13 December 2016

Hollywood Bowl Group plc

GOOD RESULTS DELIVERED THROUGH SUCCESSFUL EXECUTION OF STRATEGY

Hollywood Bowl Group plc ("Hollywood Bowl"), the UK's largest ten-pin bowling operator, is pleased to announce its audited results for the year ended 30 September 2016.

Financial highlights

	Y/E 30 Sept 2016	Y/E 30 Sept 2015	% Movement
Like for like revenues (1)	**+6.8%**	+9.1%	
Total revenues	**£106.6m**	£86.0m	+23.9%
Group Adj. EBITDA (2)	**£29.4m**	£20.6m	+42.6%
Group Adj. EBITDA margin	**27.5%**	23.9%	+3.6%pt
Net debt / (cash)	**£20.8m**	£24.6m	
Net debt:Group Adj. EBITDA	**0.71**	1.20	
Dividend pence per share	**0.19**	Nil	
Operating Profit	**£14.4m**	£13.0m	+10.3%

Key highlights

- Acquisition and integration of Bowlplex, adding net ten centres to the estate
    - Bowlplex rebrands delivering returns ahead of expectations
- Good progress made with the refurbishment programme
    - Eight centres refurbished in the period including 3 Bowlplex rebrands to Hollywood Bowl
- Total Average spend per game increased YOY 6.3%
- Total Games volumes increased YOY 16.3%
- Total Number of games played was 12.1m, up from 10.4m in 2015
- Strong pipeline of opportunities for new centres in place, with Southampton due to open this month

Stephen Burns, Chief Executive Officer of Hollywood Bowl Group said:

"We are really pleased to report our maiden results as a listed business. It has been a transformational year for Hollywood Bowl. Listing on the stock market is an important step in the development of the business but it reflects on the strength of the business and the whole Hollywood Bowl team that at the same time we have also delivered a strong business performance. We continued to invest in and enhance the customer proposition meaning we have given millions of customers a great experience. By making sure we continue to focus on what our customers want, we are confident that Hollywood Bowl has a promising future as a listed business.

The new financial year has started well and in line with the Board's expectations. From 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."

1 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 core same centre growth.
2 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.

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Notes to Editors:
Hollywood Bowl is the UK's largest ten-pin bowling operator, with a portfolio of 54 centres operating across the UK under the Hollywood Bowl, AMF and Bowlplex brands. The Group specialises in operating large, high quality bowling centres, predominantly located in out of town multi-use leisure parks (typically co-located with cinema and casual dining sites) and large retail parks. The centres are designed to offer a complete family entertainment experience with each centre offering at least 16 bowling lanes, on-site dining, licensed bars, and state-of-the-art family games arcades.

CHAIRMAN'S STATEMENT

Overview

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.

Results

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.

Corporate governance

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.

Dividend

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.

People and culture

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.

Outlook

I have been enormously impressed by the progress of the 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 REVIEW

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 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 are 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.

Growth Strategy

Our strategy focuses around two 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 c.1.1 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.

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 amusement offering has complex and engaging games, and is well maintained, resulting in shortened repair call-out times, leading to an increase in average amusement 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 FY17, 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 59 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.

MARKET OVERVIEW

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].

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[2].

This growth was largely driven by the major multiples, as they have invested in reinvigorating customer engagement through customer relationship management 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.

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[3].

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[4], 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[5]. 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 from a cinema[6]. 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.

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

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

FINANCE REVIEW

	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 H2 FY2016 to Hollywood Bowl.

Over the past 12 months, we have invested in refurbishing 5 centres which are on track to deliver above 33% 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% (£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 in 2016 of £1,395k)	**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 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 FY 2016, against 8.9 per cent in FY2015.

	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 FY 2012 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.

Finance costs

Net interest payment and other finance charges increased by 46.2% from £8.1m for FY2015 to £11.9m in FY 2016, 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% 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% (2015: 74.8%).

	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
OCF 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 amusement 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 Kanye Co 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
Amusement 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.

Laurence Keen
Chief Financial Officer
13 December 2016

Consolidated Statement of Comprehensive Income
Year ending 30 September 2016

	Note	**30 September 2016 £'000**	30 September 2015 £'000
Revenue		**106,632**	86,044
Cost of sales		**(17,205)**	(14,963)
Gross profit		**89,427**	71,081
Administrative expenses	5	**(76,444)**	(58,047)
Other income		**1,395**	–
Operating profit		**14,378**	13,034
Being:			
Group Adjusted EBITDA*	3	**29,350**	20,578
Depreciation	10	**9,316**	7,758
Amortisation	11	**493**	508
Exceptional items	4	**(5,163)**	722
Finance income	7	**22**	8
Finance expenses	7	**(11,905)**	(8,143)
Movement in derivative financial instrument		**79**	(134)
Profit before tax		**2,574**	4,765
Tax expense	8	**(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)	9	**1.12**	3.56

*Group Adjusted EBITDA is a non-GAAP metric used by management and is not an IFRS disclosure

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	10	**37,264**	30,854
Intangible assets	11	**79,228**	66,186
		116,492	97,040
Current assets			
Cash and cash equivalents		**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
Loans and borrowings	12	**–**	1,009
Corporation tax payable		**1,034**	637
		19,900	15,773
Non-current liabilities			
Other payables		**6,941**	7,886
Loans and borrowings	12	**29,403**	92,285
Deferred tax liabilities		**2,230**	1,765
Accruals and 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)

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	10	**9,316**	7,758
Amortisation of intangible assets	11	**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	**9,224**	14,696

Notes

1. General information

The financial information, comprising statement of comprehensive income, consolidated statements of financial position, consolidated statements of changes in equity, consolidated cash flow statement and related notes, have been extracted from the consolidated financial statements of Hollywood Bowl Group plc for the year ended 30 September 2016, which were approved by the Board of Directors on 13 December 2016.

The financial information set out in this preliminary announcement does not constitute the Company's statutory accounts for the years ended 30 September 2016, which will be delivered to the registrar of companies in due course. The auditor has reported on those accounts; their report was i) unqualified, ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

Hollywood Bowl Group plc (together with its subsidiaries, the Group) is a public limited company 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.

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. 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.

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.

3. 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.

4. 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

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 FY 2012 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.

5. 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 Avonmeads. See Note 4.
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.

6. 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
Shared-based payments	**600**	–
Total staff costs	**24,510**	20,640

7. 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.

8. Taxation

a). Tax on Profit

	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

b). Reconciliation of Tax charge

	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).

9. Earnings per share

a). Basic earnings per share are 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.

b). 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:

	30 September 2016 £'000	30 September 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

10. 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	–	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

11. 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.

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.

12. 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

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.

13. 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.

14. Events subsequent to the year end

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 & 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 & Cancellation became effective on 9 November 2016.

Following the Reduction & 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 & Cancellation is to create distributable reserves to support the Boards future dividend policy.

15. 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**

16. 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.

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.

Responsibility statement of the directors

The following statement will be contained in the 2016 Annual Report and Accounts:

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; and
- 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.

On behalf of the Board

Stephen Burns	**Laurence Keen**
Chief Executive Officer	**Chief Financial Officer**
13 December 2016	**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 SLAs 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,

Type of risk	Risk	Potential effect	Mitigation
			drink and amusement product
Operational	Any disruption which affects Group relationship with amusement suppliers	Amusement 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
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, health 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