Hollywood Bowl Group plc

Interim Results for the Six Months Ended 31 March 2021

STRONG CUSTOMER DEMAND EXPECTED UPON REOPENING

WELL POSITIONED TO RECOVER TO PRE-PANDEMIC PERFORMANCE

Hollywood Bowl Group plc ("Hollywood Bowl" or the "Group"), the UK's market leading ten-pin bowling operator, today announces its interim results for the six-month period ended 31 March 2021 ("H1 FY2021").

The results reflect the impact of lockdowns during the first half in which the business was fully closed for 75% of the period and operated with trading restrictions for the remainder.

Strong customer demand expected to continue upon May reopening

- Profitable trading after the first lockdown with solid performance in October
- October £10.16 average spend per game in line with pre-COVID levels despite trading restrictions (H1 FY20: £10.29)
- Lane seating dividers in all centres allows all lanes to be available from reopening with continued Covid-secure measures

Extending the new centre pipeline in prime locations

- Two new high-quality locations agreed for a Hollywood Bowl in Resorts World Birmingham and Puttstars in Harrow
- Three new Hollywood Bowl and eight Puttstars sites at an advanced stage of negotiation
- Overall target doubled to 14-18 new centres by 2024

Investing in the existing estate

- Two new refurbishments completed in Stevenage and Basildon
- Three planned refurbishments during 2021 (Glasgow Quay, Cheltenham and Glasgow Coatbridge)
- ROI expected to be in line with pre-pandemic levels

Continued innovation of the customer offer

- New version of Pins on Strings technology installed in two centres, bringing the total completed to 20 with four more planned in H2 and six per year going forward
- Roll out of new scoring system on track to complete in H2 - integrated into CRM system
- New CRM platform and web booking engine, expected to improve customer targeting and online booking experience, due to launch in H2

Cash conservation and strengthened balance sheet

- Equity placing raising gross proceeds of £30m to take advantage of new centre opportunities and restart organic investment programme
- Covenant changes agreed with its lending bank, Lloyds, to ensure the Group could open with the ability to continue to invest, as well as providing additional headroom in the event of further prolonged closures
- Negotiations with landlords resulted in reduced cash rent for H1FY21 to £3.6m, a decline of £4.6m compared to H1 FY2020

Financial overview[1]

	H1 FY2021	H1 FY2020 (restated)
Revenue	**£12.0m**	**£69.2m**
Gross profit	**£10.8m**	**£59.3m**
Gross profit margin	**90.1%**	**85.6%**
Administrative expenses	**£20.9m**	**£40.0m**
Group adjusted EBITDA[2]	**£0.2m**	**£29.3m**
Group (loss) / profit before tax	**(£14.5m)**	**£15.2m**
Capital expenditure	**£2.4m**	**£10.7m**

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

"We are excited to be reopening and welcoming our customers and team members back from today. We are emerging from this challenging year of continuous lockdowns in a strong position to capitalise on the opportunities to invest in and significantly grow our portfolio of ten-pin bowling and mini-golf centres in prime locations and are pleased to be starting construction on three new centres later this year. The considerable demand we saw from customers when we reopened after the first lockdown and the strength of our pre-bookings for May gives us confidence that we can recover to pre-pandemic performance levels as families flock back for fun, celebrations and affordable activities."

1 All financials are stated under current accounting principles including IFRS16.

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 and costs. It is calculated as statutory operating profit plus depreciation, amortisation, loss on disposal of property, right-of-use assets, plant and equipment and software, any exceptional costs or income. The reconciliation to operating profit is set out below in this section of this announcement.

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CHIEF EXECUTIVE REVIEW

The first month of the new financial year, when our centres were able to trade in October, produced some very solid results. We saw significant demand for our offering and no structural changes to the way our customers engaged during their visits, with spend per game and dwell time in line with pre-Covid levels. We started the year in a very strong position with a healthy balance sheet following two months of profitable trading post the reopening after the first lockdown, and very well placed to capitalise on the pent-up demand for consumer leisure.

The subsequent localised and national lockdowns in the first half of the financial year resulted in another very challenging period for the Group, as it has been for the rest of the leisure industry. In the 60 weeks between the start of the pandemic and our national re-opening date on 17th May 2021 (excepting Glasgow), the Group will have only been able to operate the full estate for 11 of those weeks. Against this backdrop, revenue for the first half was £12.0m, a reduction of £57.2m on the comparative period in FY2020, reflecting the impact of trading restrictions.

The Group continues to be a dynamic and ambitious business delivering fantastic value for money, memorable experiences and we are well positioned to benefit from the market recovery as restrictions ease. Our actions taken since the onset of the pandemic mean we have sufficient liquidity to deliver against our ambitions, improving the quality of our customers' experience and accelerating the roll out of our revenue generating and cost saving initiatives. We have maintained a strong relationship with our landlords and are very well placed to take advantage of new opportunities to grow our portfolio and are now targeting 14-18 new centres by FY2024.

Mitigating the impact of COVID-19

The Group has remained focused on mitigating the ongoing impact of the crisis and ensuring we are well positioned to reopen and recover our pre-pandemic position, restoring our healthy balance sheet and continuing to grow the business in line with our strategy.

The health, safety and wellbeing of our team and our customers remains our priority. During the first half of this year, we continued to act with pace and urgency in response to the changing trading environment, localised lockdowns and increased trading restrictions, employing the lessons learnt from the first lockdown in March 2020. I am very fortunate to have such a fantastic team and have been very impressed with the resilience and professionalism my colleagues have displayed.

During this period of closure, we have continued to make use of the Coronavirus Job Retention Scheme (CJRS) to retain our team members. We have maintained the salary top up for all of our team, guaranteeing a minimum payment of 70 per cent of their salaries. The Board and Executive Team all agreed to reduce and / or defer a part of their salaries and fees during the closure period.

We have also continued the team engagement and training plans that proved successful during the first lockdown and IT and property teams remained operational and busy in order for us to continue to deliver our growth strategy.

The Group has continued its successful negotiations with landlords with £2.1m rent written off, £2.5m rent deferred in the first half of FY2021, resulting in a total of £6.1m rent written off and £4.6m rent deferred since the start of the pandemic. Rent payments in the first half were £3.6m, excluding VAT.

Balance sheet strength

Since the year end, the Group agreed with its lending bank, Lloyds, to covenant changes to ensure the Group could open with the ability to continue to invest, as well as providing additional headroom in the event of further prolonged closures. The new covenants are noted below:

Covenants	Leverage	Cash flow cover	Liquidity
March 2021	waived	waived	£10m
June 2021	waived	waived	£15m
September 2021	waived	waived	£20m
December 2021 onwards	1.5:1	1:1	N/A

Balance sheet strength has remained a core priority and on 12th March 2021, the Group issued the equivalent of 8.3per cent of its then issued share capital, raising net cash of £29.2m. The funds raised allow us to take advantage of new centre opportunities and to restart our organic investment programme, rolling out initiatives that enhance our customer proposition.

Growth strategy
Although the pandemic has slowed the pace of some elements of our strategy, our simple but effective growth strategy remains relevant in the post pandemic era. Despite the lockdown, we have continued with our centre refurbishment plan, enjoyed success in doubling our new centre pipeline and continued to invest in cost saving and IT improvement capital projects.

Development of our property portfolio
We are very excited by the new centre opportunities that have been presented to us over the last six months. The retail and leisure landscape has changed dramatically during the pandemic, accelerating a number of trends that were developing previously. As a consequence, landlords are looking to increase their exposure to experiential leisure and want an industry-leading offer run by high quality businesses with strong covenants. Having both the Hollywood Bowl and Puttstars brands, we are in a strong position to take up the space in prime locations that best fit our exacting requirements and will complement our high-quality portfolio of centres, whilst maintaining our absolute focus on at least achieving our target return on investment.

In addition to the six centres previously planned to open by 2024 we have, since the equity fundraise in March, made excellent progress in extending our new centre pipeline and have already signed on two further centres; a Hollywood Bowl in the popular Resorts World Birmingham, located next to the NEC and a Puttstars in a redeveloped leisure and retail scheme in Harrow. We also have eight other opportunities for Puttstars at heads of terms stage, or in legals and three for the Hollywood Bowl brand. We look forward to starting construction in Belfast, Resorts World and Harrow in H2 of this financial year.

We completed the refurbishment of our centres in Basildon and Stevenage during this half year. The refurbishments included the re-location of the Diner, creating space for an enlarged and enhanced amusement offer. Three further centres (Glasgow Springfield Quay, Cheltenham and Glasgow Coatbridge) will be refurbished during the second half of the year, and we expect the returns on the investment to be in line with our pre-pandemic results. Due to a revision of the redevelopment of the Edge Lane leisure park in Liverpool, we are also very pleased to be able to begin to plan in detail the £1.6m refurbishment (£0.8m net of rent-free concessions) of our existing centre, starting on site in 2022, instead of the previous plan to close it and build a £2.4m new centre.

Initiatives and Innovation
We have used the time during lockdowns to continue the roll out of the latest version of Pins on Strings technology, with installations in two centres during the half, bringing the total to 20. We continue to roll out this new technology to those centres that have machines nearing the end of their useful economic life, as well as installing the technology into our new openings and locations where the recruitment and retention of technicians proves challenging. Plans are in place to install Pins on Strings in four more centres in the second half of the year, meaning that we will finish the financial year with 39% of the estate converted.

Going forward, we are aiming to install Pins on Strings in an average of six centres per year, with all centres due to be completed by FY2028. In addition, we are on schedule to complete the installation of our new scoring system across the entire bowling centre estate in H2.

We have continued our investment in digital technology by developing a new CRM platform, due to launch in H2 of the current financial year, and web booking engine which will improve our customers' online booking experience.

Outlook
Our business has demonstrated its strength and resilience through the past year and our focus on our strategic priorities during lockdown will enable us to reopen our business in the best possible shape.

The response from our customers at our previous reopening, and ahead of our 17th May reopening, gives us confidence in the enduring strength of customer demand for inclusive family entertainment experiences. With the vaccine rollout well under way and the impact this is having, we are confident that the Group can recover to pre-pandemic performance levels.

The Group has a high-quality offer in great locations at an affordable price level and is well positioned to continue to grow and invest in its estate. The pandemic has created an enhanced opportunity to grow the portfolio as landlords look to increase their experiential leisure offering and the Group is being offered a number of exciting opportunities for bowling and mini-golf centres in prime locations. Our balance sheet strength allows us to pursue these attractive opportunities while continuing to accelerate our profitable and cash generative investment strategy. We are pleased with our progress on all fronts and are excited by the opportunity ahead for both of our Hollywood Bowl and Puttstars brands.

We look forward to reopening our doors and welcoming back our customers from today.

Stephen Burns
Chief Executive Officer
17th May 2021

GROUP FINANCIAL RESULTS

	H1 FY2021	**H1 FY2020 (restated)**	Movement
Revenue	**£12.0m**	**£69.2m**	-82.6%
Gross profit	**£10.8m**	**£59.3m**	-81.7%
Gross profit margin	**90.1%**	**85.6%**	+4.5%pts
Administrative expenses	**£20.9m**	**£40.0m**	-47.6%
Group adjusted EBITDA[1]	**£0.2m**	**£29.3m**	-99.3%
Group (loss) / profit before tax	**(£14.5m)**	**£15.2m**	-£29.7m
Capital expenditure	**£2.4m**	**£10.7m**	-77.4%
Average spend per game	**£10.16**	**£10.19**	-0.2%

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 and costs. It is calculated as statutory operating profit plus depreciation, amortisation, loss on disposal of property, right-of-use assets, plant and equipment and software, any exceptional costs or income. The reconciliation to operating profit is set out below in this section of this announcement.

The first half of the financial year has seen the continuation of significant disruption as a result of the Covid-19 pandemic. The business was fully closed for 74.6 per cent of the first half and traded with disruption for the balance of the period. Consequently, revenue for the first half was £12.0m, a reduction of £57.2m on the comparative period in FY2020.

October was an encouraging period of trade as we continued with the installation of the lane seating dividers in centres, which enabled the Group to open all the lanes in 28 of its centres for the half term period, increasing Group lane capacity to 67 per cent of normal levels. Whilst spend per game was impacted marginally by the increased restrictions, including maximum groups of six, 10pm curfew, table service for food and drink, as well as overall centre capacity limits, game volumes increased in the shoulder periods during this peak week, with revenues at 86 per cent of prior year for the same week.

Trading from 5th November was impacted by the enforced lockdown in England, as well as other lockdowns announced by the devolved administrations in Wales and Scotland. Whilst the English lockdown was lifted on 2nd December, the ongoing tier system meant that only 37 centres were permitted to open, which was then further reduced over the ensuing weeks as more areas were placed into tiers three and four, before we closed our final eight centres on 30th December 2020.

The final 33 bowling centres had their lane seating divider installations completed by early December, which will allow for all lanes to be available when the sector is permitted to open in England, Wales and most of Scotland on 17th May 2021.

The nature of the disruption was such that whilst no trading revenue was generated after the end of December 2020, a significant proportion of the fixed costs of the business could not be removed during the closure period. However, negotiations with landlords have continued and cash rent for the first half was reduced to £3.6m, a decline of £4.6m compared to the same period last year.

As a result of the reduction in revenues for the first half, the Group has posted a loss before tax of £14.5m, on an IFRS 16 basis.

GROSS PROFIT MARGIN

As a result of the closure, gross profit margin reduced to £10.8m (H1 FY2020: £59.3m), with a margin rate of 90.1 per cent. The gross margin rate was improved by the government grants recognised in revenue, which resulted in an increase of 1.5 percentage points year on year. Excluding this, gross profit margin was 88.6 per cent.

ADMINISTRATIVE EXPENSES

Administrative expenses have continued to be a significant focus as the Group looked to reduce its cash commitments. On an IFRS 16 basis, expenses were £20.9m, a reduction of £18.9m compared to the same period in FY2020. Principal sources of these savings were a £9.6m reduction in employee centre costs, supported by the CJRS given the business was in lockdown for 74.6 per cent of the first half, a £3.6m rates reduction as a result of the Government business rates holiday, a £0.8m reduction in utilities and a reduction in other costs of £1.8m.

Rent cash costs (excluding VAT) in H1 were £3.6m (H1 FY2020 £8.2m), a reduction of £4.6m. This was due to the Group's successful negotiations with a large majority of its landlords. This reduction includes a write off £2.1m with the balance split between agreed deferrals due within 12 months of £1.3m, and £1.2m of rent still under negotiation at half year. Post the end of the half, a further £0.4m of the unagreed deferrals has been written off with landlord agreement. Over the period since June 2020 quarter, a total of £6.1m of rent has been written off, with a total of £4.6m deferred and £5.7m paid.

Corporate costs reduced by £2.3m mainly due to the furlough of a significant percentage of the support team during the enforced lockdown, as well as the reduction in bonus against the same period last year. Within corporate costs, the Group recognised a total charge of £418,426 (H1 FY2020: £336,466) in relation to the Group's share-based payment arrangements.

The total value of CJRS in the consolidated income statement for H1 FY2021 was £6.4m, whilst the cash received during the half was £5.6m with £1.3m due for March 2021, received in April 2021.

GROUP ADJUSTED EBITDA AND OPERATING PROFIT

During H1, Group adjusted EBITDA reduced to £0.2m due to the impact of the closures during the period.

	H1 FY2021 **£'000**	H1 FY2020 (restated) £'000
Operating (loss) / profit	**(10,022)**	19,474
Depreciation	**9,974**	9,603
Amortisation	**239**	258
Loss on property, right-of-use assets, plant and equipment and software disposal	**-**	6
Group adjusted EBITDA under IFRS 16	**191**	29,341
IFRS 16 adjustment[1]	**(7,642)**	(7,693)
Group adjusted EBITDA pre IFRS 16	**(7,450)**	21,648

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

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

Statutory operating loss was £10.0m in H1 FY2021, a reduction of £29.5m due to the closure of centres and the ensuing reduction in revenue of £57.2m in respect of COVID-19.

EXCEPTIONAL COSTS
There were no exceptional costs for the period.

FINANCE COSTS
Finance costs have increased to £4.5m in H1 FY2021 (H1 FY2020: £4.3m). Interest in relation to our bank borrowing facility has increased to £0.5m from £0.4m in the comparable period in the prior year, whilst interest relating to the lease liability under IFRS 16 is £4.0m, an increase of £0.1m compared to H1 FY2020.

TAXATION
A tax credit of £2.9m was recognised in the year primarily due to losses incurred. The Group has submitted a reclaim for FY2020 in respect of £0.6m of tax paid in that year.

Furthermore, the Group will be in a position, at year end, to utilise the recent budget changes to carry back losses to FY2019. This should result in a further corporation tax refund of £0.4m. Any balancing taxable losses will be available to carry forward and offset against future profits.

Along with the above, the introduction of the new tax super deduction, which applies to capital investments made between 1st April 2021 and 31st March 2023, will further reduce the Group's effective tax rate for this period.

(LOSS)/PROFIT AFTER TAX
Statutory loss after tax for the year was £11.6m, a decrease of £23.9m on the corresponding period in FY2020. The year-on-year change is due to the enforced closures as a result of the Covid-19 pandemic and the ensuing lost revenue.

FINANCING
Since the year end, the Group agreed with its lending bank, Lloyds, to covenant changes to ensure the Group could open with the ability to continue to invest, as well as providing additional headroom in the event of further prolonged closures. The new covenants are noted below:

Covenants	Net Debt: LTM EBITDA	Cash flow cover	Liquidity
March 2021	waived	waived	£10m
June 2021	waived	waived	£15m
September 2021	waived	waived	£20m
December 2021 onwards	1.5:1	1:1	N/A

As highlighted in the CEO report, the Group conducted an equity placing of 13,043,480 new ordinary shares (representing 8.3 per cent of the issued share capital) which raised £30.0m gross proceeds (£29.2m net of costs).

The £10m CLIBILS RCF remains undrawn.

CASH FLOW AND NET DEBT
Net cash at 31 March 2021 is £8.2m (H1 FY2020: net debt of £14.6m), consisting of £37.4m cash at bank and £29.2m gross debt.

	H1 FY2021 **£'000**	H1 FY2020 (restated) £'000
Group adjusted EBITDA	**191**	29,341
Movement in working capital	**(3,304)**	(1,981)
Maintenance capital expenditure	**(2,090)**	(4,547)
Taxation	-	(5,016)
Payment of capital elements of leases	**(2,179)**	(5,384)
Adjusted operating cash flow (OCF)[1]	**(7,382)**	12,412
Expansionary capital expenditure	**(322)**	(6,105)
Net bank loan interest paid	**(365)**	(472)
Loan arrangement fees	**(350)**	**-**
Lease interest paid	**(3,957)**	(3,888)
Debt repayments	**(300)**	(750)
Free cash flow (FCF)[2]	**(12,676)**	1,196
Drawdown on RCF	**-**	4,000
Dividends paid	**-**	(14,489)
Equity placing (net of fees)	**29,252**	-
Net cash flow	**16,576**	(9,293)

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

[2] Free cash flow is defined as net cash flow pre RCF drawdowns, dividends and equity placing.

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

CAPITAL EXPENDITURE
Total net capital expenditure was down £8.2m year on year (77.4 per cent) on the comparable period in the prior year, to £2.4m.
During the first three months of the half, lane seating dividers were installed in all bowling centres at a total cost of £1.3m, with other capital expenditure focused on health and safety requirements.

Since the start of the second half, the Group has restarted its centre refurbishment programme, pins on strings installations and the new scoring system rollout. Capital expenditure is expected to be between £9m - £11m in the second half, as these projects continue along with at least two new centres starting on site.

DIVIDEND
As part of its Covid-19 related actions, the Board is not recommending an interim dividend for H1 FY2021.

The Group's dividend policy is to grow the dividend broadly in-line with earnings. The Group operates a highly cash generative business model, and therefore once the overall impact of Covid-19 and the subsequent recovery trajectory has been more clearly established, the Board believes it will be in a position to return to paying dividends again.

The RCF available under the CLBILS would need to be closed for dividends to recommence.

GOING CONCERN
The Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future, a period of at least 12 months from the date of this report. Accordingly, the Group

continues to adopt the going concern basis in preparing these Financial Statements. Full details are set out in note 2 of the attached interim financial statements.

The Board is satisfied that consumer demand for family entertainment remains strong and the underlying fundamentals of the business model remain in place. The Group has a highly cash-generative model that generates significant free cash flow to allow for continued investments organically as well as to expand the profitable estate. We are confident that as restrictions are eased, healthy trading will resume and the business will re-establish its strong growth trajectory.

Laurence Keen
Chief Financial Officer
17 May 2021

Condensed Consolidated Income Statement and Statement of Comprehensive Income
For the six months ended 31 March 2021

	Note	Six months ended 31 March 2021 Unaudited £'000	Six months ended 31 March 2020 Unaudited restated £'000	Year ended 30 September 2020 Audited £'000
Revenue		12,027	69,230	79,473
Cost of sales		(1,192)	(9,976)	(11,543)
Gross profit		10,835	59,254	67,930
Administrative expenses		(20,857)	(39,780)	(58,069)
Operating (loss)/profit		(10,022)	19,474	9,861
Finance income		-	65	78
Finance expenses	4	(4,467)	(4,342)	(8,743)
(Loss)/profit before tax		(14,489)	15,197	1,196
Tax credit/(expense)	6	2,856	(2,948)	189
Total comprehensive (loss)/income for the period attributable to equity shareholders		(11,633)	12,249	1,385

Earnings per share (based on weighted average number of shares)	5	**Pence**	**Pence**	**Pence**
Basic		(7.34)	8.17	0.90
Diluted		(7.34)	8.13	0.90
Weighted average number of shares in issue for period (number)		158,577,985	150,700,785	154,337,377

Prior year comparatives for the period ended 31 March 2020 have been restated due to a prior year adjustment. See note 2 to the financial statements for further details.

Reconciliation of operating profit to Group Adjusted EBITDA		Six months ended 31 March 2021 Unaudited £'000	Six months ended 31 March 2020 Unaudited restated £'000	Year ended 30 September 2020 Audited £'000
Operating (loss)/profit		(10,022)	19,474	9,861
Depreciation of property, plant and equipment	7	3,805	3,619	7,247
Depreciation of right-of-use (ROU) assets	8	6,169	5,984	12,171
Amortisation of intangible assets	9	239	258	507
Loss on disposal of property, plant and equipment and software and ROU Assets	7, 8, 9	-	6	22
Group Adjusted EBITDA		191	29,341	29,808

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

Reconciliation of net debt	Six months ended 31 March 2021 Unaudited £'000	Six months ended 31 March 2020 Unaudited restated £'000	Year ended 30 September 2020 Audited £'000
Borrowings from bank facilities	29,200	30,250	29,500
Cash and cash equivalents	(37,360)	(15,636)	(20,784)
Net debt excluding finance leases	(8,160)	14,614	8,716
Finance leases	172,939	164,745	173,804
Net debt	164,779	179,359	182,520

Net debt is defined as borrowings from bank facilities excluding issue costs, plus finance leases less cash and cash equivalents.

Prior year comparatives for the period ended 31 March 2020 have been restated due to a prior year adjustment. See note 2 to the financial statements for further details.

Condensed Consolidated Statement of Financial Position
As at 31 March 2021

	Note	31 March 2021 Unaudited	31 March 2020 Unaudited restated	30 September 2020 Audited
ASSETS				
Non-current assets		£'000	£'000	£'000
Property, plant and equipment	7	46,369	48,796	48,220
Right-of-use assets	8	130,321	132,842	135,176
Goodwill and intangible assets	9	78,006	78,364	78,173
Deferred tax asset		7,802	3,031	5,295
		262,498	263,033	266,864
Current assets				
Cash and cash equivalents		37,360	15,636	20,784
Trade and other receivables		2,319	2,994	1,720
Corporation tax receivable		722	1,312	285
Inventories		1,278	1,482	1,340
		41,679	21,424	24,129
Total assets		304,177	284,457	290,993
LIABILITIES				
Current liabilities				
Trade and other payables		6,389	11,720	9,940
Lease liabilities	8	16,948	9,969	14,404
Loans and borrowings	11	4,368	5,380	5,205
		27,705	27,069	29,549
Non-current liabilities				
Other payables		825	687	814
Lease liabilities	8	155,991	154,776	159,400
Loans & borrowings	11	24,517	24,693	23,833
Provisions		3,521	3,803	3,903
		184,854	183,959	187,950
Total liabilities		212,559	211,028	217,499
NET ASSETS		91,618	73,429	73,494
Equity attributable to shareholders				
Share capital	10	1,706	1,500	1,575
Share premium	10	39,587	-	10,466
Merger reserve		(49,897)	(49,897)	(49,897)
Retained earnings		100,222	121,826	111,350

TOTAL EQUITY	91,618	73,429	73,494

Prior year comparatives for the period ended 31 March 2020 have been restated due to a prior year adjustment. See note 2 to the financial statements for further details.

Condensed Consolidated Statement of Changes in Equity
For the six months ended 31 March 2021

	Share capital £'000	Share Premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Equity at 30 September 2019 (audited)	**1,500**	**-**	**(49,897)**	**150,038**	**101,641**
Adjustment on initial application of IFRS 16	-	-	-	(31,696)	(31,696)
Taxation on IFRS 16 transition adjustment	-	-	-	5,388	5,388
Adjusted balance at 1 October 2019	**1,500**	**-**	**(49,897)**	**123,730**	**75,333**
Dividends paid	-	-	-	(14,489)	(14,489)
Share-based payments (Note 12)	-	-	-	336	336
Profit for the period	-	-	-	12,249	12,249
Equity at 31 March 2020 (unaudited) restated	**1,500**	**-**	**(49,897)**	**121,826**	**73,429**
Shares issued during the period	75	10,466	-	-	10,541
Share-based payments (Note 12)	-	-	-	388	388
Loss for the period	-	-	-	(10,864)	(10,864)
Equity at 30 September 2020 (audited)	**1,575**	**10,466**	**(49,897)**	**111,350**	**73,494**
Shares issued during the period (Note 10)	131	29,121	-	-	29,252
Share-based payments	-	-	-	418	418
Deferred tax recognised in equity	-	-	-	87	87
Loss for the period	-	-	-	(11,633)	(11,633)
Equity at 31 March 2021 (unaudited)	**1,706**	**39,587**	**(49,897)**	**100,222**	**91,618**

Prior year comparatives for the period ended 31 March 2020 have been restated due to a prior year adjustment. See note 2 to the financial statements for further details.

Condensed Consolidated Statement of Cash Flows
For the six months ended 31 March 2021

	Six months ended 31 March 2021 Unaudited	Six months ended 31 March 2020 Unaudited restated	Year ended 30 September 2020 Audited
Cash flows from operating activities	**£'000**	**£'000**	**£'000**
(Loss)/profit before tax	(14,489)	15,197	1,196
Adjusted by:			
Depreciation of property, plant and equipment	3,805	3,619	7,247
Depreciation of right-of-use assets	6,169	5,984	12,171
Amortisation of intangible assets	239	258	507
Net interest expense	4,467	4,277	8,665
Loss on disposal of property, plant and equipment and software and ROU Assets	-	6	22
Share-based payments	418	336	724
Operating profit before working capital changes	609	29,677	30,532
Decrease/(increase) in inventories	62	(270)	(128)
(Increase)/decrease in trade and other receivables	(600)	456	1,727
(Decrease) in payables and provisions	(3,185)	(2,503)	(5,868)
Cash inflow generated from operations	(3,114)	27,360	26,263
Interest received	-	69	85
Income tax paid - corporation tax	-	(5,016)	(3,117)
Bank interest paid	(715)	(541)	(943)
Lease interest paid	(3,956)	(3,888)	(7,770)
Net cash inflow from operating activities	(7,785)	17,984	14,518
Investing activities			
Purchase of property, plant and equipment	(2,340)	(10,488)	(13,492)
Purchase of intangible assets	(72)	(165)	(223)
Net cash used in investing activities	(2,412)	(10,653)	(13,715)
Cash flows from financing activities			
Repayment of bank loan	(300)	(750)	(1,500)
Drawdown of borrowings	-	4,000	4,000
Payment of capital elements of leases	(2,179)	(5,385)	(3,500)
Issue of shares	29,252	-	10,541
Dividends paid	-	(14,489)	(14,489)
Net cash used in financing activities	26,773	(16,624)	(4,948)
Net change in cash and cash equivalents for the period	16,576	(9,293)	(4,145)

Cash and cash equivalents at the beginning of the period	20,784	24,929	24,929
Cash and cash equivalents at the end of the period	**37,360**	**15,636**	**20,784**

Prior year comparatives for the period ended 31 March 2020 have been restated due to a prior year adjustment. See note 2 to the financial statements for further details.

Notes to the condensed consolidated interim financial statements

1. General information

The Directors of Hollywood Bowl Group plc (together with its subsidiaries, the "Group" or "HWB Group") present their interim report and the unaudited financial statements for the six months ended 31 March 2021 ('Interim Financial Statements').

HWB Group is incorporated and domiciled in England and Wales, under company registration number 10229630. The registered office of the company is Focus 31, West Wing, Cleveland Road, Hemel Hempstead, HP2 7BW, United Kingdom.

The interim Financial Statements were approved by the Board of Directors on 17 May 2021.

The Group's last annual audited financial statements for the year ended 30 September 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and these Interim Financial statements should be read in conjunction with them.

The comparative figures for the year ended 30 September 2020 are an abridged version of the Group's last annual financial statements and, together with other financial information contained in these interim results, do not constitute statutory financial statements of the Group as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 30 September 2020 has been delivered to the Registrar of Companies. The external auditor has reported on those accounts: their report was unqualified and did not contain a statement under s498 (2) or (3) of the Companies Act 2006. However, it did draw attention to a material uncertainty related to going concern, but their opinion was not modified in respect of this matter.

2. Basis of preparation

The Interim Financial Statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting' as endorsed by the European Union and the Disclosures and Transparency Rules of the United Kingdom's Financial Conduct Authority. They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last financial statements.

The Interim Financial Statements are presented in Pounds Sterling, rounded to the nearest thousand pounds, except where otherwise indicated; and under the historical cost convention.

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those applied in the presentation of the Group's consolidated financial statements for the year ended 30 September 2020. A number of other new European Union endorsed amendments to existing standards are also effective for periods beginning on or after 1 October 2020.

Prior period restatement

Following the finalisation of the Group's transition to IFRS 16 on 1 October 2019, the financial statements for the comparative six-month period ended 30 March 2020 have been restated to reflect a revised opening IFRS 16 lease liability and ROU asset at the date of transition, along with corresponding adjustments to the lease interest and ROU asset depreciation recognised in the period. The restatement results in a £3.1m net reduction to opening retained earnings on 1

October 2019, a reduction in the depreciation charge of £0.2m and an increase in interest expense of £0.2m.

In addition, the adjustment made to the dilapidations provision as a result of the reduction in the discount rate used in preparing the provision has been capitalised in property, plant and equipment (PPE). This restatement results in a £0.6m reduction in the interest expense and corresponding increase in the carrying value of PPE for the period ended 30 March 2020.

Going concern
The financial position of the Group, its cash flows, performance and position are described in the financial review section, and the principal risks of the Group are set out in the other information within the interim management report. Details of the Group's available and drawn facilities are include in note 11. At 31 March 2021, the Group had a cash balance of £37.4m with RCFs of £11m including £10m under the CLBILS. The principal risks of the Group are set out in note 13 to these financial statements. The Directors have considered these risks alongside the Group's current financial position and outlook, to see how they may impact going concern.

The Covid-19 pandemic and the temporary measures put in place to control the virus spreading, including local and national lockdowns, as well as social distancing restrictions, have resulted in the Group implementing a number of mitigating factors during the reporting period to reduce cash outflows and maintain liquidity, as noted below:

- Raised £29.2m at 230 pence per share, net of fees, through an equity placing.
- Received leverage and cash flow covenant waivers for the period to December 2021. Under the terms of the waivers, the Group is required to maintain specific levels of liquidity. These levels are outlined in note 11 to these financial statements.
- Significantly reduced the level of capital expenditure.
- Did not declare a final dividend for FY2020 and no interim dividend is declared for FY2021.
- Participated in Government grants and incentives, including the CJRS, business rates relief and grants specific to the leisure and hospitality sector that are forced to stay closed during the pandemic.

All of the Group's English and Welsh centres are due to open on 17 May 2021, under Step 3 of the UK Government's roadmap. The Group's Scottish centres are also due to open on 17 May with the exception of one centre in Glasgow City which remains in Level 3.

As part of the review of the potential impact of the Covid-19 outbreak on cash flows and liquidity, the Group has modelled a base case and a severe but plausible case.

The severe but plausible case sensitises the base case forecasts for a further two-month lockdown during December 2021 and January 2022. Under each scenario, there are mitigating actions within management control that can be initiated, as necessary, to reduce discretionary spend. The actions include reducing employee costs, maintenance and marketing spend, as well as reducing all non-essential and non-committed capital expenditure.

Under both scenarios the Group can meet its funding requirements and is able to meet its covenants agreed throughout the twelve-month going concern period.

Given the high degree of uncertainty resulting from the Covid-19 pandemic, the long-term impact on trading conditions could be more prolonged or severe than has been considered in the severe but plausible scenario. A reverse stress test has been undertaken to identify the level of downside forecast, without additional mitigating actions, that would result in the Group being unable to operate under its current banking facilities. The significant reduction in sales required is not considered likely, allowing for our experience of operating during the pandemic and the reduced levels of restrictions anticipated for the hospitality sector during the next twelve months.

Taking the above analysis and the principal risks faced by the Group into consideration, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for at least twelve months from the date of this report. Accordingly, the Group continues to adopt the going concern basis in preparing these interim financial statements.

Accounting estimates and judgements
The preparation of the financial statements requires management to make judgements, estimates and assumptions in applying the Company's accounting policies to determine the reported amounts of assets, liabilities, income and

expenditure. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis, with revisions applied prospectively.

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

Critical accounting judgements

- *Determining the incremental borrowing rate used to measure lease liabilities*

The Company cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. Judgement is applied in determining the components of the IBR used for each lease including risk-free rates, the Company's credit risk and any lease specific adjustments.
IBRs depend on the term and start date of the lease. The IBR is determined based on a series of inputs including: the risk-free rate based on government bond rates and a credit risk adjustment based on the average credit spread from commercial bank lenders.

Key sources of estimation uncertainty
The key estimates about the future at the reporting period end that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- *Tangible fixed assets and right-of-use asset impairment reviews*

Tangible fixed assets and right-of-use assets are reviewed for impairment when there is an indication that the assets might be impaired by comparing the carrying value of the assets with their recoverable amounts. The recoverable amount of an asset or a CGU is typically determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates.
The key assumptions in the value-in-use calculations include growth rates of revenue and expenses, and discount rates. Due to the ongoing COVID-19 pandemic, there is an increased level of uncertainty in all of the above assumptions such that a reasonably possible change in these assumptions could lead to a material change in the carrying value of the assets.

Further information in respect of the Company's tangible fixed assets and right-of-use assets is included in notes 7 and 8 respectively.

Standards issued not yet effective
At the date of authorisation of this financial information, certain new standards, amendments and interpretations to existing standards applicable to the Group have been published but are not yet effective and have not been adopted early by the Group. The impact of these standards is not expected to be material.

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. Within this one operating segment there are multiple revenue streams which consist of the following:

	Six months ended 31 March 2021 Unaudited £'000	**Six months ended 31 March 2020 Unaudited £'000**	**Year ended 30 September 2020 Audited £'000**
Bowling	5,219	33,700	38,542
Food and drink	2,647	18,964	21,516
Amusements	2,452	16,378	18,819
Other[1]	1,709	188	596
	12,027	69,230	79,473

[1] Other income includes mini-golf revenue attributable to the Group's three Puttstars centres, as well as £1,594,000 (31 March 2020 and 30 September 2020 £nil) of COVID-19 related government grants..

4. Finance expenses

	Six months ended 31 March 2021 Unaudited £'000	Six months ended 31 March 2020 Unaudited restated £'000	Year ended 30 September 2020 Audited £'000
Interest on bank borrowings	506	424	904
Other interest	-	-	5
Unwinding of discount on provisions	5	30	64
Finance costs on lease liabilities	3,956	3,888	7,770
	4,467	4,342	8,743

Prior year comparatives for the period ended 31 March 2020 have been restated due to a prior year adjustment. See note 2 to the financial statements for further details.

5. Earnings per share

Basic earnings per share is calculated by dividing the profit to equity holders of Hollywood Bowl Group plc by the weighted average number of shares outstanding during the year, excluding invested shares held pursuant to Long Term Incentive Plans (note 12).

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the period ended 31 March 2021, the Group had potentially dilutive shares in the form of unvested shares pursuant to Long Term Incentive Plans (note 12).

	Six months ended 31 March 2021 Unaudited	Six months ended 31 March 2020 Unaudited restated	Year ended 30 September 2020 Audited
Basic and diluted			
(Loss)/profit for the period after tax (£'000)	(11,633)	12,249	1,385
Basic weighted average number of shares in issue for the period (number)	158,577,985	150,000,000	153,401,639
Adjusted for share awards	1,098,012	700,785	935,738
Diluted weighted average number of shares	159,675,997	150,700,785	154,337,377
Basic earnings per share (pence)	(7.34)	8.17	0.90
Diluted earnings per share (pence)	(7.34)	8.13	0.90

Adjusted underlying earnings per share

Adjusted underlying earnings per share are calculated by dividing adjusted underlying earnings after tax by the weighted average number of shares issued during the period. Adjusted underlying earnings are calculated by adjusting earnings by any exceptional items in the period.

There are no exceptional items in any of the periods reported, therefore adjusted underlying earnings per share are equal to statutory underlying earnings per share, as disclosed above.

Prior year comparatives for the period ended 31 March 2020 have been restated due to a prior year adjustment. See note 2 to the financial statements for further details.

6. Taxation

The tax (credit)/expense is as follows:	Six months ended 31 March 2021 Unaudited £'000	Six months ended 31 March 2020 Unaudited £'000	Year ended 30 September 2020 Audited £'000
- UK Corporation tax	(436)	1,188	339
- Adjustments in respect of previous periods	-	-	(24)
Total current tax	(436)	1,188	315
Deferred tax:			
Origination and reversal of temporary differences	(2,420)	1,682	39
Effects of changes in tax rates	-	78	(546)
Adjustments in respect of previous periods	-	-	3
	(2,420)	1,760	(504)
Total tax (credit)/expense	(2,856)	2,948	(189)

Factors affecting tax charge:
The income tax (credit)/expense was recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the profit before tax for the half year ended 31 March 2021.

Deferred tax
In the March 2021 Budget, the government announced that the corporation tax main rate for the year starting 1 April 2023 will increase to 25%. As this rate has not been substantively enacted as at the reporting date, it has not been used to calculate the deferred tax balances but will impact future tax charges and balances. As such, the rate used to calculate the deferred tax balances as at 31 March 2021 has remained at 19%.

7. Property, plant and equipment

	Long leasehold property £'000	Short leasehold property £'000	Lanes and pinspotters £'000	Amusement machines £'000	Plant & machinery, fixtures and fittings £'000	Total £'000
Cost:						
At 1 October 2019	1,241	23,598	10,070	16,362	29,411	80,682
Adjustment on initial application of IFRS 16	-	-	-	(16,362)	-	(16,362)
Additions	-	5,125	2,537	-	6,780	14,442
Disposals	(1)	(71)	(338)	-	(34)	(444)
At 30 September 2020 (audited)	**1,240**	**28,652**	**12,269**	**-**	**36,157**	**78,318**
Additions	-	319	-	-	2,021	2,340
Disposals	-	(386)	-	-	(5)	(391)

At 31 March 2021 (unaudited)	**1,240**	**28,585**	**12,269**	**-**	**38,173**	**80,267**
Accumulated depreciation:						
At 1 October 2019	245	8,664	4,021	10,050	10,337	33,317
Adjustment on initial application of IFRS 16	-	-	-	(10,050)	-	(10,050)
Depreciation charge	48	2,417	647	-	4,135	7,247
Disposals	(1)	(70)	(321)	-	(24)	(416)
At 30 September 2020 (audited)	**292**	**11,011**	**4,347**	**-**	**14,448**	**30,098**
Depreciation charge	24	1,320	295	-	2,166	3,805
Disposals	-	-	-	-	(5)	(5)
At 31 March 2021 (unaudited)	**316**	**12,331**	**4,642**		**16,609**	**33,898**
Net book value						
At 31 March 2021 (unaudited)	**924**	**16,254**	**7,627**	**-**	**21,564**	**46,369**
At 30 September 2020 (audited)	948	17,641	7,922	-	21,709	48,220

As at 31 March 2021, outstanding capital commitments totalled £1,074,000 (31 March 2020: £1,050,000; 30 September 2020: £229,000).

8. Leases

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

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

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

	Property £'000	**Amusement machines £'000**	**Total £'000**
Cost			
At transition on 1 October 2019	130,227	6,110	136,337
Lease additions	1,762	1,995	3,757
Lease surrenders	-	(443)	(443)
Lease modifications	7,710	-	7,710
At 30 September 2020 (audited)	**139,699**	**7,662**	**147,361**
Lease additions	-	83	83

Lease surrenders	-	(20)	(20)
Lease modifications	1,234	-	1,234
At 31 March 2021 (unaudited)	**140,933**	**7,725**	**148,658**
Accumulated depreciation			
At transition on 1 October 2019	-	-	-
Depreciation charge to profit or loss	9,481	2,690	12,171
Depreciation charge to PPE	261	-	261
Lease surrenders	-	(247)	(247)
At 30 September 2020 (audited)	**9,742**	**2,443**	**12,185**
Depreciation charge	4,846	1,323	6,169
Lease surrenders	-	(17)	(17)
At 31 March 2021 (unaudited)	**14,588**	**3,749**	**18,337**
Net book value			
At 31 March 2021 (unaudited)	**126,345**	**3,976**	**130,321**
At 30 September 2020 (audited)	129,957	5,219	135,176

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

	Property £'000	Amusement machines £'000	Total £'000
Lease liabilities			
At transition on 1 October 2019	161,161	6,221	167,382
Lease additions	1,762	1,995	3,757
Accretion of interest	7,609	161	7,770
Lease modifications	7,710	(203)	7,507
Payments[1]	(11,142)	(1,470)	(12,612)
At 30 September 2020 (audited)	**167,100**	**6,704**	**173,804**
Lease additions	-	83	83
Accretion of interest	3,890	66	3,956
Lease modifications	1,234	(3)	1,231
Payments[1]	(5,141)	(994)	(6,066)
At 31 March 2021 (unaudited)	**167,083**	**5,856**	**173,008**
Current	14,305	2,643	16,948
Non-current	152,778	3,213	155,991
	167,083	**5,856**	**172,939**

[1] As a result of COVID-19 rent concessions, £3,304,000 (30 September 2020: £3,591,000) of property payments and £693,000 (30 September 2020: £1,376,000) of amusement machine payments noted above were deferred during the period. A further £1,019,000 (30 September 2020: £1,400,000) of property rent savings were taken to profit or loss as a credit to variable lease payments within administrative expenses.

9. Intangible assets

	Goodwill £'000	Brand £'000	Trademark £'000	Software £'000	Total £'000
Cost					
At 1 October 2019	75,034	3,360	798	1,637	80,829
Additions	-	-	-	223	223
At 30 September 2020 (audited)	**75,034**	**3,360**	**798**	**1,860**	**81,052**
Additions	-	-	-	72	72
At 31 March 2021 (unaudited)	**75,034**	**3,360**	**798**	**1,932**	**81,124**
Accumulated amortisation					
At 1 October 2019	-	852	266	1,254	2,372
Amortisation charge	-	168	50	289	507
At 30 September 2020 (audited)	**-**	**1,020**	**316**	**1,543**	**2,879**
Amortisation charge	-	84	25	130	239
At 31 March 2021 (unaudited)	**-**	**1,104**	**341**	**1,673**	**3,118**
Net book value					
At 31 March 2021 (unaudited)	**75,034**	**2,256**	**457**	**259**	**78,006**
At 30 September 2020 (audited)	75,034	2,340	482	317	78,173

10. Share capital

	31 March 2021		30 March 2020		30 September 2020	
	No of shares	£'000	No of Shares	£'000	No of shares	£'000
Ordinary shares of £0.01 each	170,578,333	1,706	150,000,000	1,500	157,500,000	1,575

On 11 March 2021, the Group issued 13,043,480 Ordinary shares for an offer price of 230 pence per share, generating gross proceeds of £30m. Expenses of £0.8m were incurred and have been offset in the share premium account leaving net proceeds of £29.2m.

11. Loans and borrowings

	31 March 2021 Unaudited £'000	31 March 2020 Unaudited £'000	30 September 2020 Audited £'000
Current			
Bank loan	368	1,380	1,205
Revolving credit facility	4,000	4,000	4,000
Borrowings (less than 1 year)	4,368	5,380	5,205
Non-current			
Bank loan	24,517	24,693	23,833
Borrowings (greater than 1 year)	24,517	24,693	23,833
Total borrowings	28,885	30,073	29,038

The bank loans are secured by a fixed and floating charge over all assets.

On 7 May 2020, the Group amended its facility with Lloyds Bank plc to add an additional £10m under the CLBILS. This CLBILS facility expires on 7 May 2022.

On 21 September 2020, the Group extended its £35m facility with Lloyds Bank plc for a further year, resulting in a revised expiry date of 2 September 2022. The next repayment of £0.3m is due on 30 June 2021 and every six months up to (and including) 30 June 2022. The remaining balance will be repayable on the expiry date of 2 September 2022.

As at 31 March 2021, the outstanding loan balance, excluding the amortisation of issue costs, was £29,200,000 (30 September 2020: £29,500,000). In addition, under this loan agreement, the Group had an undrawn £1m revolving credit facility and a further £10m undrawn under the CLBILS facility, at 31 March 2021 and 30 September 2020. All loans carry interest at LIBOR plus a margin, which varies in accordance with the ratio of net debt divided by EBITDA and cash flow cover. The margin at 31 March 2021 and 30 September 2020 was 2.0 per cent. The Group considers this feature to be a non-financial variable that is specific to a party to the contract and hence not treated as an embedded derivative.

The terms of the facility include the following Group financial covenants:
(i) that the ratio of consolidated total net debt to EBITDA in respect of any relevant period shall not exceed 1.50:1 for the quarter ending 31 December 2021 and thereafter. This liquidity test was waived from 31 December 2020 to 30 September 2021; and
(ii) that the ratio of consolidated cash flow to consolidated debt service in respect of any relevant period shall not be less than 1:1 for the quarter ending 31 December 2021 and thereafter. This cash cover test was waived from 31 December 2020 to 30 September 2021.

New covenants were introduced from 31 December 2020 as follows:

(i) Liquidity, including balance sheet cash and undrawn RCFs, of at least £17m, £10m, £15m and £20m for 31 December 2020; 31 March 2021, 30 June 2021 and 30 September 2021 respectively, and
(ii) Trailing twelve month Group adjusted EBITDA on a pre IFRS 16 basis of a minimum of -£3m for 31 December 2020 only.

The Group operated within the relevant covenants during the period and the previous period.

12. Performance share-based payments
Long term employee incentive costs

The Group had the following performance share based payment arrangements in operation during the period:
a) The Hollywood Bowl Group plc Long Term Incentive Plan 2018
b) The Hollywood Bowl Group plc Long Term Incentive Plan 2019

c) The Hollywood Bowl Group plc Long Term Incentive Plan 2020

Long Term Incentive Plans

HWB Group plc operates Long Term Incentive Plans (LTIPs) for certain key management. In accordance with IFRS 2 Share Based Payments, the value of the awards is measured at fair value at the date of the grant. The exercise price of the LTIPs is equal to the market price of the underlying shares on the date of grant. The fair value is determined based on the exercise price and number of shares granted and is written off on a straight-line basis over the vesting period, based on management's estimate of the number of shares that will eventually vest.

In accordance with the LTIP schemes outlined in the Group's Remuneration Policy (Annual Report FY2020), the vesting of these awards is conditional upon the achievement of an EPS target set at the time of grant and measured at the end of a 3 year period ending 30 September 2020, 2021 and 2022 and the Executive Directors' continued employment at the date of vesting.

During the six months ended 31 March 2021, no share awards were granted under the 2021 LTIP.

For the six months ended 31 March 2021, the Group has recognised £395,708 of performance share-based payment expense in the profit or loss account (31 March 2020: £324,033 and 30 September 2020: £729,829).

The LTIP shares are dilutive for the purposes of calculating diluted earnings per share.

13. Principal Risks and Uncertainties

The Group's business has been significantly disrupted as a result of the Covid-19 pandemic, the associated lockdown and the closure of our business. There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year.

The Directors have reconsidered the principal risks and uncertainties of the Group and have determined that those reported in the Annual Report for the year ended 30 September 2020 remain relevant for the remaining half of the financial year. These risks are summarised below, and how the Group seeks to mitigate these risks is set out on pages 26 to 29 of the Annual Report and Accounts 2020, which can be found at www.hollywoodbowlgroup.com.

In summary, these include:

- The COVID-19 pandemic
- The economic condition in the UK - results in a decline in GDP, consumer spending, a fall in revenue and inflation pressure impacting the Group's strategy
- Dependency on the performance of IT systems - reducing the ability of the Group to take bookings and resulting in loss of revenue
- Delivery of products from third party suppliers which are key to the customer experience - impacting on the overall offer to the customer
- Retention of key team members - a reduction in our talent pool, as well as failure to maintain staff engagement, retention of key team in a tightening labour market
- Data security and protection - impacting on customer information and potential fines
- Breach of covenants
- Compliance with regulatory requirements
- Breach of laws and regulations
- Brexit

14. Related Party Transactions

31 March 2021 and 31 March 2020

There were no related party transactions during either period.

Responsibility Statement

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU.
- The interim management report includes a fair review of the information required by:
  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the

financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
(b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

This responsibility statement was approved by the Board on 17 May 2021 and is signed on its behalf by:

Stephen Burns

CEO

Laurence Keen

CFO

17May 2021