hollywood bowl
group plc

ROLLING OUT FUN NATIONWIDE

Annual Report and Accounts 2017

ROLLING OUT FUN NATIONWIDE

★ ★ ★

OUR BUSINESS

- ★ *The UK's largest ten-pin bowling operator*
- ★ *£114m revenue*
- ★ *58 high-quality centres[1]*
- ★ *Amusement areas*
- ★ *American-themed Diners*
- ★ *Licensed bars*
- ★ *The complete family entertainment experience*

1 Includes Dagenham which was acquired on 18 September 2017 but did not open until 4 October 2017.

WHERE WE OPERATE

Our centres are typically co-located with cinema and casual dining sites in the midst of large, high footfall, edge-of-town leisure and retail developments.

★ AMF Bowling
★ Bowlplex
★ hollywood bowl
★ Hemel Hempstead support office

★ 43 ★ CENTRES IN PRIME LOCATIONS

OUR CORE BRAND IS HOLLYWOOD BOWL

OUR SECONDARY BRAND IS AMF

★ 11 ★ CENTRES

★ 4 ★ BOWLPLEX

CENTRES TO BE REFURBISHED & RE-BRANDED AS HOLLYWOOD BOWL

Hollywood Bowl Group is the UK's largest ten-pin bowling operator.

We inspire customers to become loyal fans of our brands by providing a fun-filled, safe and great value entertainment experience that surprises and delights them on every visit.

We build our teams with the most energetic and engaging individuals who share our values and are proud to be part of our culture. In return, we provide them with a fun and supportive environment with opportunities to develop a rewarding career.

We run our business for the long term and we drive value for our shareholders by delivering our growth plans in an effective and profitable way.

CONTENTS

★ ★ ★

Strategic Report

Chairman's statement	16
Chief Executive Officer's review	18
Market overview	22
Our business model	26
Our strategy at a glance	28
Strategy in action	30
Key performance indicators	34
Principal risks	36
Financial review	39
Sustainability	43

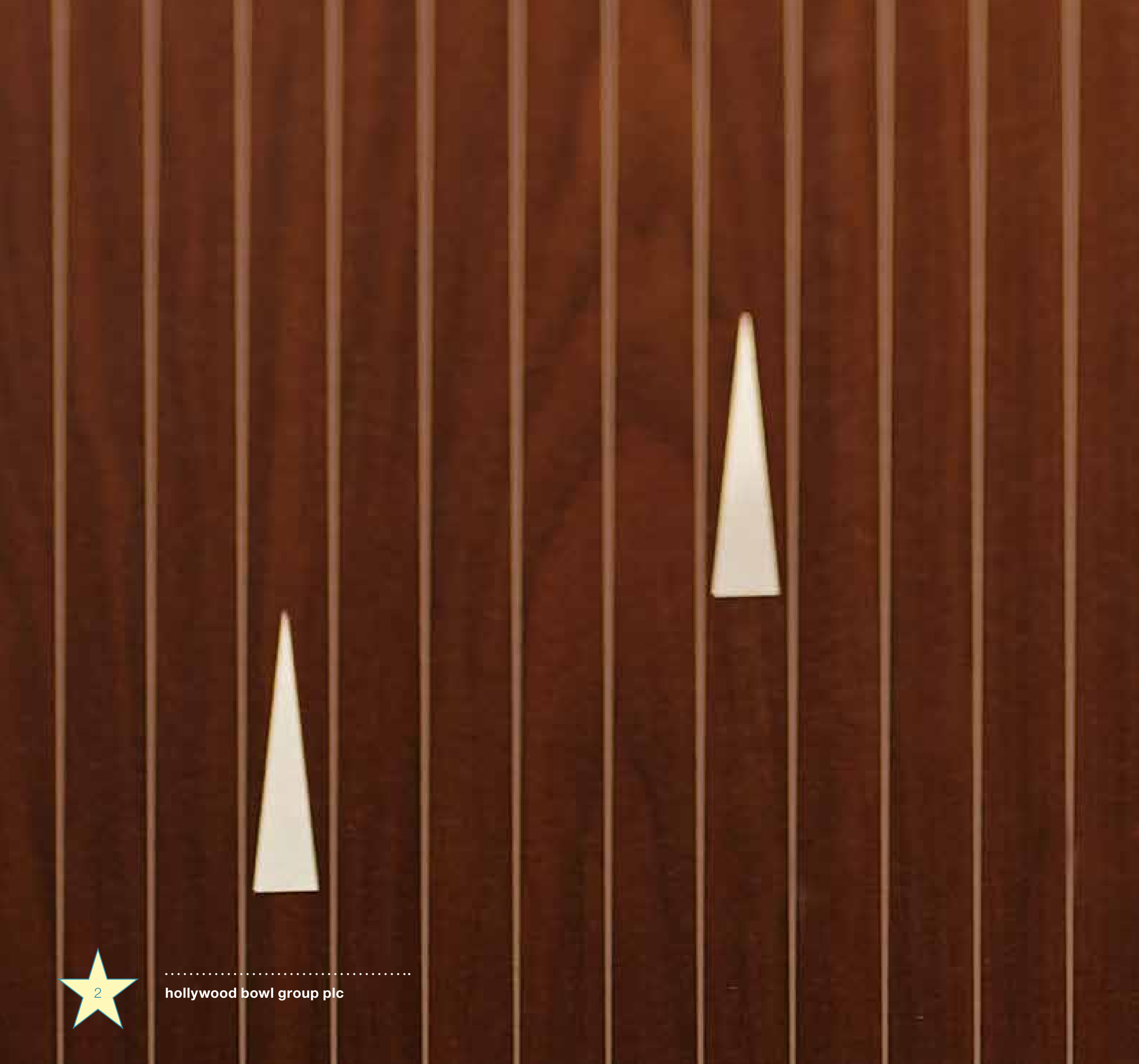
Governance

Chairman's introduction	47
Board of Directors	48
Corporate Governance report	50
Report of the Nomination Committee	54
Report of the Audit Committee	56
Chair of the Remuneration Committee's annual statement	60
Directors' remuneration policy	62
Annual report on remuneration	64
Directors' report	70
Statement of Directors' responsibilities	73
Independent auditor's report	74

Financial Statements

Consolidated statement of comprehensive income	79
Consolidated statement of financial position	80
Consolidated statement of changes in equity	81
Consolidated statement of cash flows	82
Notes to the Financial Statements	83
Company statement of financial position	109
Company statement of changes in equity	110
Company statement of cash flows	110
Notes to the Company Financial Statements	111
Company information	116

Let the good times roll



BOWLING

★ ★ ★

Ten-pin bowling is for everyone. It's a game where competition is healthy and all get to celebrate. We are the UK's market leader and the game's biggest fans.

We always look for new ways to improve our customers' experience and have invested in enhancing the bowling environment by improving the seating and lanes and have installed VIP lanes for customers who want to make their experience that extra bit special.

Our proprietary scoring system promotes healthy competition by allowing us to send personalised and engaging post-bowling communications to our customers detailing their scores and strikes.

Our team members are key to the overall experience and are on hand to not only take food and drink orders, but to actively cheer on our customers' efforts and are always ready to celebrate a great score too!

BOWLING

★ ★ ★

OUR CORE REVENUE STREAM

WE OPERATE BOWLING LANES ★ 1,390 ★

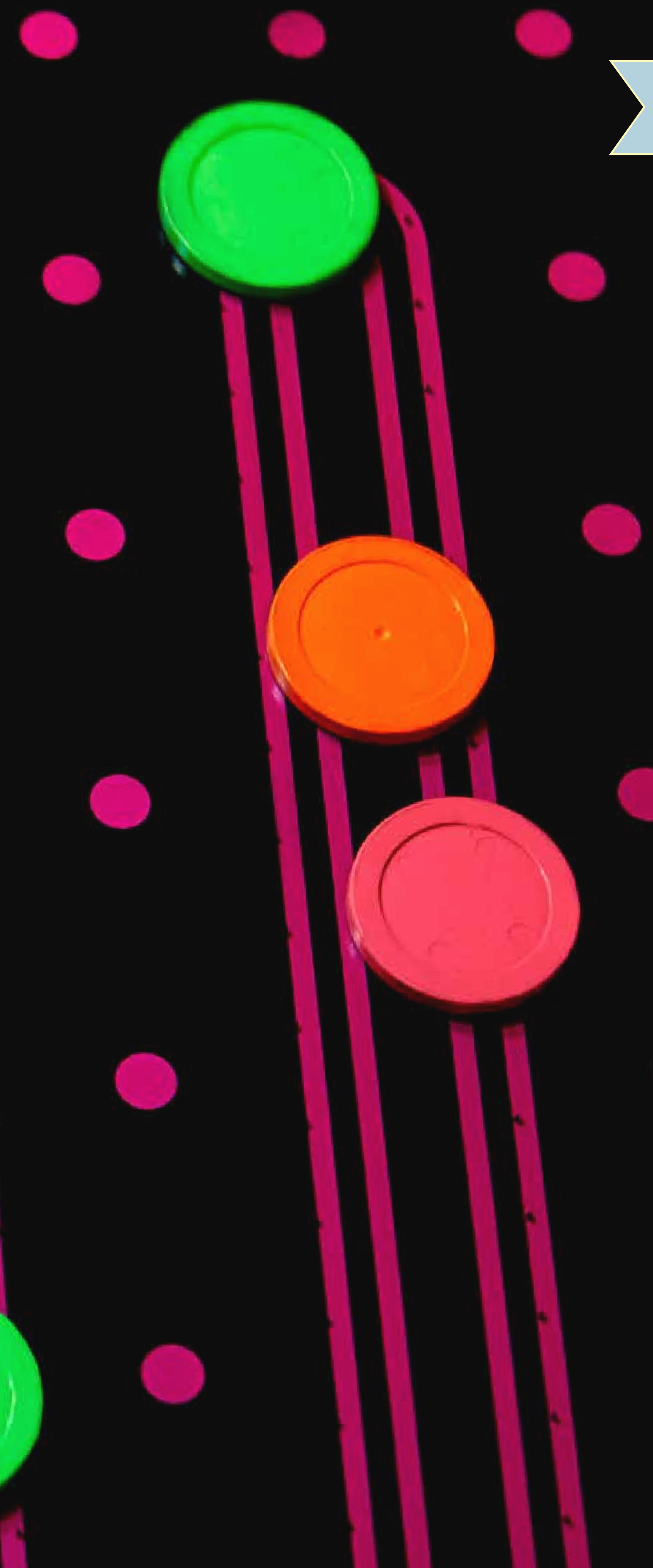
ACROSS ★ 58 ★ CENTRES

50.6% OF REVENUE

Highlights

- ★ Rolling out fun nationwide – over 13 million games bowled in FY2017
- ★ VIP lanes now available in 40 centres
- ★ New version of our proprietary scoring system now in 24 centres
- ★ Dynamic pricing introduced – flexible pricing based on demand and incentives based on booking lead-time
- ★ Digital VIP lane concept – with action replays – introduced at our Derby centre
- ★ Improved games per stop and 'Pins on strings' system on trial in three centres

A WINNING COMBINATION



AMUSEMENTS

We make things playful with fun-filled family focused arcades combining traditional and cutting-edge games. Our amusement areas are the perfect place for some additional competition before or after customers' games of bowling.

There is something for everyone – whether it's air hockey and basketball hoops, games with prizes or the latest state-of-the-art video games.

Our games keepers maintain our arcades to high operational standards and keep them well-stocked with the latest must-have prizes.

AMUSEMENTS

★ ★ ★

FAMILY FOCUSED
★ ARCADES ★

TRADITIONAL
AND
STATE-OF-THE-ART VIDEO
★ GAMES ★

21.6% OF REVENUE

Highlights

- ★ Over 850 new machine installations with £2.7m capital investment in FY2017 ensures that we are the 'go-to' family amusement centre
- ★ 'Play for prizes' now in 37 centres
- ★ Creation of a new Hollywood Bowl currency with cashless amusements on trial in three centres
- ★ Virtual reality zones on trial in three centres
- ★ Enhanced supplier commercial terms have improved margins year-on-year

COMPLETING THE

EXPERIENCE

★ ★ ★

Bowling works up an appetite and a thirst to match, so we lay on a great choice of quality food and drink for our customers – be they a family out for the weekend or a corporate team on an office night out.

Our attentive lane hosts can take customer orders and are complemented by licensed bars offering a wide range of branded soft and alcoholic drinks and coffees.

We cater for every budget too, from our standard menu, primarily in AMF centres, to a great value, higher-end food offering with our new Hollywood Diner menu.

As you might guess, there's a strong American theme to our décor and menus, with classics such as burgers, hot dogs and milkshakes served.


Coors

FOOD & DRINK

SERVING AMERICAN DINER CLASSICS

AND A GREAT CHOICE OF DRINKS IN A WELCOMING ENVIRONMENT

Drink	Food
17.7% OF REVENUE	9.6% OF REVENUE

Highlights

- New Hollywood Diner menu and new diner environments now in 30 centres
- Our customers drank 3.5 million soft drinks, 2 million pints of beer and 700,000 coffees
- We served over half a million burgers and portions of fries
- Enhanced supplier commercial terms have improved margins year-on-year

A COMPELLING INVESTMENT PROPOSITION

MARKET-LEADING OPERATOR WITH NATIONAL SCALE	With 58 centres, Hollywood Bowl Group operates a high-quality, well-invested estate led by an experienced management team
SIGNIFICANT MARKET OPPORTUNITY	Current ten-pin bowling penetration, usage rates and competitive price position in the leisure sector support future expansion and organic growth
CUSTOMER-FOCUSED BUSINESS MODEL	With strong customer understanding, Hollywood Bowl Group is revitalising the ten-pin bowling experience and driving up engagement levels and revenue
CORE FOCUS ON TEAM AND CULTURE	Our customer-focused culture promotes consistent behaviours and attitudes. Our talent management and incentive programmes attract, retain and nurture the best people
DIVERSIFIED REVENUE STREAMS	Bowling accounts for half of Group revenue. Amusements, food and drink make up the remainder
MULTIPLE LEVERS TO DRIVE FURTHER GROWTH	Our refurbishment programme is delivering strong returns and excellent customer feedback A strong new centre pipeline is backed by a disciplined and rigorous site selection process Ongoing innovation in the customer proposition and investment in technology enablers
ATTRACTIVE FINANCIAL MODEL	Consistent strong financial performance and returns are driven by our ongoing capital investment programme

HIGHLIGHTS

★ ★ ★

In the year following our listing on the London Stock Exchange, we have continued to deliver on our clear strategy for growth with strong financial and operational results

Financial

Revenue Growth

+£9.2M +8.8%

Profit after Tax

£18.3M

LFL Revenue Growth[1]

+£3.6M +3.5%

Final ordinary dividend per share

3.95P

Group Adjusted EBITDA[1]

£33.4M

Special dividend per share

3.33P

Group Adjusted EBITDA Margin[1]

29.3%

Earnings per share

12.17P

Operational

- Bowlplex integration and rebranding programme ahead of schedule: seven sites now rebranded to Hollywood Bowl
- Six further centres refurbished or rebranded in FY2017, with strong returns
- Strong progress in new centre programme: three opened in the year and four exchanged for FY2018 and FY2019 openings
- Ongoing innovation of the customer proposition: VIP lanes now in 40 centres, a new food menu launched and cashless amusements and 'Pins on strings' on trial
- Continued investment in our sector-leading technology platform driving improved e-commerce, CRM, revenue and yield performance
- Team member development programme delivering excellent results: seven promoted to Centre Manager in the last 12 months
- A strong balance sheet and excellent cash generation underpin our business model

1 Definitions for these are in the key performance indicators section (pages 34 and 35).

Chairman's statement

A SUCCESSFUL YEAR FOR HOLLYWOOD BOWL

PETER BODDY

"We are well-positioned to continue to create value for all our shareholders."

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. Further details on this can be found in our Corporate Governance report, on page 50, which describes the work completed during the year and outlines our areas of focus and development for the year ahead.

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 – Stephen 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
Non-Executive Chairman
11 December 2017

Chief Executive Officer's review

OUR STRATEGY IS DELIVERING PROFITABLE GROWTH

"Our enhanced offer and continued development of our brands is widening the appeal to our core family customer group."

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.

Revenue Growth

8.8%

Earnings Per Share

12.17P

Total Dividend Per Share

9.08P

Chief Executive Officer's review continued

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

Q&A WITH THE CEO

★ ★ ★

Q. What keeps you awake at night?

SB. Not having the right team in place in our centres to deliver the consistent experience our customers expect. A high-quality management team makes all the difference in the successful operation of our business, which is why attracting and retaining talent is at the top of the leadership agenda.

Q. Could you accelerate the rate of centre openings?

SB. While we can be flexible in the design of our centres, we do need a reasonable amount of open space (columns, for example, are difficult to bowl around!). This can limit our opportunities. We are also careful to open in only those locations that will complement our existing portfolio, rather than detract from it. It's no fun running loss-making centres and we are in the enviable position of not having any of those. We have identified a very healthy pipeline, but these new openings are part of some very big schemes that take time to come out of the ground, so we are sticking to our forecast of an average of two openings per annum.

Q. Have you the management bandwidth to match your ambitions for growth?

SB. Absolutely! I am fortunate to be surrounded by a talented, supportive and motivated senior leadership team who not only are experts in their respective function, but are also extremely knowledgeable about the overall business.

Q. Could you further increase the rate of the refurbishment programme?

SB. It's important to understand that each centre operates in its own marketplace and we don't adopt a 'cookie cutter' approach when it comes to refurbishments and investments. Each centre is designed around customer feedback, with input from the management and support team. Combining this with the fact that we wouldn't undertake a refurbishment during a school holiday period, for example, and that Laurence (CFO) and I visit every centre before, during and after investment, we believe that between seven and ten investments per annum allows the business to maximise the returns on each.

Q. Are you concerned about the consumer outlook?

SB. It is, of course, prudent to keep one eye on consumer trends. We recognise that leisure activities rely on disposable income and that our customers are not immune to inflation. We do, however, operate the kind of all-inclusive family leisure experience that we know our customers prioritise.

Q. Will you ever look beyond bowling?

SB. Our short to medium-term focus is on delivering against our growth plan through the successful execution of our bowling-led strategy. There are a number of indoor leisure-based offerings we know could benefit from our customer-led operating model, but we feel there is still significant opportunity to remain focused on growing our bowling business.

Q. What impact will Brexit have on Hollywood Bowl?

SB. In terms of our team, we have limited exposure with less than four per cent of team members coming from EU countries outside of the UK. Our supply chain is mostly UK-based. Although we haven't been immune to the cost increases of certain food lines, they form a relatively small part of our business and, at this stage, we haven't had to pass any price rises on to our customers. The likely economic impact of Brexit will become clearer over the next 18 months and is something we will watch closely as regards the business and the impact on our customers.

Q. What differentiates Hollywood Bowl from other leisure investment opportunities?

SB. We have a unique product that has wide appeal across all ages, demographics and geographies. There are few such businesses that offer activities you can safely enjoy with your family, friends and business colleagues – and all have fun! As an investment, we differentiate by continuing to operate this business for the long term and by not taking short-term decisions which could harm long-term profitability. Our portfolio of entirely profitable centres is operated by business leaders, not just managers, and a senior team that are not only long-term shareholders of the business, but also its customers.

MARKET OVERVIEW

★ ★ ★

Ten-pin bowling sector

★ **23%** ★

EXPECTED GROWTH BETWEEN 2016 AND 2021

A significant opportunity

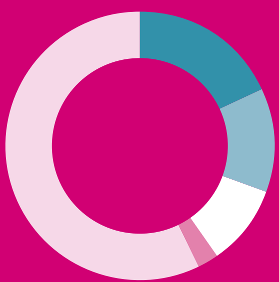
★ **67%** ★

OF CONSUMERS HAVE NOT PARTICIPATED IN TEN-PIN BOWLING OVER THE PAST 12 MONTHS

★ **47%** ★

OF THE UK POPULATION LIVE WITHIN A 15-MINUTE DRIVE OF A BOWLING CENTRE

Our position in the market



★ **Hollywood Bowl**	**58**
★ Tenpin	40
★ MFA Bowl	31
★ Big Apple	8
★ Other independents	182

THE UK HAS ★ **319** ★ TEN-PIN BOWLING VENUES

AS MARKET LEADER, WE ARE BEST PLACED TO CAPITALISE ON OPPORTUNITIES IN THE SECTOR

The ten-pin bowling market forms a small, but fast growing, part of the UK's 'out of home' leisure sector offering a competitively-priced experience and broad customer appeal.

Hollywood Bowl Group has led growth in the market by investing consistently and re-invigorating the customer proposition. This has helped reposition bowling back into the mainstream.

A growth sector

The UK leisure sector was worth an estimated £85.4bn in 2016, of which ten-pin bowling had a market share of just over 0.3 per cent[1]. It is estimated that the UK ten-pin bowling market in 2016 grew by 6.7 per cent. This marked the fourth consecutive year of growth[1].

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

Alongside this, a key historical growth factor has been corporate consolidation and significant investment by leading branded operators, primarily in the refurbishment of existing centres and, in part, in the opening of new venues.

Hollywood Bowl Group has driven much of the market growth through our investment in reinvigorating customer engagement through CRM platforms, refocusing the bowling proposition towards family leisure, improving ancillary product offerings and driving operating improvements. From 2013–2016, the Group delivered a compound annual growth rate of 14.9% per cent.

Outlook

Growth in the value of the ten-pin bowling market is expected to continue over the coming years, stimulated by ongoing investment and an overall improvement in the quality of the customer proposition.

Consumer leisure spend could be tempered as rising inflation and slowing wage growth begin to impact household budgets and UK economic growth slows amid uncertainty over the impact of 'Brexit'. However, barring a more severe economic slowdown than currently anticipated, it is expected that the value of the ten-pin bowling market will grow by an estimated 23 per cent between 2016 and 2021[1].

It is anticipated that this growth will be underpinned by the development of new centres, the continued refurbishment of existing centres and associated improvement in the customer experience. It is expected that participation in ten-pin bowling, visit frequency and spend per game will all increase in line with these activities.

A significant opportunity

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

In the UK, ten-pin bowling is a relatively low-frequency activity compared to other forms of leisure such as the cinema. Almost 70 per cent of consumers have not participated in ten-pin bowling over the past 12 months, compared to 32 per cent for cinemas[1].

Market overview continued

Ten-pin market growth in 2016[1]

6.7%

NO.1

Fastest growing leisure activity in 2016[1]

The accessibility of bowling locations is also lower – an estimated 47 per cent of the UK's population lives within a 15-minute drive of a bowling centre, compared to 69 per cent living within a 15-minute drive of a cinema[1]. Distance may be a factor in deterring some consumers from visiting centres and may also impact negatively on repeat visits.

These figures, and the fact that in the UK there is low penetration of bowling centres per head of population relative to some other international markets, indicate that there is significant potential for further ten-pin bowling centre roll out. Opportunities also exist to increase participation through improved customer propositions and competitive pricing relative to other leisure experiences.

An affordable leisure offering

Ten-pin bowling is a competitively priced and highly accessible form of family entertainment. The cost to a family of a visit to a bowling centre compares favourably to other leisure activities and gives bowling more resilience to any challenges posed by the wider economic situation.

Our position in the market

Hollywood Bowl Group is the clear market leader in terms of centres, lane numbers, customer proposition and revenues and has driven much of the growth in the market through its investment-led strategy.

As at 30 September 2017, the UK had 319 ten-pin bowling venues. The number of centres has remained almost static over the past decade, but there has been a decline in the number of available lanes since 2007. While some independently owned centres have closed, the process of consolidation and reinvestment among some of the leading players has led to the branded centres offering more lanes than previously.

The market remains relatively fragmented but has seen significant consolidation since 2014. There are four types of operator[2] identified within the UK ten-pin bowling market:

- Major multiples (estimated 71 per cent market share) operating five or more centres. The leading three operators control 40 per cent of all UK centres and over 50 per cent of all available lanes. Hollywood Bowl Group is in this category.
- Other multiples (estimated five per cent market share), operating fewer than five centres.

BOWLING COSTS PER PERSON COMPARE FAVOURABLY WITH OTHER LEISURE ACTIVITIES

Source: Hollywood Bowl 2016 prospectus

CINEMA, BOWLING AND HEALTH CLUB REPRESENTATION IN UK RETAIL AND LEISURE SCHEMES (2016)

Development type	Number of Schemes	Cinema	Bowling	Health club
Retail parks	893	35	20	109
Shopping and leisure centres	31	22	9	21
Leisure parks	101	89	53	45
Leisure schemes	117	63	22	55
Total	**1,142**	**209**	**104**	**230**

Source: Shore Capital/Trevor Wood Associates 2017

- Urban bowling operators (estimated seven per cent market share) catering primarily for professionals, operating smaller sites with a focus on the 'urban' market and an emphasis on food and beverage sales.
- Independent operators (estimated 17 per cent market share) operating single centres, which are typically smaller and situated in tertiary locations.

There is scope for the major multiples to increase their share of the ten-pin bowling market as weaker operators, particularly the independents and other multiples, become less competitive or exit the market.

Changing retail landscape

Traditional retail outlets are under increasing pressure from online channels and the rise of the 'experience economy', with customers increasingly seeking to invest in experiences rather than possessions. As a result, larger retail developers are having to fight back and are increasingly looking to create a wider customer experience through the expansion of their leisure offering to increase footfall and extend dwell time. Leisure areas are created by reformatting existing space or via purpose-built extensions.

Within these new retail and leisure developments ten-pin bowling is currently underrepresented as shown in the table above.

As the UK's market-leading operator, Hollywood Bowl is the 'go-to' tenant in the sector securing attractive developer contributions on new centres, most recently at the Southampton Hammerson development and at the intu Derby centre, and has secured a strong pipeline of centres until FY2019.

From our established operating model, relationships with landlords, strong covenant and continued maintenance programme across the estate, Hollywood Bowl Group is well-positioned to capitalise on the potential growth within the merging of retail and leisure customer propositions.

1 Mintel Ten-pin Bowling Report 2017
2 Pragma Consulting Report 2016

Our business model
MULTIPLE LEVERS TO DELIVER VALUE AND DRIVE SUSTAINABLE GROWTH

Multiple levers:

Brands
Hollywood Bowl is the Group's flagship brand. It has centres in prime locations and benefits from the highest levels of investment.

AMF centres are generally located in secondary locations. The Bowlplex brand is being phased out as these centres migrate to the Hollywood Bowl brand.

High-quality estate
Our centres are predominantly located in out-of-town multi-use leisure parks, typically alongside cinema and casual dining sites and large retail parks. On average, centres are just under 30,000 square feet and have 24 bowling lanes.

Revenue streams
We have a diverse offering comprised of bowling, amusements and food and beverages. These combine to give our customers an all-round entertainment experience and serve to increase reasons to visit, dwell time and secondary spend.

Operations
We operate high-quality centres with innovative, exciting, fun-filled products delivered by our enthusiastic and engaging team.

Our central support team includes a 55-seat customer contact centre that manages all calls and takes bookings, allowing our on-site teams to focus on the in-centre customer experience.

Outputs that deliver value:

Great customer experience
Delivering a fun-filled, safe and great-value experience on each visit helps us attract new customers. It also increases the likelihood of customers recommending us to friends and family and visiting us time and again.

Motivated and engaged teams
Our team members are key to delivering a positive customer experience. We invest consistently in ensuring they are motivated and engaged with our culture and behaviours.

Financial and KPI performance
The Group's financial performance and the progress we are making against our key performance indicator (KPI) metrics are the principal measures against which we assess our achievements.

Shareholder returns
We are focused on sustainable, profitable growth through consistently driving revenues, managing our margins and managing our cash position to provide attractive returns to shareholders.

Our business model is underpinned by:

People and culture
Our people are the face of our business. They are focused and incentivised to ensure our customers have the best possible experience. Management programmes are in place to attract, retain and nurture top talent. We have a highly targeted incentive structure for our Centre Managers which is based on not only financial performance, but also customer feedback. Our positive culture promotes consistent behaviours and attitudes across the business.

Technology and customer insight
We invest in market research and ongoing customer experience programmes to continually monitor customer satisfaction. This means we can quickly react to any operational issue or respond to wider customer trends.

Our sector leading CRM systems and our proprietary scoring system are used to facilitate targeted marketing programmes pre and post customer visits. Our digital channels are a strategic key focus area and are an increasing source of revenue for the Group. Dynamic pricing, based on available capacity and booking lead time, has been introduced to improve yield management.

Capital investment programme
As well as delivering our new centres, our capital investment programme supports centre refurbishments and our ongoing maintenance spend. We like to keep all our centres looking good.

To enhance the quality of our customer offering and to improve our commercial performance, we continually invest in technology-led innovation including our CRM and reservation system, our scoring system, our back-of-house equipment and our amusements offering.

Property and supplier relationships
We have strong relationships with developers and landlords to ensure that we maintain a pipeline of new sites for the future and are starting to see the benefits of wider strategic partnerships with organisations such as intu.

We work closely with our technology suppliers to ensure that we are delivering the best possible experience across the customer journey. Strong relationships with our principal product suppliers, such as Namco, Molson Coors, Brakes and Coca-Cola, enable us to deliver promotions that help drive retail sales and ensure we have the latest product offerings in our centres.

Strong balance sheet
By driving revenues, continuing to achieve healthy margins and maintaining a strong balance sheet, we can continue to invest in all areas of our business, expanding and improving our estate, rewarding our team members and making returns to our shareholders.

Risk management and governance
Through our Board governance the Group maintains an effective system of risk management and appropriate internal controls to ensure that our business is always operated to deliver long term, sustainable growth.

At Hollywood Bowl Group, we unrelentingly focus on delivering the best leisure experience for every customer. Our business model delivers value through continually investing in the enhancement of our customers' experience. The financial returns this creates are reinvested in our business, reward our employees and form the dividends paid to our shareholders.

REINVESTMENT

Levers:

BRANDS

Hollywood Bowl

AMF

BOWLPLEX

HIGH-QUALITY ESTATE

Leisure parks

Retail parks

Shopping centres

Stand alone

REVENUE STREAMS

Bowling

Amusements

Drink

Food

OPERATIONS

High quality environments

Enthusiastic and engaging teams

Group support functions

Outputs: Delivering value

GREAT CUSTOMER EXPERIENCE

MOTIVATED AND ENGAGED TEAMS

FINANCIAL PERFORMANCE AND KPI DELIVERY

SHAREHOLDER RETURNS

REINVESTMENT

Our business model is underpinned by

People and culture	Technology and customer insight	Capital investment programme	Property and supplier relationships	Strong balance sheet	Risk management and governance

Our strategy at a glance

INVESTMENT-LED GROWTH

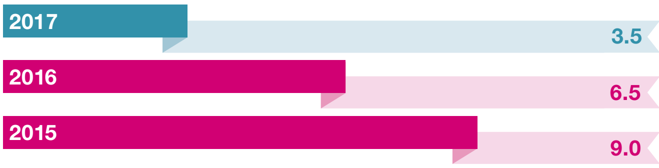
STRATEGY	OVERVIEW	PROGRESS
DRIVING LIKE-FOR-LIKE GROWTH	Driving LFL growth by attracting new customers, increasing the frequency of visits of existing customers and raising the spend per game.	In FY2017, our LFL revenue grew by 3.5 per cent. Games volumes were up 3.1 per cent with spend per game up 0.5 per cent. Our approach is to increase dwell time and gain a greater share of customers' leisure spend as well as drive game volumes in our centres.
REFURBISHMENT PROGRAMME	Our refurbishment programme generates improved sales and profitability at existing centres through investment in the bowling experience (including the introduction of VIP lanes), new external signage, an upgraded bar offer and the introduction of the new Hollywood Diner concept. These upgrades attract new customers, drive game volumes, support higher prices and encourage a higher spend per game.	In FY2017 we refurbished/rebranded ten centres and have an average return on investment (ROI) greater than 33 per cent. We have between seven and ten refurbishments planned for FY2018 and we are confident we can continue to deliver above ROI expectations as we continue to roll out our family-focused model.
CONVERSION OF THE BOWLPLEX ESTATE	Following the acquisition of Bowlplex in December 2015, 11 centres became part of the Group. We will refurbish and rebrand these centres as Hollywood Bowl, bringing them in line with the higher standards across the remainder of the Group's estate.	We refurbished and rebranded four Bowlplex centres in FY2017. The average revenue for the Bowlplex centres has increased to £1.81m from £1.69m in the prior year.
DEVELOPMENT OF NEW CENTRES AND ACQUISITIONS	There are significant growth opportunities via new-build centres and from the acquisition and rebranding of bowling sites from other operators.	Southampton opened in December 2016, Derby in April 2017 and The London O2 in June 2017. These centres have delivered higher than expected returns. Dagenham opened in October 2018. We have signed for a new centre in Liverpool, and also with intu in Watford and Lakeside. All plan to open in 2019. We also have a number of other key opportunities in advanced stages of negotiation.
FOCUS ON PEOPLE	Our people underpin our business. Attracting and retaining top talent is a key priority for the Group.	This year we ran our Centre Manager and Assistant Manager In Training programme. We introduced a new talent programme, 'Senior Leadership Development'. The success of these programmes is clear: in FY2017, 52 management positions were filled internally, a 10.6 per cent increase on FY2016.

We drive value for our shareholders by delivering sustainable, profitable growth. We achieve strong returns on capital invested, have an unrelenting focus on providing a great customer experience and maximise the multiple growth opportunities available to us.

KPIs

PRIORITIES

LFL growth %



Continued unrelenting focus on improving the customer experience through planned investments in technology, training our people, marketing and ensuring we have the right products available.

Number of centres refurbished/rebranded

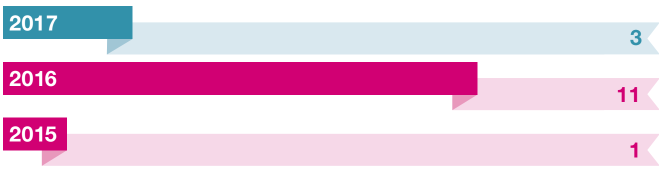
Continue to enhance our existing estate so we deliver a consistent level of quality across the Group by undertaking seven to ten centre refurbishments per year through a rolling capital investment programme.

We have seven to ten refurbishments planned for FY2018 and we are confident we can maintain this level of ROI as we continue to invest in our family-focused model.

Average Bowlplex centre revenue £m

We have now refurbished and rebranded seven Bowlplex centres to Hollywood Bowl. The average revenue per Bowlplex centre for FY2017 was £1.81m – an increase of 7.1 per cent over the prior year. The final four Bowlplex centres will be rebranded in FY2018.

Number of new Group centres



This year, we opened three new centres, in fantastic locations, which are all performing above expectations. We will continue to expand our estate and look for profitable opportunities to grow, opening an average of two new centres per annum, dependent on meeting our acquisition criteria and rental expectations.

Number of management positions filled internally

Our team members are the face of our business and are responsible for ensuring that our customers enjoy the best possible experience every time they visit. Training, development and internal succession remain key focus areas for the Group.

Strategy in action

SIX STEPS TO OPENING A NEW HOLLYWOOD BOWL

The opening of new centres is a key strategic focus for the Group and is the responsibility of the new centre and refurbishment team, which consists of representatives from all business functions including the executive team. Using the case study of our recent centre opening in Derby, we outline the comprehensive process that is undertaken to bring a new centre into play, from location selection to opening our doors in a new market and welcoming our first customers.

1 Selecting the location

Potential new locations are analysed in detail. We select geographical target areas based on population catchment and a range of specific demographic measures.

Derby

Derby had very strong scores in the key customer areas we target. We agreed that a city centre location would work well, because high existing footfall was paramount.

Merging leisure with retail

The intu scheme in Derby provided an opportunity as part of a new leisure extension, along with indoor golf, in a creatively converted internal third-floor car park. The site is situated below the top trading cinema in the city and is in close proximity to more than ten casual dining restaurants.

★ 2 ★ Choosing the site

Our strategy is to look for sites that are co-located with cinema and casual dining establishments. This creates a critical mass of leisure opportunities and provides customers with ways to extend their visit. Our focus is on space between 14,000 square feet and 30,000 square feet.

We target new centres to be EBITDA-enhancing to the Group's business.

★ 3 ★ Striking the deal

"We worked very closely with the landlord's team to develop a fantastic new leisure addition to the existing intu Derby development."

Stephen Burns, Chief Executive Officer

Our experience in property deals, our strong financial trading history, our desirable lease covenant and our high-quality customer proposition puts us in a solid position to negotiate with landlords.

We look to build partnerships with landlords to identify future opportunities as well as the one under consideration. An example is our multi centre relationship with intu, which currently shows a further three new centres in our opening pipeline. We also work closely with landlords on pre-launch marketing support.

Strategy in action continued

DELIVERING THE BEST ENTERTAINMENT EXPERIENCE

★ 4 ★ Creating an amazing environment

Hollywood Bowl Group has led the way in modernising bowling and upgrading the customer experience. A new centre opening gives us the chance to showcase our latest innovations and create a real 'Wow' factor right across the customer journey. Our financial model is based on expected ROI levels and lifetime of assets. Our internal marketing and operations teams work closely with our architects and contractors to deliver a high quality, well-designed scheme on time and on budget.

★ 5 ★ Recruiting the best team

A new centre creates an average of 40 new jobs in its community. We recruit only the most enthusiastic and engaging people for our team to deliver the best experience for our customers and there is always healthy competition to join us. Our people-support team are very busy running recruitment events and organising comprehensive cultural inductions and operational training. These are supported by experienced team members and management from our other centres. A key hire is Centre Manager, a position which could be filled by internal promotion or by an external candidate. The new manager has a comprehensive incentive programme in place which covers financial, operational and customer measures.

Showcasing innovation

Our Derby Hollywood Bowl includes innovations such as cashless amusements, 'Pins on strings' and the first digital VIP lanes featuring action replays and customisable screens.

★ 6 ★

The Grand Opening!

After months of planning and building, we are finally ready to open our all-new Hollywood Bowl! The Centre Manager works with our marketing support team and the landlord to execute a local marketing programme across a variety of media channels before and after opening. They get involved in community and corporate outreach to help build our database, a key element in supporting the centre's future progress.

Bowling Derby over!

The Derby centre officially launched with a fun-filled and star-studded VIP night, including a special appearance from Marilyn Monroe – who knew she bowled?

"I was delighted to be offered the opportunity to open a new centre and create a brand new team who delivered a great performance in FY2017, exceeding our financial targets – and customer feedback has been fantastic."

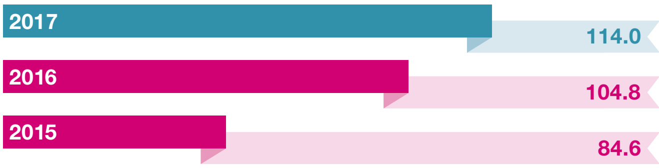
Andrea Green, Centre Manager, Derby

Key performance indicators (KPIs)

HOW WE MEASURE OUR PERFORMANCE

We monitor our performance by regularly reviewing KPI metrics[1], and we use these to give us a thorough understanding of the drivers of our performance, our operations and our financial condition.

REVENUE £M



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

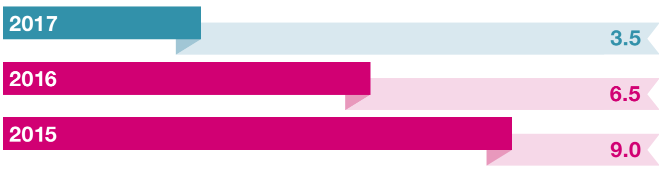
Comment
Revenue increased by 8.8 per cent as a result of an 8.5 per cent increase in game volumes and a 0.8 per cent increase in spend per game.

REVENUE GENERATING CAPEX £M

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

Comment
Revenue generating capex increased by 99 per cent due to three new centres and slightly higher refurbishment spend.

LIKE-FOR-LIKE GROWTH %



Definition
Like-for-like growth is total revenue excluding any new centres, closed centres, acquisitions and any leap year effect.

Comment
Like-for-like growth increased 3.5 per cent due to a 3.1 per cent in game volumes, and 0.5 per cent increase in spend per game.

NET DEBT/(CASH) £M

Definition
Net debt is defined as borrowings from bank facilities (excluding issue costs) less cash and cash equivalents.

Comment
Net debt has reduced significantly due to the positive cash flow position for the year.

1 Some of the measures described are not financial measures under generally accepted accounting principles (GAAP), including International Financial Reporting Standards (IFRS), and should not be considered in isolation or as an alternative to the IFRS financial statements. These KPIs have been chosen as ones which represent the underlying trade of the business as well as ones which shareholders enquire about.

GROSS PROFIT %

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

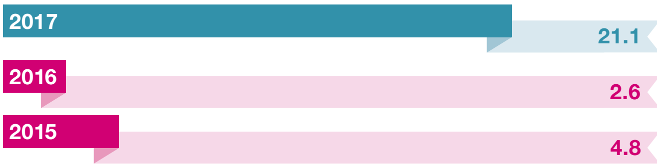
Comment
Gross profit percentage has increased due to a slightly higher bowling revenue mix as well as improved supplier terms on amusements and drink.

GROUP ADJUSTED EBITDA £M

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

Comment
Group adjusted EBITDA increased by £4.0m (13.7 per cent), largely due to revenue growth.

PROFIT BEFORE TAX £M



Definition
Profit/(loss) before tax as shown in the financial statements.

Comment
Profit before tax grew due to growth in EBITDA as well as the reduced interest as a result of the Group's post IPO financing structure.

GROUP ADJUSTED OPERATING CASH FLOW £M

Definition
Group adjusted operating cash flow is calculated as adjusted EBITDA less working capital less maintenance capex less corporation tax paid.

Comment
Group adjusted operating cash flow increased due to an increase in Group adjusted EBITDA offset by increases in maintenance capex and tax.

GROUP ADJUSTED EBITDA MARGIN %

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

Comment
Group adjusted EBITDA margin percentage increased due to revenue growth and tight cost controls.

TOTAL AVERAGE SPEND PER GAME £

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

Comment
Average spend per game increased by 0.8 per cent due to customers continuing to spend more during their visits.

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.

Trend direction:

- ▲ Increasing
- ◀ ▶ Unchanged
- ▼ Decreasing

TYPE OF RISK	RISK	POTENTIAL EFFECT	MITIGATION
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.

Principal risks continued

Viability statement

In accordance with provision C2.2 of the 2016 UK Corporate Governance Code, in addition to the going concern statement the Directors have also assessed the prospects of the Group over a three-year period. This period reflects the investment cycle of our refurbishment programme and also our outlook in terms of projected new centre openings.

The Directors confirm that the Group has considerable financial strength, and therefore they have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due for the three years ending September 2020.

The three-year plan considers the Group's earnings growth potential, its cash flows, financing options and covenant tests, taking into account the economic outlook as well as the principal risks and mitigating factors affecting the Group. The assessment of viability has been made with reference to the Group's current position and future projections, its strategy and principal risks. These were reviewed by the Directors at their strategy day in July 2017, when the three-year financial plan was considered, and during the budget consideration at September's Board meeting.

As a result of this, sensitivities against the three-year plan have also been reviewed as has the Group's strong balance sheet and low levels of debt.

Going concern

The Group has considerable financial resources. At 30 September 2017, it had cash balances of £21.9m and undrawn financing facilities of £10.0m which are available to fund new centres, capital expenditure and working capital.

In their consideration of going concern, the Directors have reviewed the Group's future cash forecasts and profit projections, which are based on past experience and the projected opening programme of an average of two new centres per annum. The Directors are of the opinion that the Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group is able to operate within its current facilities and comply with its banking covenants for the foreseeable future.

Taking the above into consideration and also the principal risks faced by the Group, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the Group's financial information. Further information regarding the Group's business activities, together with the factors likely to affect its future growth, performance and position is set out in the Strategic Report on pages 16 to 45. The financial position, cash flows and borrowing facilities are shown in the Financial review on pages 39 to 42.

Financial review

A STRONG PERFORMANCE IN THE YEAR

LAURENCE KEEN

"The strength of the Group's strategy is reflected in our revenue performance and EBITDA margin for the year."

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.

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.

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.

Financial review continued

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 on page 42, 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.

Financial review continued

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 £3.9m (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

Balance sheet

	30 September 2017 £'000	30 September 2016 £'000
ASSETS		
Non-current assets		
Property, plant and equipment	**39,709**	37,264
Intangible assets	**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	**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	**28,143**	29,403
Deferred tax liabilities	**746**	2,230
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

OUR APPROACH TO SUSTAINABILITY

Outside of the experience and environments we provide, we understand that how we behave as a business has a major part in shaping how people view us.

A key element of the Group's culture is the promotion of sustainability, which we believe enhances our ability to execute our strategy and deliver value for our customers, team and shareholders.

As a nationwide multi-site business we seek to enhance the wellbeing of our people, our customers and the communities in which we operate.

Customers

Bowling is an activity that promotes healthy competition and provides an inclusive, interactive experience, enabling families and friends to spend quality social time together and improve their general wellbeing.

All of our centres have access for the disabled and we are committed to delivering an inclusive fun-filled experience for customers of all abilities. In FY2017, over £1.5m of concessionary discounts were redeemed across a number of user groups.

We recognise that the consequences of a poor diet are an important health challenge in the UK and continue to work with our suppliers to reduce the salt and sugar content of their products. Our new Hollywood Diner menu offers a range of healthier eating options, including salads and, for children, vegetable options in their range. Alongside this, we introduced a sugar-free option across a range of drinks categories including carbonated soft drinks, slush and mixers.

We maintain contact with regulatory bodies and our suppliers to ensure the correct decisions are taken in terms of our amusement area game content, quantity and age-appropriate mix.

Our people

Hollywood Bowl Group employs over 2,000 team members and is a business that likes to develop its own talent and promote from within. It is part of our culture and strategy to constantly challenge our ways of working.

It is our teams that deliver the fun to our customers and we continually invest in their training and development to enhance this, with an average spend per head of £130 in 2017. On joining the company, team members follow a structured induction covering our culture, customer service and health and safety. We launched our new online learning system in 2017 to support all team members' continuous development.

We seek to further engage our teams by offering rewarding career paths and opportunities. We run several top talent development programmes, including our Assistant Manager in Training programme for team members who wish to progress into management. Almost 100 team members enrolled on this programme in 2017, with 36 internal assistant manager appointments being made as a result. We also have our Centre Manager Top Talent Programme for junior managers who wish to run their own centres – 14 managers enrolled on the programme last year and we are delighted that seven have been appointed Centre Manager.

Centre Managers are key to the success of the company. We give them the autonomy to run their own business and share their centre's success via a significant bonus scheme. We ran a senior leadership programme for the first time in 2017. This was attended by ten of our future leaders, five of whom have been promoted to new roles.

A highlight of the year is our annual awards conference. Six of our 2017 Centre Manager winners attended a major amusements convention in the USA.

We are excited about the launch of our save as you earn share save scheme (SAYE) in January 2018. This will give all of our team the opportunity to share in the financial success of the business.

We are committed to providing an inclusive environment and firmly believe that no-one should suffer discrimination on the grounds of race, colour, ethnicity, religious belief, political affiliation, gender, sexual orientation, age or disability.

Sustainability continued

A breakdown of our Board, senior management and all employees by gender is as follows:

FY2017 NUMBER OF EMPLOYEES

Board	1	5
Senior Managers	4	11
Team	1,098	888

Community engagement

As a business spread over 58 locations around the UK, we seek to support the communities we operate in by offering support through fundraising, awareness and access.

This year we worked with Neighbourly.com to connect with charities and community projects local to each of our centres and our Hemel Hempstead support centre.

Each centre chose a charity that would benefit families or younger people. Many fantastic events took place including 'Togetherness Days' and 'Hero Pin' evenings, during which strike-scoring customers earned a donation to their centre's charity.

Through donations and fundraising activities, more than £50,000 has been raised for our charities and projects and the top-performing centres were honoured at our annual manager's conference.

We are pleased to be continuing with this community engagement programme in FY2018.

Health and safety

Bowling is a fun and safe way to keep active and we like to keep it that way. We design our centres and train our teams with this in mind, both for our customers' and our teams' welfare. We comply with all safety legislation and act on all reported incidents. As part of our internal audit reviews, we undertake safety audits. The output from these reviews, as well as any incident reports, are reviewed by the Board on a monthly basis.

Hollywood Bowl Group Plc has a Primary Authority agreement with South Gloucestershire Council covering both health and safety and food safety.

Local charity relationships

An example of our work with local charities is the team at the Glasgow Springfield Quay centre who developed a wide ranging community programme to support Calum's Cabin – an amazing charity which runs a holiday retreat for children with cancer.

The team built up a great relationship with charity volunteers and everyone pulled together to deliver a successful year of fundraising activity. This all raised the profile of the charity's great work with our customers.

Several events were held including a charity bowling evening, raffles, cake sales and bucket collections and the team have committed to further help with volunteering alongside continued fundraising support in 2018.

Environment

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

Greenhouse gas emissions

Greenhouse gas (GHG) emissions for FY2017 have been measured under the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013. The GHG Protocol Corporate Accounting and Reporting Standards (revised edition) and the data has been provided by Schneider Electric through analysis of our utility invoices.

Scope 1 emissions	807.75 tCO_2e
Scope 2 emissions	6,532.6 tCO_2e
Total scope 1 and 2 emissions	7,340.35 tCO_2e
Intensity ratio (tCO_2e per centre)	132.9

Electricity usage

Our commitment to efficiently and ethically use natural resources is ongoing. We have reduced our intensity ratio for Scope 2 (electricity) by 33 per cent since 2010 (on a like-for-like basis using 2017 conversion factors for both figures).

We have reduced our emission ratio for scope 1 and 2 emissions by 29.4 per cent and 18 per cent respectively, for FY2017 compared to the base year (FY2016).

	Scope 1	Scope 2	Scope 1+2	Intensity Ratio
FY2016	8,195.0	895.7	9,090.7	162.3
FY2017	6,532.6	807.5	7,340.1	132.9

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

- maximising efficiency of control strategies for air-handling plant and investing in new plant and machinery;
- continuing our transition to LED lighting. At the start of FY2016, we had converted 75 per cent of our lighting to LED and had targeted 80 per cent by the end of FY2017. We are ahead of schedule in this area and have now converted almost 95 per cent of our lighting to LED. The majority of the lamps not converted are in low footfall areas and are activated by motion sensors; and
- advising our teams of the benefits of reducing electricity usage.

Recycling

We recycle our waste to help minimise our environmental impact. At the end of FY2016, we were recycling 59 per cent of our waste and we set a target of 70 per cent by end of FY2017 – we achieved this target in August 2017.

We have also cut the amount of waste we generate by reducing the use of straws and napkins and we are working with our suppliers to introduce reduced packaging products across our business.

The Strategic Report was approved by the Board on 11 December 2017 and signed on its behalf by:

Stephen Burns
Chief Executive Officer
11 December 2017

GOVERNANCE

★ ★ ★

Chairman's introduction	47
Board of Directors	48
Corporate Governance report	50
Report of the Nomination Committee	54
Report of the Audit Committee	56
Chair of the Remuneration Committee's annual statement	60
Directors' remuneration policy	62
Annual report on remuneration	64
Directors' report	70
Statement of Directors' responsibilities	73
Independent auditor's report	74

Chairman's introduction

PETER BODDY

"We have made good progress in a number of areas during the course of the year, our first full year as a listed company."

Dear Shareholders

The Board is committed to ensuring that the Company operates to high standards of corporate governance and complies with the principles of the UK Corporate Governance Code (the Code) as it applies to smaller companies (ie those below the FTSE 350).

We have made good progress in a number of areas during the course of the year, our first full year as a listed company. In particular, we have focused on Board composition and succession planning (supported by the Nomination Committee); Board effectiveness, through our first Board and committee performance evaluation process (described in more detail on page 53); and on further developing our oversight (supported by the Audit Committee) of risk management and internal control systems.

On behalf of the Board, I would like to reiterate our thanks to Bill Priestley, who resigned as a Director in April when Epiris sold its remaining shareholding in the Company. Following Bill's resignation, we initiated a search (described in the Nomination Committee report on page 55) for a new independent Non-Executive Director and were delighted to welcome Ivan Schofield to the Board on 1 October. We are already benefiting from Ivan's significant experience as a CEO in the retail and leisure sector. Following Ivan's appointment, the Board (excluding me as Chairman) comprises a majority of independent Non-Executive Directors.

We continue to watch with interest the developments in the UK's corporate governance regime. We will consider what action may be required to ensure continued compliance once the new version of the Code is settled.

The following report, and the reports of the Board Committees, describe how we have applied the principles of the 2016 version of the Code in the period since our 2016 Annual Report. In doing so, they also set out our governance structure and summarise the key activities of the Board and Committees in the period since our last Annual Report.

Peter Boddy
Chairman
11 December 2017

Board of Directors

OUR LINE-UP

PETER BODDY
NON-EXECUTIVE CHAIRMAN

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

Committee membership
Chairman of the Nomination Committee.

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

Previously, Peter held the position of CEO or managing director in a number of successful private equity-backed leisure sector companies including Fitness First UK, Megabowl Group Limited and Maxinutrition Limited.

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

Top bowling score: 220

STEPHEN BURNS
CHIEF EXECUTIVE OFFICER

Appointment
Stephen joined the Group as Business Development Director in 2011. He was promoted to Managing Director in 2012 and became Chief Executive Officer in 2014.

Skills and experience
Before joining the Group, Stephen worked within the health and fitness industry, holding various roles within Cannons Health and Fitness Limited from 1999. He became sales and client retention director in 2007 upon the acquisition of Cannons Health and Fitness Limited by Nuffield Health, and became regional director in 2009.

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

Top bowling score: 179

LAURENCE KEEN
CHIEF FINANCIAL OFFICER

Appointment
Laurence joined the Group as Finance Director in 2014.

Skills and experience
Laurence has a first-class degree in business, mathematics and statistics from the London School of Economics and Political Science. He qualified as a chartered accountant in 2000 and has been an ICAEW Fellow since 2012.

Previously, Laurence was UK development director for Paddy Power from 2012. He has held senior retail and finance roles for Debenhams PLC, Pizza Hut (UK) Limited and Tesco PLC.

Top bowling score: 178

NICK BACKHOUSE
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment
Nick joined the Group as Senior Independent Non-Executive Director in June 2016.

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

Skills and experience
Nick is a non-executive director of Marston's PLC (he also chairs its Audit Committee) and is a trustee of the Chichester Festival Theatre. He was a non-executive director of Guardian Media Group plc between 2007 and April 2017.

Previously, Nick was the deputy chief executive officer of the David Lloyd Leisure Group and a non-executive director of All3Media Limited. He has been group finance director of National Car Parks and chief financial officer for Freeserve plc and the Laurel Pub Company. Prior to that, he was a board director of Baring Brothers.

Nick is a Fellow of the ICAEW and has an MA in economics from Cambridge University.

Top bowling score: 203

CLAIRE TINEY
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment
Claire joined the Group as Non-Executive Director in June 2016.

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

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

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

Claire was previously a non-executive director of Family Mosaic and is currently a non-executive director of Volution plc and of Topps Tiles plc. She has an MBA from Stirling University.

Top bowling score: 136

IVAN SCHOFIELD
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment
Ivan was appointed to the Board in October 2017.

Committee membership
Member of the Remuneration Committee and of the Nomination Committee.

Skills and experience
Ivan has extensive experience in the leisure sector in the UK and across continental Europe. He held a number of senior roles for Yum Brands Inc. over 15 years, notably as managing director of KFC France and Western Europe and more recently as CEO of itsu. Prior to this, Ivan held roles at Unilever and LEK Consulting.

Ivan holds a BSc in economics with econometrics from the University of Bath, an MBA from INSEAD and is an accredited executive coach.

Top bowling score: 165

Corporate Governance report

UK Corporate Governance Code – Compliance Statement

The Company has applied all of the main principles of the Code as they apply to it as a 'smaller company' (defined in the Code as being a company below the FTSE 350) and has complied with all relevant provisions of the Code during the year.

Governance structure

The Company's governance framework, designed, supported and monitored by the Board and its Committees, is structured around clearly defined roles, responsibilities and accountabilities, and aims to ensure that appropriate systems, procedures, controls and assurances are in place to enable the effective assessment and management of risk and the delivery of the Group's strategic objectives.

Schedule of matters reserved to the Board and delegated authorities

The Board retains control of certain key decisions through the schedule of matters reserved to the Board which is available to view on the Group's website www.hollywoodbowlgroup.com. The Board has delegated other matters, responsibilities and authorities to each of the Audit, Nomination and Remuneration Committees, and these are documented in the terms of reference of each of those Committees, which are also available on the website. Anything falling outside of the schedule of matters reserved or the Committee terms of reference, falls within the responsibility and authority of the CEO, including all executive management matters.

Key Board roles and responsibilities

There is a clear division of responsibilities between the Chairman and Chief Executive Officer. The key responsibilities of members of the Board are set out below. Biographies of each director, which describe the skills and experience he or she brings to the Board, can be found on pages 48 and 49.

Non-Executive Chairman – Peter Boddy

Peter is responsible for the leadership and overall effectiveness of the Board and for setting the Board's agenda. He promotes a culture of openness and facilitates the effective contribution of the Non-Executive Directors in Board debates and discussion.

Chief Executive Officer (CEO) – Stephen Burns

Stephen is responsible for all executive management matters, including: performance against the Group's strategy and objectives; leading the executive leadership team in dealing with the day to day operations of the Group; and ensuring that the culture, values and standards set by the Board are embedded throughout the organisation.

Senior Independent Director (SID) – Nick Backhouse

Nick provides a valuable sounding board for the Chairman and leads the Non-Executive Directors' annual appraisal of the Chairman. Nick is available to shareholders if they have concerns which are not resolved through the normal channels of the CEO or Chairman, or where such contact is inappropriate.

Chief Financial Officer (CFO) – Laurence Keen

Laurence works with the CEO to develop and implement the Group's strategic objectives. He is also responsible for the financial performance of the Group, the Group's property interests and supports the CEO in all investor relations' activities.

Non-Executive Directors – Nick Backhouse, Claire Tiney, Ivan Schofield

Nick, Claire and Ivan provide objective and constructive challenge to management, and help to develop proposals on strategy. They also scrutinise and monitor financial and operational performance, and support the executive leadership team, drawing on their background and experience from previous roles.

During the year, Bill Priestley served as a non-independent Non-Executive Director pursuant to the Relationship Agreement entered into between Electra Private Equity Partners 2006 Scottish LP, its manager, Electra Partners LLP (together the Electra Shareholders), and the Company at the time of the IPO. The Relationship Agreement entitled the Electra Shareholders to appoint one Non-Executive nominee Director to the Board for as long as the Electra Shareholders were entitled to exercise or control, directly or indirectly, ten per cent or more of the votes able to be cast on all, or substantially all, matters at general meetings of the Company. The Relationship Agreement terminated in April when the Electra Shareholders disposed of their interest in the shares of the Company, and Bill Priestley therefore resigned as a Director of the Company on 7 April 2017.

Board independence

The Board consists of six Directors (including the Chairman), three of whom are considered to be independent as indicated in the table below:

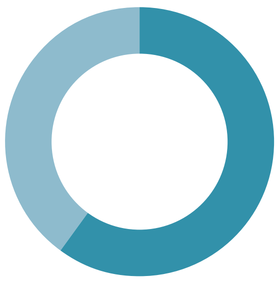
Non-Independent	Independent
Peter Boddy (Chairman)	Nick Backhouse (SID)
Stephen Burns (Chief Executive Officer)	Claire Tiney
Laurence Keen (Chief Financial Officer)	Ivan Schofield

Board independence (excluding the Chairman):

Pre 7 April 2017

★ Independent	2
★ Non-independent	3

Post 7 April 2017



★ Independent	3
★ Non-independent	2

The Company has complied with provision B.1.2 of the Code (as it applies to smaller companies) throughout the year as it has had at least two independent Non-Executive Directors. Since 7 April 2017, more than half the Board (excluding the Chairman) has comprised independent Directors.

As noted on IPO and explained in the 2016 Annual Report, the Company does not comply with provision A.3.1 of the Code which requires that the Chairman should, on appointment, meet the independence criteria set out in provision B.1.1 of the Code. It is our view that provision A.3.1 is only relevant in the year of the Chairman's appointment and we therefore do not intend to repeat the explanation for non-compliance each year.

Board and Committee attendance

The Board meets formally at least ten times per year. Ad hoc meetings are called as and when appropriate, but no such ad-hoc meetings were required during FY2017. The table below shows the attendance of each Director at meetings of the Board and of the Committees of which they are a member:

Membership and attendance of Board Committees

Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Peter Boddy	10/11	–	–	2/2
Stephen Burns	10/11	–	–	–
Laurence Keen	10/11	–	–	–
Nick Backhouse	11/11	4/4	4/4	2/2
Claire Tiney	11/11	4/4	4/4	2/2
Bill Priestley[1, 2]	6/6	1/1	3/3	–

1 Resigned 7 April 2017.
2 Stepped down from the Audit and Remuneration Committees on 24 November 2016.

Corporate Governance report continued

In addition to the formal scheduled meetings, all Directors attended a full strategy review session in July 2017, and the Company's annual conference and awards in September 2017. Non-Executive Directors remain in regular contact with the Chairman, whether in face to face meetings or by telephone, to discuss matters relating to the Company without the Executives present.

Where Directors are unable to attend a meeting, they are encouraged to submit to the Chairman any comments on papers to be considered at the meeting to ensure that their views are recorded and taken into account during the meeting.

Activity during the year

The Board approves an annual calendar of agenda items to ensure that all matters are given due consideration and are reviewed at the appropriate point in the regulatory and financial cycle. At each meeting, the Executive Directors provide the Board with updates on the Company's operational and financial performance, and regular updates are also provided on business development, HR and health and safety matters. At the Board's meeting in September, the Board received budget presentations from each of the Regional Support Managers as part of its oversight and approval of the annual budgeting process.

The Board has a clear role in developing the Company's strategy. In addition to the strategy day held in June, the Board discussed and monitored the impact of various specific strategic initiatives at its meetings during the year including:

- the development, trial and roll-out of dynamic pricing;
- virtual reality and cashless amusement trials;
- the single diner menu; and
- the ongoing centre refurbishment programme.

Regular updates on legal, regulatory and governance developments are provided by the Company Secretary. Updated terms of reference of the Board committees, the Anti-Bribery and Anti-Corruption Policy, and the Company's Slavery and Human Trafficking Statement were reviewed and approved by the Board during the year.

Outside of formal Board meetings, the Chairman and the Non-Executive Directors have visited the Company's centres, including attending new or refurbished centre openings, to meet local management teams and further develop their knowledge and understanding of the Company's operations.

Information and support

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

The Board and the Audit Committee receive further regular and specific reports to allow the monitoring of the adequacy of the Company's systems of internal controls (described in more detail in the Audit Committee report on page 56).

Appointment and election

The Non-Executive Directors are expected to devote sufficient time to the Company's affairs to fulfil their duties as Directors. Their letter of appointment anticipates that they will need to commit a minimum of two days per month to the Company, clarifying that more time may be required. This time commitment was reviewed and confirmed as appropriate by the Nomination Committee during the year, and each of the Non-Executive Directors has confirmed that they continue to be able to devote sufficient time to discharge their duties as Directors of the Company.

The Board considers all Directors to be effective and committed to their roles. The Board has decided to comply with provision B.7.1 of the code and accordingly all members of the Board will be offering themselves for re-election, or election in the case of Ivan Schofield, at the Company's Annual General Meeting (AGM) on 30 January 2018.

All of the Directors have a service agreement or a letter of appointment and the details of their terms as follows:

Executive Director service contracts:

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

The Non-Executive Directors (including the Chairman) do not have service contracts, but are instead appointed by letters of appointment. Their terms of office run for three years subject to annual re-election by shareholders, and the details of each Non-Executive Directors' current term are as follows:

Name	Date of appointment	Commencement date of current term (full years)	Unexpired term at December 2017
Peter Boddy	21 September 2016	24 June 2016	1 year, 10 months
Nick Backhouse	14 June 2016	14 June 2016	1 year, 7 months
Claire Tiney	14 June 2016	14 June 2016	1 year, 7 months
Ivan Schofield	1 October 2017	1 October 2017	2 years, 10 months

Induction

A tailored induction was provided to Ivan Schofield on his appointment to the Board. The induction was designed by the Chairman and Executive Directors, with assistance from the Company Secretary. The induction's purpose was to give Ivan an overview of the Company, focusing on our culture, operations and governance structure. The induction involved:

- meetings with the Chairman and the Board;
- discussions with the executive leadership team, covering topics such as strategy and business plan, culture and values, investor relations and communications, and risk management systems and controls;
- site visits to a number of centres with the opportunity to meet their teams; and
- attendance at the Company's annual conference.

Ivan was provided with an appointment pack which includes key governance policies and procedures and information relating to the activities of the Board and Committees. Additionally, he was briefed on the responsibilities and obligations of a Director of a listed company.

Performance evaluation

As with any successful organisation, there is a continual need to monitor and improve performance. The Board recognises this can be achieved through regular Board evaluations, which provide valuable feedback for improving Board effectiveness.

The 2017 evaluation was conducted by the Chairman through a combination of one-to-one interviews with all Board members and the completion of detailed questionnaires designed to assess the effectiveness and assist in the objective review of the performance of the Board, individual Directors and the Committees. Separately, the Senior Independent Director conducted interviews with other Board members in order to evaluate the performance of the Chairman.

The findings of these meetings and questionnaires were reviewed and discussed at a Board meeting, and the key action points set out below were agreed. The outcomes of the evaluation process were both pleasing and encouraging, concluding that the Board and the Committees are all performing effectively and at a standard matching the high performance of our Executives. Three specific actions have been agreed to further improve the effectiveness of the Board:

- to increase the amount of discussion time devoted to developing the medium term strategy;
- to work with our company secretarial service provider to enhance the Board's knowledge and awareness of the forthcoming changes to the UK corporate governance landscape; and
- to arrange for some Board meetings to be held regionally at our centres.

These actions will be reviewed and monitored by the Board and Nomination Committee, and progress assessed as part of the Board evaluation exercise next year. We anticipate that future performance evaluation processes will be carried out on a similar basis, led either by the Chairman or the Senior Independent Director.

Conflicts of interest

In accordance with the Board-approved procedure relating to Directors' conflicts of interest, all Directors have confirmed that they did not have any conflicts of interest with the Group during the year.

Relations with shareholders

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

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

The Company's Annual General Meeting (AGM) will take place on 30 January 2018 at Investec Bank plc, 2 Gresham Street, London EC2V 7QP. The Chairman, and the Chairs of the Audit and Remuneration committees, will be present to answer questions put to them by shareholders. Electronic proxy voting will be available to shareholders through both our registrar's website and the CREST service. Voting at the AGM will be conducted by way of a poll and the results will be announced through the Regulatory News Service and made available on the Company's website.

Report of the Nomination Committee

PETER BODDY

"The Board recognises the benefits of diversity, although it believes that all appointments should be made on merit."

NOMINATION COMMITTEE

Chairman:	Peter Boddy
Committee members:	Nick Backhouse Claire Tiney Ivan Schofield (from 1 October 2017)
Number of meetings held in the year:	2

Role and responsibilities

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

Specific duties of the Nomination Committee include:

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

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

Activity during the year

The Nomination Committee has met on two occasions during the year and once since the year end. The meetings focused on succession planning within the Group as a whole, the composition of the Board and its Committees (including diversity), a review of the independence of the Non-Executive Directors and the appointment of Ivan Schofield as a Non-Executive Director.

Diversity

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

Non-Executive Director appointment

Following Bill Priestley's resignation in April 2017, the Nomination Committee, with particular input from the Chairman, led the process to identify and appoint a new Non-Executive Director. The process consisted of:

Identifying and agreeing the key skills, experience and attributes of the desired candidate	It was decided that the desired candidate should have recent operational (ideally CEO) experience in the retail and leisure sector
Identifying and instructing an executive search agency	Following meetings with several executive search agencies, Osprey Clarke was engaged. Osprey Clarke has no other connection with the Company
Reviewing the shortlist and arranging first round interviews	Osprey Clarke produced a shortlist of potential candidates. First round interviews (four candidates) were conducted by Peter Boddy
Second round interviews	Two shortlisted candidates were interviewed by Peter Boddy and Stephen Burns
Nomination Committee interviews	Ivan Schofield was identified as the preferred candidate and met separately with the other members of the Nomination Committee
Recommendation	The Nomination Committee unanimously agreed to recommend to the Board that Ivan Schofield be appointed

Following Ivan Schofield's appointment, including as a member of the Remuneration and Nomination Committees, the Nomination Committee is satisfied that the balance of skills, experience, independence and knowledge on the Board and Committees is appropriate.

Succession planning

During the year, the Nomination Committee has reviewed detailed succession plans developed by the executive team covering all key executive roles (including those of the Executive Directors). The Committee is satisfied that the succession plans in place for senior executive positions are appropriate, and agreed that the Group's succession planning should be kept under review and further developed over time to cover the Chairman and Non-Executive Director roles.

Annual evaluation

The Nomination Committee has evaluated its own performance during the year by way of a questionnaire completed by each member of the Committee and key contributors to Nomination Committee meetings. The evaluation indicated that the Committee's composition is appropriate, and that the process adopted for the appointment of Ivan Schofield during the year was effective. As noted above, Board succession planning was indicated as an area for further development.

Peter Boddy
Chairman of the Nomination Committee
11 December 2017

Report of the Audit Committee

NICK BACKHOUSE

"We have continued to develop our oversight and monitoring of the company's internal control and risk management systems."

AUDIT COMMITTEE

Chairman:	Nick Backhouse
Committee member:	Claire Tiney
Number of meetings held in the year:	4

Dear Shareholders,

On behalf of the Board, I am pleased to present the Audit Committee report for the period ended 30 September 2017.

As noted in our 2016 Annual Report, the Committee has been comprised wholly of independent Non-Executive Directors since Bill Priestley stepped down as a member in November 2016. The Board is satisfied that by virtue of my qualification as a chartered accountant, my executive background in finance roles, and my experience as an audit committee chair in other non-executive positions, I have recent and relevant financial experience as recommended under provision C.3.1 of the Code. As both Claire Tiney and I have experience as Directors of other companies in the retail and leisure sector, the Board is also satisfied that the Audit Committee as a whole has competence relevant to the sector in which the company operates.

During the year, the Committee's focus has been on the Group's financial reporting, in particular the significant financial judgements identified by the finance team and external audit, and on the internal financial control systems. We discussed Management's identification of certain transactions that were recognised as revenue and cost of sales in previous periods, when it is our view it is now more appropriate to recognise the amounts net as described in note 2 to the Financial Statements on page 84.

We have also continued to develop our oversight and monitoring of the Company's internal control and risk management systems. This has been done primarily through review and challenge of the Company's risk register, review (by the Committee and the Board) of various internal policies and procedures (including whistleblowing arrangements and the anti-bribery and anti-corruption policy), and updates on the activities of the internal audit function and its testing of processes and controls implemented at our centres. It is our view that the risk management and internal control systems continue to work effectively, and it is our intention to ensure that the effectiveness of these systems continues to evolve and improve over time.

We have reviewed the effectiveness of the external audit process through discussions with our external auditor (KPMG LLP), the CFO and key members of the finance team. We have also reviewed KPMG LLP's continuing independence, and oversaw the selection process for the new lead audit partner. The Committee is satisfied that KPMG LLP continues to be independent and provides an effective audit service, and recommends its re-appointment at the 2018 AGM.

The Audit Committee has evaluated its own performance by way of a questionnaire completed by each member of the Committee and other regular attendees. We discussed the outcome of the evaluation process at our meeting in November 2017. The evaluation confirmed that the Committee continues to operate effectively and identified certain areas for improvement during the coming year, in particular a further increase in engagement with the internal audit function.

Nick Backhouse
Chairman of the Audit Committee
11 December 2017

Duties and responsibilities

The Audit Committee's duties and responsibilities are set out in full in its terms of reference, which are available on the Company's website and which were reviewed by the Committee during the year, and updated with the approval of the Board.

Meetings and attendees

The Audit Committee meets at least three times per year. Attendance at Audit Committee meetings held during the year is set out in the table on page 51.

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

Activity during the year

The Audit Committee met on four occasions during the year and has met once since the year end. The key areas of focus of the Committee are discussed in more detail in the rest of this report. Additional items on the Committee's agenda during the year included:

- annual review of the Committee's terms of reference and recommending changes (mainly to better reflect the operation of the Group's internal audit function) to the Board;
- regular review of the Company's risk register and consideration of the process to support the long-term viability statement;
- reviewing the interim results and the Annual Report, Financial Statements and recommending their approval by the Board; and
- considering the potential impact of future changes in accounting standards, in particular in relation to lease accounting (which will be effective from FY2020).

Significant issues considered in relation to the Financial Statements

Significant issues and accounting judgements are identified by the finance team and the external audit process and are reviewed by the Audit Committee. The significant issues considered by the Committee in respect of the year ended 30 September 2017 are set out in the table below.

Significant issues and judgement	How the issues were addressed
Goodwill impairment assessment and carrying value of Parent Company investments and receivables – impairment assessment	Impairment reviews have been performed by management at 30 September 2017, using cash flow forecasts based on the budget and three year plan approved by the board. The Audit Committee reviewed and considered the key assumptions around future growth rates and discount rates used, and is satisfied that there is no impairment as at 30 September 2017. Refer to note 13 to the Financial Statements for further information.
Recoverability of Property, Plant and Equipment (PPE)	The Audit Committee reviewed management's estimate of the useful life of PPE. In particular, the Committee considered management's assumptions used in determining the value in use at individual centres. The Audit Committee was satisfied that PPE is fairly stated as at 30 September 2017.

Report of the Audit Committee continued

Risk management and internal control

The Board has overall responsibility for setting the Group's risk appetite and ensuring that there is an effective risk management framework to maintain appropriate levels of risk. The Board has, however, delegated responsibility for review of the risk management methodology and effectiveness of internal control to the Audit Committee.

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

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

The process by which the Audit Committee has monitored and reviewed the effectiveness of the system of internal controls and risk management during the year has included:

- regular reviews of the Group's risk register compiled and maintained by senior managers within the Group. The Audit Committee has challenged management to ensure that the risk register continues to be developed as a tool to assist in the day to day operation of the business;
- reviewing the system of financial and accounting controls, and considering the view of the external auditor in relation to the effectiveness of such controls;
- reporting to the Board on the risk and control culture within the Group; and
- considering the Financial Reporting Council's 2014 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.

The Audit Committee has not identified, nor been made aware of, any significant failings or weaknesses in the risk management and internal control systems and is satisfied that the systems are effective. The Committee will continue to challenge management to further improve risk identification, evaluation and management processes across the Group.

Internal audit

The Group has an internal audit function which focuses on performing regular testing of the processes and controls implemented across centres. Internal audit findings are presented to the relevant Centre Manager and the Chief Financial Officer for review. The Chief Financial Officer provides regular updates to the Audit Committee on the activities of the internal audit function so that the Committee can assess its effectiveness, and a member of the internal audit team reports to the Audit Committee at least annually.

External auditor

The Audit Committee is responsible for overseeing the Group's relationship with its external auditor, KPMG LLP (KPMG). During the year, the Audit Committee has discharged this responsibility by:

- agreeing the scope of the external audit and negotiating the remuneration of the external auditor;
- receiving regular reports from the external auditor, including with regard to audit strategy and findings from the interim review and year-end audits;
- regularly meeting the external auditor without management present; and
- assessing the auditor's independence and the effectiveness of the external audit process.

Non-audit services

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

During the year ended 30 September 2017, KPMG were engaged to provide non-audit services relating to the issuance of a turnover certificate for a total fee of £1,500.

Appointment and tenure

KPMG was first appointed as the Group's external auditor in 2007. In line with KPMG's policy to change the lead audit partner at least every five years for listed clients, Mike Woodward was replaced by Peter Selvey as lead audit partner during the year. Peter has been in post for both the half year review and the September 2017 audit.

The Audit Committee continues to be satisfied with the scope of the external auditor's work, the effectiveness of the external audit process, and that KPMG continues to be independent and objective. The Committee is therefore pleased to recommend that KPMG be re-appointed as the Group's auditor at the 2018 AGM.

In accordance with the Code and EU legislation, it is the Committee's intention that the external audit contract will be put out to tender at least every ten years.

Whistleblowing

The Company has adopted procedures by which employees may, in confidence, raise concerns relating to possible improprieties in matters of financial reporting, financial control or any other matter. The whistleblowing policy applies to all employees of the Group, who are required to confirm that they have read the policy and are aware of how the procedure operates as part of an ongoing internal training programme. The Audit Committee has received regular updates with respect to the whistleblowing procedures during the year, with only one incident reported, which was, in fact, an HR matter and dealt with through the appropriate channels. It is intended that more detailed incident reporting will be provided to the Audit Committee (including matters reported otherwise than through the formal whistleblowing procedure) during the year ending 30 September 2018.

Nick Backhouse
Chairman of the Audit Committee
11 December 2017

Chair of the Remuneration Committee's annual statement

CLAIRE TINEY

"The Remuneration Committee is committed to a policy that aligns all stakeholders and the business strategy."

REMUNERATION COMMITTEE

Chair:	Claire Tiney
Committee members:	Nick Backhouse Ivan Schofield (from 1 October 2017)
Number of meetings held in the year:	4

Dear Shareholders,

As the Chair of the Remuneration Committee, I am pleased to present the report of the Board covering the remuneration policy and practice of the Company for its first full year as a listed entity.

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

- the annual statement by the Chair of the Remuneration Committee;
- a summary of the Directors' remuneration policy which was put to a binding shareholder vote at the AGM on 23 February 2017 and will apply for three years from the date of approval. This received strong support from shareholders with 98.6 per cent of the votes cast being in favour; and
- the annual report on remuneration which sets out payments made to the Directors and details the link between Company performance and remuneration for FY2017. The annual report on remuneration is subject to an advisory shareholder vote at the 2018 AGM.

Performance in FY2017 and remuneration outcomes

It has been a strong year of performance for Hollywood Bowl Group. The aim at the time of listing was to ensure that appropriate remuneration arrangements were in place to support the next phase of the Company's growth strategy. This included:

- transitioning successfully from a private equity-backed business to a listed company;
- linking the remuneration of Executive Directors to the performance of the Company with a remuneration policy which supports a high-performance culture; and
- the launching of the new long-term incentive plan (LTIP) with the first grants made during the 2017 financial year. Awards will vest at the end of three years, subject to satisfaction of a performance condition measuring earnings per share in the final year of the performance period.

The Remuneration Committee is committed to a policy that aligns all stakeholders and the business strategy, enables us to retain and recruit executives in a competitive sector, sets challenging targets and is fair to all concerned. As described in the Financial Review section of this Annual Report, the Company has delivered an 8.8% increase in overall revenues, which resulted in an increase in adjusted EBITDA to £33.4m. In addition, the Board is recommending a final ordinary dividend of 3.95p per share to shareholders.

The annual bonus plan for Executive Directors was based on target performance of EBITDA of £31.8m with a maximum payment of 100% of salary for achieving an EDITDA of £32.9m in FY2017. Consequently, the Executive Directors will receive a payment of 100 per cent of salary which will be paid 65 per cent in cash and 35 per cent in shares deferred for two years.

As the earliest vesting date for awards made under the LTIP scheme is December 2019, no LTIP awards vested during the year.

Remuneration decisions for FY2018

During the period, the Committee reviewed the base salary levels of the Executive Directors and it was deemed appropriate to increase base pay in line with the 1.6 per cent salary increase across the Group which took effect from 1 November 2017.

We continue to monitor executive remuneration to take account of evolving market practice and remain committed to a responsible approach. Accordingly, the fundamental structure of the package remains largely unchanged.

On behalf of the Board, I would like to thank shareholders for their continued support and I look forward to meeting you at the Annual General Meeting on 30 January 2018.

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

Claire Tiney
Chair of the Remuneration Committee
11 December 2017

Directors' remuneration policy

The Directors' remuneration policy (the 'Policy') was approved by shareholders at the AGM on 23 February 2017 (98.61 per cent of votes cast being in favour) and became effective from that date. There are no proposals to amend the Policy at the 2018 AGM.

A summary of the Policy is included for reference to assist with the understanding of the contents of this report. The full Policy is detailed in our 2016 Annual Report, which can be found on the Company's website under 'Reports and presentations' in the 'Investors' section.

For ease of reference, the following table summarises each element of remuneration and how it supports the Company's short and long term strategic objectives.

Element of remuneration	Strategic alignment	Operation	Opportunity	Performance metrics
Salary	Provides a base level of remuneration to support the recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	Salaries are reviewed annually and any changes are effective from 1 November.	Base salaries will be set at an appropriate level with reference to comparably sized listed companies and will normally with increases made to the wider employee workforce.	None.
Benefits	Provide a competitive level of benefits.	The Executive Directors receive benefits which include, but are not limited to, family private health cover, death-in-service life assurance, income protection insurance and travel expenses for business-related travel (including tax, if any).	The maximum will be set at the cost of providing the benefits described.	None.
Pension	Provides a competitive level of pension provision.	On recruitment, the Committee retains the discretion to provide pension funding up to the maximum opportunity in the form of a salary supplement.	Maximum opportunity: 15% of base salary per annum. Currently Executive Directors receive an employer's contribution equal to 5% of base salary.	None.
Annual bonus plan	Provides a significant incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders.	Bonus payments per individual will be proportionate to the overall size of the bonus pot and to each individual's performance versus their personal objectives. Annual bonuses are paid part in cash and part in shares deferred for two years. The maximum proportion of an annual bonus which may be paid in cash is 65%.	The maximum bonus opportunity is 100% of base salary.	The bonus payout is based on Group financial performance measured over the financial year.

Element of remuneration	Strategic alignment	Operation	Opportunity	Performance metrics
Long term incentive plan (LTIP)	Incentivises the Executive Directors to maximise total shareholder returns by delivering the Company's objectives and to share in the resulting increase in total shareholder value.	Awards are granted annually to Executive Directors in the form of nil cost options or conditional awards of shares. These will vest at the end of a three-year period subject to: the Executive Director's continued employment at the date of vesting; and satisfaction of the performance conditions. The Remuneration Committee may award dividend equivalents on awards to the extent that these vest.	Award maximum of 150% of base salary.	The awards vest subject to the satisfaction of a performance condition measuring EPS in the final year of the performance period.
All employee plan	To encourage wider employee share ownership and thereby align employees' interests with shareholders.	The Company has a share incentive plan (which is HMRC approved and is open to all eligible staff), in which the Executive Directors are eligible to participate. The Company also has the facility to operate a sharesave scheme.	UK scheme in line with HMRC limits as amended from time to time.	None.
Shareholding requirement	To support long-term commitment to the Company and the alignment of Executive Director interests with those of shareholders.	The Remuneration Committee has adopted formal shareholding guidelines that encourage the Executive Directors to build, over a five-year period, and then hold, a shareholding equivalent to a percentage of base salary. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements.	200% of salary.	None.
Chairman and Non-Executive Director fees	Provides a level of fees to support recruitment and retention of Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Company's strategic objectives.	Non-Executive Directors are paid a base fee. An additional payment is paid to the Senior Independent Director in respect of the additional duties of the role. No additional fees are paid to Non-Executive Directors or the Chairman of the Company for the membership or chairmanship of committees. Fees are reviewed annually, based on equivalent roles in an appropriate comparator group used to review salaries paid to the Executive Directors.	The base fees for Non-Executive Directors are set with reference to the market rate.	None.

Annual report on remuneration

Single total figure of remuneration (audited)

Executive Directors (audited)

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in respect of FY2017. Comparative figures for FY2016 have been provided. Figures provided have been calculated in accordance with the UK disclosure requirements: the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (Schedule 8 to the Regulations).

	Salary[1] (£'000)		Benefits (£'000)		Bonus (£'000)		LTIP (£'000)		Pension (£'000)		Total (£'000)	
Name	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Stephen Burns	**250.0**	180.3	**2.2**	1.7	**250.0**	111.2	**Nil**	Nil	**12.4**	8.2	**514.6**	301.4
Laurence Keen	**170.0**	133.1	**0.8**	1.5	**170.0**	86.8	**Nil**	Nil	**8.4**	6.3	**349.2**	227.1

1 Executive Director salaries were reviewed on admission and increased with effect from 21 September 2016 to £250,000 for Stephen Burns and £170,000 for Laurence Keen.

Non-Executive Directors (audited)

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

	2017			2016		
	Fees (£'000)	**Taxable benefits (£'000)**	**Total (£'000)**	Fees (£'000)	Taxable benefits (£'000)	Total (£'000)
Peter Boddy – Chairman	**80**	**–**	**80**	56	–	56
Nick Backhouse – Senior Independent Director, Chairman – Audit Committee	**50**	**–**	**50**	15	–	15
Claire Tiney – Chair – Remuneration Committee	**45**	**–**	**45**	13	–	13
Bill Priestley	**–**	**–**	**–**	–	–	–

Bill Priestley was appointed to the Board as a representative of the Epiris shareholders in accordance with the provisions of the Relationship Agreement. The Company agreed to pay Electra Partners a fee of £50,000 per annum for so long as a Non-Executive Director appointed by the Epiris shareholders remained on the Board. Bill Priestley resigned from the Board on 7 April 2017 when Epiris sold all of its shareholding.

Ivan Schofield was appointed to the Board as a Non-Executive Director effective 1 October 2017.

Additional information regarding single figure table (audited)

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

Bonus awards (audited)

Total bonuses awarded to the Executive Directors in respect of FY2017 are £250,000 to Stephen Burns and £170,000 to Laurence Keen. In accordance with the policy, 65 per cent of the bonus was paid in cash, with the rest in shares deferred for a period of two years.

Long-term incentives awarded in 2017 (audited)

Awards were made under the LTIP scheme on 27 February 2017. The following share awards as nil-cost options were granted in accordance with the remuneration policy:

Director	Position	Number of share awards granted
Stephen Burns	Chief Executive Officer	159,744
Laurence Keen	Chief Financial Officer	108,626

The vesting of these awards will be based on adjusted EPS performance measured in the final year. The proportion of the awards vesting will be based on the following adjusted EPS targets and will vest three years from grant:

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

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

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

Statement of Directors' shareholdings and share interests (audited)

Shareholding requirements in operation at the Company are currently 200 per cent of base salary for the CEO and the CFO. Executive Directors are required to build their shareholdings over a reasonable amount of time, which would normally be five years. The number of shares of the Company in which current Directors had a beneficial interest and details of long-term incentive interests as at 30 September 2017 are set out in the table below.

Director	Shareholding requirement (percentage of salary)	Current shareholding (percentage of salary)[1]	Beneficially owned shares	Unvested LTIP interests subject to performance conditions[1]	Shareholding requirement met?
Stephen Burns	200	2,385	3,276,041	159,744	Yes
Laurence Keen	200	1,587	1,482,325	108,626	Yes

1 The share price of 182.00 pence as at 30 September 2017 has been taken for the purpose of calculating the current shareholding as a percentage of salary. Unvested LTIP shares and options do not count towards satisfaction of the shareholding guidelines.

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

Director	**Shares held 30 September 2017**
Peter Boddy	**863,596**
Nick Backhouse	**15,625**
Claire Tiney	**3,125**

No changes in interests of the Executive or Non-Executive Directors set out above have taken place between 30 September 2017 and the date of this report.

Chief Executive Officer historical remuneration

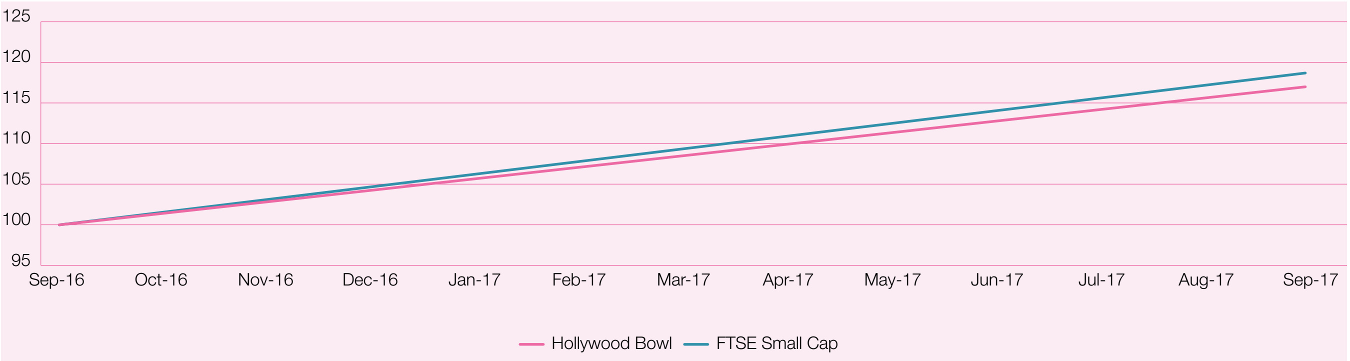
The table below sets out the total remuneration delivered to the Chief Executive Officer over the last two years, valued using the methodology applied to the single total figure of remuneration. The Remuneration Committee does not believe that the remuneration paid in earlier years as a private company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

Chief Executive Officer	2017	2016
Total single figure (£'000)	**514.6**	301.4
Annual bonus payment level achieved (percentage of maximum opportunity)	**100%**	N/A
LTIP vesting level achieved (percentage of maximum opportunity)	**N/A**	N/A

It should be noted that the Company only introduced the LTIP on admission to the London Stock Exchange.

Performance graph

The graph below shows the TSR performance of an investment of £100 in Hollywood Bowl Group plc's shares from its listing in September 2016 to the end of the period, compared with a £100 investment in the FTSE Small Cap Index over the same period. The FTSE Small Cap Index was chosen as a comparator because it represents a broad equity market index of which the Company is a constituent. The TSR was calculated in accordance with the DRR Regulations.



Change in Chief Executive Officer's remuneration compared with employees

The table on page 67 sets out the change in the remuneration paid to the Chief Executive Officer from 2016 to 2017 compared with the average percentage change for employees.

The Chief Executive Officer's remuneration disclosed in the table on page 67 has been calculated to take into account base salary, taxable benefits and annual bonus (including any amount deferred). The employee pay (on which the average percentage change is based) is calculated using the increase in the earnings of full-time UK employees using P60 and P11d data from tax years 2016 and 2017.

	Salary £'000 2017	Salary £'000 2016	Percentage change	Taxable benefits £'000 2017	Taxable benefits £'000 2016	Percentage change	Bonus £'000 2017	Bonus £'000 2016	Percentage change
Chief Executive Officer	**250**	180	38.9	**2.2**	1.7	29.4	**250**	111.2	124.8
Total pay	**22,101**	19,838[1]	11.4	**42.9**	89	-51.8	**3,030**	2,273	33.3
Number of employees	**1,955**	1,745	12.0	**1,955**	1,745	12.0	**1,955**	1,745	12.0
Average per employee	**11.3**	11.4	-0.9	**0.1**	0.1	–	**1.5**	1.3	19.2

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

Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in FY2017 and FY2016 compared with other disbursements. All figures provided are taken from the relevant Company accounts.

	Disbursements from profit in FY2017 (£m)	Disbursements from profit in FY2016 (£m)	Percentage change
Profit distributed by way of dividend	**13.6**	0.3	71,000
Overall spend on pay including Executive Directors	**26,991**	23,910[2]	12.9

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

Shareholder voting at general meetings

The following table shows the results of the advisory vote on the Directors' remuneration report, and the binding vote on the Directors' remuneration policy at our Annual General Meeting held on 23 February 2017:

	Approval of the Directors' remuneration report		Approval of the remuneration policy	
	Total number of votes	% off votes cast	Total number of votes	% off votes cast
For (including discretionary)	108,238,469	100	106,731,899	98.61
Against	–	–	1,506,570	1.39
Votes withheld	425	–	425	–

Implementation of the Policy in FY2018

The Remuneration Committee proposes to implement the Policy for FY2018 as set out below:

Salary

The salaries for FY2018 are set out below:

Name	Salary **2018[3]**	Salary 2017	Percentage change
Stephen Burns	**£254,000**	£250,000	1.6
Laurence Keen	**£172,720**	£170,000	1.6

3 Note that the salary increases for FY2018 were with effect from 1 November 2017 and the increases are in line with the rest of the business.

Annual report on remuneration continued

Changes to Non-Executive Directors' Fees

A 1.6 per cent fee increase has been included for FY2018. This is in line with the executive pay proposal. Breakdown of fee components will be as follows:

Chairman fee	£81,280
Senior Independent Director fee	£5,000
Base fee	£45,720[1]
Chairman of Audit Committee fee	No additional fee
Chair of Remuneration Committee fee	No additional fee

1 Ivan Schofield base fee is set at £45,000

Benefits and pension

No changes are proposed to benefits or pension.

Annual bonus plan

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

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

The Remuneration Committee considered that the detailed performance targets for the FY2017 annual bonus awards were commercially sensitive. It decided that disclosing precise targets for the annual bonus plan in advance would not be in shareholder interests, but committed to disclosing actual targets, performance achieved and awards made at the end of the performance period so that shareholders can fully assess the basis for any payouts under the annual bonus plan.

Performance for the FY2017 annual bonus awards was measured against an adjusted EBITDA target, since the Remuneration Committee considers this to be an important measure of Group performance and it is consistent with how business performance is assessed internally by the Board.

As set out in the table below, based on the Group's excellent adjusted EBITDA performance over the year, the Remuneration Committee determined that the Executive Directors should be awarded 100 per cent of the maximum opportunity under the annual bonus plan.

		Performance targets				
Metric	Weighting	Threshold	On-target	Maximum	Actual	% vesting
Group adjusted EBITDA	100%	£31.2m	£31.8m	£32.9m	£33.4m	100%

LTIP award

Awards will be made in FY2018 under the LTIP.

The LTIP awards for the Executive Directors will be:

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

These awards will vest three years after grant, based upon the following adjusted earnings per share (EPS). The Committee believes these targets are no less challenging in relative terms than the targets set for the FY2017 awards.

Adjusted EPS for the final year of the performance period	Vesting
13.86 pence	25%
13.86 pence – 14.85 pence	Vesting determined on a straight line basis
14.85 pence	100%

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

Composition and terms of reference of the Remuneration Committee

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

All members of the Remuneration Committee are Non-Executive Directors. Claire Tiney (Chair) and Nick Backhouse, who are both independent Non-Executive Directors, were appointed on 14 June 2016. Bill Priestley was appointed as a member of the Remuneration Committee on 24 June 2016, but stepped down with effect from 24 November 2016 to ensure that the Committee is fully independent in line with the Code and investor expectations. Ivan Schofield joined the Remuneration Committee effective 1 October 2017. The Remuneration Committee receives assistance from the CEO, CFO and Company Secretary, who attend meetings by invitation, except when issues relating to their own remuneration are being discussed. The Remuneration Committee met four times during the year. All members attended each meeting.

Advisers to the Remuneration Committee

During the financial year, the Committee received advice from PWC who were retained as external independent advisers to the Committee. PwC advised the Company on all aspects of the remuneration policy for the Executive Directors and members of the executive team, including the grant of the LTIP award.

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

PWC received fees of £11,500 for its advice during the year to 30 September 2017.

On behalf of the Board

Claire Tiney
Chair of the Remuneration Committee
11 December 2017

Directors' report

The Directors present their report for the year ended 30 September 2017. Additional information which is incorporated by reference into this Directors' report, including information required in accordance with the Companies Act 2006 and the Listing Rule 9.8.4R of the UK Financial Conduct Authority's Listing Rules, can be located as follows:

Disclosure	Location
Future business developments	Strategic Report – pages 15 to 45
Greenhouse gas emissions	Sustainability – page 45
Employee involvement	Sustainability – page 43
Financial risk management objectives and policies (including hedging policy and use of financial instruments)	Note 29 to the financial statements – pages 106 and 107
Details of long-term incentive schemes	Directors' Remuneration Report – page 64
Directors' responsibilities statement	Page 73

Directors

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

Peter Boddy (Chairman)	
Stephen Burns (Chief Executive Officer)	
Laurence Keen (Chief Financial Officer)	
Bill Priestley (Non-Executive Director)	Resigned 7 April 2017
Nick Backhouse (Senior Independent Director)	
Claire Tiney (Non-Executive Director)	
Ivan Schofield (Non-Executive Director)	Appointed 1 October 2017

The roles and biographies of the Directors in office as at the date of this report are set out on pages 48 and 49.

Results and dividend

The results for the year are set out in the consolidated income statement on page 79. The Directors recommend the payment of a final dividend of 3.95 pence per share on 27 February 2018 subject to approval at the Annual General Meeting on 30 January 2018, with a record date of 2 February 2018.

Given our financial position we are recommending a special dividend of 3.33 pence per share to be paid on 27 February 2018, subject to approval at the Annual General Meeting on 30 January 2018, with a record date of 2 February 2018.

Articles of Association

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

Share capital

Details of the Company's share capital, including changes during the year, are set out in note 22 to the Financial Statements. As at 30 September 2017, the Company's share capital consisted of 150,000,000 Ordinary shares of one pence each.

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

Other than the general provisions of the Articles of Association (and prevailing legislation), there are no specific restrictions on the size of a holding or on the transfer of the Ordinary shares except for restrictions on certain Directors and senior managers of the Company (the Management Selling Shareholders) as a result of the Management Selling Shareholders entering into a lock-in deed with the Company and its sponsor (Investec) restricting the transfer of the legal and/or beneficial interest in Ordinary shares held by the Management Selling Shareholders immediately after admission for a period of two years ending on 16 September 2018.

The Directors are not aware of any agreements between holders of the Company's shares that may result in the restriction of the transfer of securities or of voting rights. No shareholder holds securities carrying any special rights or control over the Company's share capital. Shares held by the Company's Employee Benefit Trust rank pari passu with the shares in issue and have no special rights, but voting rights and rights of acceptance of any offer relating to the shares rest with the plan's Trustees and are not exercisable by employees.

Authority for the Company to purchase its own shares

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

At the Company's Annual General Meeting held on 23 February 2017, the Company was generally and unconditionally authorised by its shareholders to make market purchases (within the meaning of section 693 of the Companies Act 2006) of up to a maximum of 15,000,000 of its Ordinary shares. The Company has not repurchased any of its Ordinary shares under this authority, which is due to expire at the AGM to be held on 30 January 2018, and accordingly has an unexpired authority to purchase up to 15,000,000 Ordinary shares with a nominal value of £150,000.00.

Directors' interests

The number of Ordinary Shares of the Company in which the Directors were beneficially interested as at 30 September 2017 are set out in the Directors' remuneration report on page 64.

Directors' indemnities

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

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

Compensation for loss of office

The Company does not have any agreements with any Executive Director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company share schemes may cause options and awards outstanding under such schemes to vest on a takeover. Further information is provided in the Directors' remuneration policy as described in full in the 2016 Annual Report which is available on the Company's website www.hollywoodbowlgroup.com.

Significant interests

The table below shows the interests in shares (whether directly or indirectly held) notified to the Company in accordance with the Disclosure Guidance and Transparency Rules as at 30 September 2017, and 7 December 2017 (being the latest practicable date prior to publication of the Annual Report):

	At 30 September 2017		At 7 December 2017	
Name of Shareholder	Number of Ordinary shares of 1 pence each held	Percentage of total voting rights held	Number of Ordinary shares of 1 pence each held	Percentage of total voting rights held
Schroders plc	14,649,662	9.77%	7,497,039	4.99%
Ameriprise Financial, Inc. and its group	8,920,471	5.95%	8,920,471	5.95%
Invesco Ltd	7,919,844	5.28%	7,919,844	5.28%
AXA Investment Managers	7,783,664	5.19%	7,783,664	5.19%
GLG Partners LP	7,640,989	5.09%	7,640,989	5.09%
J Hambro Capital Management Limited	7,612,500	5.08%	7,612,500	5.08%
SFM UK Management LLP	7,181,539	4.79%	7,181,539	4.79%
Cannacord Genuity Group, Inc	5,389,850	3.59%	5,389,850	3.59%

Directors' report continued

Employee involvement and policy regarding disabled persons

The Company actively encourages employee involvement and consultation and places emphasis on keeping its employees informed of the Group's activities and financial performance by such means as employee briefings and publication (via the Group's intranet) to all staff of relevant information and corporate announcements. The Company also publishes a weekly staff bulletin. Further information about employees, including how they are incentivised, can be found in the Sustainability section on page 43.

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

Political donations

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

Change of control – significant agreements

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

Relationship Agreement

Details of the Relationship Agreement entered into between the Principal Selling Shareholder, Electra Partners LLP and the Company can be found in the Corporate Governance Report on page 50. The Relationship Agreement ceased to apply with effect from 11 April 2017 as the collective holding of the Electra Shareholders (the Principal Selling Shareholder and Electra Partners LLP) and any of their associates fell below ten per cent of the issued share capital of the Company on that date.

Audit information

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

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

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

Auditors

KPMG LLP have indicated their willingness to continue in office and a resolution seeking to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The 2018 Annual General Meeting of the Company will be held at Investec Bank plc, 2 Gresham Street, London EC2V 7QP on 30 January 2018 at 9am. The notice convening the meeting, together with details of the business to be considered and explanatory notes for each resolution, will be published separately and will be available on the Company's website and distributed to shareholders who have elected to receive hard copies of shareholder information.

The Strategic Report on pages 16 to 45 and this Directors' Report have been drawn up and presented in accordance with, and in reliance upon, applicable English company law and any liability of the Directors in connection with these reports shall be subject to the limitations and restrictions provided by such law.

By order of the Board

Laurence Keen
Chief Financial Officer
11 December 2017

Statement of Directors' responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group Financial Statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the Parent Company Financial Statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company Financial Statements; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and that enable them to ensure that its Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

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

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

We confirm that to the best of our knowledge:

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

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

By order of the Board

Stephen Burns
Chief Executive Officer
11 December 2017

Laurence Keen
Chief Financial Officer
11 December 2017

Independent auditor's report
to the members of Hollywood Bowl Group plc only

1. Our opinion is unmodified

We have audited the financial statements of Hollywood Bowl Group plc ("the Company") for the year ended 30 September 2017 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity, Company Statement of Cash Flows and the related notes, including the accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRSs as adopted by the EU');
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the directors on 2 June 2016. The period of total uninterrupted engagement is for the 2 financial years ended 30 September 2017. Prior to that we were also auditor to the Group's previous Parent Company, but which, being unlisted, was not a public-interest entity. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality:		£0.8m (2016: £0.6m)
Group financial statements as a whole		4% (2016: 4%) of normalised Group profit before tax
Coverage		100% (2016: 100%)
Risks of material misstatement		**vs 2016**
Recurring risks	Recoverability of Group goodwill and of Parent Company's investment in subsidiaries/amounts due from group entities	◀▶
	Recoverability of Property, Plant & Equipment ('PPE')	◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2016), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Recoverability of Group goodwill and of Parent Company's investment in subsidiaries/ amounts due from group entities (Group: £75 million; 2016: £75 million Parent: £123 million; 2016: £123 million) *Refer to page 57 Audit Committee Report), page 87 and 111 (accounting policy) and page 98 and 113 (financial disclosures).*	**Forecast-based valuation** Goodwill in the Group and the carrying amount of the Parent Company's investments in subsidiaries/ intra-group debtor balances are the most quantitatively significant items on the Group and Parent Company balance sheet respectively, and their recoverability is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. This is considered to be the area that had the greatest effect on our overall Group and Parent Company audits due to their materiality in the context of the Group and Parent Company financial statements, although the recoverability itself is not at a high risk of significant misstatement or subject to significant judgement.	Our procedures included: • **Historical comparisons:** We assessed the reasonableness of the budgets by considering the historical accuracy of the previous forecasts; • **Evaluating assumptions:** We compared the Group's assumptions to externally derived and historical data, as well as our own assessments in relation to key inputs, in particular the growth and discount rates; • **Sensitivity analysis:** We performed breakeven analysis on the key assumptions noted above to assess whether a reasonably possible change in these assumptions could trigger an impairment charge; • **Comparing valuations:** We compared the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cash flows; and • **Assessing transparency:** We assessed whether the Group's disclosures about the sensitivity of the outcome of impairment assessment to changes in key assumptions reflected the risks inherent in the valuation. **Our results** We found the Group's assessment of the recoverable amount of goodwill in the Group and the Parent Company's investment in subsidiaries and Group debtor balances to be acceptable.
Recoverability of Property, Plant & Equipment ('PPE') (£40 million; 2016: £37 million) *Refer to page 57 Audit Committee Report), page 87 (accounting policy) and page 97 (financial disclosures).*	**Forecast-based valuation** Property, plant and equipment are the second most quantitatively significant item on the Group balance sheet, and, therefore, an area of our audit focus due to its size and the nature of the Group's business.	Our procedures included: • **Assessing impairment indicators:** We examined the most recent years' profitability of individual bowling sites to identify any indicators of PPE impairment; • **Assessing forecasts:** We assessed the forecasts and value in use of any underperforming site to consider if an impairment charge needed to be recognised; • **Evaluating assumptions:** We compared the Group's assumptions used, to historical and externally derived data, as well as our own assessments in relation to key inputs such as growth and discount rates; and • **Sensitivity analysis:** We performed breakeven analysis on the assumptions noted above. **Our results** We found the Group's assessment of the recoverable amount of property, plant and equipment to be acceptable.

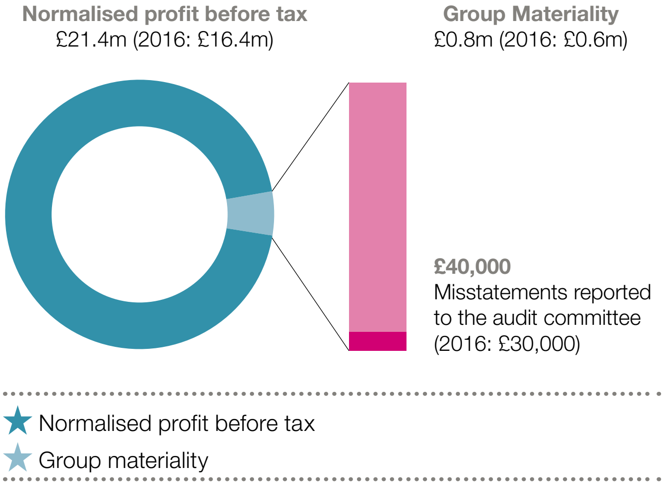
Independent auditor's report continued
to the Members of Hollywood Bowl Group plc only

3. Our application of materiality and an overview of the scope of our audit
Materiality for the Group financial statements as a whole was set at £0.8 million (2016: £0.6m), determined with reference to a benchmark of Group profit before tax normalised to exclude the write-down of property, plant and equipment of £0.3 million, of which it represents 4% (2016: 4%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £40,000 in addition to other identified misstatements that warranted reporting on qualitative grounds.

For both the current and prior year, the Group audit team performed the audit of the Group (including the Parent Company financial information) as if it was a single aggregated set of financial information, at the Group's head office in Hemel Hempstead. The Parent Company materiality, was therefore lower than the materiality we would otherwise have determined with reference to a benchmark of the Parent Company net assets, and represents 0.7% (2016: 0.5%) of this benchmark.

Both the current and prior year audit was performed using the materiality level set out on this page and covered 100% of the Group's profit before tax, total revenues and total assets.



4. We have nothing to report on going concern
We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Parent Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 38 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report
The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report
Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report
In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

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

- the directors' confirmation within the Viability Statement on page 38 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

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

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

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

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 73, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report continued to the Members of Hollywood Bowl Group plc only

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities, or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Selvey (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
58 Clarendon Road
Watford, WD17 1DE
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, 3	**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	6	**(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	5	**(3)**	(5,163)	722
Finance income	9	**12**	22	8
Finance expenses	9	**(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	10	**(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)	11	**12.17**	1.12	3.56
Diluted earnings per share (pence)	11	**12.17**	1.12	3.56

The accompanying notes on pages 83 to 108 form an integral part of these Financial Statements.

* Additional information on restatement is available in note 2, page 84.

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	12	**39,709**	37,264
Intangible assets	13	**78,867**	79,228
		118,576	116,492
Current assets			
Cash and cash equivalents	15	**21,894**	9,224
Trade and other receivables	16	**7,144**	9,634
Inventories	17	**1,189**	1,018
		30,227	19,876
Total assets		**148,803**	136,368
LIABILITIES			
Current liabilities			
Trade and other payables	18	**16,857**	18,866
Loans and borrowings	20	**1,380**	–
Corporation tax payable		**2,461**	1,034
		20,698	19,900
Non-current liabilities			
Other payables	18	**6,145**	6,941
Loans and borrowings	20	**28,143**	29,403
Deferred tax liabilities	21	**746**	2,230
Accruals and provisions	19	**3,308**	3,476
Derivative financial instruments	28	**–**	55
		38,342	42,105
Total liabilities		**59,040**	62,005
NET ASSETS		**89,763**	74,363
Equity attributable to shareholders			
Share capital	22	**1,500**	71,512
Share premium	23	**–**	51,832
Merger reserve	23	**(49,897)**	(49,897)
Capital redemption reserve	23	**–**	99
Retained earnings	23	**138,160**	817
TOTAL EQUITY		**89,763**	74,363

The accompanying notes on pages 83 to 108 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors on 11 December 2017.

Signed on behalf of the Board

Laurence Keen
Chief Financial Officer
Company Registration Number 10229630

Consolidated statement of changes in equity
For the year ended 30 September 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 (note 22)	(70,012)	(51,832)	–	(99)	121,943	–
Dividends paid	–	–	–	–	(2,985)	(2,985)
Share-based payments (note 27)	–	–	–	–	123	123
Profit for the period	–	–	–	–	18,262	18,262
Equity at 30 September 2017	**1,500**	**–**	**(49,897)**	**–**	**138,160**	**89,763**

The accompanying notes on pages 83 to 108 form an integral part of these Financial Statements.

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	12	**9,990**	9,316
Amortisation of intangible assets	13	**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	15	**21,894**	9,224

The accompanying notes on pages 83 to 108 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. General information

Hollywood Bowl Group plc (together with its subsidiaries, the Group) is a public limited company 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. A list of the company's subsidiaries is presented in note 14.

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

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

2. Accounting policies

The principal accounting policies applied in the consolidated Financial Statements are set out below. These accounting policies have, unless otherwise stated, been applied consistently to all periods presented in these consolidated Financial Statements. The financial information presented is as at and for the financial years ended 30 September 2017 and 30 September 2016.

Hollywood Bowl Group plc was incorporated on 13 June 2016 as an acquisition vehicle for the purposes of achieving listing on the London Stock Exchange and the Company had no significant transactions prior to Admission on 21 September 2016, apart from the acquisition of the entire share capital of Kanyeco Limited on 16 September 2016 in a share-for-share exchange. Consequently, for the consolidated financial statements of the Group, prepared under IFRS, the principles of reverse acquisition accounting under IFRS 3 'Business Combinations' were applied for the year ended 30 September 2016. The steps to restructure the Group had the effect of Hollywood Bowl Group plc being inserted above Kanyeco Limited, of which the shareholders exchanged their shares and loan notes for shares in Hollywood Bowl Group plc.

By applying the principles of reverse acquisition accounting, the Group is presented as if Hollywood Bowl Group plc has always owned the Kanyeco Group. The comparative year consolidated reserves of the Group are adjusted to reflect the statutory share capital, share premium and merger reserve of Hollywood Bowl Group plc, as if it had always existed. The steps taken to restructure the Group are explained in more detail in note 22.

Pursuant to a resolution of the shareholders of the Company passed on 16 September 2016, the Company has completed a reduction of capital, cancellation of share premium account and cancellation of capital redemption reserve (the Reduction and Cancellation). The Reduction and Cancellation became effective on 9 November 2016.

Statement of compliance

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

Basis of preparation

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

The Company has elected to prepare its Financial Statements in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. On publishing the parent Company Financial Statements here together with the Group Financial Statements, the Company has taken advantage of the exemption in s408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved Financial Statements.

Judgements made by the Directors, in the application of these accounting policies, that have significant effect on the Financial Statements and estimates with a significant risk of material adjustment in the next year are discussed on page 57.

The Group beneath Hollywood Bowl Group plc, headed by Kanyeco Limited, previously first-time adopted EU-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.

Notes to the Financial Statements continued

2. Accounting policies continued

Restatement of the statement of comprehensive income

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, 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

Standards issued not yet effective

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

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

Standard/interpretation	Content	Applicable for financial years beginning on/after
IFRS 9 'Financial Instruments' (2009) and amendment	IFRS 9 'Financial Instruments' is effective for periods commencing on or after 1 January 2018. IFRS 9 is a replacement for IAS 39 'Financial Instruments' and covers three distinct areas. Phase 1 contains new requirements for the classification and measurement of financial assets and liabilities. Phase 2 relates to the impairment of financial assets and requires the calculation of impairment on an expected loss basis rather than the current incurred loss basis. Phase 3 relates to less stringent requirements for general hedge accounting. There will be no significant impact on the Group's accounting for financial assets or liabilities as a result of IFRS 9.	1 January 2018
IFRS 15 'Revenue from Contracts with Customers'	IFRS 15 'Revenue from Contracts with Customers', replaces IAS 18 'Revenues', and introduces a five-step approach to revenue recognition based on performance obligations in customer contracts. The International Accounting Standards Board (IASB) has proposed to issue some clarifications and to defer the standard's effective date of 1 January 2017 to 1 January 2018. Management has assessed the effects of applying the new standard on the Group's Financial Statements and apart from the restatement above, has not identified any further significant areas that will be affected.	1 January 2018
IFRS 16 'Leases'	IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer (lessee) and the supplier (lessor). It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The standard will affect primarily the accounting for the Group's operating leases and will result in a material decrease in operating lease rental costs; material increases in depreciation and finance costs; a decrease in profit before and after tax; a decrease in net assets and recognition of lease assets and liabilities. As at the reporting date, the Group has non-cancellable operating lease commitments of £213.8m, see note 24.	1 January 2019

2. Accounting policies continued

Basis of consolidation

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

Going concern

The Group has considerable financial resources. At 30 September 2017, it had cash balances of £21.9m and undrawn financing facilities of £10.0m which are available to fund new centres, capital expenditure and working capital.

In their consideration of going concern, the Directors have reviewed the Group's future cash forecasts and profit projections, which are based on past experience and the projected opening programme of an average of two new centres per annum. The Directors are of the opinion that the Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group is able to operate within its current facilities and comply with its banking covenants for the foreseeable future.

Taking the above into consideration and also the principal risks, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements.

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

Revenue recognition

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

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

Given the nature of the Group's revenue streams, recognition of revenue is not considered to be a significant area of judgement.

Employee benefits

(i) Short-term benefits

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

(ii) Defined contribution plans

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

(iii) Share-based payments

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

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

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

Notes to the Financial Statements continued

2. Accounting policies continued

Leases

(i) Operating leases

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

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

(ii) Hire purchase agreements and finance leases

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

Dilapidation provision

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

Property, plant and equipment

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

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

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

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

Intangible assets

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

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

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

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

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

The amortisation charge is recognised in administrative expenses in the statement of comprehensive income.

2. Accounting policies continued

Inventories

Inventories are carried at the lower of cost or net realisable value. Net realisable value is calculated based on the revenue from sale in the normal course of business less any costs to sell. Due allowance is made for obsolete and slow moving items.

Impairment

(i) Impairment of financial assets

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

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

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

(ii) Impairment of non-financial assets

The carrying values of intangible assets are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow. A sensitivity analysis is also performed (see note 13). An impairment loss is recognised in the statement of comprehensive income immediately.

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

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxation

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

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

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

Notes to the Financial Statements continued

2. Accounting policies continued

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

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

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

Operating segments

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

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. The Board considers that the Group's activity constitutes one operating and one reporting segment, as defined under IFRS 8. Management reviews the performance of the Group by reference to total results against budget.

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

Equity

Equity comprises the following:

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

Financial instruments

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

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

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

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, interest-bearing borrowings and trade and other payables.

Financial assets

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

Trade and other receivables

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

2. Accounting policies continued

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held on call, which are not subject to significant changes in value and have original maturities of less than three months. The Group's bank facilities are provided under a Group facility.

Financial liabilities

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

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

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

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

Trade and other payables

Trade and other payables are initially measured at fair value. They are subsequently carried at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are initially measured at fair value less attributable transaction costs. They are subsequently carried at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis.

Equity instruments

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

Derivative financial instruments

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

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

Exceptional items and other adjustments

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

Adjusted measures

The Group uses a number of non-Generally Accepted Accounting Practice (non-GAAP) financial measures in addition to those reported in accordance with IFRS. The Directors believe that these non-GAAP measures, listed below, are important when assessing the underlying financial and operating performance of the Group.

These non-GAAP measures comprise of like-for-like revenue growth, net debt and group adjusted operating cash flow.

Notes to the Financial Statements continued

2. Accounting policies continued

Group adjusted EBITDA, group adjusted EBITDA margin, adjusted earnings per share and adjusted diluted earnings per share are, as appropriate, each stated before; exceptional and other adjusting items and the related tax effect of these exceptional and other adjusting items, as management do not consider these items when reviewing the underlying performance of the Group as a whole.

A reconciliation between key adjusted and statutory measures is provided on page 39 of the Financial Review which details the impact of exceptional and other adjusted items when comparing to the non-GAAP financial measures in addition to those reported in accordance with IFRS.

Summary of critical accounting estimates and judgements

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

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

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

- *Useful lives of depreciable assets*
  Management reviews the useful lives of depreciable assets at each reporting date to ensure that the useful lives represent a reasonable estimate of the likely period of benefit to the Group. Actual useful lives, however, may vary due to unforeseen events.

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

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

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

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

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

2. Accounting policies continued

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

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

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

3. Segmental reporting

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

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

	30 September 2017 £000	30 September[1] 2016 £000
Bowling	**57,691**	51,402
Food and drink	**31,055**	29,010
Amusements	**24,621**	23,963
Other	**601**	428
	113,968	104,803

1 As restated. Refer to note 2.

4. Reconciliation of operating profit to Group adjusted EBITDA

	30 September 2017 £'000	30 September 2016 £'000
Operating profit	**22,201**	14,378
Depreciation (note 12)	**9,990**	9,316
Amortisation (note 13)	**540**	493
Loss on disposal of property, plant and equipment and software (note 12 and 13)	**640**	–
EBITDA	**33,371**	24,187
Exceptional items (note 5)	**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.

Notes to the Financial Statements continued

5. Exceptional items

Exceptional items are disclosed separately in the Financial Statements where the Directors consider it necessary to do so to provide further understanding of the financial performance of the Group. They are material items or expense that have been shown separately due to the significance of their nature or amount:

	30 September 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.

6. 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 5.
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.

7. 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 (note 27)	123	600
Total staff cost	26,690	24,510

Notes to the Financial Statements continued

8. Remuneration of Directors and key management personnel

A) Directors' emoluments

The Directors' emoluments and benefits were as follows:

	30 September[1] 2017 £'000	30 September[1] 2016 £'000
Salaries and bonuses	1,018	599
Pension contributions	21	15
Share based payments (note 27)	77	–
Total	1,116	614

1 This includes two Executive Directors and three Non-Executive Directors.

The aggregate of emoluments of the highest paid Director were £560,000 (2016: £301,000) and company pension contributions of £12,000 (2016: £8,000) were made to a defined contribution scheme on their behalf.

B) Key management personnel

The Directors and the senior managers of the Group are considered to be the key management personnel of the Group.

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

	30 September 2017 £'000	30 September 2016 £'000
Salaries and bonuses	1,396	960
Pension contributions	33	25
Share-based payments	123	–
Total	1,552	985

9. 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.

10. 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.

Factors that may affect future current and total tax charges

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

Notes to the Financial Statements continued

11. 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 (note 27). The weighted average number of shares for the preceding year has been stated as if the Group share-for-share exchange (note 22) 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 (note 27).

	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:

	30 September 2017 £'000	30 September 2016 £'000
Profit before taxation	21,110	2,574
Exceptional items (note 5)	3	5,163
Exceptional costs within finance expenses (note 9)	–	2,995
Shareholder interest (note 9)	–	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

12. Property, plant and equipment

	Long leasehold property £'000	Short leasehold property £'000	Plant, machinery and fixtures and fittings £'000	Total £'000
Cost				
At 1 October 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.

Notes to the Financial Statements continued

13. 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.

13. Intangible assets continued

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.

14. Investment in subsidiaries

Hollywood Bowl Group plc's operating subsidiaries as at 30 September 2017 are as follows:

Name	Company number	Principal activity	Country of incorporation	Proportion of Ordinary Shares directly held by the Group
Direct holding				
Kanyeco Limited[1, 3]	09164276	Investment holding	England and Wales	100%
Indirect holdings				
Khloeco Limited[1, 2, 3]	09164277	Investment holding	England and Wales	100%
Kourtneyco Limited[1, 2, 3]	09164284	Investment holding	England and Wales	100%
Kendallco Limited[1, 3]	09176418	Investment holding	England and Wales	100%
Blu Bidco Limited[1, 2, 3]	09506246	Investment holding	England and Wales	100%
Bowling Acquisitions Holdings Limited[1, 2, 3]	07323629	Investment holding	England and Wales	100%
The Original Bowling Company Limited[3]	05163827	Ten-pin bowling	England and Wales	100%
AMF Bowling (Eastleigh) Limited[3]	06998390	Dormant	England and Wales	100%
MABLE Entertainment Limited[3]	01094660	Dormant	England and Wales	100%
Milton Keynes Entertainment Limited[3]	01807080	Dormant	England and Wales	100%
Bowlplex Limited[1, 3]	01250332	Ten-pin bowling	England and Wales	100%
Bowlplex European Leisure Limited[3]	05539281	Dormant	England and Wales	100%
Wessex Support Services Limited[3]	01513727	Dormant	England and Wales	100%
Wessex Superbowl (Germany) Limited[3]	03253033	Dormant	England and Wales	100%
Bowlplex Properties Limited[3]	05506380	Dormant	England and Wales	100%

1 These subsidiaries are controlled and consolidated by the Group and the Directors have taken the exemption from having an audit of its financial statements for the year ended 30 September 2017. This exemption is taken in accordance with the Companies Act s479A.
2 These subsidiaries will be liquidated subsequent to the balance sheet date.
3 The registered office of these subsidiaries is Focus 31, West Wing, Cleveland Road, Hemel Hempstead, Hertfordshire, HP2 7BW.

Notes to the Financial Statements continued

15. Cash and cash equivalents

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

	30 September 2017 £'000	30 September 2016 £'000
Cash and cash equivalents	**21,894**	9,224

16. Trade and other receivables

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

	30 September 2017 £'000	30 September 2016 £'000
Trade receivables	**879**	322
Other receivables	**178**	537
Prepayments and accrued income	**6,087**	8,775
	7,144	9,634

17. Inventories

	30 September 2017 £'000	30 September 2016 £'000
Goods for resale	**1,189**	1,018

18. Trade and other payables

	30 September 2017 £'000	30 September 2016 £'000
Current		
Trade payables	**3,534**	7,268
Other payables	**3,225**	2,700
Accruals and deferred income	**7,298**	6,674
Taxation and social security	**2,800**	2,224
Total trade and other payables	**16,857**	18,866

	30 September 2017 £'000	30 September 2016 £'000
Non-current		
Other payables	**6,145**	6,941

Accruals and deferred income includes a staff bonus provision of £2,730,000 (2016: £2,113,000).

Non-current other payables include lease incentives received of £2,780,000 (30 September 2016: £2,999,000) which are expected to be released to the statement of comprehensive income on a straight-line basis over the remaining term of each lease, which range from 1 to 25 years, and extended credit of £3,365,000 (30 September 2016: £3,943,000) from an amusement machine supplier. This amount has not been discounted and the effect would not be material if it were.

19. Accruals and provisions

	30 September 2017 £'000	30 September 2016 £'000
Lease dilapidations provision	**3,308**	3,476

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

19. Accruals and provisions continued

The movements in the dilapidations provision are summarised below:

	Dilapidations £'000	Total £'000
As at 30 September 2015	2,904	2,904
On acquisition	597	597
Utilised during the period	(149)	(149)
Unwind of discounted amount	124	124
As at 30 September 2016	3,476	3,476
Released during the period	(235)	(235)
Utilised during the period	–	–
Unwind of discounted amount	67	67
As at 30 September 2017	**3,308**	**3,308**

A provision is made for future expected dilapidation costs on the opening of leasehold properties not covered by the Landlord and Tenant Act, and is expected to be utilised on lease expiry.

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

20. 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.

20. Loans and borrowings continued

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.

21. Deferred tax liabilities

	30 September 2017 £'000	30 September 2016 £'000
Deferred tax liabilities		
Deferred taxation assets	956	76
Deferred taxation liabilities	(1,702)	(2,306)
	(746)	(2,230)

	30 September 2017 £'000	30 September 2016 £'000
Reconciliation of deferred tax balances		
Balance at beginning of period	(2,230)	(1,765)
Arising on acquisition	–	(1,166)
Deferred tax credit for the period	798	701
Adjustment in respect of prior years	686	–
Balance at end of period	(746)	(2,230)

The components of deferred tax are:

	30 September 2017 £'000	30 September 2016 £'000
Deferred tax assets		
Differences between accumulated depreciation and capital allowances	930	–
Temporary differences	26	9
Unrelieved losses	–	67
	956	76
Deferred tax liabilities		
Differences between accumulated depreciation and capital allowances	–	(134)
Ineligible items	(671)	(749)
Intangible assets	(483)	(522)
Capital gains	(548)	(901)
	(1,702)	(2,306)

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the periods when the assets are realised or liabilities settled, based on tax rates enacted or substantively enacted at 30 September 2017.

The adjustment in respect of prior years 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.

22. Share capital

	30 September 2017		30 September 2016	
	Shares	£'000	Shares	£'000
'A' Ordinary Shares of £0.47 each	–	–	150,000,000	70,500
Deferred Share at £1,012,142 each	–	–	1	1,012
Ordinary Shares of £0.01 each	**150,000,000**	**1,500**	–	–
	150,000,000	**1,500**	150,000,001	71,512

The share capital of the Group is represented by the share capital of the Parent Company, Hollywood Bowl Group plc. This company was incorporated on 13 June 2016 to act as a holding company of the Group.

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

The Ordinary Shares are entitled to dividends. The Deferred Share did not entitle any participation in the profits of the Company.

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

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

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

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

The table below summarises the movements in share capital of Hollywood Bowl Group plc during the year ended 30 September 2017:

	Ordinary Shares		Deferred Shares	
	Shares	£'000	Shares	£'000
At date of incorporation of Hollywood Bowl Group plc[1]	1	1	49,500	50
Share for share exchange[2]	99,865	49,933	49,500	50
Share reorganisation[3]	103,987,066	(1,012)	1	1,012
Capitalisation of loan notes[4]	45,584,121	21,424	–	–
Issue of new shares to employees[5]	328,947	154	–	–
Redemption[6]	–	–	(99,000)	(100)
Share capital as at 30 September 2016	150,000,000	70,500	1	1,012
Share capital re-organisation (as above)	–	(69,000)	(1)	(1,012)
Share capital as at 30 September 2017	**150,000,000**	**1,500**	**–**	**–**

1 Hollywood Bowl Group plc was incorporated on 13 June 2016 and issued one Ordinary Share of £500 at par and one Deferred Share of £49,500 at par.
2 On 16 September 2016 as part of the Group restructure the company issued 99,865 Ordinary Shares and 49,500 Deferred Shares in exchange for the entire share capital in Kanyeco Limited.
3 The Company share capital was subsequently reorganised and converted into 104,086,931 Ordinary Shares with a nominal value of £0.47 each and 1 deferred share of £1,012,000.
4 The Company issued 45,584,121 Ordinary Shares with nominal value of £0.47 in exchange for settlement of the former ultimate parent loan notes and the management loan notes held within Khloeco Limited.
5 The Company issued 328,947 Ordinary Shares with nominal value of £0.47 to employees of the Group. These were issued to Hollywood Bowl EBT Limited to be subsequently allocated to employees.
6 The Deferred Shares held by Electra Investment Limited were transferred back to the Company for nil consideration.

Notes to the Financial Statements continued

23. Reserves

Share premium

Amount subscribed for share capital in excess of nominal value.

Retained earnings

The accumulated net profits and losses of the Group.

Capital redemption reserve and merger reserve

The capital redemption reserve represented the value of non-voting ordinary shares redeemed.

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

24. Lease commitments

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

	30 September 2017		30 September 2016	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within 1 year	14,624	50	13,587	35
In 2 to 5 years	57,666	199	53,564	127
In over 5 years	141,524	–	114,723	–
	213,814	249	181,874	162

The Group has contingent lease contracts for three sites. There is a revenue-based rent top-up on these sites. The total charged in the consolidated statement of comprehensive income in the current year for these top-ups was £34,000 (one site) (30 September 2016: £67,000 (two sites)). It is anticipated that top-ups totalling £61,000 will be payable in the year to 30 September 2018, based on current expectations. These have not been included in the above.

25. Capital commitments

As at 30 September 2017, the Group had entered into contracts to refurbish existing sites for £963,000 (2016: £4,195,000). These commitments are expected to be settled in the following financial year.

26. 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.

27. Share-based payments

Long term employee incentive costs

The Group operates a Long Term Incentive Plan (LTIP) 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 fair value 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.

A summary of the movement in the LTIP is outlined below:

Scheme name	Year of grant	Method of settlement accounting	Outstanding at 1 October 2016	Granted during the year	Lapsed/cancelled during the year	Exercised during the year	Outstanding at 30 September 2017	Exercisable at 30 September 2017
LTIP	2017	Equity	–	428,113	–	–	428,113	–

27. Share-based payments continued

In accordance with the LTIP scheme outlined in the Group's remuneration policy, the vesting of these awards is conditional upon the achievement of an EPS target set at the time of grant, measured at the end of a three year period ending 30 September 2019, and the Executive Directors' continued employment at the date of vesting.

The awards will vest based on the following adjusted EPS targets:

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

During the year ended 30 September 2017, 428,113 share awards were granted under the LTIP. For this grant, the Group recognised a charge of £122,503 and related employer national insurance of £16,905.

The following assumptions were used to determine the fair value of the LTIP granted during the year:

Financial year LTIP granted	2017
Share price at date of grant	1.565
Discount rate/dividend yield	3%

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

28. Financial instruments

	30 September 2017 £'000	30 September 2016 £'000
Financial liabilities		
Interest rate swap	–	55

The interest rate swap is classified as a Level 2 in the fair value hierarchy. The fair value of interest rate swap contracts are calculated by management based on external valuations received from the Group's bankers and is based on anticipated future interest rate yields. The interest rate swap expired on 9 September 2017.

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

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

Fair value hierarchy

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

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

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

Fair values

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

28. Financial Instruments continued

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

	30 September 2017 £'000	30 September 2016 £'000
Financial assets		
Financial assets measured at fair value through statement of comprehensive income	21,894	9,224
Financial assets that are debt instruments measured at amortised cost	1,057	859
Financial liabilities		
Financial liabilities measured at amortised cost	50,253	57,793

29. Financial risk management

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

Credit risk

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

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as is possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Cash flow and fair value interest rate risk

The Group's borrowings are variable rate bank loans. Cash flow risk is therefore the Group's bank borrowings. The Directors monitor the Group's funding requirements and external debt markets to ensure that the Group's borrowings are appropriate to its requirements in terms of quantum, rate and duration.

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

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

	Within 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	More than 5 years £'000	Total £'000
2017					
Trade and other payables	14,057	1,716	1,650	–	17,423
Provisions	–	237	240	3,763	4,240
Borrowings	2,277	2,225	28,484	–	32,986
	16,334	4,178	30,374	3,763	54,649
2016					
Trade and other payables	16,642	2,501	1,442	–	20,585
Provisions	–	233	513	2,730	3,476
Borrowings	854	787	32,091	–	33,732
	17,496	3,521	34,046	2,730	57,793

29. Financial risk management continued

Capital risk management

The Group's capital management objectives are:

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

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

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

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

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

The Group manages its interest rate risk by entering into interest rate derivatives when it is considered appropriate to do so by management. At 30 September 2017, none of the Group's borrowings were at fixed rates of interest. At 30 September 2016 and 2015, after taking into account the effect of interest rate swaps, 25 per cent and 67 per cent of the Group's borrowings were at fixed rates of interest respectively.

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

	2017 £'000	2016 £'000
Increase in interest rate of 1%	(184)	(128)
Decrease in interest rate of 1%	65	(7)

30. Purchase of trade and assets

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

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

1 This includes dilapidations and deferred tax.

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

31. 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 – 1.8p 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**	

Company statement of financial position
As at 30 September 2017

	Note	30 September 2017 £'000	30 September 2016 £'000
ASSETS			
Non-current assets			
Investments	5	**49,982**	49,982
Current assets			
Cash and cash equivalents	6	**51**	–
Deferred tax asset	7	**13**	–
Trade and other receivables	8	**73,674**	72,662
Total assets		**123,720**	122,644
LIABILITIES			
Current liabilities			
Trade and other payables	9	**6,537**	1,602
Total liabilities		**6,537**	1,602
NET ASSETS		**117,183**	121,042
Equity attributable to shareholders			
Share capital	10	**1,500**	71,512
Share premium		**–**	51,832
Capital redemption reserve		**–**	99
Retained earnings		**115,683**	(2,401)
TOTAL EQUITY		**117,183**	121,042

These financial statements were approved by the Board of Directors on 11 December 2017.

The accompanying notes on pages 111 to 115 form an integral part of these Financial Statements.

Signed on behalf of the Board

Laurence Keen
Chief Financial Officer
Company Registration Number: 10229630

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

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
Balance on incorporation	50	–	–	–	50
Group restructure share for share exchange	71,462	51,832	99	–	123,393
Total comprehensive loss for the period	–	–	–	(2,401)	(2,401)
Equity as at 30 September 2016	71,512	51,832	99	(2,401)	121,042
Share capital re-organisation	(70,012)	(51,832)	(99)	121,943	–
Dividends paid	–	–	–	(2,985)	(2,985)
Share based payments (note 11)	–	–	–	77	77
Total comprehensive loss for the period	–	–	–	(951)	(951)
Equity as at 30 September 2017	**1,500**	**–**	**–**	**115,683**	**117,183**

The accompanying notes on pages 111 to 115 form an integral part of these Financial Statements.

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

	30 September 2017 £'000
Cash flows from operating activities	
Loss before tax	**(964)**
Adjusted by:	
Share based payments (note 11)	**77**
Operating loss before working capital changes	**(887)**
Increase in trade and other receivables	**(1,012)**
Increase in trade and other payables	**4,935**
Cash inflow generated from operations and net cash inflow from operating activities	**3,036**
Cash flows from financing activities	
Dividends paid	**(2,985)**
Net cash flows used in financing activities	**(2,985)**
Net change in cash and cash equivalents for the period	**51**
Cash and cash equivalents at the beginning of the period	**–**
Cash and cash equivalents at the end of the period	**51**

There were no cash transactions during the year ended 30 September 2016 on the basis that the company did not have its own bank account in the year and all its receipts and payments were channelled through the bank account of its subsidiary undertaking, The Original Bowling Company Limited.

The accompanying notes on pages 111 to 115 form an integral part of these Financial Statements.

Notes to the Company Financial Statements

1. General information
Hollywood Bowl Group plc is a public limited company which is listed on the London Stock Exchange and is domiciled and incorporated in the United Kingdom under the Companies Act 2006. The Company was incorporated on 12 June 2016.

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

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

The Financial Statements have been prepared on a going concern basis under the historical cost convention.

The financial information presented is at and for the year ended 30 September 2017. The comparative financial information presented is at and for a 104-day period ended 30 September 2016.

As the consolidated Financial Statements of the Company include the equivalent disclosures, the Company has taken the exemptions under FRS 102 available in respect of the following disclosures:

- certain disclosures required by FRS 102.26 Share Based Payments; and,
- certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

As permitted by section 408 of the Companies Act 2006, an entity statement of comprehensive income is not included as part of the published consolidated Financial Statements of Hollywood Bowl Group plc. The loss for the financial period dealt within the Financial Statements of the Parent Company is £951,000 (2016: loss £2,401,000).

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

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

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

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

Notes to the Company Financial Statements continued

2. Summary of significant accounting policies continued

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxation

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

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

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

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

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority and the Company intends to either settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets and liabilities are expected to be settled or recovered.

3. Directors' remuneration

The company has no employees other than the Directors.

The Directors' emoluments and benefits were as follows:

	30 September[1] 2017 £'000	30 September[1] 2016 £'000
Salaries and bonuses	**1,018**	599
Pension contributions	**21**	15
Share-based payments (note 11)	**77**	–
Total	**1,116**	614

1 This includes 2 Executive Directors and 3 Non-Executive Directors.

The aggregate of emoluments of the highest paid Director were £560,000 (2016: £301,000) and company pension contributions of £12,000 (2016: £8,000) were made to a defined contribution scheme on their behalf.

4. Taxation

	30 September 2017 £'000	30 September 2016 £'000
The tax credit is as follows:		
– UK corporation tax	–	–
Total current tax	–	–
Deferred tax:		
Origination and reversal of temporary differences	15	–
Effect of changes in tax rates	(2)	–
Total deferred tax	13	–
Total tax credit	**13**	–

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
Loss excluding taxation	(964)	(2,401)
Tax using the UK corporation tax rate of 19.5% (2016: 20%)	(188)	(480)
Change in tax rate on deferred tax balances	2	–
Non-deductible expenses	25	400
Group relief	174	80
Total tax credit included in profit or loss	13	–

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

Factors that may affect future current and total tax charges

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

5. Investments

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

Details of the investments in subsidiary undertakings are outlined in note 14 of the consolidated financial statements.

6. Cash and cash equivalents

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

	30 September 2017 £'000	30 September 2016 £'000
Cash and cash equivalents	51	–

Notes to the Company Financial Statements continued

7. Deferred tax asset

	30 September 2017 £'000	30 September 2016 £'000
Deferred tax asset		
Deferred taxation asset	13	–
	13	–

	30 September 2017 £'000	30 September 2016 £'000
Reconciliation of deferred tax balances		
Balance at beginning of period	–	–
Deferred tax credit for the period	13	–
Balance at end of period	13	–

The components of deferred tax are:

	30 September 2017 £'000	30 September 2016 £'000
Deferred tax asset		
Temporary differences	13	–
	13	–

8. Trade and other receivables

	30 September 2017 £'000	30 September 2016 £'000
Other receivables	33	1
Amounts owed by Group companies	73,641	72,661
	73,674	72,662

9. Trade and other payables

	30 September 2017 £'000	30 September 2016 £'000
Amounts owed to Group companies	5,687	165
Trade and other payables	209	–
Accruals and deferred income	641	1,437
	6,537	1,602

10. Share capital

	30 September 2017		30 September 2016	
	Shares	£'000	Shares	£'000
Allotted, called up and fully paid				
'A' Ordinary Shares of £0.47 each	–	–	150,000,000	70,500
Deferred share at £1,012,142 each	–	–	1	1,012
Ordinary Shares of £0.01 each	150,000,000	1,500	–	–
	150,000,000	1,500	150,000,001	71,512

10. Share capital continued

Movement in share capital for the Company is as follows:

	£'000
Issued on incorporation	50
Group restructure for share-for-share exchange	71,462
Balance at 30 September 2016	**71,512**
Share capital re-organisation (see note 22 of the consolidated Financial Statements)	(70,012)
Balance at 30 September 2017	**1,500**

11. Share-based payments

Long-term employee incentive costs

The Company operates a Long Term Incentive Plan (LTIP) for the Directors. 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 fair value 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.

A summary of the movement in the LTIP is outlined below:

Scheme name	Year of grant	Method of settlement accounting	Outstanding at 1 October 2016	Granted during the year	Lapsed/cancelled during the year	Exercised during the year	Outstanding at 30 September 2017	Exercisable at 30 September 2017
LTIP	2017	Equity	–	268,370	–	–	268,370	–

In accordance with the LTIP scheme outlined in the Group's remuneration policy, the vesting of these awards is conditional upon the achievement of a Group EPS target set at the time of grant, measured at the end of a three year period ending 30 September 2019 and the Executive Directors' continued employment at the date of vesting.

The awards will vest based on the following adjusted EPS targets:

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

During the year ended 30 September 2017, 268,370 share awards were granted under the LTIP. For this grant, the Company recognised a charge of £76,793 and related employer national insurance of £10,597.

The following assumptions were used to determine the fair value of the LTIP granted during the year:

Financial year LTIP granted	2017
Share price at date of grant	**1.565**
Discount rate/dividend yield	**3%**

12. Guarantee

The Company has given a guarantee over certain subsidiaries under S479A CA 2006 such that the Financial Statements of these subsidiaries for the year ended 30 September 2017 will be exempt for audit (note 14 of the Group Financial Statements).

13. Events subsequent to the year end

As stated in note 14 of the Group Financial Statements, four subsidiary companies will be liquidated subsequent to the year end. This has had no impact on these Financial Statements or any amounts due to or from Group companies as at 30 September 2017.

Company information

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hollywood bowl
group plc

UK'S LARGEST ★ £114M ★
TEN-PIN BOWLING OPERATOR REVENUE

★ 58 ★ CENTRES

AMUSEMENT AREAS ★ AMERICAN THEMED DINERS ★ LICENSED BARS

★ THE COMPLETE FAMILY ENTERTAINMENT EXPERIENCE ★