to approval at the AGM on 23 February 2017, with a record date of 24 February 2017.

Articles of Association

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

Share capital

Details of the Company's share capital, including changes during the year, are set out in Note 22 to the financial statements. As at 30 September 2016, the Company's share capital consisted of 150,000,000 Ordinary Shares of 47 pence each, and 1 deferred share with a nominal value of £1,012,141.96 (the IPO Deferred Share). The IPO Deferred Share was subsequently cancelled on 9 November pursuant to a court approved capital reduction in accordance with the Companies Act 2006, and as described in the Company's IPO Prospectus published on 16 September 2016. As a result, the Company's share capital as at 7 December 2016, being the latest practicable date prior to publication of the Annual Report, consists of 1 class of Ordinary Shares of 1 pence each which do not carry rights to fixed income.

Ordinary Shareholders are entitled to receive notice of, and to attend and speak at, any general meeting of the Company. On a show of hands every shareholder present in person or by proxy (or being a corporation represented by a duly authorised representative) shall have 1 vote, and on a poll every shareholder who is present in person or by proxy shall have 1 vote for every share of which he/she is the holder. The Notice of AGM specifies deadlines for exercising voting rights and appointing a proxy or proxies

Other than the general provisions of the Articles (and prevailing legislation) there are no specific restrictions of the size of a holding or on the transfer of the Ordinary Shares except as follows:

- restrictions on Electra Private Equity Partners 2006 Scottish LP (the 'Principal Selling Shareholder') as a result of the Principal Selling Shareholder entering into a lock-in deed with the Company and its sponsor (Investec) restricting the transfer of Ordinary Shares held by the Principal Selling Shareholder immediately after Admission for a period of 12 months ending on 16 September 2017; and
- restrictions on certain Directors and senior managers of the Company (the 'Management Selling Shareholders') as a result of the Management Selling Shareholders entering into a lock-in deed with the Company and its sponsor (Investec) restricting the transfer of the legal and/or beneficial interest in Ordinary Shares held by the Management Selling Shareholders immediately after Admission for a period of 2 years ending on 16 September 2018.

The Directors are not aware of any agreements between holders of the Company's shares that may result in the restriction of the transfer of securities or on voting rights. No shareholder holds securities carrying any special rights or control over the Company's share capital.

Authority for the Company to purchase its own shares

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

Prior to listing, the Company was generally and unconditionally authorised by its shareholders to make market purchases (within the meaning of section 693 of the Companies Act 2006) of up to a maximum of 7,050,000 of its Ordinary Shares. The Company has not repurchased any of its Ordinary Shares under this authority, which is due to expire at the AGM to be held on 23 February 2017, and accordingly has an unexpired authority to purchase up to 7,050,000 Ordinary Shares.

Directors' interests

The number of Ordinary Shares of the Company in which the Directors were beneficially interested as at 30 September 2016 are set out in the Directors' Remuneration Report on pages 42 and 43.

Directors' indemnities

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

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

Compensation for loss of office

The Company does not have any agreements with any Executive Director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company share schemes may cause options and awards outstanding under such schemes to vest on a takeover. Further information is provided in the Directors' Remuneration Policy on page 40.

Significant interests

The table below shows the interests in shares notified to the Company in accordance with the Disclosure Guidance and Transparency Rules as at 30 September 2016, and 7 December 2016 (being the latest practicable date prior to publication of the Annual Report):

	At 30 September 2016		At 14 November 2016	
Name of shareholder	Number of Ordinary Shares of 47 pence each held	Percentage of total voting rights held	Number of Ordinary Shares of 1 pence each held	Percentage of total voting rights held
Electra Private Equity Partners 2006 Scottish LP	26,702,364	17.80	26,702,364	17.80
Schroders plc & Schroder Investment Management Limited	19,221,250	12.81	19,923,548	13.28
Soros Fund Management	9,625,000	6.42	9,625,000	6.42
BlackRock, Inc	7,812,566	5.21	7,812,566	5.21
J O Hambro Capital Management Limited	7,612,500	5.08	7,612,500	5.08

Employee involvement and policy regarding disabled persons

The Company actively encourages employee involvement and consultation, and places emphasis on keeping its employees informed of the Group's activities and financial performance by such means as employee briefings and publication (via the Group's intranet) to all staff of relevant information and corporate announcements. The Company also publishes a weekly staff bulletin. Further information about our employees, including how we incentivise them, can be found in our Corporate Social Responsibilty report on page 22.

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

Political donations

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

Change of control – significant agreements

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

Relationship Agreement

Details of the Relationship Agreement entered into between the Principal Selling Shareholder, Electra Partners LLP and the Company can be found in the Corporate Governance Report on page 29. The Relationship Agreement ceases to apply if the Company's shares cease to be admitted to the premium segment of the Official List, or if the collective holding of the Electra Shareholders (the Principal Selling Shareholder and Electra Partners LLP) and any of their associates falls below 10 per cent of the issued share capital of the Company.

Directors' Report
continued

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

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

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

Auditor
KPMG LLP have indicated their willingness to continue in office and a resolution seeking to reappoint them will be proposed at the forthcoming AGM.

Annual General Meeting
The AGM will be held at Investec Bank plc, 2 Gresham Street, London EC2V 7QP on 23 February 2017 at 10.00am. The notice convening the meeting, together with details of the business to be considered and explanatory notes for each resolution, is distributed to shareholders with this Annual Report. It is also available at www.hollywoodbowlgroup.com, where a copy can be viewed and downloaded.

Post-balance sheet events
There have been no material post-balance sheet events as at the date of this report.

The Strategic Report on pages 4 to 23 and this Directors' Report have been drawn up and presented in accordance with, and in reliance upon, applicable English company law and any liability of the Directors in connection with these reports shall be subject to the limitations and restrictions provided by such law.

By order of the Board

Laurence Keen
Chief Financial Officer
13 December 2016

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

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

Responsibility statement of the Directors in respect of the Annual Financial Report

We confirm that to the best of our knowledge:

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

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

By order of the Board

Stephen Burns
Chief Executive Officer
13 December 2016

Laurence Keen
Chief Financial Officer
13 December 2016

Independent Auditor's Report
to the Members of Hollywood Bowl Group plc only

Opinions and conclusions arising from our audit
1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Hollywood Bowl Group plc for the year ended 30 September 2016, set out on pages 54 to 81.

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2016, and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- The Parent Company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland'; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as follows:

Non-recurring risks

Accounting for the IPO (Share capital: £71.5 million, Share premium: £51.8 million, Merger reserve: £49.9 million, IPO related costs: £2.3 million, Debt: £29.4 million, Cost in relation to early repayment of debt in place prior to IPO: £2.9 million)

- Refer to page 33 (Audit Committee Report), page 58 and 63 (Accounting policies) and pages 64, 72 and 73 (financial disclosures).

The risk – In preparation for the IPO, the Group undertook a capital reorganisation and refinancing, and executed a complex step plan which included the creation of a new holding company, share exchanges, repayment arrangements for previous shareholders and its bank debt.

The accounting treatments for the capital reorganisation requires the Directors to choose between accounting treatments that may be applicable. The appropriate accounting for the steps plan reflected a significant risk of material misstatement due to the magnitude and complexity of the accounting entries.

Significant transaction costs were incurred as part of the process, including legal and professional fees in relation to the IPO. The accounting treatment for and disclosure of these transaction costs requires the Directors to apply significant judgement.

Our response – Our audit procedures included the following:

- We tested the validity and appropriate reflection of each of the steps to create the new corporate structure. In doing so, we agreed that the share transactions recorded were consistent with the relevant Board and shareholders' resolutions and their Registrar of Companies filings. We also evaluated the consistency of the amounts recorded with the underlying shareholder and loan agreements.
- We critically assessed the accounting treatment of these transactions adopted by the Group and challenged the Group's assumptions in recording the accounting treatments and evaluated if they were in line with the appropriate legal requirements and accounting standards.
- We critically assessed and challenged the classification of the costs incurred during the IPO process within the financial statements by determining whether they (i) related directly to any debt issued or taken on, (ii) related directly to the extinguishment of the debt in place prior to IPO or (iii) related directly to the IPO activities. We agreed a sample of the transaction costs incurred to third party invoices to determine whether the classification in the financial statements was consistent with the nature of services provided (as noted above). In particular, we assessed the appropriateness of the presentation of transaction costs capitalised against financial liabilities or as an expense in the consolidated statement of comprehensive income.
- We also considered the adequacy and accuracy of the Group's disclosures about the steps plan (within Note 22) to reflect the movement from the opening equity position at the start of the financial period to the closing equity position at the end of the financial year ended 30 September 2016.

Recurring risks

Goodwill impairment assessment (£75.0 million)

- Refer to page 33 (Audit Committee Report), page 61 (Accounting policies) and pages 68 and 69 (financial disclosures).

The risk – Goodwill is the most quantitatively significant item on the Group balance sheet, and is subject to an impairment review at least annually. Whilst the annual impairment review of goodwill performed by the Group as at 30 September 2016 supports the carrying values above, we focused on this area as the preparation of these assessments involve a significant degree of judgement and is sensitive to changes in the future forecasts of cash flows and other assumptions such as growth and discount rates.

Our response – Our procedures included the following:

- We examined the Group's budgeting procedures upon which the forecasts are based, and tested the integrity of the Group's discounted cash flow model. We used our own valuation specialist to assist us in evaluating the assumptions and methodologies used by the Group, in particular those relating to discount rates.
- We compared the Group's assumptions within their cash flow model to externally derived and historical data, as well as our own assessments in relation to key inputs, in particular – number of games, spend per game, growth and discount rates. We also performed a sensitivity analysis on the level of cash flows, discount rate and growth rate used in the impairment assessment to assess whether a reasonable possible change in these assumptions could trigger an impairment charge.
- We compared the sum of the discounted cash flows (ie, value in use of the Group) to the Group's market capitalisation to assess the reasonableness of those cash flows. We also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill.

Carrying amount of property, plant and equipment ('PPE') (£37.3 million)

- Refer to page 33 (Audit Committee Report), page 60 (Accounting policies) and pages 64 and 68 (financial disclosures).

The risk – Property, plant and equipment are the second most quantitatively significant item on the Group balance sheet and therefore, an area of our audit focus due to its size and the nature of the Group's business.

Our response – Our procedures included the following:

- We evaluated the appropriateness of the Group's estimate of the useful life of PPE, comparing them with those adopted by similar businesses and reviewing historical data around replacement of PPE within the business.
- We examined the most recent years' profitability of individual bowling sites to identify any indicators of PPE impairment, and reviewed the forecasts and value in use (including assumptions used and integrity of the cash flow model) of any underperforming sites to assess if an impairment charge needed to be recognised.
- As noted above, we compared the Group's assumptions within the cash flow forecasts to externally derived and historical data, as well as our own assessments in relation to key inputs such as likely changes in the numbers of visitors and their spend per game; and in discount rates. We also performed a sensitivity analysis on the level of cash flows, discount rate and growth rate used in the impairment assessment to assess whether a reasonable possible change in these assumptions could trigger an impairment charge.

3. Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £0.6 million (2015: £1 million), determined with reference to a benchmark of Group profit before tax, normalised to:

- exclude certain of this year's exceptional costs (as disclosed in Note 5), primarily in relation to IPO of £2.3 million, costs in relation to the renegotiation of Liverpool lease of £1.6m, acquisition related expenses of £2.3 million; and
- recognise an interest charge of £1.2m, which is reflective of the debt structure in place as at 30 September 2016 instead of the total interest charge of £8.8 million for the year, as disclosed in Note 9;

of which it represents 4 per cent.

In the prior year, materiality was set at £1 million, determined with reference to a benchmark of Group revenues, of which it represented 1.2 per cent. Considering the profitability, size and risk profile of the Group in the prior year, revenue was considered an appropriate benchmark.

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £30,000 (2015: £50,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

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

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The information given in the Corporate Governance Report set out on page 34 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Independent Auditor's Report
to the Members of Hollywood Bowl Group plc only continued

5. We have nothing to report on the disclosures of principal risks

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

- The Directors' statement of longer term viability on page 21, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the 3 years to 30 September 2019 or
- The disclosures in Note 2 of the financial statements concerning the use of the going concern basis of accounting.

6. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- We have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- The Audit Committee Report on pages 32 to 34 does not appropriately address matters communicated by us to the Audit Committee.

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

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- A Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- The Directors' statements, set out on page 21, in relation to going concern and longer-term viability; and
- The part of the Corporate Governance Statement on page 28 relating to the Company's compliance with the 11 provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement, set out on page 49, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Mike Woodward (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
58 Clarendon Road
Watford
WD17 1DE

13 December 2016

Financial statements

Consolidated Statement of Comprehensive Income
Year ending 30 September 2016

	Note	30 September 2016 £'000	30 September 2015 £'000
Revenue	3	**106,632**	86,044
Cost of sales		**(17,205)**	(14,963)
Gross profit		**89,427**	71,081
Administrative expenses	6	**(76,444)**	(58,047)
Other income		**1,395**	–
Operating profit		**14,378**	13,034
Underlying operating profit		**19,541**	12,312
Exceptional items	5	**(5,163)**	722
Finance income	9	**22**	8
Finance expenses	9	**(11,905)**	(8,143)
Movement in derivative financial instrument		**79**	(134)
Profit before tax		**2,574**	4,765
Tax expense	10	**(1,387)**	(1,173)
Profit for the year attributable to equity shareholders		**1,187**	3,592
Other comprehensive income		**–**	–
Total comprehensive income for the year attributable to equity shareholders		**1,187**	3,592
Basic and diluted earnings per share (pence)	11	**1.12**	3.56

The accompanying notes on page 58 to 77 form an integral part of these financial statements.

Consolidated Statement of Financial Position
As at 30 September 2016

	Note	30 September 2016 £'000	30 September 2015 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**37,264**	30,854
Intangible assets	13	**79,228**	66,186
		116,492	97,040
Current assets			
Cash and cash equivalents	15	**9,224**	14,696
Trade and other receivables	16	**9,634**	8,023
Inventories	17	**1,018**	703
		19,876	23,422
Total assets		**136,368**	120,462
LIABILITIES			
Current liabilities			
Trade and other payables	18	**18,866**	14,127
Loans and borrowings	20	**–**	1,009
Corporation tax payable		**1,034**	637
		19,900	15,773
Non-current liabilities			
Other payables	18	**6,941**	7,886
Loans and borrowings	20	**29,403**	92,285
Deferred tax liabilities	21	**2,230**	1,765
Accruals and provisions	19	**3,476**	2,904
Derivative financial instruments	27	**55**	134
		42,105	104,974
Total liabilities		**62,005**	120,747
NET ASSETS/(LIABILITIES)		**74,363**	(285)
Equity attributable to shareholders			
Share capital	22	**71,512**	49,932
Share premium	23	**51,832**	–
Merger reserve	23	**(49,897)**	(49,847)
Capital redemption reserve	23	**99**	–
Retained earnings	23	**817**	(370)
TOTAL EQUITY/(DEFICIT)		**74,363**	(285)

The accompanying notes on page 58 to 77 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 13 December 2016.

Signed on behalf of the Board

Laurence Keen
Chief Financial Officer

Company Registration Number: 10229630

Consolidated Statement of Changes in Equity
For the year ended 30 September 2016

	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
Equity at 30 September 2014	42,499	–	(42,414)	–	(3,962)	(3,877)
Issue of shares	7,433	–	(7,433)	–	–	–
Profit for the period	–	–	–	–	3,592	3,592
Equity at 30 September 2015	**49,932**	**–**	**(49,847)**	**–**	**(370)**	**(285)**
Shares issued during the year	100	–	(50)	–	–	50
Debt for equity swap	21,424	51,460	–	–	–	72,884
Issue of shares to employees	155	372	–	–	–	527
Shares re-organisation	(99)	–	–	99	–	–
Profit for the period	–	–	–	–	1,187	1,187
Equity at 30 September 2016	**71,512**	**51,832**	**(49,897)**	**99**	**817**	**74,363**

Consolidated Statement of Cash Flows
For the year ended 30 September 2016

	Note	**30 September 2016 £'000**	30 September 2015 £'000
Cash flows from operating activities			
Profit before tax		**2,574**	4,765
Adjusted by:			
Depreciation and impairment	12	**9,316**	7,758
Amortisation of intangible assets	13	**493**	508
Net interest expense		**11,883**	8,135
(Profit)/loss on disposal of property, plant and equipment		**(745)**	17
Movement on derivative financial instrument		**(79)**	134
Share-based payments		**526**	–
Operating profit before working capital changes		**23,968**	21,317
Decrease/(increase) in inventories		**108**	(57)
Decrease/(increase) in trade and other receivables		**5,115**	(185)
Increase in payables and provisions		**143**	1,310
Cash inflow generated from operations		**29,334**	22,385
Interest received		**7**	8
Income tax paid – corporation tax		**(2,352)**	(1,835)
Interest paid		**(2,100)**	(2,304)
Net cash inflow from operating activities		**24,889**	18,254
Investing activities			
Acquisition of subsidiaries		**(22,801)**	–
Subsidiary cash acquired		**970**	–
Purchase of property, plant and equipment		**(10,157)**	(7,073)
Purchase of intangible assets		**(357)**	(221)
Sale of assets		**2,708**	450
Net cash used in investing activities		**(29,637)**	(6,844)
Cash flows from financing activities			
Issue of loan notes		**10,000**	70
Increase of bank loan		**(9,250)**	(750)
Payment of financing costs		**(1,474)**	(13)
Net cash flows used in financing activities		**(724)**	(693)
Net change in cash and cash equivalents for the period		**(5,472)**	10,717
Cash and cash equivalents at the beginning of the period		**14,696**	3,979
Cash and cash equivalents at the end of the period	15	**9,224**	14,696

The accompanying notes on page 58 to 77 form an integral part of these financial statements.

Notes to the Financial Statements

1. General information

Hollywood Bowl Group plc (together with its subsidiaries, the Group) is a public limited company and was admitted to the premium listing segment of the Official List of the Financial Conduct Authority (FCA) and to trade on the Main Market of the London Stock Exchange on 21 September 2016. The Group is incorporated and domiciled in England and Wales. The registered office of the Parent Company is Focus 31, West Wing, Cleveland Road, Hemel Hempstead, HP2 7BW, United Kingdom. The registered Company number is 10229630. A list of the Company's subsidiaries is presented in Note 15.

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

The Directors of the Group are responsible for the consolidated financial statements.

2. Accounting policies

The principal accounting policies applied in the consolidated financial statements are set out below. These accounting policies have, unless otherwise stated, been applied consistently to all period presented in these consolidated financial statements. The financial information presented is at and for the financial years 30 September 2016 and 30 September 2015.

Hollywood Bowl Group plc was incorporated on 13 June 2016 as an acquisition vehicle for the purposes of achieving listing on the London Stock Exchange and the Company had no significant transactions prior to Admission on 21 September 2016. The Group acquired the entire share capital of Kanyeco Limited on 16 September 2016 in a share for share exchange. Consequently, for the consolidated financial statements of the Group, prepared under IFRS, the principles of reverse acquisition accounting under IFRS 3 'Business Combinations' have been applied. The steps to restructure the Group had the effect of Hollywood Bowl Group plc being inserted above Kanyeco Limited of which the shareholders exchange their shares and loan notes for shares in Hollywood Bowl Group plc.

By applying the principles of reverse acquisition accounting, the Group is presented as if Hollywood Bowl Group plc has always owned the Kanyeco Group. The comparative income statement and balance sheet are presented in line with the previously presented consolidated financial statements of Kanyeco Limited. The comparative and current year consolidated reserves of the Group are adjusted to reflect the statutory share capital, share premium and merger reserve of Hollywood Bowl Group plc, as if it had always existed. The steps taken to restructure the Group are explained in more detail in Note 22.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (EU-IFRS) as adopted for use in the EU, International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under EU-IFRS. The functional currency of each entity in the Group is Pounds Sterling. The consolidated financial statements are presented in Pounds Sterling and all values are rounded to the nearest thousand, except where otherwise indicated.

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis under the historical cost convention as modified by the recognition of certain financial assets/liabilities (including derivative instruments) at fair value through the profit and loss.

The Company has elected to prepare its financial statements in accordance with FRS 102 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 statement of comprehensive income and related notes that form a part of these approved financial statements.

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

The Group beneath Hollywood Bowl Group plc, headed by Kanyeco Limited, previously first time adopted IFRSs in the year ended 30 September 2014. In preparing the consolidated financial statements for Hollywood Bowl Group plc, the Directors have reflected, under reverse acquisition accounting, the amounts reported in the Group headed by Kanyeco Limited. The Directors have, however, opted to disclose the IFRS reconciliation for 30 September 2015 and 30 September 2014 in Note 31.

Standards issued not yet effective

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

2. Accounting policies continued

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. The impact of these standards is not expected to be material. These are listed below:

Standard/interpretation	Content	Applicable for financial years beginning on/after
IFRS 9 'Financial Instruments' (2009) and amendment	IFRS 9 'Financial instruments' is effective for 1 January 2018 periods commencing on or after 1 January 2018. IFRS 9 is a replacement for IAS 39 'Financial Instruments' and covers 3 distinct areas. Phase 1 contains new requirements for the classification and measurement of financial assets and liabilities. Phase 2 relates to the impairment of financial assets and requires the calculation of impairment on an expected loss basis rather than the current incurred loss basis. Phase 3 relates to less stringent requirements for general hedge accounting.	1 January 2018
IFRS 15 'Revenue from Contracts with Customers'	IFRS 15 'Revenue from Contracts with Customers', replaces IAS 18, 'Revenues', and introduces a 5-step approach to revenue recognition based on performance obligations in customer contracts. The International Accounting Standards Board (IASB) has proposed to issue some clarifications and to defer the standard's effective date of 1 January 2017 to 1 January 2018.	1 January 2018
IFRS 16 'Leases'	IFRS 16 sets out the principles for the recognition, 1 January 2019 measurement, presentation and disclosure of leases for both parties to a contract, ie the customer (lessee) and the supplier (lessor). IFRS 16 completes the IASB's project to improve the financial reporting of leases and replaces the previous leases Standard, IAS 17 'Leases', and related Interpretations. The effective date for the Group is also subject to EU endorsement.	1 January 2019

Basis of consolidation

The consolidated financial information incorporates the financial statements of the Company and all of its subsidiary undertakings. The financial statements of all Group companies are adjusted, where necessary, to ensure the use of consistent accounting policies. Acquisitions are accounted for under the acquisition method from the date control passes to the Group. On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

Going concern

On 21 September 2016, the Group's shares were admitted to trading on the Main Market of the London Stock Exchange and it entered into a new £30 million, 5-year loan facility (see Note 20 for details). There was no primary raise at the IPO and all proceeds were distributed to existing shareholders. The Directors believe that this has:

- Given the Group a stronger capital structure, enabling it to continue its growth strategy and make it even more attractive as a key tenant
- Allowed the Group access to a wider range of capital raising options, which could be used for acquisition opportunities
- Removed any private equity loan notes, which attract a higher rate of interest than normal bank facilities
- Provided the Group with a lower rate of interest on its bank loan facility, which will reduce interest payments and allow further investment of cash.

The Group is in a strong financial position to continue its operations for the foreseeable future. For these reasons, the Directors have adopted the going concern basis in preparing the Financial Statements.

The Directors have made this assessment after consideration of 3-year budgeted cash flows and related assumptions, and in accordance with the FRC's Guidance on Risk Management, Internal Control and related Financial and Business Reporting.

Revenue recognition

Revenue is the total amount receivable by the Group for goods supplied, excluding VAT and discounts.

Revenue for food, drink and amusements is recognised when the risks and rewards of owning the product has been transferred to the buyer at the point of sale, which is when cash is received. Revenue arising from bowling is recognised when the customer actually plays, with deposits paid in advance being held on the balance sheet until that time and then recognised as income.

Notes to the Financial Statements continued

2. Accounting policies continued

Employee benefits

(i) Short-term benefits

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

(ii) Defined contribution plans

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

(iii) Share-based payments

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

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

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

Leases

(i) Operating leases

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

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

(ii) Hire purchase agreements and finance leases

Assets held under the hire purchase agreements and finance leases are capitalised and disclosed under property, plant and equipment at their fair value. The capital element of the future payments is treated as a liability and the interest element is charged to the statement of comprehensive income on a straight-line basis.

Dilapidation provision

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

Property, plant and equipment

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

Depreciation is provided to write off cost, less estimated residual values, of all property, plant and equipment, except for investment properties and freehold land, evenly over their expected useful lives, calculated at the following rates:

Leasehold property	– lesser of lease period and 25 years
Bowling lanes and pinspotters	– over 40 years
Plant and machinery	– over 8 years
Fixtures, fittings and equipment	– over 8 years
Office equipment	– over 3 years

The carrying value of the property, plant and equipment is compared to the higher of value in use and the fair value less costs to sell. If the carrying value exceeds the higher of the value in use and fair value less the costs to sell the asset then the asset is impaired and its value reduced by recognising an impairment provision.

2. Accounting policies continued

Intangible assets

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

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

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

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

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

Inventories

Inventories are carried at the lower of cost or net realisable value.

Net realisable value is calculated based on the revenue from sale in the normal course of business less any costs to sell. Due allowance is made for obsolete and slow moving items.

Impairment

(i) Impairment of financial assets

All financial assets (other than those categorised at fair value charged through the statement of comprehensive income) are assessed at the end of each reporting period as to whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of loans and receivables financial assets is recognised in the statement of comprehensive income and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through statement of comprehensive income to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) Impairment of non-financial assets

The carrying values of intangible assets are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in the statement of comprehensive income immediately.

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

Deferred taxation

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

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

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

Notes to the Financial Statements continued

2. Accounting policies continued

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

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

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

Operating segments

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

The Board considers that the Group's activity constitutes 1 operating and 1 reporting segment, as defined under IFRS 8. Management reviews the performance of the Group by reference to total results against budget.

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held on call, together with other short-term highly liquid investments which are not subject to significant changes in value and have original maturities of less than 3 months. The Group's bank facilities are provided under a Group facility.

Equity

Equity comprises the following:

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

Financial instruments

Financial liabilities are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classified as financial liabilities. Financial liabilities are presented as such in the statement of financial position.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classified as equity instrument. Dividends and distributions relating to equity instruments are debited directly to equity.

Financial assets

On initial recognition, financial assets are classified as either financial assets at fair value through the statement of comprehensive income, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

The Group classifies all its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired.

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The Group's loans and receivables financial assets comprise trade and other receivables, and cash and cash equivalents included in the Consolidated Statement of Financial Position.

Financial liabilities

Financial liabilities are recognised when, and only when, the Group become a party to the contractual provisions of the financial instrument.

All financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through the statement of comprehensive income.

2. Accounting policies continued

Fair value through the statement of comprehensive income category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Equity instruments

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds. Dividends on Ordinary Shares are recognised as liabilities when approved for distribution.

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate risk. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. The resulting gain or loss is recognised in the profit or loss account immediately. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

A derivative is presented as a non-current asset or liability if the remaining maturity of the instrument is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or liabilities.

Exceptional items and other adjustments

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

Summary of critical accounting estimates and judgements

The preparation of financial information in conformity with EU-IFRS's requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the accounting policies which are detailed above. These judgements are continually evaluated by the Directors and management, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key estimates and underlying assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and judgements which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below:

- *Useful lives of depreciable assets*
  Management reviews the useful lives of depreciable assets at each reporting date to ensure that the useful lives represent a reasonable estimate of likely period of benefit to the Group. Actual useful lives however, may vary due to unforeseen events. As detailed in Note 16, a reassessment of the useful life of bowling lanes and pinspotters was made in 2015.

- *Impairment of assets*
  EU-IFRS's require management to undertake an annual test for impairment of indefinite life assets and, for finite life assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

  Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

  - growth in EBITDA, calculated as adjusted operating profit before depreciation and amortisation;
  - long-term growth rates; and
  - the selection of discount rates to reflect the risks involved.

The Group prepares financial budgets on an annual basis, and monitors predicted financial performance and cash flow on a rolling monthly basis. These budgets and analyses are used in the calculations.

Notes to the Financial Statements
continued

2. Accounting policies continued

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence results.

- *Valuation of intangible assets*
  The determination of the fair value of assets and liabilities including goodwill and other intangibles arising on the acquisition of businesses which is expected to generate future economic benefits, is based, to a considerable extent, on management's judgement.

  The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset where no active market for the assets exists. The use of different assumptions for the expectations of future cash flows and the discount rate would change the valuation of the intangible assets.

  Allocation of the purchase price affects the results of the Group, as finite life intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised and could result in differing amortisation charges based on the allocation to indefinite life and finite life intangible assets.

- *Provisions*
  Provisions have been made for dilapidations in respect of leased premises. These provisions are estimates, in particular the assumptions relating to restoration expenses, and the actual costs and timing of future cash flows are dependent on future events. Any differences between expectations and the actual future liability will be accounted for in the period when such determination is made.

3. Segmental reporting

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

4. Reconciliation of operating profit to adjusted EBITDA

	30 September 2016 £'000	30 September 2015 £'000
Operating profit	**14,378**	13,034
Depreciation	**9,316**	7,758
Amortisation	**493**	508
EBITDA	**24,187**	21,300
Exceptional items	**5,163**	(722)
Adjusted EBITDA	**29,350**	20,578

Management use EBITDA adjusted for exceptional items (adjusted EBITDA) as a key performance measure of the business. It is felt that this measure reflects the underling trading of the 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 expense that have been shown separately due to the significance of their nature or amount:

	30 September 2016 £'000	30 September 2015 £'000
VAT rebate[1]	**1,395**	–
Rates rebate[2]	**79**	1,009
Property costs[3]	**(648)**	–
Acquisition related expenses[4]	**(2,334)**	(163)
Restructuring and legal costs[5]	**(757)**	(124)
IPO related expenses[6]	**(2,298)**	–
Share-based payments[7]	**(600)**	–
	(5,163)	722

5. Exceptional items continued

1 The Group was able to make a one-off retrospective reclaim in respect of overpaid VAT relating to customers who were 'no-shows' and children's shoe hire. This VAT rebate relates to a rebate for FY2012 to 2015. This has been classified as other income in the consolidated statement of comprehensive income. Going forward this will not be classified as exceptional income as it will be recognised within revenue.
2 There was a sector-wide property rating appeal which was settled during FY2015 and resulted in a majority of the Group's centres receiving one-off rebates for the period from April 2010 onwards. Most of this was received in FY2015. With the new rating list effective from April 2017, the normal rates appeals process will be followed and in-year refunds will not be included within exceptional costs.
3 For FY2016 this includes profit for the sale of the Avonmeads Centre (£0.8m) and a reverse premium (£1.6m) for exiting a lease rental contract for the Liverpool centre.
4 Costs relating to the acquisition of Bowlplex in December 2015. These costs include legal and research fees in connection with the lengthy CMA process which was part of the acquisition.
5 Costs relating to restructuring in readiness for, and subsequent to the acquisition of the Kanyeco Group in September 2014, and the acquisition of Bowlplex in December 2015. Also includes costs for the management of the Group by Epiris.
6 Costs associated with the IPO of Hollywood Bowl Group plc on the London Stock Exchange on 21 September 2016. Costs include legal and accounting transaction fees along with corporate banking costs.
7 Allocation of shares to employees on IPO date. Shares issued to employees have been recorded at fair value, being the strike price at IPO. This comprises the fair value of the shares (£527,000) and the employers' national insurance expense (£73,000). This was a one-off allocation of shares to employees as part of the IPO. Share-based payments and other LTIPs will not be included in exceptional items as these are envisaged to be recurring and part of the normal course of business going forward.

6. Profit from operations

Profit from operations includes the following:

	30 September 2016 £'000	30 September 2015 £'000
Amortisation of intangible assets	**493**	508
Depreciation of property, plant and equipment	**9,316**	7,758
Operating leases:		
– Property	**13,514**	11,543
Loss/(profit) on disposal of property, plant and equipment[1]	**(745)**	17
Auditor's remuneration:		
– Fees payable for audit of these financial statements	**75**	–
Fees payable for other services		
– Audit of subsidiaries	**75**	72
– Taxation compliance services	**6**	–
– Other tax advisory services	**225**	–
– Services relating to corporate finance transactions[2]	**737**	26
	1,118	98

1 This includes profit on sale of the Avonmeads Centre. See Note 5.
2 The services relating to corporate finance transactions includes £667,000 in relation to the IPO, and £70,000 in relation to the acquisition of Bowlplex in December 2015.

7. Staff numbers and costs

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

	30 September 2016 £'000	30 September 2015 £'000
Directors	**6**	7
Administration	**57**	54
Operations	**1,682**	1,325
Total staff	**1,745**	1,386

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

	30 September 2016 £'000	30 September 2015 £'000
Wages and salaries	**22,111**	19,051
Social security costs	**1,614**	1,442
Pension costs	**185**	147
Share-based payments	**600**	–
Total staff costs	**24,510**	20,640

Notes to the Financial Statements continued

8. Remuneration of Directors and key management personnel

(a) Directors' emoluments

The Directors' emoluments and benefits were as follows:

	30 September[1] 2016 £'000	30 September[2] 2015 £'000
Salaries and bonuses	**599**	884
Pension contributions	**15**	22
Total	**614**	906

1 These are pro forma amounts for the full year. For FY2016 this includes 2 Executive Directors and 3 Non-Executive Directors.
2 For FY2015 this includes 4 Executive Directors and 1 Non-Executive Director.

The aggregate of emoluments of the highest paid Director were £301,000 (2015: £289,000) and company pension contributions of £8,000 (2015: £8,000) were made to a defined contribution scheme on their behalf.

(b) Key management personnel

The Directors and the senior managers of the Group are considered to be the key management personnel of the Group. For 2015, the key management personnel were the Directors of Kanyeco Limited.

The remuneration of all key management (including Directors) was as follows:

	30 September 2016 £'000	30 September 2015 £'000
Salaries and bonuses	**960**	884
Pension contributions	**25**	22
Total	**985**	906

9. Finance income and expenses

	30 September 2016 £'000	30 September 2015 £'000
Interest on bank deposits	**22**	8
Finance income	**22**	8
Interest on bank borrowings	**1,900**	2,308
Unwinding of discount on provisions	**124**	189
Interest on loan notes	**6,886**	5,646
Exceptional finance costs	**2,995**	–
Finance expense	**11,905**	8,143

Exceptional finance costs comprise the write off of £2,858,000 of capitalised financing fees relating to the old bank facility that ended on IPO and £137,000 to settle the liability on an outstanding interest rate swap, which was ended on IPO.

10. Taxation

	30 September 2016 £'000	30 September 2015 £'000
The tax expense is as follows:		
– UK corporation tax	**2,130**	1,605
– Adjustment in respect of previous periods	**(42)**	(168)
Total current tax	**2,088**	1,437
Deferred tax:		
Origination and reversal of temporary differences	**(701)**	(170)
Adjustment in respect of prior years	**–**	(94)
Total deferred tax	**(701)**	(264)
Total tax expense	**1,387**	1,173

10. Taxation continued

Factors affecting current tax charge/(credit):

The tax assessed on the profit for the period is different to the standard rate of corporation tax in the UK of 20 per cent (2015: 20 per cent). The differences are explained below:

	30 September 2016 £'000	30 September 2015 £'000
Profit excluding taxation	**2,574**	4,765
Tax using the UK corporation tax rate of 20%	**515**	977
Reduction in tax rate on deferred tax balances	**(276)**	–
Non-deductible expenses	**1,234**	458
Tax exempt revenues	**(44)**	–
Over provided in prior years	**(42)**	(262)
Total tax expense included in profit or loss	**1,387**	1,173

The Group's standard tax rate for the year ended 30 September 2016 was 20 per cent (2015: 20.5 per cent).

Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate from 20 per cent to 19 per cent (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17 per cent (effective from 1 April 2020) was substantively enacted on 15 September 2016. This will reduce the Group's future current tax charge accordingly and the deferred tax liability at 30 September 2016 has been calculated based on these rates.

11. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of Hollywood Bowl Group plc by the weighted average number of shares issued during the year. The weighted average number of shares for both the current and preceding years has been stated as it the Group share for share exchange (Note 22) has occurred at the beginning of the comparative year.

	30 September 2016	30 September 2015
Basic and diluted		
Profit for the year after tax (£'000)	**1,187**	3,592
Weighted average number of shares in issue for the period (number)	**105,843,170**	100,880,334
Earnings per share (pence)	**1.12**	3.56

There are no dilutive share arrangements.

Adjusted underlying earnings per share

Adjusted earnings per share is calculated by dividing adjusted underlying earnings after tax by the weighted average number of shares issued during the year.

	30 September 2016	30 September 2015
Adjusted underlying earnings after tax (before exceptional costs and shareholder interest) (£'000)	**14,004**	7,901
Weighted average number of shares in issue for the period (number)	**105,843,170**	100,880,334
Adjusted earnings per share (pence)	**13.23**	7.83

Adjusted underlying earnings after tax is calculated as follows:

	2016 £'000	2015 £'000
Profit before taxation	**2,574**	4,765
Exceptional items (Note 5)	**5,163**	(722)
Exceptional costs within finance expenses (Note 9)	**2,995**	–
Shareholder interest (Note 9)	**6,886**	5,646
Adjusted underlying profit before taxation	**17,618**	9,689
Less taxation	**(3,614)**	(1,788)
Adjusted underlying earnings after tax	**14,004**	7,901

Notes to the Financial Statements continued

12. Property, plant and equipment

	Long leasehold property £'000	Short leasehold property £'000	Plant, machinery and fixtures and fittings £'000	Total £'000
Cost				
At 1 October 2014	1,224	4,518	26,886	32,628
Additions	–	1,495	5,578	7,073
Disposals	–	(33)	(1,521)	(1,554)
At 30 September 2015	**1,224**	**5,980**	**30,943**	**38,147**
Additions	–	2,674	7,483	10,157
On acquisition (Note 30)	–	1,715	5,817	7,532
Disposals	–	(20)	(4,476)	(4,496)
At 30 September 2016	**1,224**	**10,349**	**39,767**	**51,340**
Accumulated depreciation				
At 1 October 2014	5	106	511	622
Depreciation charge	59	1,560	6,139	7,758
Disposals	–	(33)	(1,054)	(1,087)
At 30 September 2015	**64**	**1,633**	**5,596**	**7,293**
Depreciation charge	46	1,688	7,582	9,316
Disposals	–	(10)	(2,523)	(2,533)
At 30 September 2016	**110**	**3,311**	**10,655**	**14,076**
Net book value				
At 30 September 2016	**1,114**	**7,038**	**29,112**	**37,264**
At 30 September 2015	1,160	4,347	25,347	30,854
At 30 September 2014	1,219	4,412	26,375	32,006

13. Intangible assets

	Goodwill £'000	Brand[1] £'000	Trademark £'000	Software £'000	Total £'000
Cost					
At 1 October 2014	62,014	3,360	798	340	66,512
Additions	–	–	–	221	221
Disposals	–	–	–	(17)	(17)
At 30 September 2015	**62,014**	**3,360**	**798**	**544**	**66,716**
Additions	–	–	–	357	357
On acquisition (Note 30)	13,020	–	4	154	13,178
Disposals	–	–	–	(15)	(15)
At 30 September 2016	**75,034**	**3,360**	**802**	**1,040**	**80,236**
Accumulated amortisation					
At 1 October 2014	–	12	4	23	39
Amortisation charge	–	168	62	278	508
Disposals	–	–	–	(17)	(17)
At 30 September 2015		**180**	**66**	**284**	**530**
Amortisation charge	–	168	50	275	493
Disposals	–	–	–	(15)	(15)
At 30 September 2016	**–**	**348**	**116**	**544**	**1,008**
Net book value					
At 30 September 2016	**75,034**	**3,012**	**686**	**496**	**79,228**
At 30 September 2015	62,014	3,180	732	260	66,186
At 30 September 2014	62,014	3,348	794	317	66,473

1 This relates to the Hollywood Bowl brand only.

13. Intangible assets continued

EU-IFRSs requires that, on acquisition, intangible assets are recorded at fair value. As explained in Note 32, the Group has not applied the requirements of IFRS 3 to acquisitions that occurred before 1 October 2012.

Impairment testing is carried out at the cash-generating unit (CGU) level on an annual basis.

The recoverable amount of the CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the Board covering a 3-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 as follows:

	2016	2015
Discount rate	**9.8%**	10.8%
Growth rate	**2.0%**	2.0%

Discount rates reflect management's estimate of return on capital employed required. This is the benchmark used by management to assess operating performance and to evaluate future capital investment proposals. These discount rates are derived from the Group's weighted average cost of capital. Changes in the discount rates over the years are calculated with reference to latest market assumptions for the risk free rate, equity market risk premium and the cost of debt.

The key assumptions are number of games and spend per game. Based on these assumptions there is no impairment required.

Goodwill is tested for impairment on at least an annual basis, or more frequently if events or changes in circumstance indicate that the carrying value may be impaired. In the years under review, management's value in use calculations have indicated no requirement to impair.

Sensitivity to changes in assumptions

The estimates of the recoverable amounts associated with the CGU affords significant head room over the carrying value, consequently any reasonable possible changes in these key assumptions would not cause the Group to recognise an impairment loss.

14. Investment in subsidiaries

Hollywood Bowl Group's operating subsidiaries as at 30 September 2016 are as follows:

Name	Company number	Principal activities	Country of business/incorporation	Proportion of Ordinary Shares directly held by Group
Direct holding				
Kanyeco Limited[1]	09164276	Investment holding	England and Wales	100%
Indirect holdings				
Khloeco Limited[1]	09164277	Investment holding	England and Wales	100%
Kourtneyco Limited[1]	09164284	Investment holding	England and Wales	100%
Kendallco Limited[1]	09176418	Investment holding	England and Wales	100%
Blu Bidco Limited[1]	09506246	Investment holding	England and Wales	100%
Bowling Acquisitions Holdings Limited[1]	07323629	Investment holding	England and Wales	100%
The Original Bowling Company Limited	05163827	Ten-pin bowling	England and Wales	100%
AMF Bowling (Eastleigh) Limited	06998390	Dormant	England and Wales	100%
MABLE Entertainment Limited	01094660	Dormant	England and Wales	100%
Milton Keynes Entertainment Limited	01807080	Dormant	England and Wales	100%
Bowlplex Limited	01250332	Ten-pin bowling	England and Wales	100%
Bowlplex European Leisure Limited	05539281	Dormant	England and Wales	100%
Wessex Support Services Limited	01513727	Dormant	England and Wales	100%
Wessex Support (Germany) Limited	03253033	Dormant	England and Wales	100%
Bowlplex Properties Limited	05506380	Dormant	England and Wales	100%

1 These subsidiaries are controlled and consolidated by the Group and the Directors have taken the exemption from having an audit of its financial statements for the year ended 30 September 2016. This exemption is taken in accordance with the Companies Act s479A.

Notes to the Financial Statements continued

15. Cash and cash equivalents

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

	30 September 2016 £'000	30 September 2015 £'000
Cash and cash equivalents	**9,224**	14,696

16. Trade and other receivables

There were no overdue receivables at the end of any period and none that have been impaired.

	30 September 2016 £'000	30 September 2015 £'000
Trade receivables	**322**	67
Other receivables	**537**	466
Prepayments and accrued income	**8,775**	7,490
	9,634	8,023

17. Inventories

	30 September 2016 £'000	30 September 2015 £'000
Goods for resale	**1,018**	703

18. Trade and other payables

	30 September 2016 £'000	30 September 2015 £'000
Current		
Trade and other payables	**7,268**	4,821
Other payables	**2,700**	2,431
Accruals and deferred income	**6,674**	4,806
Taxation and social security	**2,224**	2,069
Total trade and other payables	**18,866**	14,127

	30 September 2016 £'000	30 September 2015 £'000
Non-current		
Other payables	**6,941**	7,886

Other payables includes lease incentives received of £2,999,000 (30 September 2015: £3,147,000) which are expected to be released to profit and loss on a straight-line basis over the remaining term of each lease which range from 1 to 25 years, and extended credit of £3,943,000 (30 September 2015: £4,739,000) from an amusements machine supplier. This creditor has not been discounted and the effect would not be material if it were.

19. Accruals and provisions

	30 September 2016 £'000	30 September 2015 £'000
Lease dilapidations provision	**3,476**	2,904

The dilapidations provision relates to potential rectification costs expected should the Group vacate its retail locations. There are no onerous leases within the estate. The movements in the dilapidations provisions are summarised below:

	Dilapidations £'000	Total £'000
As at 30 September 2014	2,775	2,775
Utilised during the period	(60)	(60)
Unwind of discounted amount	189	189
As at 30 September 2015	2,904	2,904
On acquisition	597	597
Utilised during the period	(149)	(149)
Unwind of discounted amount	124	124
As at 30 September 2016	**3,476**	**3,476**

A provision is made for future expected dilapidation costs on the opening of all leasehold properties and is expected to be utilised on lease expiry.

It is not anticipated that the provision will be utilised within the foreseeable future as there are no sites currently earmarked for closure.

20. Loans and borrowings

	30 September 2016 £'000	30 September 2015 £'000
Current		
Bank loan	–	1,009
Borrowings (less than 1 year)	–	1,009
Non-current		
Bank loan	**29,403**	36,314
Other loans	–	55,971
Borrowings (greater than 1 year)	**29,403**	92,285
Total borrowings	**29,403**	93,294

At 30 September 2015, other loans comprised unsecured subordinated shareholder loan notes from Electra Investments Limited and members of Company management which should have been paid due for repayment in 2021. Interest of 10 per cent per annum was being charged on these notes which accrued in accordance with the provisions of the loan note instrument.

On 16 September 2016, the outstanding loan notes were exchanged for shares in Hollywood Bowl Group plc.

Bank borrowings have the following maturity profile:

	30 September 2016 £'000	30 September 2015 £'000
Due in less than 1 year	–	1,500
Less issue costs	–	(491)
	–	1,009
Due 2 to 5 years	**30,000**	12,750
Due over 5 years	–	25,000
Less issue costs	**(597)**	(1,436)
	29,403	37,323

Notes to the Financial Statements continued

20. Loans and borrowings continued

The bank loans are secured by a fixed and floating charge over all assets. The loans carry interest at LIBOR plus a variable margin. The loans outstanding during FY2014 and FY2015 varied in accordance with the ratio of gross debt divided by EBITDA. During FY2014, FY2015 and FY2016 the margins were 4 per cent and 4.5 per cent.

On 21 September, the Group repaid the outstanding bank loans and entered into a £30m facility with Lloyds Bank plc. This facility is due for repayment in instalments over a 5-year period up to the expiry date of 20 September 2021. The first repayment of £0.75m is due 31 December 2017, and in 6-monthly instalments up to 31 December 2020. The remaining balance of £24.75m will be repayable at the expiry date of 20 September 2021. In addition, the Group had an undrawn £5m revolving credit facility and undrawn £5m capex facility. All loans carry interest at LIBOR plus a margin, which varies in accordance with the ratio of net debt divided by EBITDA. The margin at 30 September 2016 is 2.25 per cent.

21. Deferred income tax asset/(liabilities)

	30 September 2016 £'000	30 September 2015 £'000
Deferred income tax liabilities		
Deferred taxation asset	**76**	750
Deferred taxation liability	**(2,306)**	(2,515)
	(2,230)	(1,765)

	30 September 2016 £'000	30 September 2015 £'000
Reconciliation of deferred tax balances		
Balance at beginning of period	**(1,765)**	(2,029)
Arising on acquisition	**(1,166)**	–
Deferred tax (expense)/credit for the period	**701**	264
Balance at end of period	**(2,230)**	(1,765)

The components of deferred tax are:

	30 September 2016 £'000	30 September 2015 £'000
Deferred tax asset		
Differences between accumulated depreciation and capital allowances	**–**	750
Temporary differences	**9**	–
Unrelieved losses	**67**	–
	76	750
Deferred tax liability		
Differences between accumulated depreciation and capital allowances	**(134)**	–
Acquisition on ineligible items	**(1,650)**	(1,879)
Recognition on intangibles	**(522)**	(636)
	(2,306)	(2,515)

22. Share capital

	30 September 2016		30 September 2015	
	Shares	**£'000**	Shares	£'000
'A' Ordinary Shares of £0.47 each	**150,000,0000**	**70,500**	104,086,931	48,920
Deferred Shares at £1,012,142 each	**1**	**1,012**	1	1,012
	150,000,0001	**71,512**	104,086,932	49,932

The share capital of the Group is represented by the share capital of the Parent Company; Hollywood Bowl Group plc. This company was incorporated on 13 June 2016 to act as a holding company of the Group. Prior to this the share capital of the Group was represented by the share capital of the previous parent Kanyeco Limited.

However as stated in Note 2, "Accounting Policies", the principles of reverse acquisition accounting under IFRS 3, "Business Combinations", have been applied within these financial statements and therefore, the comparative share capital of the Group has been adjusted as if the Group had always existed.

The 'A' Ordinary Shares shall confer on each holder a right to attend, speak and vote at all meetings of the Company with 1 vote per share on a poll or written resolution. The Deferred Shares shall not confer any right to vote, receive notice of or attend general meetings of the Company.

The Ordinary Shares are entitled to dividends. The Deferred Shares shall not be entitled to any participation in the profits of the Company.

22. Share capital continued

The table below summarises the movements in share capital of Hollywood Bowl Group plc during the year ended 30 September 2016:

		Ordinary Shares		Deferred Shares	
		Shares	£'000	Shares	£'000
At date of incorporation of Hollywood Bowl Group plc	(a)	1	1	49,500	50
Share for share exchange	(b)	99,865	49,933	49,500	50
Share reorganisation	(c)	103,987,066	(1,012)	1	1,012
Capitalisation of loan notes	(d)	45,584,121	21,424	–	–
Issue of new shares to employees	(e)	328,947	154	–	–
Redemption	(f)	–	–	(99,000)	(100)
		150,000,000	70,500	1	1,012

(a) Hollywood Bowl Group plc was incorporated on 13 June 2016 and issued 1 Ordinary Share of £500 at par and 1 Deferred Share of £49,500 at par.

(b) On 16 September 2016 as part of the Group restructure the Company issued 99,865 Ordinary Shares and 49,500 Deferred Shares in exchange for the entire share capital in Kanyeco Limited.

(c) The Company share capital was subsequently reorganised and converted into 104,086,931 Ordinary Shares with a nominal value of £0.47 each and 1 Deferred Share of £1,012,000.

(d) The Company issued 45,584,121 Ordinary Shares with nominal value of £0.47 in exchange for settlement of the former ultimate parent loan notes and the management loan notes held within Khloeco Limited.

(e) The Company issued 328,947 Ordinary Shares with nominal value of £0.47 to employees of the Group. These were issued to Hollywood Bowl EBT Limited to be subsequently allocated to employees.

(f) The Deferred Shares held by Electra Investment Limited were transferred back to the Company for nil consideration.

23. Reserves

Share premium

Amount subscribed for share capital in excess of nominal value.

Retained earnings

The accumulated net profits and losses of the Group.

Capital redemption reserve and merger reserve

The capital redemption reserve represents the value of non-voting Ordinary Shares redeemed.

The merger reserve represents the excess over nominal value of the fair value consideration for the business combination which arose during the Company's IPO listing, this was satisfied by the issue of shares in accordance with s612 of the Companies Act 2006.

24. Lease commitments

The Group had total commitments under non-cancellable operating leases set out below, which primarily relate to sites operating bowling alleys:

	30 September 2016		30 September 2015	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Within 1 year	**13,587**	**35**	11,369	–
In 2 to 5 years	**53,564**	**127**	46,543	–
In over 5 years	**114,723**	**–**	101,390	–
	181,874	**162**	159,302	–

The Group has contingent lease contracts for 2 sites. There is a revenue based rent top up on these 2 sites. The total charged in the consolidated statement of comprehensive income in the current year for these top ups was £67,000. Based on current expectations these have not been included in the above.

25. Capital commitments

During the year ended 30 September 2016, the Group entered into a contract to open 2 new sites and refurbish existing sites for £4,195,000 (2015: £nil). These commitments are expected to be settled in the following financial year.

Notes to the Financial Statements continued

26. Related party transactions

30 September 2016

During the period Electra Partners LLP, an associate of Electra Private Equity plc charged a management fee of £98,000 to the Kanyeco Group.

The Kanyeco Group subordinated shareholder loan notes together with accrued interest of £72,935,000 owed to Electra Investments Limited and members of management of the Kanyeco Group, was acquired by Hollywood Bowl Group plc in exchange for share capital (see Note 22).

30 September 2015

During the period Electra Partners LLP, an associate of Electra Private Equity plc charged a management fee of £105,000 to the Kanyeco Group.

The Kanyeco Group held outstanding subordinated shareholder loan notes together with accrued interest of £56,744,000 owed to Electra Investments Limited and members of management of the Kanyeco Group.

27. Financial instruments

	30 September 2016 £'000	30 September 2015 £'000
Financial liabilities		
Interest rate swap	**55**	134

The interest rate swap is classified as a Level 2 in the fair value hierarchy. The fair value of interest rate swap contracts are calculated by management based on external valuations received from the Group's bankers and is based on anticipated future interest rate yields.

The Group entered into the following interest rate contract with the following terms:

Trade date	Type	Fixed rate	Notional amount	Start date	End date
03/12/2014	Swap	1.082%	8,000,000	03/12/2014	30/09/2017
03/12/2014	Swap	1.082%	18,666,667	03/12/2014	09/09/2017

On 21 September 2016, the interest rate swap for a national amount of £18,666,667 was terminated as part of a refinancing activity described in Note 20.

Fair value hierarchy

IFRS 7 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the value measurements.

Level 1: inputs are quoted prices in active markets.
Level 2: a valuation that uses observable inputs for the asset or liability other than quoted prices in active markets.
Level 3: a valuation using unobservable inputs ie a valuation technique.

There were no transfers between levels throughout the periods under review.

Fair values

All financial assets at the balance sheet dates, which comprise trade and other receivables, cash and cash equivalents are classified as loans and receivables. All financial liabilities which comprise trade and other payables and borrowings are classified as financial liabilities at amortised costs except for derivative financial instruments which are carried at fair value.

The following table shows the fair value of financial assets and financial liabilities within the Group, including their level in the fair value hierarchy. It does not include fair value information for financial assets or financial liabilities not measured at fair value as the carrying amount is a reasonable approximation of fair value.

	30 September 2016 £'000	30 September 2015 £'000
Financial assets		
Financial assets measured at fair value through statement of comprehensive income	**9,224**	14,696
Financial assets that are debt instruments measured at amortised cost	**859**	533
Financial liabilities		
Financial liabilities measured at amortised cost	**57,793**	169,078

28. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (fair value interest rate risk, price risk); and credit risk: and liquidity risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimise this risk the Group endeavours only to deal with companies which are demonstrably creditworthy. In addition, a significant proportion of revenue results from cash transactions. The aggregate financial exposure is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount of trade receivables. The management do not consider that there is any concentration of risk within either trade or other receivables.

Trade and other receivables are primarily current balances and there are no material balances that are past due and are not impaired.

Liquidity risk

Cash flow and fair value interest rate risk

The Group's borrowings are a mixture of fixed rate subordinated shareholder loan notes and variable rate bank loans. Cash flow risk is therefore limited to the Group's bank borrowings, and the Group holds fixed to floating interest rate swaps to mitigate the risk of future interest rate rises.

The Directors monitor the Group's funding requirements and external debt markets to ensure that the Group's borrowings are appropriate to its requirements in terms of quantum, rate and duration. The Directors acknowledge that a majority of fixed rate debt exposes the Group to fair value risk, but believe this risk to be within a reasonable tolerance for the current needs of the business, after taking account of expectations of future interest rate movements.

The Group currently holds cash balances to provide funding for normal trading activity. The Group also has access to both short-term and long-term borrowings to finance individual projects. Trade and other payables are monitored as part of normal management routine.

The table below summaries the maturity profile of the Group's financial liabilities:

	Within 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	More than 5 years £'000	Total £'000
2016					
Trade and other payables	**16,642**	**2,501**	**1,442**	**–**	**20,585**
Provisions	**–**	**233**	**513**	**2,730**	**3,476**
Borrowings	**854**	**787**	**32,091**	**–**	**33,732**
	17,496	**3,521**	**34,046**	**2,730**	**57,793**
2015					
Trade and other payables	12,058	1,580	3,159	–	16,797
Provisions	–	–	586	2,318	2,904
Borrowings	3,319	4,044	15,695	126,319	149,377
	15,377	5,624	19,440	128,637	169,078

Capital risk management

The Group's capital management objectives are:

(i) to ensure the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
(ii) to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

To meet these objectives, the Group reviews the budgets and forecasts on a regular basis to ensure there is sufficient capital to meet the needs of the Group through to profitability and positive cash flow.

The capital structure of the Group consists of shareholders' equity as set out in the consolidated statement of changes in equity. All working capital requirements are financed from existing cash resources and borrowings.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Notes to the Financial Statements continued

28. Financial risk management continued

The Group manages its interest rate risk by entering into interest rate derivatives when it is considered appropriate to do so by management. At 30 September 2016, after taking into account the effect of interest rate swaps, 25 per cent of the Group's borrowings were at fixed rates of interest. At 30 September 2014 and 2015, 67 per cent of the Group's borrowings were at fixed rates of interest.

The effect on the profit after tax of a notional 1 per cent movement in LIBOR is as follows:

	2016 £'000	2015 £'000
Increase in interest rate of 1%	**(128)**	(169)
Decrease in interest rate of 1%	**(7)**	43

29. Events subsequent to the year end

Reduction of capital, cancellation of share premium account and cancellation of capital redemption reserve.

Pursuant to a resolution of the shareholders of the Company passed on 16 September 2016, The Company has completed a reduction of capital, cancellation of share premium account and cancellation of capital redemption reserve (the Reduction and Cancellation).

The Reduction and Cancellation was formally approved by the High Court of Justice on 9 November 2016. Following registration of the order of the High Order with Companies House, the Reduction and Cancellation became effective on 9 November 2016.

Following the Reduction and Cancellation the issued share capital of the Company consists of 150,000,000 Ordinary Shares of £0.01, as at 9 November 2016.

The effect of the Reduction and Cancellation is to create distributable reserves to support the Board's future dividend policy.

30. Purchase of trade and assets

The Group acquired the entire share capital of Bowlplex Limited on 9 December 2015 for a total consideration of £22,801,000. Acquisition related costs of £2,334,000 were also incurred and have been written off to the profit and loss account. The following table sets out the value of the net assets acquired.

	Fair value £'000
Intangible assets	158
Property, plant and equipment	7,532
Inventories	423
Trade receivables	5,019
Prepayments	1,707
Cash at bank and in hand	970
Trade payables and other payables	(3,993)
Accruals	(271)
Provisions[1]	(1,764)
Net assets	9,781
Consideration paid	22,801
Goodwill	13,020
Consideration paid has been satisfied by:	
Cash	22,801

1 This includes dilapidations and deferred tax.

IFRS 3 looks into the existence of any intangible assets that meet the identifiable criteria for recognition other than as goodwill. These include marketing-related (including brands), customer related, contract based and technology based intangible assets. Each was considered separately by the Board and it was concluded that no value is attributable to other intangibles.

The goodwill arising from this acquisition includes the various expected business synergies. The business was purchased with potential synergy cost benefits of circa £2.6m per annum (£2m from central support and the rest from contractual Group benefits). It was also identified that the potential within the Bowlplex sites is significant given their revenue performance vs the Hollywood Bowl site revenue performance.

For the period from acquisition to the year end, Bowlplex revenues were £15.6m and EBITDA was £3.7m.

31. Transition to EU-IFRS

The financial information prepared for the period ended 30 September 2016 is the first the Group has prepared in accordance with EU-IFRS. For periods up to and including FY2015, the Group prepared its financial statements in accordance with generally accepted accounting principles in the United Kingdom (UK GAAP).

Accordingly, the Group have prepared financial information which complies with EU-IFRS applicable for periods ending on or after 30 September 2016, as described in the summary of significant accounting policies. In preparing the financial information, the Group opening statement of financial position was prepared as at 1 October 2014, the Group's date of transition to EU-IFRS. IFRS 1 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. In this regard, the Group has not applied the requirements IFRS 3 to acquisitions that occurred before 1 October 2014. In restating its UK GAAP financial statements, the Group has made provision for additional lease incentives and reversed a charge for the amortisation of goodwill in accordance with accounting policies described below. The Group has also recognised certain non-current assets as intangible rather than tangible assets and recognised additional intangible assets on acquisition, and additional deferred tax liabilities.

An explanation of how the transition from UK GAAP to EU-IFRS has affected the Group's financial position, financial performance and cash flows for the years ending 30 September 2014 and 30 September 2015 is set out in the following tables and the notes that accompany the tables.

A summary of the impact of transition to the consolidated statement of financial position is as follows:

	30 September 2015 £'000	30 September 2014 £'000
Equity reported in accordance with UK GAAP	(776)	(1,166)
Transition adjustments:		
Amortisation of intangibles	3,469	247
Lease incentives	(86)	(7)
Deferred tax	195	2
Acquisition expenses	(2,953)	(2,953)
Derivative instruments	(134)	–
Equity reported in accordance with EU-IFRS	(285)	(3,877)

Goodwill is not amortised but is subject to annual impairment review under EU-IFRS. Under UK GAAP, goodwill was amortised.

Lease incentives are recognised over the lease term, on a straight-line basis under EU-IFRS. Under UK GAAP, lease incentives are recognised over the shorter of the lease term and the period ending on a date from which it is expected the prevailing market rental will be payable, on a straight-line basis.

Deferred tax on the recognition of intangible assets acquired on a business combination is required to be recognised under EU-IFRS.

Acquisition expenses are expensed to the statement of comprehensive income under EU-IFRS. Under UK GAAP, acquisition expenses are capitalised and included as part of the total consideration paid.

Derivative financial instruments comprise interest rate swaps which are fair valued at each period end date under EU-IFRS, with any change in value taken to the statement of comprehensive income. Under UK GAAP derivative financial instruments were not valued on the balance sheet.

	30 September 2015 £'000
Total recognised gains and losses for the financial period per UK GAAP	390
EU-IFRS transition adjustments:	
Amortisation of intangibles	3,222
Lease incentives	(79)
Deferred tax	193
Derivative instruments	(134)
Total comprehensive income per EU-IFRS	3,592

32. Dividend proposed

	30 September 2016 £'000
Proposed for approval by shareholders at AGM (not recognised as a liability at 30 September 2016)	
Final dividend for 2016: 0.19p	**286**

Company Statement of Financial Position
For the period ended 30 September 2016

	Note	30 September 2016 £'000
ASSETS		
Non-current assets		
Investments	4	**49,982**
Current assets		
Trade and other receivables	5	**72,662**
Total assets		**122,644**
LIABILITIES		
Current liabilities		
Trade and other payables	6	**1,602**
Total liabilities		**1,602**
NET ASSETS		**121,042**
Equity attributable to shareholders		
Share capital	7	**71,512**
Share premium		**51,832**
Capital redemption reserve		**99**
Retained earnings		**(2,401)**
TOTAL EQUITY		**121,042**

These financial statements were approved by the Board of Directors on 13 December 2016.

The accompanying notes on page 80 to 81 form an integral part of these financial statements.

Signed on behalf of the Board

Laurence Keen
Chief Financial Officer

Company Registration Number: 10229630

Company Statement of Changes in Equity
For the period ended 30 September 2016

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
Balance on incorporation	50	–	–	–	50
Group restructure share for share exchange	71,462	51,832	99	–	123,393
Total comprehensive loss for the period	–	–	–	(2,401)	(2,401)
Equity as at 30 September 2016	**71,512**	**51,832**	**99**	**(2,401)**	**121,042**

The accompanying notes on page 80 to 81 form an integral part of these financial statements.

Company Statement of Cash Flows
For the period ended 30 September 2016

There were no cash transactions during the year on the basis that the Company did not have its own bank account in the year and all its receipts and payments have been channelled through the bank account of its subsidiary undertaking, the Original Bowling Company Limited.

Notes to the Company Financial Statements

1. General information

Hollywood Bowl Group plc is a public limited company which is listed on the London Stock Exchange and is domiciled and incorporated in the United Kingdom under the Companies Act 2006. The Company was incorporated on 12 June 2016 and, therefore, no comparative information has been presented.

2. Summary of significant accounting policies

A summary of the significant accounting policies are set out below, these have been applied consistently throughout the period.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) as issued in August 2014. The functional and presentation currency of the Company is Pounds Sterling. The financial statements are presented in Pounds Sterling and all values are rounded to the nearest thousand, except where otherwise indicated.

The financial statements have been prepared on a going concern basis under the historical cost convention.

The financial information presented is at and for a 104-day period ended 30 September 2016.

As permitted by section 408 of the Companies Act 2006, an entity statement of comprehensive income is not included as part of the published consolidated financial statements of Hollywood Bowl Group plc. The loss for the financial period dealt within the financial statements of the Parent Company is £2,401,000.

Investments in subsidiaries

Investments in subsidiaries are held at cost, which is the fair value of the consideration paid. Where consideration is paid by the way of shares, the excess of fair value of the shares over the nominal value of those shares is recorded in share premium. Investments in subsidiaries are reviewed for impairment at the end of each reporting date with any impairment charged to the statement of comprehensive income.

3. Directors' remuneration

The Company has no employees other than the Directors. Full details of the Directors' remuneration and interest are set out in Note 8 in the consolidated financial statements.

4. Investments

The investment made in the year relates to the share capital reorganisation of the Group as disclosed in Note 22 of the consolidated financial statements.

	Investment in subsidiary undertakings £'000
At the beginning of the period	–
Additions	49,982
At the end of the period	**49,982**

5. Trade and other receivables

	30 September 2016 £'000
Other receivables	**1**
Amounts owed by Group companies	**72,661**
	72,662

6. Trade and other payables

	30 September 2016 £'000
Amounts owed by Group companies	**165**
Accruals and deferred income	**1,437**
	1,602

7. Share capital

	30 September 2016	
	Shares	£'000
Allotted, called up and fully paid		
'A' Ordinary Shares of £0.47 each	**150,000,000**	**70,500**
Deferred Shares at £1,012,142 each	**1**	**1,012**
	150,000,001	**71,512**

Movement in share capital for the Company is as follows:

	£'000
Issued on incorporation	**50**
Group restructure for share for share exchange (see Note 22 of the consolidated financial statements)	**71,462**
Balance at 30 September 2016	**71,512**

8. Guarantee

The Company has given a guarantee over certain subsidiaries under s479A of the Companies Act 2006 such that the financial statements of these subsidiaries for the year ended 30 September 2016 will be exempt for audit (Note 14).

Company Information

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Notes

Notes

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