11 December 2017

Hollywood Bowl Group plc

STRONG REVENUE AND PROFIT GROWTH 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 2017 (FY2017).

Financial highlights

	12 months ended 30 September 2017	12 months ended 30 September 2016	**% Movement**
Total revenues	**£114.0m**	£104.8m[1]	**+8.8%**
Like for like revenues [2]	**+3.5%**	+6.5%	
Group adjusted EBITDA[3]	**£33.4m**	£29.4m	**+13.7%**
Group adjusted EBITDA margin	**29.3%**	28.0%	
Operating profit	**£22.2m**	£14.4m	**+54.4%**
Profit before tax	**£21.1m**	£2.6m	
Earnings per share	**12.17p**	1.12p	
Net debt	**£8.1m**	£20.8m	**-61.1%**
Interim ordinary dividend paid per share	**1.80p**	-	
Final ordinary dividend per share	**3.95p**	0.19p	
Special dividend per share	**3.33p**	-	

Operational Highlights/Progress

- *Refurbishment and rebranding programme progressing well, delivering returns, ahead of expectations*
    - *Six further transformational refurbishments completed*
    - *Four Bowlplex rebrands completed in the year*
- *New centre opening plan on track*
    - *Three new centres opened in the year, all performing strongly*
    - *One new centre already opened in FY2018*
- *Increased capacity utilisation and average spend*
    - *Total game volumes increased 8.5%; 13 million games bowled*
    - *LFL game volumes increased 3.1%*
    - *Spend per game increased 0.8%, to £8.70*
- *Strong cash generation resulting in over £13.6m cash being returned to shareholders for the year*
    - *Final ordinary dividend of 3.95 pence per share*
    - *Special dividend of 3.33 pence per share*
    - *Total dividend of 9.08 pence per share for the year*

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

"I am delighted to report a strong operational and financial performance for our first full year since IPO. Our rebrands and refurbishments have delivered significant returns and new centres opened in the year have performed ahead of expectations. The investments we have made in improving our brand and customer offer have been well received by customers, resulting in more visits and increased spend per game across our portfolio. We will continue to trial and implement more new initiatives in order to ensure the best possible leisure experience for our customers.

"Looking forward, our strong balance sheet and cash generative business model allows us to capitalise on our healthy pipeline of new sites and we remain committed to growing our high quality portfolio through selective new openings and acquisitions.

"We expect to continue this positive momentum as we intensively manage the portfolio for growth and deliver a high-quality customer experience, which continues to be great value for money. This underpins the confidence in our ability to unlock value for shareholders, with a special dividend announced today of 3.33p, and the continuation of our progressive dividend policy going forward. Along with our end of year ordinary dividend of 3.95p we will have returned a total of £13.6m to shareholders for the year."

1 Management conducted a recent process of review of its key contracts and revenue recognition policies; as a result of this and in anticipation of IFRS 15 on 1 October 2018, we have identified that certain transactions have been recognised as revenue and cost of sales in prior periods when it is more appropriate to show the amounts net. Accordingly these revenues and costs of sales have been netted off in the statement of comprehensive income for the year ended 30 September 2017. Further, considering its significant impact on prior year financial statements, total revenues for 12 months ended 30 September 2016 have been restated to reflect this.

2 LFL revenue is defined as total revenue excluding any new centre openings (FY2017: £2.7m), pre-acquisition periods in relation to the Bowlplex acquisition on 9 December 2015 (FY2017: £3.4m), closed centres (FY2016: £0.3m) from the current or prior year, and any other non like-for-like income (leap year effect FY2016: £0.2m) and is used as a key measure of constant centre growth.

3 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 dilapidations release), and costs (expenses related to a review of a strategic acquisition which was not pursued and IPO related expenses). It is our view that these are not recurring costs. The reconciliation to operating profit is in note 3 to the Financial Statements.

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Notes to Editors:

Hollywood Bowl Group is the UK's largest ten-pin bowling operator, with a portfolio of 58 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 12 bowling lanes, on-site dining, licensed bars, and state-of-the-art family games arcades.

CHAIRMAN'S STATEMENT

Overview
Following our first full year as a listed company, I am pleased to report that FY2017 was another very successful and exciting one for the Group. Revenue continued to grow as more than 13 million customers came through our doors and enjoyed the high-quality, family friendly experience we offer.

Revenue increased by 8.8 per cent to £114.0m, driven through like-for-like (LFL) sales growth in the core estate, continued investment in refurbishments and rebrands, and the opening of three new centres – Derby, Southampton and The London O2. Our strong balance sheet has been further strengthened on the back of positive trading, and net debt has reduced to £8.1m with the net debt to Group adjusted EBITDA ratio at 0.24 times.

This sector-leading performance, combined with our excellence in operations, has enabled the Board to recommend a final dividend of 3.95p per share, as well as a special dividend of 3.33p per share. The combination of these two dividends, along with our interim dividend, means that the business will have returned, subject to shareholder approval of the final dividend at the forthcoming Annual General Meeting, £13.6m (9.08p per share) to shareholders in respect of FY2017. With our strong balance sheet, we are extremely well positioned for continued growth through both the existing estate and future openings.

I have taken enormous pleasure in seeing this business continue to grow and develop over the past 12 months. Focusing on offering a high-quality bowling experience, with the emphasis on family friendly entertainment, has led to increased revenue on a LFL basis, with more customers than ever before choosing to spend their leisure time with us.

I am delighted at the progress we have made with our centre investment programme with the completion of four transformational refurbishments and six rebrands during the year. Basingstoke is an excellent example of our success. Following a £250,000 refurbishment, completed inside just four weeks, the Centre Manager has delivered one of the highest rates of EBITDA growth within the business.

We have now completed seven of the Bowlplex rebrands, with the final four planned for FY2018. The success of the Bowlplex rebrands reinforces what an excellent investment Bowlplex was.

Good corporate governance continues to be a focus for the Board as we complete our evolution from private equity to PLC ownership. Following the Group's IPO in FY2016, Epiris sold its remaining interest (17.8 per cent) in the business and we thank Bill Priestley and Ian Wood for their continued support through the first eight months of listing.

The Board recruited an additional independent NED, Ivan Schofield, and I was delighted to welcome Ivan to our Board with effect from 1 October. Ivan brings a wealth of European and UK knowledge from several multi-site leisure businesses. He has completed a thorough induction programme and is providing support and new perspective, as well as giving challenge, to an already high-performing Board.

A key component of our success is our executive leadership team which has done an outstanding job during FY2017. The four senior Directors – Steve Burns (CEO), Laurence Keen (CFO), Mat Hart (Commercial Director) and Melanie Dickinson (Talent Director), have led the company with courage, conviction and a relentless desire to remain on purpose. The behaviour of the senior team provide the leadership and example for all colleagues to follow which, coupled with team member inductions and our ways of working, provides a clear cultural framework for the company to operate within. The strength of our culture delivers industry-leading performance in financial measures as well as the softer, subjective measures of customer experience and satisfaction.

I am also pleased to report that we have a high calibre management team supporting the executive leadership team and senior Directors. We have recently completed a Senior Leadership Development Programme with ten members of the team who exhibit the potential and talent to occupy senior executive roles. My participation in the reviewing and assessing of the final stages of the programme gave me great encouragement that our succession planning, and future talent are being successfully developed.

Our ability to adapt and modify has kept us relevant and accurate in delivering customer satisfaction, measured by our net promotor score and our own customer engagement programme. This success can be seen by the continual improvement in both measures of customer satisfaction.

Outlook

The business continues to invest across all parts of the Group – its people, estate, technology and brands. We have a strong estate which will continue to grow (with one centre, our 58th, already opened in the new financial year) and a number of refurbishments and rebrands planned. Our strong balance sheet will allow us to undertake our strategic purpose, and the Group continues to perform in line with the Board's expectations for the full year. I thoroughly enjoy my role as Chairman and feel enthused and confident about the year ahead. We are well-positioned to continue to create value for all our shareholders, with the whole team working every day to generate the right levels of positive energy to deliver the best possible experience for our customers.

I would like to conclude by expressing my thanks to all team members across the Group for what has been another successful year.

Peter Boddy
Chairman
11 December 2017

CHIEF EXECUTIVE'S REVIEW

I am delighted to report on another very successful year for the Hollywood Bowl Group. We achieved revenue of £114.0m, representing growth of 8.8 per cent on FY2016, and 3.5 per cent on a like for like basis (LFL). We achieved this through the execution of our customer-led strategy by: improving game volumes and spend per game by delivering great value for money experiences; investing in our refurbishment programme; and growing the estate through our new openings and acquisition programme. Through all of this, we have seen Group adjusted EBITDA grow to £33.4m, a 13.7 per cent increase over the prior year, while operating profits grew by 54.4 per cent.

Hollywood Bowl Group is the UK's ten-pin bowling market leader. We have a high quality, leasehold property portfolio of 58 centres across the UK and lead the market in profitability and margin. The Group is well placed to benefit from the widely reported and notable shift in behaviour of customers seeking to spend disposable income on experiences rather than material items. Our enhanced and evolving offer, as well as the continued development of our brands, is widening the appeal to our core family customer group, who are spending longer in our centres, and to our landlords, who are looking for high-quality leisure operators to supplement their retail offers.

Strategic progress

Our simple strategy focuses on growing the business organically and driving growth through the effective deployment of capital, and we are very pleased with the progress we have made in FY2017.

Like-for-like growth

Improvements in LFL revenue performance have been underpinned by a number of factors, including increased customer visits year-on-year. Game volumes in the year were up 3.1 per cent LFL (and 8.5 per cent total). More of our target market sought out our high-quality family entertainment centres, and we were able to leverage our sector leading CRM system to encourage customers on our database to visit us again via targeted marketing activity.

We have worked hard expanding the roll out of proven initiatives and on introducing new concepts to enhance the customer experience. The continuing roll out of the Hollywood Diner menu has enhanced the quality of our products, as well as drive dwell time in our diners. The new menu is now in 30 centres and will be rolled out to the rest of the estate over the coming year. The highly successful VIP concept is now in 40 centres and is a fantastic upgrade for our customers at just an extra £1 per player per game. Our high-quality amusement offer has been further enhanced with the test of virtual reality gaming in three of our centres, an exciting new experience. We are also testing our new cashless amusement offer as we look to proactively anticipate customer needs and demands.

The dynamic pricing model we introduced in July enabled us to strategically increase prices without impacting the Group's relative price competitiveness or damaging our reputation for being a great value-for-money experience (our prices remain amongst the lowest of the major ten-pin bowling operators).

All of these initiatives, as well as the fantastic teams we have in our centres, have contributed to our spend per game growing from £8.63 to £8.70 in FY2017.

Refurbishment and rebrand programme

Ten full refurbishments were completed in FY2017 including the rebranding of four Bowlplex and two AMF centres (Tunbridge Wells, Cwmbran, Portsmouth, Brighton, Tolworth and Ashford). Over 60 per cent of the estate has now been refurbished with each project benefiting from those that have gone before, resulting in exceptional industry leading environments. In consequence, we continue to deliver impressive returns from the capital deployed, with the ten refurbishments on track to outperform their targeted 33 per cent return on investment.

New centre openings

Our disciplined approach to centre roll out has been key to delivering the high returns and sustained performance we have seen from our mature centres. One of our key success criteria is being co-located with the top cinema in town. Over 70% of our current estate fulfils this criterion, and our recent openings have continued on this path.

We opened three centres in FY2017, two of which – Southampton and Derby – were organic openings, while The London O2 was an acquisition. Each property negotiation is based on its own merits and we continue to be a sought-after tenant for both leisure parks and retail developments.

Hollywood Bowl Southampton opened as part of a new Hammerson leisure development. It is one of our smaller format concept centres designed to fit within a retail/leisure offer. Trading since the opening in December 2016 has been extremely positive, and it is on course to pay back 50 per cent of the invested capital within year one.

Our second new opening is part of intu Derby and complements the site's high-quality offering of a cinema, casual dining restaurants, retail and an adventure golf centre. Derby is trading very well and is ahead of expectation.

Both of these new centres included the operational trials of 'Pins on strings' technology – an innovation to improve machine reliability and cut downtime – and cashless amusements, a trial of digital payment card readers that can facilitate price changes and greater customer engagement.

Acquisitions

In June, we refurbished and rebranded Brooklyn Bowl at The London O2, taking a three-year management contract to operate the venue. Early trading has been in line with our expectations. In FY2017 we also acquired the Namco Bowl in Dagenham, a 30,000 square foot centre in a prime spot co-located with a cinema and casual dining. This centre started trading on 4 October 2017 and is performing in line with expectations.

Pipeline

We have secured a strong pipeline of new centres enabling us to deliver on our plan of an average of two new openings per year. The high-quality product we deliver for our landlords, coupled with our strong covenant and reputation for top-quality operating standards, have created new opportunities. Leases have been signed with intu for the leisure extension at its flagship Lakeside centre and for the leisure extension of intu Watford.

Legal work is progressing on a number of other exciting new developments, giving us confidence in our longer term growth opportunities.

Our people

Our people are instrumental to the success of our business and I am enormously grateful to be supported by a talented, enthusiastic and motivated team who are incredibly professional, customer-focused and commercially driven.

We are proud to provide an inclusive and supportive environment for all team members, including good opportunities to develop rewarding careers. 127 of the team have undertaken our internal talent development programmes, with 36 team members being promoted to assistant manager, seven to Centre Manager and five to a senior support role as a consequence.

Given the diversity of our portfolio, and the unique markets in which we operate, we take care to recruit only the most engaging and energetic team members, strong people with an entrepreneurial approach. Our centre management teams are rewarded for work well done through our uncapped bonus scheme.

Technology-driven growth

We continue to invest in our technology platforms which are a key enabler of our growth. We have moved our core reservation and CRM system infrastructure on to a cloud-based service, improving its resilience, scalability and performance.

Our proprietary scoring system is now in 24 centres. The system was upgraded earlier in the year to increase in-centre data capture and enhance customer engagement levels through the inclusion of additional personalised content in our automated post-bowling email programmes which generated an overall 41 per cent increase in revenue year-on-year. Our contactable customer marketing database has grown by nine per cent in the last 12 months. Along with our automated and tactical programmes, it is a key revenue driving asset as it facilitates the promotion of short term, closed user-group offers that deliver incremental revenues in more challenging trading periods.

Our online channel continues to perform well and take share from our walk-up channel. Revenues are up 26 per cent year-on-year supported by increased and cost-effective investment in digital advertising and the introduction of dynamic pricing. Alongside this, our ongoing focus on improving our customers' booking journey saw mobile conversion levels increase. Mobile accounted for 54 per cent of our online revenue.

Outlook

Off the back of another successful year, we are well positioned to continue the delivery of our strategy in FY2018. We have a high-quality estate, we have added four new centres in the last 12 months and we continue to invest capital to enhance our offering across the portfolio.

With continued investment into our teams, including multiple management training/talent programmes, we are well placed to further enhance our customer proposition. Our growing scale and revenues mean that we can continue to leverage operational efficiencies, increasing our profits as a percentage of revenue.

My team and I invest a great deal of time and effort in assessing new centre opportunities as well as ensuring we continue to invest in the most appropriate parts of our estate to provide the latest innovation and technology to our customers.

There is much talk in the press and elsewhere of the impact of 'Brexit'. We do not believe that the exit of the United Kingdom from the EU will have an impact on the underlying performance of our business because Hollywood Bowl, and the activities we offer, have great customer appeal throughout the country and through all economic cycles.

Finally, I would like to thank all of our team members for their hard work during FY2017 and I look forward to working alongside them to deliver our priorities for FY2018.

Stephen Burns
Chief Executive Officer
11 December 2017

FINANCIAL REVIEW

Summary

	30 September 2017	30 September 2016
Total number of centres[1]	**57**	54
Number of games played	**13.1m**	12.1m
Revenue[2]	**£114.0m**	£104.8m
Gross profit margin	**86.5%**	85.3%
Group adjusted EBITDA[3]	**£33.4m**	£29.4m
Group adjusted operating cash flow[4]	**£26.7m**	£23.7m
Group expansionary capital expenditure	**£6.9m**	£3.5m

1 Excludes Dagenham which was acquired on 18 September 2017 but did not open until 4 October 2017.
2 Management conducted a review of its key contracts and revenue recognition policies; as a result of this and in anticipation of IFRS 15, we have identified that certain transactions have been recognised as revenue and cost of sales in previous periods, when it is more appropriate to recognise them net.
3 Group adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) reflects the underlying trade of the overall business and excludes any exceptional costs as noted in this section. It is our view that these are not recurring costs.
4 Group adjusted operating cash flow is calculated as Group adjusted EBITDA less working capital and maintenance capital expenditure.

We are pleased to have delivered another strong set of financial results in the first full year following our IPO, with revenue growth of 8.8 per cent and Group adjusted EBITDA growth of 13.7 per cent.

This growth has contributed to profit after tax of £18.3m compared to £1.2m in FY2016. Group adjusted operating cash flow increased by 12.5 per cent as a result of the increase in Group adjusted EBITDA offset by a slight increase in maintenance capital and corporation tax paid in the financial year.

Revenue growth

We are extremely proud to have delivered a record sales performance over the 12 months to 30 September 2017 and are encouraged by the performance of our new centres.

The continued strength of the Group is reflected in its revenue and profit performance for the year compared to the prior year. The total 8.8 per cent revenue growth has been driven through like for like (LFL) revenues growing at 3.5 per cent as well as 5.8 per cent from new openings. Group revenue for FY2017 is £114.0m, up from £104.8m in the previous year[2].

Game volumes grew to 13.1m (8.5 per cent up on prior year) and by 3.1 per cent on a LFL basis. This was driven by our continued focus on providing excellent customer satisfaction and environments that people want to visit more often. Total spend per game grew by 0.8 per cent as customers continued to spend more across all areas of the business during their visits.

Over the past year, we have invested in refurbishing four centres (one completed first week of October), which are realising a return on capital employed of over 60 per cent, and rebranded four Bowlplex centres (Tunbridge Wells was completed in the first week of October 2017) and two AMF centres to Hollywood Bowl. These rebrands are transformational for the customer and the average returns continue to be above our 33 per cent hurdle rate. We will complete the final four Bowlplex rebrands during FY2018, as well as undertake three to six other refurbishments.

LFL revenue is defined as total revenue excluding any new centre openings (FY2017: £2.7m), pre-acquisition periods in relation to the Bowlplex acquisition on 9 December 2015 (FY2017: £3.4m), closed centres (FY2016: £0.3m) from the current or prior year, and any other non like-for-like income (leap year effect FY2016: £0.2m) and is used as a key measure of constant centre growth.

Gross margin

Gross profit margin improved from 85.3 per cent to 86.5 per cent due to the full-year effect of the new drinks contract (January 2016), improved terms on amusements (February 2016) and a marginal increase in bowling mix seen in the year. As well as these factors, our teams in-centre continue to receive on the job training to deliver food and drink product to specification each and every time. Gross profit margin has improved from 84.0 per cent in FY2015.

Administration expenses

Administration expenses were flat year-on-year due to the significant reduction in exceptional items.

Excluding exceptional items and property disposals, administration expenses increased £5.1m (7.3 per cent). The majority of this increase is split between new centres at £1.5m, the full-year effect of the Bowlplex centres at £2.1m and depreciation of £0.7m, while constant centre costs decreased by £0.3m. The largest cost within administration expenses is property costs, of which rent accounts for £13.7m. Property costs increased by £1.2m due to an increase in the number of centres we operate, as well as a small increase, less than 0.1 per cent, in property rates on the back of the rating revaluation in April 2017. Employee costs also form a significant proportion of administration expenses – £21.6m, and in total increased by £1.5m, however on a constant centre basis the increase was just over £0.1m, to £17.0m.

Support centre costs increased from £8.8m to £10.9m. This was largely due to the administrative and employee costs associated with being a fully listed company, increased spend on marketing activity, as well as increased training and travel costs associated with our Centre Management leadership programmes. The support centre cost is not expected to increase significantly in FY2018.

Group adjusted EBITDA

Group adjusted EBITDA increased by 13.7 per cent during the year mainly due to revenue growth over this period, as well as an improvement in the gross profit margin as noted above.

Growth in EBITDA from our constant centres has contributed significantly towards the growth in Group adjusted EBITDA. Constant centre EBITDA grew by 8.9 per cent year-on-year, to an average of £786,000 per centre.

EBITDA from new centres was encouraging this year, with both Southampton and Derby performing significantly above expectations.

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

	30 September 2017 £'000	30 September 2016 £'000
Operating profit	**22,201**	14,378
Depreciation	**9,990**	9,316
Amortisation	**540**	493
Loss on disposal of fixed assets	**640**	–
EBITDA	**33,371**	24,187
Exceptional items	**3**	5,163
Group adjusted EBITDA	**33,374**	29,350

Exceptional costs

Exceptional costs have decreased significantly year-on-year as FY2016 included £2.3m of costs associated with the IPO and a further £2.3m in relation to the Bowlplex acquisition.

	30 September 2017 £'000	30 September 2016 £'000
VAT rebate[1]	**80**	1,395
Rates rebate[2]	**–**	79
Property costs[3]	**–**	(648)
Acquisition-related expenses[4]	**–**	(2,334)
Restructuring and legal costs[5]	**–**	(757)
IPO-related expenses[6]	**(102)**	(2,298)
Share-based payments[7]	**–**	(600)
Non-recurring expenditure on strategic projects[8]	**(100)**	–
Bank charges[9]	**(116)**	–
Dilapidations provision[10]	**235**	–
	(3)	(5,163)

1 The Group was able to make a one-off retrospective reclaim in respect of overpaid VAT relating to customers who were 'no-shows' and children's shoe hire. This VAT rebate relates to a rebate for FY2012 to FY2015. This has been classified as other income in the consolidated statement of comprehensive income for the year ended 30 September 2016. The amount recognised in FY2017 relates to a historic claim for no shows from FY2015 to FY2016.
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 effective from April 2017, the normal rates appeals process will be followed and in-year refunds have not been 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 In FY2016, these costs relate to the acquisition of Bowlplex in December 2015, and 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 were recorded at fair value, being the strike price at IPO. This comprised 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 have not been included in exceptional items as these are envisaged to be recurring and part of the normal course of business.
8 Costs (comprising legal and professional fees) relating to review of a strategic acquisition which was not pursued.
9 Card payment processing fees relating to prior periods that were not previously invoiced.
10 The release of a dilapidation provision for a site that will be exited in FY2018 with no associated costs expected.

Finance costs

Finance costs decreased from £11.9m in FY2016 to £1.1m as a result of the Group's post IPO financing structure. The Group currently has gross debt of £30m with the first debt repayment of £0.75m due in December 2017. The Group also has an undrawn revolving credit facility of £5m and capital expenditure facility of £5m.

Taxation

The Group has incurred a tax charge of £2.8m for the year which represents an effective tax rate on statutory profit before tax of 13.5 per cent. Excluding the deferred tax element, the effective rate would be 20.5 per cent.

Earnings

Profit before tax for the year was £21.1m which was higher than the prior year by £18.5m as a result of the factors discussed.

The Group delivered a profit after tax of £18.3m.

Basic and adjusted earnings per share was 12.17 pence.

Dividend

As stated at the time of the IPO, we expect to maintain a progressive dividend policy which reflects the Group's strong earnings potential and cash generative characteristics, while allowing us to retain sufficient capital to fund ongoing operating requirements and invest in the Group's long-term growth plans.

For the year ended 30 September 2017, the Board is recommending a final ordinary dividend of 3.95 pence per share, giving a total ordinary dividend for the year of 5.75 pence per share, and dividend cover of 2.0 times underlying earnings per share.

The final dividend will be paid, subject to shareholder approval at the Company's AGM on 30 January 2018, on 27 February 2018 to shareholders on the register on 2 February 2018.

The Board expects to maintain leverage below 1.0 times net debt to underlying historic last twelve months EBITDA. Whilst this leverage ratio will typically vary during the financial year, the Board's current intention is to maintain average leverage around this level.

To the extent that there is surplus cash within the business and, as outlined in the capital structure section below, other priorities having been satisfied, the Board expects to return the surplus to shareholders. In line with this strategy, a special dividend of 3.33 pence per share, will be paid to shareholders alongside the ordinary dividend. This will mean that the Group has returned a total of £13.6m in cash to shareholders for the year, equating to 9.08 pence per share.

Cash flows

The Group continues to deliver strong cash generation with Group adjusted operating cash flow 12.5 per cent higher at £26.7m due to an increase in EBITDA and efficient use of working capital, offset by increased tax payments. This resulted in Group adjusted operating cash flow conversion of 79.9 per cent.

	30 September 2017 £'000	30 September 2016 £'000
Group adjusted EBITDA	**33,374**	29,350
Movement in working capital	**2,554**	2,468
Maintenance capital expenditure[1]	**(6,358)**	(5,768)
Taxation	**(2,905)**	(2,352)
Adjusted operating cash flow (OCF)	**26,665**	23,698
Adjusted OCF conversion	**79.9%**	80.7%
Expansionary capital expenditure[2]	**(6,896)**	(3,468)
Disposal proceeds	**–**	1,430
Exceptional items	**(3,153)**	(2,484)
Interest paid	**(961)**	(2,093)
Acquisition of subsidiary	**–**	(22,801)
Cash acquired in subsidiary	**–**	970
Cash flows from financing activities	**–**	(724)
Dividends paid	**(2,985)**	–
Net cash flow	**12,670**	(5,472)

1 Maintenance capital expenditure includes amusements capital and disposal proceeds.
2 Expansionary capital expenditure includes all refurbishments, rebrands and new centre capital net of any landlord contributions.

Capital structure and cash allocation

Our top priority is to maintain a strong balance sheet. The debt target of 1x net debt to underlying last twelve months EBITDA has been set at a level the Board believes to be appropriate, taking into account the Group's strong, regular cash flow generation, property commitments and lack of pension deficit.

Our priorities for use of cash, based on the balance sheet described above, will be:

- capital investment in existing centres as well as new centre opportunities;
- appropriate acquisition opportunities;
- to pay and grow the ordinary dividend every year within a cover ratio of approximately 2x; and
- thereafter, any excess cash will be available for additional distribution to shareholders as the Board deems appropriate.

The debt target is intended as guidance rather than a hard and fast rule. Our clear priority at present is investment to deliver our strategy. As at 30 September 2017, net debt stood at 0.24x underlying EBITDA.

Capital expenditure

Total capital expenditure was up 69.8 per cent year-on-year, to £13.3m. The largest increase was in respect of new centres, where during FY2017 we spent £4.0m (net of landlord contributions) compared to £0.6m in the prior year. FY2017 includes all capital for the three new centres opened in the year, plus over 60 per cent of the expected capital for our new centre in Dagenham, which opened in early October 2017. As we continued on our refurbishment and rebrand programme, this expenditure increased marginally year-on-year, by £0.1m, to £3.0m.

Laurence Keen
Chief Financial Officer
11 December 2017

Consolidated statement of comprehensive income
Year ending 30 September 2017

	Note	**30 September 2017 £'000**	Restated 30 September 2016 £'000	Restated 30 September 2015 £'000
Revenue	2	**113,968**	104,803*	84,622*
Cost of sales	2	**(15,349)**	(15,376)*	(13,541)*
Gross profit		**98,619**	89,427	71,081
Administrative expenses	5	**(76,498)**	(76,444)	(58,047)
Other income		**80**	1,395	–
Operating profit		**22,201**	14,378	13,034
Underlying operating profit		**22,204**	19,541	12,312
Exceptional items	4	**(3)**	(5,163)	722
Finance income	7	**12**	22	8
Finance expenses	7	**(1,158)**	(11,905)	(8,143)
Movement in derivative financial instrument		**55**	79	(134)
Profit before tax		**21,110**	2,574	4,765
Tax expense	8	**(2,848)**	(1,387)	(1,173)
Profit for the year attributable to equity shareholders		**18,262**	1,187	3,592
Other comprehensive income		**–**	–	–
Total comprehensive income for the year attributable to equity shareholders		**18,262**	1,187	3,592
Basic earnings per share (pence)	9	**12.17**	1.12	3.56
Diluted earnings per share (pence)	9	**12.17**	1.12	3.56

* Additional information on restatement is available in note 2.

Consolidated statement of financial position
As at 30 September 2017

	Note	**30 September 2017 £'000**	30 September 2016 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**39,709**	37,264
Intangible assets	11	**78,867**	79,228
		118,576	116,492
Current assets			
Cash and cash equivalents		**21,894**	9,224
Trade and other receivables		**7,144**	9,634
Inventories		**1,189**	1,018
		30,227	19,876
Total assets		**148,803**	136,368
LIABILITIES			
Current liabilities			
Trade and other payables		**16,857**	18,866
Loans and borrowings	12	**1,380**	–
Corporation tax payable		**2,461**	1,034
		20,698	19,900
Non-current liabilities			
Other payables		**6,145**	6,941
Loans and borrowings	12	**28,143**	29,403
Deferred tax liabilities		**746**	2,230
Accruals and provisions		**3,308**	3,476
Derivative financial instruments		**–**	55
		38,342	42,105
Total liabilities		**59,040**	62,005
NET ASSETS		**89,763**	74,363
Equity attributable to shareholders			
Share capital		**1,500**	71,512
Share premium		**–**	51,832
Merger reserve		**(49,897)**	(49,897)
Capital redemption reserve		**–**	99
Retained earnings		**138,160**	817
TOTAL EQUITY		**89,763**	74,363

Consolidated statement of changes in equity
For the year ended 30 September 2017

	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
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
Share capital re-organisation	(70,012)	(51,832)	–	(99)	121,943	–
Dividends paid	–	–	–	–	(2,985)	(2,985)
Share-based payments	–	–	–	–	123	123
Profit for the period	–	–	–	–	18,262	18,262
Equity at 30 September 2017	**1,500**	**–**	**(49,897)**	**–**	**138,160**	**89,763**

Consolidated statement of cash flows
For the year ended 30 September 2017

	Note	**30 September 2017 £'000**	30 September 2016 £'000
Cash flows from operating activities			
Profit before tax		**21,110**	2,574
Adjusted by:			
Depreciation and impairment	10	**9,990**	9,316
Amortisation of intangible assets	11	**540**	493
Net interest expense		**1,145**	11,883
Loss/(profit) on disposal of property, plant and equipment and software		**640**	(745)
Movement on derivative financial instrument		**(55)**	(79)
Share-based payments		**123**	526
Operating profit before working capital changes		**33,493**	23,968
(Increase)/decrease in inventories		**(171)**	108
Decrease in trade and other receivables		**2,490**	5,115
(Decrease)/increase in payables and provisions		**(3,035)**	143
Cash inflow generated from operations		**32,777**	29,334
Interest received		**12**	7
Income tax paid – corporation tax		**(2,905)**	(2,352)
Interest paid		**(975)**	(2,100)
Net cash inflow from operating activities		**28,909**	24,889
Investing activities			
Acquisition of subsidiaries		**–**	(22,801)
Subsidiary cash acquired		**–**	970
Purchase of property, plant and equipment		**(13,551)**	(10,157)
Purchase of intangible assets		**(196)**	(357)
Sale of assets		**493**	2,708
Net cash used in investing activities		**(13,254)**	(29,637)
Cash flows from financing activities			
Issue of loan notes		**–**	10,000
Increase of bank loan		**–**	(9,250)
Payment of financing costs		**–**	(1,474)
Dividends paid		**(2,985)**	–
Net cash flows used in financing activities		**(2,985)**	(724)
Net change in cash and cash equivalents for the period		**12,670**	(5,472)
Cash and cash equivalents at the beginning of the period		**9,224**	14,696
Cash and cash equivalents at the end of the period		**21,894**	9,224

Notes to the Financial Statements

1. General information

The financial information set out above does not constitute the Company's statutory accounts for the years ended 30 September 2017 or 2016, but is derived from those accounts. Statutory accounts for 2016 have been delivered to the registrar of companies, and those for 2017 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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

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

The Directors of the Group are responsible for the consolidated Financial Statements.

2. Accounting policies

Basis of preparation

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

The Group beneath Hollywood Bowl Group plc, headed by Kanyeco Limited, previously first-time adopted IFRS in the year ended 30 September 2014. In preparing the consolidated Financial Statements for Hollywood Bowl Group plc for the year ended 30 September 2016, the Directors reflected, under reverse acquisition accounting, the amounts reported in the Group headed by Kanyeco Limited.

Restatement of the income statement

Management conducted a recent process of reviewing its key contracts and revenue recognition policies; as a result of this process, and in anticipation of IFRS 15 adoption on 1 October 2018, we have identified that certain transactions have been recognised as revenue and costs of sales in previous periods, when it is more appropriate to recognise the amounts net.

Accordingly, these revenues and cost of sales have been netted off in the statement of comprehensive income for the year ended 30 September 2017. Further, considering its significant impact on prior year financial statements, they have been restated as below:

It should be noted there is no impact on gross profit, operating profit, profit after tax, net assets or net cash flow.

	Restated 2016 £'000	Original 2016 £'000	Restated 2015 £'000	Original 2015 £'000
Revenue	104,803	106,632	84,622	86,044
Cost of sales	(15,376)	(17,205)	(13,541)	(14,963)
Gross profit	89,427	89,427	71,081	71,081

3. Reconciliation of operating profit to Group adjusted EBITDA

	30 September 2017 £'000	30 September 2016 £'000
Operating profit	**22,201**	14,378
Depreciation (note 10)	**9,990**	9,316
Amortisation (note 11)	**540**	493
Loss on disposal of property, plant and equipment and software (note 10 and 11)	**640**	–
EBITDA	**33,371**	24,187
Exceptional items (note 4)	**3**	5,163
Group adjusted EBITDA	**33,374**	29,350

Management use EBITDA adjusted for exceptional items (Group adjusted EBITDA) as a key performance measure of the business. It is felt that this measure reflects the underlying 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 2017 £'000	30 September 2016 £'000
VAT rebate[1]	**80**	1,395
Rates rebate[2]	**–**	79
Property costs[3]	**–**	(648)
Acquisition related expenses[4]	**–**	(2,334)
Restructuring and legal costs[5]	**–**	(757)
IPO related expenses[6]	**(102)**	(2,298)
Share-based payments[7]	**–**	(600)
Non-recurring expenditure on strategic projects[8]	**(100)**	–
Bank charges[9]	**(116)**	–
Dilapidations provision[10]	**235**	–
	(3)	(5,163)

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 FY12 to FY15. This has been classified as other income in the consolidated statement of comprehensive income for the year ended 30 September 2016. The amount recognised in FY17 relates to a historic claim for no shows from FY15 to FY16.

2 There was a sector wide property rating appeal which was settled during FY15 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 FY15. With the new rating effective from April 2017, the normal rates appeals process has been followed and in year refunds have not been included within exceptional costs.

3 For FY16 this includes profit from 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 In FY16, costs relate to the acquisition of Bowlplex in December 2015, and costs for the management of the Group by Electra.

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 were recorded at fair value, being the strike price at IPO. This comprised 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 have not been included in exceptional items as these are envisaged to be recurring and part of the normal course of business going forward.

8 Costs (comprising legal and professional fees) relating to review of a strategic acquisition which was not pursued.

9 Card payment processing fees relating to prior periods that were not previously invoiced.
10 The release of a dilapidations provision for a site that will be exited in FY18 with no associated costs expected.

5. Profit from operations

Profit from operations includes the following:

	30 September 2017 £'000	30 September 2016 £'000
Amortisation of intangible assets	**540**	493
Depreciation of property, plant and equipment	**9,990**	9,316
Operating leases:		
– Property	**13,648**	13,514
– Other	**46**	–
Loss/(profit) on disposal of property, plant and equipment and software[1]	**640**	(745)
Auditor's remuneration:		
– Fees payable for audit of these financial statements	**75**	75
Fees payable for other services		
– Audit of subsidiaries	**30**	75
– Review of interim financial statements	**22**	–
– Other services	**2**	2
– Taxation compliance services	**–**	6
– Other tax advisory services	**–**	225
– Services relating to corporate finance transactions[2]	**–**	737
	129	1,120

1 In FY2016, this includes profit on the sale of Avonmeads. See note 4.
2 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 as follows:

	30 September 2017 £'000	30 September 2016 £'000
Directors	**6**	6
Administration	**62**	57
Operations	**1,887**	1,682
Total staff	**1,955**	1,745

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

	30 September 2017 £'000	30 September 2016 £'000
Wages and salaries	**24,651**	22,111
Social security costs	**1,736**	1,614
Pension costs	**180**	185
Shared-based payments	**123**	600
Total staff **cost**	**26,690**	24,510

7. Finance income and expenses

	30 September 2017 £'000	30 September 2016 £'000
Interest on bank deposits	**9**	22
Other interest	**3**	–
Finance income	**12**	22
Interest on bank borrowings	**1,091**	1,900
Unwinding of discount on provisions	**67**	124
Interest on loan notes	**–**	6,886
Exceptional finance costs	**–**	2,995
Finance expense	**1,158**	11,905

In FY2016, exceptional finance costs comprise the write off of £2,858,000 of capitalised financing fees relating to the previous 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

	30 September 2017 £'000	30 September 2016 £'000
The tax expense is as follows:		
– UK corporation tax	**4,667**	2,130
– Adjustment in respect of prior years	**(335)**	(42)
Total current tax	**4,332**	2,088
Deferred tax:		
Origination and reversal of temporary differences	**(820)**	(701)
Effect of changes in tax rates	**22**	–
Adjustment in respect of prior years	**(686)**	–
Total deferred tax	**(1,484)**	(701)
Total tax expense	**2,848**	1,387

Factors affecting current tax charge/(credit):

The tax assessed on the profit for the period is different to the standard rate of corporation tax in the UK of 19.5 per cent (2016: 20 per cent). The differences are explained below:

	30 September 2017 £'000	30 September 2016 £'000
Profit excluding taxation	**21,110**	2,574
Tax using the UK corporation tax rate of 19.5% (2016: 20%)	**4,116**	515
Change in tax rate on deferred tax balances	**22**	(276)
Non-deductible expenses	**(235)**	1,234
Tax exempt revenues	**(34)**	(44)
Adjustment in respect of prior years	**(1,021)**	(42)

Total tax expense included in profit or loss	**2,848**	1,387

The Group's standard tax rate for the year ended 30 September 2017 was 19.5 per cent (2016: 20 per cent).

The adjustment in respect of prior years for deferred taxation relates to the reduction of overstated deferred tax liabilities created in prior years, due to a higher estimate of qualifying net book value of fixed assets against its corresponding tax base.

9. Earnings per share

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 outstanding during the year, excluding invested shares held pursuant to a Long Term Incentive Plan. The weighted average number of shares for the preceding year has been stated as if the Group share-for-share exchange had occurred at the beginning of the comparative year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the year ended 30 September 2017, the Group had potentially dilutive shares in the form of unvested shares pursuant to a Long Term Incentive Plan.

	30 September 2017	30 September 2016
Basic and diluted		
Profit for the year after tax (£'000)	**18,262**	1,187
Basic weighted average number of shares in issue for the period (number)	**150,000,000**	105,843,170
Adjustment for share awards	**104,367**	–
Diluted weighted average number of shares	**150,104,367**	105,843,170
Basic earnings per share (pence)	**12.17**	1.12
Diluted earnings per share (pence)	**12.17**	1.12

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 2017	30 September 2016
Adjusted underlying earnings after tax (before exceptional costs and shareholder interest) (£'000)	**18,256**	14,004
Basic adjusted earnings per share (pence)	**12.17**	13.23
Diluted adjusted earnings per share (pence)	**12.16**	13.23

Adjusted underlying earnings after tax is calculated as follows:

	2017	2016
	£'000	£'000
Profit before taxation	**21,110**	2,574
Exceptional items (note 4)	**3**	5,163
Exceptional costs within finance expenses (note 4)	**–**	2,995
Shareholder interest (note 7)	**–**	6,886
Adjusted underlying profit before taxation	**21,113**	17,618
Less taxation	**(2,857)**	(3,614)
Adjusted underlying earnings after tax	**18,256**	14,004

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 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**
Additions	27	5,921	7,603	13,551
Disposals	–	(950)	(4,425)	(5,375)
At 30 September 2017	**1,251**	**15,320**	**42,945**	**59,516**
Accumulated depreciation				
At 1 October 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**
Depreciation charge	49	1,969	7,972	9,990
Disposals	–	(697)	(3,562)	(4,259)
At 30 September 2017	**159**	**4,583**	**15,065**	**19,807**
Net book value				
At 30 September 2017	**1,092**	**10,737**	**27,880**	**39,709**
At 30 September 2016	1,114	7,038	29,112	37,264
At 30 September 2015	1,160	4,347	25,347	30,854

Impairment

Impairment testing is carried out at the cash-generating unit (CGU) level on an annual basis. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each individual centre is considered to be a CGU.

The Group determines whether property, plant and equipment are impaired when indicators of impairments exist or based on the annual impairment assessment. The annual assessment requires an estimate of the value in use of the CGU to which the property, plant and equipment are allocated.

11. Intangible assets

	Goodwill £'000	Brand[1] £'000	Trademark[1] £'000	Software £'000	Total £'000
Cost					
At 1 October 2015	62,014	3,360	798	544	66,716
Additions	–	–	–	357	357
On acquisition	13,020	–	4	154	13,178
Disposals	–	–	–	(15)	(15)
At 30 September 2016	75,034	3,360	802	1,040	80,236
Additions	–	–	–	196	196
Disposals	–	–	–	(65)	(65)
At 30 September 2017	**75,034**	**3,360**	**802**	**1,171**	**80,367**
Accumulated amortisation					
At 1 October 2015	–	180	66	284	530
Amortisation charge	–	168	50	275	493
Disposals	–	–	–	(15)	(15)
At 30 September 2016	–	348	116	544	1,008
Amortisation charge	–	168	51	321	540
Disposals	–	–	–	(48)	(48)
At 30 September 2017	**–**	**516**	**167**	**817**	**1,500**
Net book value					
At 30 September 2017	**75,034**	**2,844**	**635**	**354**	**78,867**
At 30 September 2016	75,034	3,012	686	496	79,228
At 30 September 2015	62,014	3,180	732	260	66,186

1 This relates to the Hollywood Bowl brand and trademark only.

Impairment testing is carried out at the cash-generating unit (CGU) level on an annual basis. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each individual centre is considered to be a CGU. However, for the purposes of testing goodwill for impairment, it is acceptable under IAS36 to group CGUs, in order to reflect the level at which goodwill is monitored by management. The whole Group is considered to be one CGU, for the purposes of goodwill impairment test, on the basis of the level at which goodwill is monitored by management and historical allocation of goodwill upon acquisition.

The recoverable amount of the CGU is determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by the Board covering a three-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:

	2017	2016
Discount rate (pre-tax)	**8.9%**	9.8%
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 reasonable headroom over the carrying value.

Management have sensitised the key assumptions in the goodwill impairment tests and under both the base case and sensitised cases no impairment exists. The key assumptions used and sensitised were forecast growth rates and the discount rate, which were selected as they are the key variable elements of the value in use calculation.

A reduction of 1% or 2% in growth rates for each CGU or an increase in the discount rate applied to the cashflows of each CGU of 1% would not cause the carrying value to exceed its recoverable amount. Therefore, management believe that any reasonably possible change in the key assumptions would not result in an impairment charge.

12. Loans and borrowings

	30 September 2017 £'000	30 September 2016 £'000
Current		
Bank loan	**1,380**	–
Borrowings (less than 1 year)	**1,380**	–
Non-current		
Bank loan	**28,143**	29,403
Borrowings (greater than 1 year)	**28,143**	29,403
Total borrowings	**29,523**	29,403

Bank borrowings have the following maturity profile:

	30 September 2017 £'000	30 September 2016 £'000
Due in less than 1 year	**1,500**	–
Less issue costs	**(120)**	–
	1,380	–
Due 2 to 5 years	**28,500**	30,000
Due over 5 years	**–**	–
Less issue costs	**(357)**	(597)
Total borrowings	**29,523**	29,403

The bank loans are secured by a fixed and floating charge over all assets. The loans carry interest at LIBOR plus a variable margin.

On 21 September 2016, the Group entered into a £30m facility with Lloyds Bank plc. This facility is due for repayment in instalments over a five-year period up to the expiry date of 20 September 2021. The first repayment of £0.75m is due 31 December 2017, and in six 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 at 30 September 2017 and 30 September 2016. All loans carry interest at LIBOR plus a margin, which varies in accordance with the ratio of net debt divided by EBITDA and cashflow cover. The margin at 30 September 2017 and 30 September 2016 was 2.25 per cent, which reduced to 2.00 per cent with effect from 31 October 2017 due to covenant testing at that point.

13. Related party transactions

30 September 2017

During the period Epiris Managers LLP charged a management fee of £25,000 to the Group.

30 September 2016

During the period Electra Partners LLP charged a management fee of £98,000 to the 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.

14. 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 was attributable to other intangibles.

The goodwill arising from this acquisition included 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 was significant given their revenue performance versus the Hollywood Bowl centre revenue performance.

15. Dividends paid and proposed

	30 September 2017 £'000	30 September 2016 £'000
The following dividends were declared and paid by the Group		
Final dividend year ended 30 September 2016 – 0.19p per Ordinary share	**285**	–
Interim dividend year ended 30 September 2017 – 1.80p per Ordinary share	**2,700**	–
	2,985	–
Proposed for approval by shareholders at AGM (not recognised as a liability at 30 September 2017)		
Final dividend year ended 30 September 2017 – 3.95p per Ordinary share	**5,925**	
Special dividend year ended 30 September 2017 – 3.33p per Ordinary share	**5,000**	

Responsibility statement of the Directors

The following statement will be contained in the 2017 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.

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
Chief Executive Officer
11 December 2017

Laurence Keen
Chief Financial Officer
11 December 2017

PRINCIPAL RISKS
EFFECTIVE RISK MANAGEMENT

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

The Board takes responsibility for the management of risk throughout the business. It believes that risk is best managed by a combination of the following:

- a formal risk management process, as described below;
- senior management and executives leading by example;
- alignment through centre managers acting as owners of their businesses; and
- embedding our culture and values throughout the Group's operations

Each department head is responsible for evaluating risk controls in place and for drawing up plans to improve them where appropriate. Details of risks and their controls are recorded in the Group's risk register, a working document which is presented to the Board half-yearly.

The Board confirms that it has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The Board's assessment of the principal risks and uncertainties facing the Group and the mitigation in place is set out below. Risks and uncertainties of which we are unaware, or which we currently believe to be immaterial, may also have an adverse effect on the Group.

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

Type of risk	Risk	Potential effect	Mitigation
Financial Impact compared to FY2016	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 withstand an economic downturn. The Board continually reviews its revenue streams for opportunities to enhance the customer experience, introducing VIP lanes in 40 centres, trialling Virtual Reality and also cashless amusements.
Financial Impact compared to FY2016	A failure to review funding arrangements when they become due, or a failure to meet banking covenants may have adverse impact.	Covenant breach.	The Group has considerable headroom on its current facilities, with gross debt significantly below market opportunity for funding. Further uncommitted borrowing facilities exist for both capital investment and working capital requirements. Net debt at the end of the year

			was £8.1m (0.24x Group adjusted EBITDA).
Information technology/operational Impact compared to FY2016 ◀ ▶	Failure in the stability or availability of information from IT systems.	Customers not being able to book through the website or Customer Contact Centre (CCC), and inability to collect revenue.	Systems are backed up to our disaster recovery centre. The reservations systems are now fully migrated to Microsoft Azure Cloud for added resilience and performance.
Operational Impact compared to FY2016 ◀ ▶	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, and other supplier options that could be introduced at short notice. We continually review recall and traceability policies and maintain central and centre stock levels to reflect supply chain risks.
Operational Impact compared to FY2016 ◀ ▶	Any disruption which affects Group relationships 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 Executive Board and Namco.
Operational Impact compared to FY2016 ◀ ▶	Loss of key personnel – Centre Managers.	Lack of direction at centre level and therefore adverse effect on customers.	The Group continues to run its Centre Manager in Training (CMIT) programme and will have two programmes running in FY2018. 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.
Technical Impact compared to FY2016 ◀ ▶	Data protection breach.	Breach leading to access of customer email addresses and subsequent adverse impact on reputation.	The Group's networks are protected by firewalls and secure passwords. Security vulnerability scans are frequently run on firewalls to ensure their integrity. The Group plans to move to a new analytics system allowing the

			IT team to see real-time or historical threat analytics. The Group does not hold any customer financial payment information.
Regulatory Impact compared to FY2016 ◀ ▶	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 continuous training and development courses for appropriately-qualified staff on each area in connection with their roles. The Board has oversight of the management of regulatory risk and ensures that each member of the Board is aware of their responsibilities. Compliance documentation for centres to complete for health and safety and food safety is updated and circulated twice a year. Adherence to company/legal standards is audited by the internal audit team.

Trend direction:
▲ Increasing
◀ ▶ Unchanged
▼ Decreasing