hollywood bowl group

Half-year Results

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Hollywood Bowl Group plc
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Hollywood Bowl Group plc

Interim Results for the Six Months Ended 31 March 2018

STRONG REVENUE AND PROFIT GROWTH DELIVERED THROUGH SUCCESSFUL EXECUTION OF STRATEGY

Hollywood Bowl Group plc ("Hollywood Bowl" or the "Group"), the UK's market leading ten-pin bowling operator, is pleased to announce its interim results for the six month period ended 31 March 2018 ("H1 FY2018").

Financial highlights

	6 months ended 31 March 2018	6 months ended 31 March 2017	% Movement
Total revenues	**£63.6m**	**£58.2m**[(1)]	+9.3%
Like-for-like ("LFL") revenue growth [(2)]	**4.0%**	**1.2%**	+2.8%pts
Group Adj. EBITDA [(3)]	**£20.7m**	**£18.2m**	+13.4%
Group Adj. EBITDA margin	**32.5%**	**31.3%**	+1.2%pts
Operating Profit	**£15.0m**	**£13.0m**	+16.1%
Profit before tax	**£14.6m**	**£12.4m**	+17.4%
Earnings per share	**7.85p**	**6.64p**	+18.1%
Net debt	**£7.2m**	**£13.5m**	-46.7%
Interim ordinary dividend per share	**2.03p**	**1.80p**	+12.8%

Operational Highlights

- **Further progress with new centre pipeline**
    - Two new centres opened in H1 FY2018, which are performing in line with management's expectations, increasing the total estate to 59
    - Strong pipeline bolstered with the signing of developments in exciting new leisure schemes in Swindon and Southend
- **Centre rebrand and refurbishment programme on track, and delivering significant returns**
    - One Hollywood Bowl refurbishment and two Bowlplex rebrands and refurbishments completed in H1 FY2018
    - Three more rebrands planned for the second half of the year
    - At least one further refurbishment planned before the financial year end
- **Successful execution of organic growth strategy continues to result in strong operating performance**
    - Game volumes increased 3.6 per cent. to 6.9m
    - Spend per game increased 5.5 per cent. to £9.20
    - Games per stop increased to 431 (FY2017: 356)

Stephen Burns, Chief Executive Officer of Hollywood Bowl commented:

"Hollywood Bowl has produced another strong financial performance this period due to our continued progress in delivering against our strategic goals; the acquisition and opening of new centres that complement our already very high quality portfolio, creating modern, family friendly entertainment environments, and our refurbishment programme which has continued to drive organic like-for-like growth through the constant evolution of our customer experience."

"This customer focus, combined with our disciplined capital and cost management, gives us confidence in delivering another year of progress, and reporting results in line with Board expectations."

1. During FY2017, Management conducted a review of the Group's key contracts and revenue recognition policies; as a result of this process, and IFRS 15 adoption on 1 October 2018, Management identified that certain transactions have been recognised as revenue and cost of sales in previous periods, when it is more appropriate to recognise the amounts net. Accordingly these revenues and costs of sales have been netted off in the statement of comprehensive income for the year ended 30 September 2017 ("FY2017") and the six month period to 31 March 2017 ("H1 FY2017").
2. LFL revenue is defined as total revenue excluding any new centre openings from the current financial year until they are LFL (H1 FY2018: £3.1m) and is used as a key measure of constant centre growth.
3. Group adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) reflects the underlying trade of the overall business and excludes any one-off benefits (VAT rebates for prior years and dilapidations release), and costs (expenses related to a review of a strategic acquisition which was not pursued and IPO related expenses). It is management's view that these are non-recurring costs. The reconciliation to operating profit is set out in the Finance Review section of this announcement.

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Notes to Editors:

Hollywood Bowl Group is the UK's largest ten-pin bowling operator, with a portfolio of 59 centres operating across the UK under the Hollywood Bowl, AMF and Bowlplex brands. The Group specialises in operating large, high quality bowling centres, predominantly located in out of town multi-use leisure parks (typically co-located with cinema and casual dining sites) and large retail parks. The centres are designed to offer a complete family entertainment experience with each centre offering at least 12 bowling lanes, on-site dining, licensed bars, and state-of-the-art family games arcades.

CHIEF EXECUTIVE REVIEW

Hollywood Bowl produced another strong financial performance in the first six months of the year. Revenues increased 9.3 per cent. to £63.6m driven by a combination of LFL sales growth from the core estate, contributions from the new centre openings and the positive impact of our refurbishment and rebrand programme.

We have made solid progress with our refurbishment and rebrand programme and continue to see very encouraging returns from completed sites. We successfully invested £0.7m rebranding two of the four remaining Bowlplex centres into Hollywood Bowl centres, with plans in place to rebrand the final two Bowlplex centres and one AMF centre in the second half of the year. Our ongoing refurbishment cycle is also progressing well with a £0.3m investment in the Hollywood Bowl in Bradford completed in the first half, and at least one further refurbishment scheduled for the second half of the year.

Group adjusted EBITDA grew by £2.5m to £20.7m, up 13.4 per cent. (H1 FY2017: £18.2m). Average centre EBITDA growth was ahead of revenue growth, increasing by 6.4 per cent. on a LFL basis demonstrating the operational leverage inherent within our business model. In the first half of the year the business generated strong free cash flows, before the payment of the FY2017 final ordinary dividend and special dividend, of £11.0m. The continued positive trading performance has further strengthened the balance sheet with net debt reduced to £7.2m (H1 FY2017: £13.5m).

In light of this strong performance, and the Board's confidence in the Group's future cash flows, the Board has declared an interim dividend of 2.03 pence per share, up 12.8 per cent. (H1 FY 2017 1.80p).

Growth strategy

Our growth strategy remains unchanged and we are pleased with the progress we have made during the period. Our new centre opening programme is on track and we continue to grow like-for-like revenue through the continual improvement of the existing estate and our refurbishment and rebrand programme which continues to deliver very pleasing returns.

Development of our property portfolio

We successfully rebranded two Bowlplex centres (Birmingham Broadway and Dunfermline) in the first half of the year, and are currently on track to rebrand the final two Bowlplex centres (Bristol and Branksome) in the second half of the year. The newly rebranded and refurbished Bowlplex centres continue to deliver excellent returns on investment, with the nine centres already completed showing an aggregated return of 60.2 per cent.

The refurbishment plan for the Hollywood and AMF estate is also on track, with Bradford completed during the period and, with at least one further Hollywood Bowl refurbishment and one AMF rebrand planned before the end of the financial year, we are confident of completing the guided seven to ten refurbishments/rebrands by the end of FY2018. The average return on investment from the most recent 11 refurbishments / rebrands is 55.4 per cent.

During H1 FY2018 we opened two new prime location centres. Both centres are located on leisure parks, co-located with a high performing cinema and casual dining offerings. The first was Hollywood Bowl Dagenham, a centre previously operated by Namco Funscape which was acquired as part of a redevelopment plan led by the landlord. This centre reopened in October 2017, has been well received by the local market and is trading in line with our expectations. The second centre was Hollywood Bowl Yeovil which was also acquired from the landlord and, following a total investment of £0.9m (£0.6m net of landlord contribution), opened its doors in March 2018. This centre has had a very solid first few weeks of trading, and we are confident it will perform in line with management expectations.

Our new openings pipeline has been further strengthened with centres signed for development in exciting new leisure schemes in Swindon and Southend, securing the pipeline for the next three years. We remain confident in our ability to continue to deliver on our plan of an average of two new openings a year.

Like-for-like growth

LFL sales grew 4.0 per cent. during the first half of the financial year, with all revenue streams showing sales growth on the comparative period last year.

Total spend per game grew by 5.5 per cent. in the period, up from £8.72 in H1 FY2017 to £9.20 in H1 FY2018. The impact of the dynamic pricing initiative, rolled out in August 2017, gave us the ability to continue to grow yield whilst retaining our competitive headline price. The Group remains the lowest priced of all the branded bowling operators, offering customers a great value for money leisure experience. Amusement spend per game also showed solid growth during the period, up 2.2 per cent. on the prior period, driven by the continued roll out of our play for prizes offering, new payment initiatives and the rolling refresh of the arcade product.

Following the refinements made to the Hollywood Diner menu, the roll out to all centres is progressing well, with 47 of the estate now benefiting from the new offering. The remainder of the estate will receive the new menu and required kitchen enhancements by the end of the current financial year.

Initiatives and Innovation

Following a successful trial of 'Pins on Strings' in three of our centres, we installed the new look pinsetter into the new opening in Yeovil and plan to install this into three other centres by the end of the current financial year. Early results have been encouraging, with saving in payroll, utilities and parts combining to deliver a 30.1 per cent. EBITDA return on investment. The outputs of the enlarged trial will enable further testing with regard to the longevity and reliability of the machines, and will allow us to gather more customer feedback, helping inform the longer-term strategy.

We have continued to grow our games per stop (GPS) in the rest of our estate, from 356 in September 2017 to 431 (414 excluding Pins on Strings centres) as at March 2018, with some centres in excess of 800. This is testament to the focus, training and investment that we put into our back of house processes.

Trials on payment options on both the lanes, and in the amusement areas have yielded positive results. All centres will benefit from the 'I serve' technology, enabling faster ordering and payment at the lanes with the roll out expected to be complete by the end of FY2018. This new technology will assist our sales focused operators in driving spend per game whilst delivering a higher level of service to our customers.

Focus on People

Our people are key to our success, and it is important that we maintain the culture and environment for our team to develop rewarding careers. I would like to acknowledge the fantastic efforts our team have put into delivering these results. I was delighted that at our Centre Manager conference in October 2017, we were able to recognise the outstanding performances of so many of our leaders. We are committed to the investment in our people who are true creators of positive energy, aiming to deliver a fantastic experience to every customer on every visit.

Outlook

Following the good first half of FY2018, I am confident this momentum will carry into the second half of the year. We will continue to invest in all areas across the business which, coupled with our sustainable organic growth strategy, means the Board is confident in the outlook of the business. We are on track to meet Board expectations for the full year, and I am encouraged by the progress we are making.

Stephen Burns
Chief Executive Officer
23 May 2018

FINANCE REVIEW

	31 March 2018 £'000	31 March 2017 £'000	% Movement
Total number of centres	**59**	55	+4
Number of games played	**6.9m**	6.7m	+3.6%
Revenue(1)	**£63.6m**	£58.2m	+9.3%
Gross profit margin	**86.3%**	86.4%	-0.1%pt
Group adjusted EBITDA(2)	**£20.7m**	£18.2m	+13.4%
Group operating profit	**£15.0m**	£13.0m	+16.1%
Net debt	**£7.2m**	£13.5m	-46.7%
Group adjusted operating cash flow(3)	**£14.9m**	£14.1m	+5.4%
Group expansionary capital expenditure	**£2.8m**	£2.8m	-

1 During FY2017, Management conducted a review of the Group's key contracts and revenue recognition policies; as a result of this process, and IFRS 15, adoption on 1 October 2018, Management identified that certain transactions have been recognised as revenue and cost of sales in previous periods, when it is more appropriate to recognise the amounts net. Accordingly these revenues and costs of sales have been netted off in the statement of comprehensive income for the year ended 30 September 2017 ("FY2017") and the six month period to 31 March 2017 ("H1 FY2017").
2 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 non-recurring costs.
3 Group adjusted operating cash flow is calculated as Group adjusted EBITDA less working capital, taxation and maintenance capital expenditure.

Following a record year in FY2017, we are pleased to have delivered a strong first half set of results, with revenue growth of 9.3 per cent. and Group adjusted EBITDA growth of 13.4 per cent.

This growth has contributed to a £2.0m increase in operating profit to £15.0m, representing an increase of 16.1 per cent. on the same period last year and an improvement of 1.3 percentage points to our operating profit margin at 23.6 per cent driven by like-for -like sale growth and only marginal increases in costs.

Growth drivers

We are extremely proud to have delivered a strong sales performance over the six months to 31 March 2018 and continue to be encouraged by the performance of our refurbished, rebranded and new centres, as well as the growth seen in the core estate.

The continued strength of the Group is reflected in its revenue and profit performance for the first half compared to the same period in the prior year. The total 9.3 per cent. revenue growth has been driven through like-for-like revenues growing at 4.0 per cent. as well as 5.3 per cent. growth from new openings. Group revenue for the first half was £63.6m, up from £58.2m in the previous period[1].

Game volumes grew to 6.9m (3.6 per cent. up on the prior period). Total spend per game grew by 5.5 per cent. as customers continued to spend more across all areas of the business during their visits, and we continued to see benefit from our dynamic pricing initiative, which was rolled out in August 2017.

During the first half, we have continued with our investment strategy with transformational refurbishments in three centres, including two Bowlplex rebrands and refurbishments in Dunfermline and Birmingham. These continue to realise market leading returns on capital employed above our 33 per cent. hurdle rate. We will complete the final two Bowlplex rebrands during the second half of this financial year, as well as undertake at least one further Hollywood Bowl refurbishment and one AMF rebrand.

Like-for-like revenue is defined as total revenue excluding any new centre openings (H1 FY2018: £3.1m) and is used as a key measure of constant centre growth.

Gross margin

Gross profit margin was flat on a like-for-like basis, whilst the impact of the new centre sales mix resulted in overall group gross profit margin declining by 0.1 per cent. to 86.3 per cent. compared to the prior period. Gross profit has increased by 9.1% to £54.9m for the period to 31 March 2018.

Administrative expenses

Administrative expenses were £39.9m, up 6.7 per cent. on the corresponding period in the prior year.

The majority of this increase is split between new centres at £1.8m, depreciation of £0.4m, while constant centre costs increased by only £0.4m. The largest cost within administration expenses is property costs, of which rent accounts for £7.0m. Total property costs increased by £0.9m due to an increase in the number of centres we operate which accounted for £0.8m, as well as a small increase of £0.1m (0.7 per cent.) in constant centres. Total centre employee costs were £11.7m for the six month period to 31 March 2018, an increase of £1.1m on an overall group basis on the same period in the prior year. On a constant centre basis, the increase was just over £0.3m (2.8 per cent.), driven by the increase in national minimum and living wage, as well as other cost associated with wage inflation.

Corporate costs decreased slightly from £5.2m to £5.1m. This was largely due to reduced costs in relation to professional fees on rent reviews and lease re-gears, as well as lower central marketing costs versus the prior period. As a percentage of total sales, total corporate costs represented 8.0 per cent. in H1 FY2018, against 9.0 per cent. in H1 FY2017.

Group adjusted EBITDA

Group adjusted EBITDA increased by 13.4 per cent. during the period mainly due to the LFL revenue growth in the core estate through refurbishments and continued spend on maintenance capital, as well as the performance of the five new centres opened since March 2017.

Constant centre EBITDA continued to grow, and increased by 6.4 per cent. compared to the prior period. Depreciation increased to £5.3m in the first half, largely as a result of the new centres. As a percentage of total sales, depreciation represented 8.3 per cent. in H1 FY2018, against 8.4 per cent. in H1 FY2017.

	31 March 2018 £'000	31 March 2017 £'000
Operating profit	**15,044**	12,957
Depreciation	**5,304**	4,866
Amortisation	**258**	265
Loss on property, plant and equipment and software	**53**	15
EBITDA	**20,659**	18,103
Exceptional items	**-**	111
Adjusted EBITDA	**20,659**	18,214

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

Finance costs

Finance costs decreased from £0.6m to £0.5m as a result of margin reductions in line with the bank quarterly covenant tests. The Group currently has gross debt of £29.2m with the next debt repayment of £0.7m due in June 2018. The Group also has an undrawn revolving credit facility of £5.0m and capital expenditure facility of £5.0m.

Taxation

The Group has incurred a tax charge of £2.8m for the first half compared to £2.4m in the comparable period in the prior year.

Earnings

Profit before tax for the year was £14.6m which was higher than the comparable period in the prior year by £2.2m as a result of the factors discussed above.

The Group delivered an increased profit after tax of £11.8m (H1 FY2017: £9.9m) and basic and adjusted earnings per share was 7.85 pence (H1 FY2017: 6.64 pence).

Dividend

The Directors have declared an interim dividend of 2.03 pence per share. The ex-dividend date is 14 June 2018, with a record date of 15 June 2018 and payment date of 10 July 2018.

The Group operates a highly cash generative business model which, combined with lower net capital expenditure on new sites and post all refurbishment spend, still leaves the Group in a strong financial position which will allow the Board to continue to execute on its capital allocation priorities.

Cash flows and Net Debt

Group adjusted operating cash flow was £14.9m, with growth of £0.8m delivered through an increase in Group adjusted EBITDA of £2.5m offset by a small movement in working capital and higher corporation tax paid in the first half due to higher profits in the year to 30 September 2017 against the prior year.

	31 March 2018 £'000	31 March 2017 £'000
Group Adjusted EBITDA	**20,659**	18,214
Movement in working capital	**(238)**	955
Maintenance capital expenditure[1]	**(3,104)**	(4,104)
Taxation	**(2,463)**	(976)
Adjusted Operating cash flow (OCF)[2]	**14,854**	14,089
Adjusted OCF Conversion	**71.9%**	77.4%
Expansionary capital expenditure	**(2,820)**	(2,802)
Exceptional items	**-**	(3,223)
Net Interest paid	**(228)**	(459)
Cash flows from financing activities	**(750)**	-
Dividends paid	**(10,920)**	(285)
Net Cash flow	**136**	7,320

1 In this table, maintenance capital expenditure includes amusements capital and amusement disposal proceeds.
2 Adjusted operating cash flow is calculated as Group adjusted EBITDA less working capital and maintenance capital expenditure. This represents a good measure for the cash generated by the business after taking into account all necessary maintenance capital expenditure to ensure the routine running of the business. This excludes one-off exceptional items and net interest paid.

Strong cash generation in the past twelve months has resulted in a decrease in net debt to £7.2m.

Capital expenditure

Total capital expenditure was down 14.2 per cent. in the corresponding period in the prior year, to £5.9m. This decrease was driven, in the main, by the lower spend on new centres. The two new centres this year were both previously trading centres which were obtained at nil cost, with all spend going into the refurbishment and rebrands (£0.9m). Both units also attracted landlord contributions: Yeovil a £0.3m capital contribution; whilst Dagenham was in the form of a 12 month rent free for an equivalent amount. We continued on our refurbishment and rebrand programme, and expenditure increased by £1.0m in this half, compared with H1 FY2017, to £1.9m, due to timing.

Brexit

Although we do not consider Brexit to be a principal risk for the business, we continue to follow developments and consider possible implications for Hollywood Bowl. As a UK focused business, we have low exposure to currency movements, our supply chain is mostly UK based and the proportion of our people who are non-British EU is low.

Going Concern

As stated in note 2 to the Interim Financial Statements, the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of at least 12 months from the date of this report. Therefore, they continue to adopt the going concern basis in preparing the financial statements.

Laurence Keen
Chief Financial Officer

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 31 March 2018

	Note	Six months ended 31 March 2018 Unaudited £'000	Restated Six months ended 31 March 2017 Unaudited £'000	Year ended 30 September 2017 Audited £'000
Revenue		63,638	58,230*	113,968
Cost of sales		(8,717)	(7,892)*	(15,349)
Gross profit		54,921	50,338	98,619
Administrative expenses		(39,877)	(37,462)	(76,498)
Other income		-	81	80
Operating profit		15,044	12,957	22,201
Underlying operating profit		15,044	13,068	22,204
Exceptional items	4	-	(111)	(3)
Finance income		10	3	12
Finance expenses		(492)	(583)	(1,158)
Movement in derivative financial instrument				
Movement in derivative financial instruments		-	31	55
Profit before tax		14,562	12,408	21,110
Tax expense	6	(2,792)	(2,441)	(2,848)
Profit for the year attributable to equity shareholders		11,770	9,967	18,262
Other comprehensive income for the period		-	-	-
Total comprehensive income attributable to equity shareholders		11,770	9,967	18,262
Earnings per share (based on weighted average number of shares)	5	**Pence**	**Pence**	**Pence**
Basic		7.85	6.64	12.17
Diluted		7.83	6.64	12.17
Adjusted earnings per share (based on weighted average number of shares)	5			
Basic		7.85	6.73	12.17
Diluted		7.83	6.73	12.16
Weighted average number of shares in issue for period (number)		150,252,883	150,016,654	150,104,367

* Additional information on the restatement is available in note 2.

Six months ended 31 March 2018 Unaudited £'000	Six months ended 31 March 2017 Unaudited £'000	Year ended 30 September 2017 Audited £'000

Reconciliation of operating profit to Group Adjusted EBITDA				
Operating profit		15,044	12,957	22,201
Depreciation of property, plant and equipment	7	5,304	4,866	9,990
Amortisation of intangible assets	8	258	265	540
Exceptional items	4	-	111	3
Loss on disposal of property, plant and equipment and software	7, 8	53	15	640
Group Adjusted EBITDA		20,659	18,214	33,374

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

Condensed Consolidated Statement of Financial Position
As at 31 March 2018

	Note	**31 March 2018 Unaudited £'000**	**31 March 2017 Unaudited £'000**	**30 September 2017 Audited £'000**
ASSETS				
Non-current assets				
Property, plant and equipment	7	41,903	38,599	39,709
Intangible assets	8	78,770	79,048	78,867
		120,673	117,647	118,576
Current assets				
Cash and cash equivalents		22,030	16,544	21,894
Trade and other receivables		6,579	6,162	7,144
Inventories		1,352	1,212	1,189
		29,961	23,918	30,227
Total assets		150,634	141,565	148,803
LIABILITIES				
Current liabilities				
Trade and other payables		16,390	13,510	16,857
Loans and borrowings	10	1,380	630	1,380
Corporation tax payable		2,975	2,440	2,461
		20,745	16,580	20,698
Non-current liabilities				
Other payables		7,837	6,129	6,145
Loans & borrowings	10	27,453	28,833	28,143
Deferred tax liabilities		560	2,289	746
Accruals and provisions		3,283	3,665	3,308
Derivative financial instruments	11	-	24	-
		39,133	40,940	38,342
Total liabilities		59,878	57,520	59,040
NET ASSETS		90,756	84,045	89,763
Equity attributable to shareholders				
Share capital		1,500	1,500	1,500
Merger reserve		(49,897)	(49,897)	(49,897)
Retained earnings		139,153	132,442	138,160
TOTAL EQUITY		90,756	84,045	89,763

Condensed Consolidated Statement of Changes in Equity
For the six months ended 31 March 2018

	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
Equity at 30 September 2016 (audited)	**71,512**	**51,832**	**(49,897)**	**99**	**817**	**74,363**
Share capital re-organisation	(70,012)	(51,832)	-	(99)	121,943	-
Dividends paid (Note 9)	-	-	-	-	(285)	(285)
Profit for the period	-	-	-	-	9,967	9,967
Equity at 31 March 2017 (unaudited)	**1,500**	**-**	**(49,897)**	**-**	**132,442**	**84,045**
Dividends paid (Note 9)	-	-	-	-	(2,700)	(2,700)
Share based payments (Note 12)	-	-	-	-	123	123
Profit for the period	-	-	-	-	8,295	8,295
Equity as at 30 September 2017 (audited)	**1,500**	**-**	**(49,897)**	**-**	**138,160**	**89,763**
Dividends paid (Note 9)	-	-	-	-	(10,920)	(10,920)
Share based payments (Note 12)	-	-	-	-	143	143
Profit for the period	-	-	-	-	11,770	11,770
Equity as at 31 March 2018 (unaudited)	**1,500**	**-**	**(49,897)**	**-**	**139,153**	**90,756**

Condensed Consolidated Statement of Cash Flows
For the six months ended 31 March 2018

	Six months ended 31 March 2018 Unaudited £'000	Six months ended 31 March 2017 Unaudited £'000	Year ended 30September 2017 Audited £'000
Cash flows from operating activities			
Profit before tax	14,562	12,408	21,110
Adjusted by:			
Depreciation and impairment	5,304	4,866	9,990
Amortisation of intangible assets	258	265	540
Net interest expense	481	580	1,145
Loss on disposal of property, plant and equipment	53	15	640
Movement on derivative financial instrument	-	(31)	(55)
Share-based payments (Note 12)	143	-	123
Operating profit before working capital changes	20,801	18,103	33,493
Increase in inventories	(163)	(194)	(171)
Decrease in trade and other receivables	565	3,472	2,490
Decrease in payables and provisions	(783)	(5,435)	(3,035)
Cash inflow generated from operations	20,420	15,946	32,777
Interest received	10	3	12
Income tax paid - corporation tax	(2,463)	(976)	(2,905)
Interest paid	(238)	(462)	(975)
Net cash inflow from operating activities	17,729	14,511	28,909
Investing activities			

Purchase of property, plant and equipment	(6,098)	(6,960)	(13,551)
Purchase of intangible assets	(161)	(85)	(196)
Sale of assets	336	139	493
Net cash used in investing activities	(5,923)	(6,906)	(13,254)
Cash flows from financing activities			
Repayment of bank loan	(750)	-	-
Dividends paid	(10,920)	(285)	(2,985)
Net cash flows used in financing activities	(11,670)	(285)	(2,985)
Net change in cash and cash equivalents for the period	136	7,320	12,670
Cash and cash equivalents at the beginning of the period	21,894	9,224	9,224
Cash and cash equivalents at the end of the period	**22,030**	**16,544**	**21,894**

Notes to the condensed consolidated interim financial statements

1. General information

The Directors of Hollywood Bowl Group plc (together with its subsidiaries, the "Group" or "HWB Group") present their interim report and the unaudited financial statements for the six months ended 31 March 2018 ('Interim Financial Statements').

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

The interim Financial Statements were approved by the Board of Directors on 23 May 2018.

The financial information for the six months ended 31 March 2018 has been reviewed by KPMG, the Company's external auditor. Their report is included within these condensed consolidated interim financial statements.

The Group's last annual audited financial statements for the year ended 30 September 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and these Interim Financial statements should be read in conjunction with them.

The comparative figures for the year ended 30 September 2017 are an abridged version of the Group's last annual financial statements and, together with other financial information contained in these interim results, do not constitute statutory financial statements of the Group as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 30 September 2017 has been delivered to the Registrar of Companies. The external auditor has reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498 (2) or (3) of the Companies Act 2006.

2. Basis of preparation

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

The Interim Financial Statements are presented in Pounds Sterling, rounded to the nearest thousand pounds, except where otherwise indicated; and under the historical cost convention as modified through the recognition of financial liabilities at fair value through profit and loss.

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those applied in the presentation of the Group's consolidated financial statements for the year ended 30 September 2017. A number of new European Union endorsed standards and amendments to existing standards are effective for periods beginning on or after 1 October 2017. However, none of these have a material, if any, impact on the annual or condensed interim consolidated financial statements of the Group in the year ending 30 September 2018.

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. It is managed as one entity and management have consequently determined that there is only one operating segment. All revenue arises in and all non-current assets are located in the United Kingdom. The Group's operations are not considered to be seasonal or cyclical in nature.

Going concern
The Directors have, at the time of approving these interim financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Accounting estimates and judgements
In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application

of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 30 September 2017.

Restatement of the profit and loss account
Management conducted a review of its key contracts and revenue recognition policies; as a result of this process, and IFRS 15 adoption on 1 October 2018, identified that certain transactions have been recognised as revenue and cost 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 profit and loss account for the period ended 31 March 2017 and year ended 30 September 2017. Further, considering its significant impact on prior period 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 31 March 2017 £000	Original 31 March 2017 £000
Revenue	58,230	59,289
Cost of sales	(7,892)	(8,951)
Gross profit	50,338	50,338

Standards issued not yet effective
At the date of authorisation of this financial information, certain new standards, amendments and interpretations to existing standards applicable to the Group have been published but are not yet effective, and have not been adopted early by the Group. The impact of these standards is not expected to be material. The adoption of IFRS15 will not require any further adjustments.

3. Segmental reporting

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

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

	31 March 2018 £000	Restated 31 March 2017 £000
Bowling	**32,254**	28,812
Food and drink	**18,033**	16,644
Amusements	**13,149**	12,453
Other	**202**	321
	63,638	58,230

4. Exceptional items

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

	Six months ended 31 March 2018 Unaudited £'000	**Six months ended 31 March 2017 Unaudited £'000**	**Year ended 30 September 2017 Audited £'000**
VAT rebate[1]	-	80	80
IPO related expenses[2]	-	(102)	(102)
Non-recurring expenditure on strategic projects[3]	-	(89)	(100)
Bank charges[4]	-	-	(116)
Dilapidations provision[5]	-	-	235
	-	(111)	(3)

[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 FY2016. This has been classified as other income in the condensed consolidated statement of comprehensive income. The amount recognised in FY2017 relates to a historic claim for no shows from FY2015 to FY2016.

[2] 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.

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

[4] Card payment processing fees relating to prior periods that were not previously invoiced.

[5] The release of a dilapidations provision for a site that will be exited in FY2018 with no associated costs expected.

5. Earnings per share

Basic earnings per share is calculated by dividing the profit to equity holders of Hollywood Bowl Group plc by the weighted average number of shares outstanding during the year, excluding invested shares held pursuant to a Long Term Incentive Plan (note 13).

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the period ended 31 March 2018, the Group had potentially dilutive shares in the form of unvested shares pursuant to a Long Term Incentive Plan (note 13).

	Six months ended 31 March 2018 Unaudited	Six months ended 31 March 2017 Unaudited	Year ended 30 September 2017 Audited
Basic and diluted			
Profit for the year after tax (£'000)	11,770	9,967	18,262
Basic weighted average number of shares in issue for the period (number)	150,000,000	150,000,000	150,000,000
Adjusted for share awards	252,883	16,654	104,367
Diluted weighted average number of shares	150,252,883	150,016,654	150,104,367
Basic earnings per share (pence)	7.85	6.64	12.17
Diluted earnings per share (pence)	7.83	6.64	12.17

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

	Six months ended 31 March 2018 Unaudited	Six months ended 31 March 2017 Unaudited	Year ended 30 September 2017 Audited
Adjusted underlying earnings after tax (before exceptional costs and shareholder interest) (£'000)	11,770	10,090	18,256
Basic adjusted earnings per share (pence)	7.85	6.73	12.17
Diluted adjusted earnings per share (pence)	7.83	6.73	12.16

Adjusted underlying earnings after tax is calculated as follows:

	Six months ended 31 March 2018 Unaudited £'000	Six months ended 31 March 2017 Unaudited £'000	Year ended 30 September 2017 Audited £'000
Profit for the year before tax	14,562	12,408	21,110
Exceptional items (Note 4)	-	111	3
Adjusted underlying profit before taxation	14,562	12,519	21,113
Less taxation	(2,792)	(2,429)	(2,857)
Adjusted underlying earnings after tax	11,770	10,090	18,256

6. Taxation

The tax expense is as follows:	Six months ended 31 March 2018 Unaudited £'000	Six months ended 31 March 2017 Unaudited £'000	Year ended 30 September 2017 Audited £'000
- UK Corporation tax	2,978	2,714	4,667
- Adjustments in respect of previous periods	-	(332)	(335)
Total current tax	2,978	2,382	4,332

Deferred tax:			
Origination and reversal of temporary differences	(187)	59	(820)
Adjustments in respect of prior years	1	-	(686)
Effects of changes in tax rates	-	-	22
	(186)	59	(1,484)
Total tax expense	2,792	2,441	2,848

Factors affecting current tax charge:
The income tax expense was recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year of 20%, applied to the profit before tax for the half year ended 31 March 2018. The effective tax rate has increased from 13% for the year ended 30 September 2017 to 20% for the six months ended 31 March 2018. This is due to the adjustment in respect of prior periods for current and deferred tax in the year end 30 September 2017.

The net deferred tax liability recognised at 31 March 2018 was £560,000 (31 March 2017: £2,289,000; 30 September 2017: £746,000). This comprised deferred tax assets relating to temporary differences and depreciation in excess of capital allowances of £1,071,000 (31 March 2017: £9,000; 30 September 2017: £956,000) and deferred tax liabilities in relation to accelerated capital allowances, ineligible items on acquisition, capital gains and acquired intangible assets totalling £1,631,000 (31 March 2017: £2,298,000; 30 September 2017: £1,702,000).

	Long leasehold property £'000	**Short leasehold property £'000**	**Plant, machinery and fixtures and fittings £'000**	**Total £'000**
Cost:				
At 1 October 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 (audited)	**1,251**	**15,320**	**42,945**	**59,516**
Additions	-	1,749	6,138	7,887
Disposals	-	(9)	(2,648)	(2,657)
At 31 March 2018 (unaudited)	**1,251**	**17,060**	**46,435**	**64,746**
Accumulated depreciation:				
At 1 October 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 (audited)	**159**	**4,583**	**15,065**	**19,807**
Depreciation charge	24	955	4,325	5,304
Disposals	-	(6)	(2,262)	(2,268)
At 31 March 2018 (unaudited)	**183**	**5,532**	**17,128**	**22,843**
Net book value				
At 31 March 2018 (unaudited)	**1,068**	**11,528**	**29,307**	**41,903**
At 30 September 2017 (audited)	1,092	10,737	27,880	39,709

7. Property, plant and equipment
Outstanding capital commitments totalled £400,000 (31 March 2017: £1,023,000; 30 September 2017: £963,000).

8. Intangible assets

	Goodwill £'000	**Brand £'000**	**Trademark £'000**	**Software £'000**	**Total £'000**
Cost					
At 1 October 2016	75,034	3,360	802	1,040	80,236

Additions	-	-	-	196	196
Disposals	-	-	-	(65)	(65)
At 30 September 2017 (audited)	**75,034**	**3,360**	**802**	**1,171**	**80,367**
Additions	-	-	-	161	161
Disposals	-	-	-	(2)	(2)
At 31 March 2018 (unaudited)	**75,034**	**3,360**	**802**	**1,330**	**80,526**
Accumulated amortisation and impairment losses					
At 1 October 2016	-	348	116	544	1,008
Amortisation charge	-	168	51	321	540
Disposals	-	-	-	(48)	(48)
At 30 September 2017 (audited)	**-**	**516**	**167**	**817**	**1,500**
Amortisation charge	-	84	25	149	258
Disposals	-	-	-	(2)	(2)
At 31 March 2018 (unaudited)	**-**	**600**	**192**	**964**	**1,756**
Net book value					
At 31 March 2018 (unaudited)	**75,034**	**2,760**	**610**	**366**	**78,770**
At 30 September 2017 (audited)	75,034	2,844	635	354	78,867

9. Dividends

The following dividends were declared and paid by the Group

	Six months ended 31 March 2018 Unaudited	**Six months ended 31 March 2017 Unaudited**	**Year ended 30 September 2017 Audited**
	£'000	**£'000**	**£'000**
Final dividend year ended 30 September 2016 - 0.19p per ordinary share	-	285	285
Interim dividend year ended 30 September 2017 - 1.8p per ordinary share	-	-	2,700
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	4,995	-	-
	10,920	285	2,985

10. Loans and borrowings

	31 March 2018 Unaudited £'000	**31 March 2017 Unaudited £'000**	**30 September 2017 Audited £'000**
Current			
Bank loan	1,380	630	1,380
Borrowings (less than 1 year)	1,380	630	1,380
Non-current			
Bank loan	27,453	28,833	28,143
Borrowings (greater than 1 year)	27,453	28,833	28,143
Total borrowings	28,833	29,463	29,523

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

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 was made as at 31 December 2017, and subsequently will be repaid in 6-monthly instalments up to 31 December 2020. The remaining balance of £24.75m will be repayable at the expiry date of 20 September 2021. In addition, the Group has an undrawn £5m revolving credit facility and undrawn £5m capex facility. All loans carry interest at LIBOR plus a margin, which varies in accordance with the ratio of net debt divided by EBITDA and cash flow cover. The margin at 31 March 2018 is 1.75 per cent. (31 March 2017 and 30 September 2017: 2.25 per cent.).

11. Financial Instruments

	31 March 2018 Unaudited £'000	31 March 2017 Unaudited £'000	30 September 2017 Audited £'000
Financial liabilities			
Interest rate swap	-	24	-

The interest rate swap was classified as 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 are based on anticipated future interest rate yields.

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

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

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 i.e. a valuation technique.

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

12. Long term employee incentive costs

The Group had the following share based payment arrangements in operation during the period:
a) The Hollywood Bowl Group plc Long Term Incentive Plan 2017
b) The Hollywood Bowl Group plc Long Term Incentive Plan 2018
c) The Hollywood Bowl Group plc Save-As-You-Earn Scheme 2018

The Group recognised a total charge of £143,000 in the 6 months ended 31 March 2018 (31 March 2017: £18,000, 30 September 2017: £123,000) in respect of the Group's share based payment arrangements and related employer's national insurance of £20,000 (31 March 2017: £2,000, 30 September 2017: £17,000).

Long Term Incentive Plan
HWB Group plc 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. In accordance with the LTIP scheme outlined in the Group's Remuneration Policy (Annual Report FY17), the vesting of these awards is conditional upon the achievement of an EPS target set at the time of grant and measured at the end of a 3 year period ending 30 September 2019 and 30 September 2020.

During the six months ended 31 March 2017, 428,113 share awards were granted under the LTIP. For this grant, the Group recognised a charge of £107,059 (31 March 2017: £18,090, 30 September 2017 £122,503) and related employer national insurance of £14,774 (31 March 2017: £2,496, 30 September 2017: £16,905).

During the six months ended 31 March 2018, 349,087 share awards were granted under the LTIP. For this grant, the Group recognised a charge of £30,125 (31 March 2017 and 30 September 2017: £nil) and related employer national insurance of £4,157 (31 March 2017 and 30 September 2017: £nil).

Save-As-You-Earn Plan
On 1 February 2018 HWB Group plc launched a Save-As-You-Earn plan (SAYE), available to all employees of the Group, for a term of 3 years. In accordance with IFRS 2 Share Based Payments, the value of the awards are measured at fair value at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period, based on management's estimate of the number of shares that will eventually vest. For the six months ended 31 March 2018, the Group has recognised £5,694 of share-based payment expense in the consolidated statement of comprehensive income (31 March 2017 and 30 September 2017: £nil).

13. Principal Risks and Uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year. The directors do not consider that the principal risks and uncertainties have changed since the publication of the Annual Report for the year ended 30 September 2017. These risks are summarised below, and how the Group seeks to mitigate these risks is set out on pages 36 to 38 of the Annual Report and Accounts 2017, which can be found at www.hollywoodbowlgroup.com
In summary, these include:

- The economic condition in the UK
- Dependency on the performance of IT systems
- Delivery of products from 3rd party suppliers which are key to the customer experience
- Retention of key team
- Data security and protection
- Adherence with regulatory requirements

14. Related Party Transactions

31 March 2018

There were no related party transactions during the period.

31 March 2017

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

Responsibility Statement

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU.
- The interim management report includes a fair review of the information required by :
  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

This responsibility statement was approved by the Board on 23 May 2018 and is signed on its behalf by:

Stephen Burns	**Laurence Keen**
CEO	CFO
23 May 2018	23 May 2018

INDEPENDENT REVIEW REPORT TO THE SHAREHOLDERS OF HOLLYWOOD BOWL GROUP PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2018 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the consolidated statement of changes in equity, the condensed consolidated statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2018 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Peter Selvey
for and on behalf of KPMG LLP
Chartered Accountants
58 Clarendon Road
Watford WD17 1DE

23 May 2018

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