Hollywood Bowl Group plc

Interim Results for the Six Months Ended 31 March 2022

RECORD FIRST HALF PERFORMANCE AND EXCELLENT PROGRESS WITH GROWTH STRATEGY

Hollywood Bowl, the UK's largest ten-pin bowling operator, is pleased to announce its Interim Results for the six-month period ended 31 March 2022 ("H1 FY2022").

Financial highlights

	H1 FY2022 (Statutory)	**H1 FY2022 (excl VAT benefit on bowling 3)**	H1 FY2021	**H1 FY2019**	**Movement vs H1 FY2019**
Revenue	£100.2m	**£91.3m**	£10.4m	**£67.0m**	**+36.3%**
Group adjusted EBITDA[2]	£42.2m	**£39.2m**	£0.2m	**N/A**	
Group adjusted EBITDA[2] pre-IFRS 16	£34.0m	**£31.0m**	(£7.4m)	**£21.1m**	**+46.8%**
Group profit after tax	£27.0m	**£20.4m**	(£11.6m)	**£13.4m**	**+52.5%**
Interim ordinary dividend per share	3.00p	**3.00p**	-	**2.27p**	**+32.2%**

Operational highlights

- **Strong pent-up demand driving profit and free cash flow**
    - LFL[1] revenue growth of 26.8 per cent (versus H1 FY2019), with total revenues of £91.3m
    - Group adjusted EBITDA[2] increased 46.8 per cent when compared to H1 FY2019, to £31.0m
    - Reinstated dividend - Interim dividend of 3p per share
    - No government support was taken during the period as the business was able to continue to trade with only a limited impact from Omicron in December 2021

- **Attractive returns from improving the quality of the estate through new centres, refurbishments and rebrands**
    - Two new centres; Hollywood Bowl Birmingham Resorts World and Puttstars Harrow opened and performing well
    - Two refurbishments completed in Glasgow Springfield Quay and Birmingham Rubery
    - AMF Shrewsbury refurbished and rebranded as Hollywood Bowl
    - Three centres had solar panels installed

- **LFL growth driven by improvements to our excellent value for money customer experience**
    - Games LFL volumes increased 18.1 per cent and average spend per game up 7.5 per cent to £10.52
    - Amusement revenue up 43.6 per cent following improvements to games and layouts
    - Food revenue up 8.4 per cent as we retained simplified food menu and reduced prices by 10.9 per cent while focusing on quality and speed of service
    - Drinks LFL revenue up 22.9 per cent supported by lane ordering technology

- **Continued investment in technology, enhancing customer offer**
    - Pins on Strings installed in seven centres with nine more planned before year end meaning a total of 44 sites will be using the new technology
    - Enhanced Data Platform improving digital marketing engagement rates
    - Further investment in website and booking engine functionality
    - Ongoing investment in technology initiatives at or above group's hurdle rate of 30 per cent ROI

- **Strong start to the year with good progress on growth strategy**

- International expansion with acquisition of Splitsville in Canada, announced separately today
- Hollywood Bowl Belfast opened in April 2022 and two new centres are planned to open within the next six months, with a strong new centre pipeline for Hollywood Bowl and Puttstars brands to meet openings target
- Two refurbishments completed since year end with three further planned - on track to meet guided refurbishment target of 7-10 centres by year end
- Ongoing innovation and investment in technology
- Seven more solar panel installations planned before year end bringing total to 15 centres self-producing 33 per cent of their required electricity

Stephen Burns, Chief Executive, commented:

"*We saw exceptional pent-up demand in the first half which, in addition to the investments made in our customer experience, led to us achieving a record first half with four of our top performing months ever. I am very proud of the hard work that went into delivering this excellent performance with high customer satisfaction scores and we were delighted to reward our team members as well as now reinstating our dividend. The strength of our balance sheet supports our ability to continue to invest in our growth strategy, including growing our portfolio in the UK as well as our entry into the Canadian market. While we are aware of the financial challenges many of our customers are facing, we continue to provide a great value for money experience. We are confident that demand will remain resilient as families seek out affordable leisure activities.*"

1 Like-for-like (LFL) revenue growth is total revenues (£100.2m) excluding any revenues relating to the reduced rate (TRR) of VAT for prior years (£5.8m), TRR of VAT for FY2022 (£3.0m) and any new centres FY2019 onwards (£6.5m). New centres are included in the LFL revenue after they complete the calendar anniversary of their opening date.

2 Group adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) reflects the underlying trade of the overall business. It is calculated as statutory operating profit plus depreciation, amortisation, loss on disposal of property, right-of-use assets, plant and equipment and software and any exceptional costs or income and is also shown pre-IFRS 16 as well as adjusted for IFRS 16. The reconciliation to operating profit is set out below in this section of the report.

3 During FY2020 the Chancellor announced the reduced rate (TRR) of VAT on hospitality activities from which bowling activities were initially excluded. The Tenpin Bowling Proprietors Association has been lobbying on the industry's behalf, since that date, for the sector to be treated in line with the hospitality industry. We received confirmation on 12th April 2022 that HMRC agreed that there is indeed a clear distinction between the sport of competitive bowling and the leisure activity of bowling – with the latter being able to benefit from TRR of VAT retrospectively. The total value of this is detailed in the report below.

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CHIEF EXECUTIVE REVIEW

It is very pleasing to report on an exceptionally successful period for the Group. Thankfully, the first half of our financial year has been devoid of any significant COVID based disruption, with only a very small amount of disruption in December from the Omicron strain.

Like for like (LFL) revenue growth of 26.8 per cent versus the last normalised period of trading in FY2019 and total statutory revenue growth of 49.5 per cent, is a record-breaking performance for the Group, and whilst undoubtedly helped by the incredibly favourable environment for leisure post the COVID lockdowns, is testament to the quality of our industry-leading operating model that governs our centres.

During FY2020 the Government introduced the reduced rate (TRR) of VAT on hospitality activities from which bowling activities were excluded. We were pleased that this decision was reversed by HMRC in April 2022 with leisure bowling being able to benefit from this rate retrospectively.

Including the impact of TRR of VAT on bowling, LFL revenues saw growth of 31.2 per cent.

We continue to improve the overall quality of the estate through new centre openings, refurbishments and rebrands, and through innovation of the customer offer and investment in technology. We completed three major centre refurbishments including one rebrand and opened two new centres in the half year.

Statutory profit before tax grew by £47.9m, to £33.4m, when compared to the same period in FY2021, and is £17.1m (104.1 per cent) ahead of the same period in FY2019. All Group centres had a positive contribution and the average centre EBITDA for H1 FY2022 (on a pre-IFRS 16 basis) of £661,000, is industry leading. First half free cash flow of £19.6m is further demonstration of our highly cash generative business model, and with net cash of £49.6m as at the end of H1 FY2022, the business is in strong financial health.

As a result of the strength of our trading performance since our re-opening in May 2021, we did not claim any COVID-related government support grants during the half year.

It gives me great pleasure to announce the resumption of our dividend. In line with our progressive dividend policy, the Board has declared an interim dividend of 3.0 pence per share.

Like-for-like growth

LFL sales (excluding TRR of VAT on bowling activities) grew 26.8 per cent during the first half of the financial year, with all revenue lines showing sales growth on the comparative period in 2019.

On a LFL basis (excluding TRR of VAT on bowling activities), game volumes grew by 18.1 per cent. LFL spend per game grew by 7.5 per cent. in the period, up from £9.79 in H1 FY2019 to £10.52 in H1 FY2022. Our dynamic pricing structure allowed us to introduce new discounts for the non-peak periods driving overall capacity utilisation, whilst also automatically managing the price during the peak periods. This has the result of driving yield whilst still keeping our headline pricing the lowest of all the branded bowling operators – with a family of four able to bowl for less than £22.

Drink spend per game grew on an LFL basis by 4.9 per cent, helped in part by the roll out of the at lane ordering technology, with LFL revenues in this area growing by 22.9 per cent against H1 FY2019.

Amusement spend per game also showed solid growth during the period, up 21.7 per cent on a LFL basis over the half, with LFL revenues up 43.6 per cent. Whilst some of the significant growth in amusement revenues is a direct consequence of the increased footfall, a combination of our investments and innovations, including new game formats, improvements in payment technology removing a barrier to play, as well as a significant increase in machine density through the refurbishment programme, allowed us to capitalise on the more favourable trading environment.

Prior to re-opening the business, we took the strategic decision to streamline the diner menu, reducing price, removing the more operationally complex products and simplifying specifications for ease of delivery and to minimise the exposure to supply chain and food inflation issues. These initiatives have been welcomed by our customers and the focus on speed and quality, at a value price point, have succeeded in driving LFL diner revenue by 8.4 per cent, and LFL gross profit contribution from food by 7.9 per cent despite a 10.9 per cent overall reduction in average menu pricing.

Growth strategy

As we emerged from the pandemic in the past year, we took the opportunity to review and refresh our strategy to ensure that it remained relevant for the post COVID operating environment. Our strategic priorities can be summarised around three key initiatives – (i) investing in our estate and leading customer offer (ii) organic growth through new centre openings and strategic acquisitions; and (iii) growing sustainably. I am pleased with the progress made in each of these areas during the half.

Investing in our estate and new centre openings

We completed the refurbishment of two centres and a refurbishment and rebrand of one centre during the half. AMF Shrewsbury reopened its doors as a Hollywood Bowl on 18th February 2022, and initial trading is very encouraging.

The refurbishment programme for the rest of the estate is also on track with completed the refurbishments of our centres in Glasgow Springfield Quay and Birmingham Rubery during the period. Since the end of the first half, we have also completed the refurbishment of our Bolton and Glasgow Coatbridge Hollywood Bowls.

We are currently on site in one centre, and we plan to complete at least two further refurbishments before the end of the financial year. We are on track to meet our guided seven to ten refurbishments/rebrands by the end of FY2022. The average LFL revenue growth from the most recent seven refurbishments / rebrands is 39.5 per cent versus FY2019.

Two new centres opened during the half, taking the total number of centres in the estate to 66 at the end of the first half. Hollywood Bowl Birmingham Resorts World at the popular leisure and retail scheme next to the NEC opened just in time for the Christmas trade on 10th December, following a net capital spend of £1.4m. The centre is a key anchor complementing the new leisure focus of the scheme, alongside a well-established Cinema, Escape Hunt, and a good selection of restaurants. The 17-lane centre occupying 27k square feet has been very well received and is trading in line with expectations.

The second centre opened during the half is a Puttstars in the long-established St Georges shopping centre in Harrow. This 27-hole 20k square foot centre is the fourth trial centre of our new mini golf brand and incorporates all the learnings from the first three centres we opened. The centre has traded very well over in its first few weeks of opening in February.

Investment in all aspects of the customer journey has continued, with seven centres having benefited from the installation of the Pins on Strings technology in the half. 54 per cent of the estate has now been completed, and we plan to install Pins on Strings in a further nine centres before the year end.

We remain confident in our ability to continue to deliver on our plan of an average of at least three new openings a year. Belfast opened its doors in April 2022, taking the total number of UK centres in the estate to 67 as at the date of this announcement, and we will be on site in Peterborough and Liverpool during the second half of the financial year.

International expansion

In line with our long-term growth plan, developing our business in international markets is part of our vision and growth strategy. We were delighted to announce today the acquisition of the Canada based Teaquinn Holdings Inc, which incorporates five Splitsville bowling centres and the Striker Bowling

Solutions business. The company is a well operated, asset backed business that provides the Group with a strategic entry point into a fragmented and underinvested market.

The company met our strict investment criteria; it has a quality management team with ambition for growth and it operates in a market that closely mirrors the UK and will be receptive to a modified version of our operating model. The market is stable and well-established and offers both consolidation and new development opportunities. There is low downside risk due to the freehold valuations, with good medium to longer term opportunity for sustained profitable growth.

The purchase was made at an attractive multiple, funded from cash on our balance sheet. The Group will provide some funding to the Canadian business to support its growth strategy, but it is not envisaged that this funding will impact on the Group's overall capital allocation policy. Further detail is included in the announcement released separately today.

Growing sustainably

Our strategy for growing our business sustainably, is based around three pillars: (i) operating safe and inclusive leisure destinations (ii) developing outstanding workplaces and (iii) continually improving the sustainability credentials of our centres.

We take the role our centres play in their communities very seriously and have worked closely with special needs and concessionary groups for many years, to make our centres as accessible as possible to every part of the community. Over £1.5m of concessionary discounts were redeemed in the half and we extended the discount periods to include all peak trading days.

We have worked very hard on our people initiatives to continue to attract and retain the very best talent in an increasingly competitive labour market. Our industry leading talent development programmes were reintroduced post the COVID lock downs, and we now have well over 100 team members enrolled, with over 40 per cent of all management vacancies filled from our internal talent pipeline during the half. We re-assessed our team members pay in the current inflationary environment, increasing our salaried teams' remuneration by 5.8 percent, and also introduced generous bonus schemes for all team members, with over £3.2m earned in recognition of their tireless efforts and commitment during the half.

Eight centres now have large solar arrays on their roofs after completing three installs during the half, and we are on track to have 15 centres with solar panels by the end of FY2022 with the capacity to generate over 4.6 MWH per year. Each centre generates over 30 per cent of the energy it needs and feeds clean energy back to the grid when over-generating. Paybacks on the technology are ahead of our expectations, and with current energy inflation set to continue, are proving to be a sound long term investment.

Outlook

While we are mindful of the challenges many of our customers are facing in this higher inflationary environment, we continue to provide great value for money. This clearly resonated with our customers in the first half of FY2022 and 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 growth strategy, gives the Board confidence in the outlook of the business. I am encouraged by the progress we are making with our key strategic priorities, and we are on track to meet Board expectations for the full year.

Stephen Burns

Chief Executive Officer

25 May 2022

CHIEF FINANCIAL OFFICER REVIEW

Group financial results

	H1 FY2022 (Statutory)	**H1 FY2022 (excl VAT benefit on bowling)**	H1 FY2021	**H1 FY2019**	**Movement vs H1 FY2019**
Revenue	£100.2m	**£91.3m**	£10.4m	**£67.0m**	**+36.3%**
Gross profit	£86.5m	**£77.7m**	£9.2m	**£59.3m**	**+35.1%**
Gross profit margin	86.4%	**85.1%**	88.6%	**85.9%**	**-0.8%pts**
Administrative expenses	£48.9m	**£48.7m**	£20.9m	**£40.8m**	**+19.5%**
Group adjusted EBITDA[1]	£42.2m	**£39.2m**	£0.2m	**N/A**	
Group adjusted EBITDA[1] pre-IFRS 16	£34.0m	**£31.0m**	(£7.4m)	**£21.1m**	**+46.8%**
Group profit before tax	£33.4m	**£24.8m**	(£14.5m)	**£16.4m**	**+51.5%**
Group profit after tax	£27.0m	**£20.4m**	(£11.6m)	**£13.4m**	**+52.5%**
Free cash flow[2]	£19.6m	**£19.6m**	(£12.7m)	**£9.3m**	**+112.1%**
Interim ordinary dividend per share	3.00p	**3.00p**	-	**2.27p**	**+32.2%**
Group expansionary capital expenditure 3	£7.0m	**£7.0m**	£0.3m	**£6.1m**	**+14.6%**

1 Group adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) reflects the underlying trade of the overall business. It is calculated as statutory operating profit plus depreciation, amortisation, loss on disposal of property, right-of-use assets, plant and equipment and software and any exceptional costs or income and is also shown pre-IFRS 16 as well as adjusted for IFRS 16. The reconciliation to operating profit is set out below in this section of the report.
2 Free cash flow is defined as net cash flow pre-dividends, bank funding and any equity placing.
3 Group expansionary capital expenditure includes all capital on new centres, refurbishments and rebrands only.

Following the introduction of the new lease accounting standard IFRS 16, the Group has decided to maintain the reporting of Group adjusted EBITDA on a pre-IFRS 16 basis as well as on an IFRS 16 basis. This is because the pre-IFRS 16 measure is consistent with the basis used for business decisions, as well as a measure investors use to consider the underlying business performance. Group adjusted EBITDA on a pre-IFRS 16 basis is also a measure used within the Group's revolving credit facility agreement. For the purposes of this review, the commentary will clearly state when it is referring to figures on an IFRS 16 or pre-IFRS 16 basis.

The trading periods for FY2020 and FY2021 were disrupted due to a combination of COVID-19 lockdowns and trading restrictions once open, therefore comparisons in this financial review are made with H1 FY2019 unless otherwise stated.

Reduced rate of VAT on bowling activities

During FY2020 the Chancellor announced the reduced rate (TRR) of VAT on hospitality activities from which bowling activities were initially excluded. The Tenpin Bowling Proprietors Association has been lobbying on the industry's behalf, since that date, for the sector to be treated in line with the hospitality industry. We received confirmation on 12th April 2022 that HMRC agreed that there is indeed a clear distinction between the sport of competitive bowling and the leisure activity of bowling – with the latter being able to benefit from TRR of VAT retrospectively.

For the periods from July 2020 to December 2021, the Group has submitted an Error Correction Notice to HMRC to the value of £7.3m and for the period January 2022 to March 2022 it applied the appropriate VAT rate in its VAT return. The overall VAT benefit is £8.8m to statutory revenue (£5.8m in relation to prior periods and £3.0m for FY2022) and £8.6m to statutory profit before tax. The £5.8m revenue and £5.6m profit relating to prior periods, has been recognised as an exceptional item.

This VAT adjustment is not an accounting error as the evidence used and available for the prior years was correct at the time. Therefore, there is no restatement of prior year comparatives. However, to ensure the review compared to prior years is more relevant, the Group has distinguished this benefit in this report and will clearly state where it is using statutory figures or excluding TRR of VAT on bowling.

All LFL revenue commentary excludes TRR of VAT on bowling, but for information this would increase LFL revenue growth to 31.2 per cent vs H1 FY2019.

Revenue

The Group continued its strong momentum from FY2021 into FY2022, with significant LFL growth at 26.8 per cent for the first half when compared to the same period in FY2019. Furthermore, it is worth noting that four of the five highest revenue months ever recorded by the Group were in the first half, with February the second highest ever (after August 2021), at £17.7m.

LFL revenue growth was a combination of a growth in spend per game of 7.5 per cent as well as game volume of 18.1 per cent. This LFL growth alongside the on-target performance of the Group's new centres, resulted in record revenues of £91.3m in the first half, and growth of 36.3 per cent compared to H1 FY2019 (statutory revenue for H1 FY2022 is £100.2m).

Gross profit margin
Gross profit was £77.7m excluding TRR of VAT on bowling (£85.5m on a statutory basis) with margin in line with expectations, at 85.1 per cent, a decline of 80 basis points compared to FY2019. Revenues grew across all categories, but the strongest growth was seen in amusements, with LFL revenue growth of 43.6 per cent, outstripping other revenue lines. Given the amusements' lower margin rate, this has impacted overall gross profit margin but equated to more gross profit.

Administrative expenses
Following the adoption of IFRS 16 during FY2020, administrative expenses exclude property rents (turnover rents are not excluded) and include the depreciation of property right-of-use assets.

Administrative expenses on a statutory basis were £48.9m. On a pre-IFRS 16 basis, administrative expenses were £52.4m, compared to £40.8m during the corresponding period in FY2019.

Employee costs in centres increased by £3.1m when compared to H1 FY2019, with LFL centres up £1.7m (13.9 per cent) due to a combination of salary increases over the periods and the impact of higher revenues. The balance of the increase compared to H1 FY2019 is in respect of new centres.

Total property costs, accounted for under pre-IFRS 16, were £15.5m (H1 FY2019: £15.0m). Property costs increased by only £0.5m, with new centre costs of £1.4m offset by the lower property rates in the half. It is worth noting that property rates have returned to normal levels for the second half of FY2022.

Alongside all other costs, energy costs continue to be a focus for the Group. Electricity costs are hedged to 2024, and we have continued to work closely with our landlords to install solar panels on more centres, with eight centres installed at the end of the first half and at least a further seven planned for the second half. This will mean that by the end of FY2022, the Group is expected to generate 4.6 MWH of electricity from its solar panels (in FY2019 the Group used 18.4 MWH of electricity).

Total property costs, under IFRS 16, were £16.1m for H1 FY2022, including £4.7m accounted for as property lease assets' depreciation and £4.1m in implied interest relating to the lease liability under IFRS 16.

Corporate costs include all central costs as well as the outperformance bonus for centres. Total corporate costs increased by £5.9m when compared to FY2019. The main driver of this increase is due to centre level bonuses, driven by the outperformance of centres and with over £2.8m accrued in the first half. This is testament to the hard work and commitment of our amazing centre teams across the estate. Other increases have been seen in marketing spend, £0.5m, and £0.4m in the support centre headcount as we continue to invest in our teams.

The statutory depreciation, amortisation and impairment charge for H1 FY2022 was £10.2m. Excluding property lease assets' depreciation, this charge was £5.5m. The increase compared to H1 FY2019 is due to the continued capital investment programme, including new centres and refurbishments as well as the accelerated depreciation on the mechanical pinspotters as they are replaced by Pins on Strings.

Exceptional items

As a result of the HMRC position on TRR of VAT, the Group has made a retrospective claim for the overpaid VAT and the prior period amounts have been classified as exceptional items. The total exceptional amount, net of associated expenses, is £5.6m. Note 2 to the financial statements includes more detail on the impact of TRR of VAT included in the half year results.

Group adjusted EBITDA and operating profit

Group adjusted EBITDA on a pre-IFRS 16 basis (excluding the prior periods and current year impact of TRR of VAT on bowling activities) increased to a record £31.0m.

Comparing performance in the first half, excluding the prior year and current year EBITDA impact of TRR of VAT on bowling activities, this was an increase of 46.8 per cent when compared to H1 FY2019 (£21.1m). The increase is primarily due to the increased revenue performance and the Group's relatively fixed cost base, which delivered a Group adjusted EBITDA margin of 34.0 per cent. As can be seen from historic performances, it is normal for the Group to have a higher Group adjusted EBITDA margin in the first half when compared to the second half.

The reconciliation between statutory operating profit and Group adjusted EBITDA on a both a pre-IFRS 16 and under IFRS 16 basis, is below.

Group adjusted EBITDA and operating profit/(loss)

	H1 FY2022 £'000	H1 FY2021 £'000
Operating profit / (loss)[1]	**37,616**	(10,022)
Depreciation	**9,949**	9,974
Amortisation	**236**	239
Loss / (profit) on property, right-of-use assets, plant and equipment and software disposal	**(20)**	—
Exceptional items (prior periods impact of TRR of VAT on bowling activities)	**(5,641)**	—
Group adjusted EBITDA under IFRS 16	**42,158**	191
Current year impact of TRR of VAT on bowling activities	**(2,970)**	—
IFRS 16 adjustment[2]	**(8,156)**	(7,642)
Group adjusted EBITDA pre-IFRS 16	**31,033**	(7,450)

1 Operating profit in H1 FY2021 includes government grant income of £1.6m

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

Share-based payments

During the first half of the year, the Group granted further Long-Term Incentive Plan (LTIP) shares to the senior leadership team. These awards vest in three years providing continuous employment during this period and attainment of performance conditions relating to earnings per share (EPS).

The Group recognised a total charge of £403,043 (H1 FY2021: £418,626) in relation to the Group's share-based payment arrangements.

Financing

Finance costs compared to H1 FY2021 decreased to £4.2m in H1 FY2022 (H1 FY2021: £4.5m) comprising the implied interest relating to the lease liability under IFRS 16 of £4.1m and £0.1m associated with our bank borrowing facilities. The Group's bank borrowing facilities are a revolving credit facility (RCF) of £25m at a margin rate of 1.75 per cent above SONIA and an agreed accordion of £5m. The loan term runs to the end of December 2024, this RCF remains fully undrawn.

The liquidity position of the Group remains strong, with a cash position of £49.6m at the end of the first half and has grown to £55.2m by the end of April 2022. It also has £25m available through the RCF.

Taxation
The Group's tax charge for the first half is £6.4m, including a charge of £2.0m in relation to TRR of VAT on bowling refund due from HMRC.

Earnings
Statutory profit before tax for the first half was a record £33.4m. Excluding the benefit from TRR of VAT on bowling activities, profit before tax was also a record £24.8m.

The Group delivered statutory profit after tax of £27.0m (H1 FY2019: £13.4m) and basic earnings per share was 15.8 pence.

Cash flow and net debt
Net cash at 31 March 2022 was £49.6m, compared to a net cash position of £29.9m at the end of FY2021. Detail on the cash movement in the year is shown in the table below.

Net cash is defined as cash and cash equivalents as per the statement of financial position less any bank borrowings.

Capital expenditure
During the first half, the Group invested net capex of £11.1m. A total of £1.2m was invested into the refurbishment programme, with Glasgow Springfield Quay and Birmingham Rubery centres completed, whilst a rebrand was also completed at AMF Shrewsbury. At least a further four centres will be refurbished in the second half, with Bolton and Glasgow Coatbridge already completed. The returns on those investments are all expected to exceed the Group's hurdle rate of 33 per cent.

New centre capital expenditure was a net £5.8m, in relation to both new centres that opened in the first half, Hollywood Bowl Resorts World and Puttstars Harrow, as well as a significant amount of the expenditure for Hollywood Bowl Belfast which opened during April 2022.

The Group spent a total of £4.1m on maintenance capital, including £1.4m on implementing Pins on Strings technology across more centres, as well as £0.7m on solar installs.

Cash flow

	H1 FY2022 £'000	H1 FY2021 £'000
Group adjusted EBITDA under IFRS 16	**42,158**	191
Movement in working capital	**2,115**	(3,304)
Maintenance capital expenditure	**(4,106)**	(2,090)
Taxation	**(1,530)**	—
Payment of capital elements of leases	**(7,916)**	(2,179)
Adjusted operating cash flow (OCF)[1]	**30,721**	(7,382)
Adjusted OCF conversion	**72.9%**	(3,870)%
Expansionary capital expenditure[2]	**(6,997)**	(322)
Net bank loan interest paid	**(41)**	(715)
Lease interest paid	**(4,054)**	(3,956)
Debt repayments	—	(300)
Free cash flow (FCF)[3]	**19,634**	(12,676)
Equity placing (net of fees)	—	29,252
Net cash flow	**19,634**	16,576

1 Adjusted operating cash flow is calculated as Group adjusted EBITDA less working capital, maintenance capital expenditure, taxation and payment of the capital element of leases. This represents a good measure for the cash generated by the business after taking into account all necessary maintenance capital expenditure to ensure the routine running of the business. This excludes exceptional items, net interest paid, debt drawdowns and any debt repayments.
2 Expansionary capital expenditure includes all capital on new centres, refurbishments and rebrands only.
3 Free cash flow is defined as net cash flow pre-debt facility repayment, RCF drawdowns, dividends and equity placing.

Dividend

In line with its capital allocation policy, the Group is pleased to be able to reintroduce its interim dividend for FY2022. The Directors have declared an interim dividend of 3.00 pence per share. The ex-dividend date is 9 June 2022, with a record date of 10 June 2022 and a payment date of 6 July 2022.

Going concern

As detailed in note 2 to the Financial Statements, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future, a period of at least 12 months from the date of this report.

Outlook and guidance

We are pleased with how the year has started and are positive for the second half of FY2022. Given the increased foreign travel forecasted in July and August, we expect full year LFL growth to be mid-teen double digits.

Inflationary pressures are expected to continue during the second half; however we are well placed to manage these with the relatively low labour costs representing circa 18 per cent of revenue at centre level, and food and drink costs representing less than 10 per cent of our overall costs. Our energy costs are hedged out to the end of FY2024 and we will be continuing with the installation of solar panels on our centres in the second half.

Laurence Keen

Chief Financial Officer

25 May 2022

Note on alternative performance measures (APMs)

The Group uses APMs to enable management and users of the financial statements to better understand elements of the financial performance in the period. APMs referenced earlier in the report are explained as follows. It should be noted that trading periods for FY2020 and FY2021 were disrupted due to a combination of COVID-19 lockdowns and trading restrictions once open, therefore comparisons in this financial review use FY2019 as a base.

Like-for-like (LFL) revenue growth is total revenues (£100.2m) excluding any revenues relating to TRR of VAT for prior years (£5.8m), TRR of VAT for FY2022 (£3.0m) and any new centres for FY2019 onwards (£6.5m). New centres are included in the LFL revenue after they complete the calendar anniversary of their opening date.

Group adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) reflects the underlying trade of the overall business. It is calculated as statutory operating profit plus depreciation, amortisation, loss on disposal of property, right-of-use assets, plant and equipment and software and any exceptional costs or income and is also shown pre-IFRS 16 as well as adjusted for IFRS 16. The reconciliation to operating profit is set out in this report.

Free cash flow is defined as net cash flow pre-dividends, bank funding and any equity placing.

Spend per game is defined as revenue in the year (excluding any revenues relating to TRR of VAT for prior years (£5.8m) and TRR of VAT for FY2022 (£3.0m)) divided by the number of bowling games and golf rounds played.

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

Expansionary capital expenditure includes all capital on new centres, refurbishments and rebrands only.

Condensed Consolidated Income Statement and Statement of Comprehensive Income
For the six months ended 31 March 2022

	Note	Six months ended 31 March 2022 Before exceptional items Unaudited £'000	Exceptional items Unaudited £'000	Total Unaudited £'000	Six months ended 31 March 2021 restated Unaudited £'000	Year ended 30 September 2021 Audited £'000
Revenue		94,381	5,792	100,173	10,433	71,878
Cost of sales		(13,641)	-	(13,641)	(1,192)	(10,257)
Gross profit		80,740	5,792	86,532	9,241	61,621
Other income	4	-	-	-	1,594	2,814
Administrative expenses		(48,765)	(151)	(48,916)	(20,857)	(54,855)
Operating profit/(loss)		31,975	5,641	37,616	(10,022)	9,580
Finance expenses	6	(4,179)	-	(4,179)	(4,467)	(9,118)
Profit/(loss) before tax		27,796	5,641	33,437	(14,489)	462
Tax (expense)/credit	8	(5,354)	(1,058)	(6,412)	2,856	1,266
Total comprehensive income/(loss) for the period attributable to equity shareholders		22,442	4,583	27,025	(11,633)	1,728
Earnings per share (based on weighted average number of shares)	7			**Pence**	**Pence**	**Pence**
Basic				15.82	(7.34)	1.05
Diluted				15.76	(7.34)	1.04
Weighted average number of shares in issue for period – Basic (number)				170,828,776	158,577,985	164,607,791
Weighted average number of shares in issue for period – Diluted (number)				171,431,946	159,675,997	165,467,223

Prior year comparatives for the period ended 31 March 2021 have been restated due to a reclassification of government grant income from revenue to other income (note 4).

Reconciliation of operating profit to Group Adjusted EBITDA		Six months ended 31 March 2022 Unaudited £'000	Six months ended 31 March 2021 Unaudited £'000	Year ended 30 September 2021 Audited £'000
Operating profit/(loss)		37,616	(10,022)	9,580
Exceptional items	5	(5,641)	-	-
Depreciation of property, plant and equipment	10	4,144	3,805	7,740
Depreciation of right-of-use assets	11	5,805	6,169	11,882
Amortisation of intangible assets	12	236	239	477
Impairment of property, plant and equipment		-	-	299
Impairment of right-of-use assets		-	-	551
(Profit)/loss on disposal of property, plant and equipment, right-of-use assets and software	10, 11, 12	(2)	-	29
Group Adjusted EBITDA		42,158	191	30,558

Group adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) reflects the underlying trade of the overall business. It is calculated as operating profit plus depreciation, amortisation, impairment losses and loss on disposal of property, plant and equipment, right-of-use assets and software and exceptional items.

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

Reconciliation of net debt	Six months ended 31 March 2022 Unaudited £'000	Six months ended 31 March 2021 Unaudited £'000	Year ended 30 September 2021 Audited £'000
Borrowings from bank facilities	-	29,200	-
Cash and cash equivalents	(49,577)	(37,360)	(29,942)
Net (cash)/debt excluding finance leases	(49,577)	(8,160)	(29,942)
Finance leases	172,430	172,939	173,940
Net debt	122,853	164,779	143,998

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

Condensed Consolidated Statement of Financial Position
As at 31 March 2022

	Note	31 March 2022 Unaudited £'000	31 March 2021 Unaudited £'000	30 September 2021 Audited £'000
ASSETS				
Non-current assets				
Property, plant and equipment	10	55,977	46,369	49,036
Right-of-use assets	11	133,077	130,321	132,342
Goodwill and intangible assets	12	77,807	78,006	77,948
Deferred tax asset		4,130	7,802	6,290
		270,991	262,498	265,616
Current assets				
Cash and cash equivalents		49,577	37,360	29,942
Trade and other receivables	9	10,474	2,319	3,300
Corporation tax receivable		-	722	650
Inventories		1,739	1,278	1,461
		61,790	41,679	35,353
Total assets		332,781	304,177	300,969
LIABILITIES				
Current liabilities				
Trade and other payables		21,773	6,389	18,142
Lease liabilities	11	11,615	16,948	13,811
Corporation tax payable		2,067	-	-
Loans and borrowings	14	-	4,368	-
		35,455	27,705	31,953
Non-current liabilities				
Other payables		516	825	565
Lease liabilities	11	160,916	155,991	160,129
Loans & borrowings	14	-	24,517	-
Provisions		3,769	3,521	3,635
		165,201	184,854	164,329
Total liabilities		200,656	212,559	196,282
NET ASSETS		132,125	91,618	104,687
Equity attributable to shareholders				
Share capital	13	1,711	1,706	1,706
Share premium	13	39,691	39,587	39,691
Merger reserve		(49,897)	(49,897)	(49,897)
Retained earnings		140,620	100,222	113,187
TOTAL EQUITY		132,125	91,618	104,687

Condensed Consolidated Statement of Changes in Equity
For the six months ended 31 March 2022

	Share capital £'000	Share Premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Equity at 30 September 2020 (audited)	**1,575**	**10,466**	**(49,897)**	**111,350**	**73,494**
Shares issued during the period (Note 13)	131	29,121	-	-	29,252
Share-based payments (Note 15)	-	-	-	418	418
Deferred tax recognised in equity	-	-	-	87	87
Loss for the period	-	-	-	(11,633)	(11,633)
Equity at 31 March 2021 (unaudited)	**1,706**	**39,587**	**(49,897)**	**100,222**	**91,618**
Shares issued during the period	-	104	-	-	104
Share-based payments (Note 15)	-	-	-	(402)	(402)
Deferred tax on share-based payments	-	-	-	6	6
Profit for the period	-	-	-	13,361	13,361
Equity at 30 September 2021 (audited)	**1,706**	**39,691**	**(49,897)**	**113,187**	**104,687**
Shares issued during the period (Note 13)	5	-	-	-	5
Share-based payments (Note 15)	-	-	-	403	403
Deferred tax recognised in equity	-	-	-	5	5
Profit for the period	-	-	-	27,025	27,025
Equity at 31 March 2022 (unaudited)	**1,711**	**39,691**	**(49,897)**	**140,620**	**132,125**

Condensed Consolidated Statement of Cash Flows
For the six months ended 31 March 2022

Cash flows from operating activities	*Note*	**Six months ended 31 March 2022 Unaudited £'000**	**Six months ended 31 March 2021 Unaudited £'000**	**Year ended 30 September 2021 Audited £'000**
Profit/(loss) before tax		33,437	(14,489)	462
Adjusted by:				
Depreciation of property, plant and equipment (PPE)	10	4,144	3,805	7,740
Depreciation of right-of-use (ROU) assets	11	5,805	6,169	11,882
Amortisation of intangible assets	12	236	239	477
Impairment of PPE and ROU assets		-	-	850
Net interest expense		4,179	4,467	9,118
(Profit)/loss on disposal of property, plant and equipment, software and ROU Assets		(2)	-	29
Share-based payments		403	418	16
Operating profit before working capital changes		48,202	609	30,574
(Increase)/decrease in inventories		(278)	62	(121)
Increase in trade and other receivables	9	(7,194)	(600)	(1,446)
Increase/(decrease) in payables and provisions		3,400	(3,185)	8,456
Cash inflow generated from operations		44,130	(3,114)	37,463
Corporation tax paid		(1,530)	-	-
Bank interest paid		(41)	(715)	(1,207)
Lease interest paid		(4,054)	(3,956)	(7,952)
Net cash inflow from operating activities		38,505	(7,785)	28,304
Investing activities				
Purchase of property, plant and equipment		(11,007)	(2,340)	(9,330)
Purchase of intangible assets		(95)	(72)	(252)
Net cash used in investing activities		(11,102)	(2,412)	(9,582)
Cash flows from financing activities				
Repayment of bank loan		-	(300)	(29,500)
Payment of capital elements of leases		(7,773)	(2,179)	(9,420)
Issue of shares		5	29,252	29,356
Net cash used in financing activities		(7,768)	26,773	(9,564)
Net change in cash and cash equivalents for the period		19,635	16,576	9,158
Cash and cash equivalents at the beginning of the period		29,942	20,784	20,784
Cash and cash equivalents at the end of the period		**49,577**	**37,360**	**29,942**

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 2022 ('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 25 May 2022.

The Group's last annual audited financial statements for the year ended 30 September 2021 have been prepared in accordance with International Account Standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and these Interim Financial statements should be read in conjunction with them.

The comparative figures for the year ended 30 September 2021 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 2021 have been delivered to the Registrar of Companies. The external auditor has reported on those accounts: their report was unqualified and did not contain a statement under s498 (2) or (3) of the Companies Act 2006.

2. Basis of preparation

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

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

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those applied in the presentation of the Group's consolidated financial statements for the year ended 30 September 2021. 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.

Exceptional items

During the six-month period ended 31 March 2022, HMRC conducted a review of its policy position on the reduced rate of VAT for hospitality and tourism and the extent to which it applies to bowling. Following its review, HMRC now accepts that leisure bowling should fall within the scope of the temporary reduced rate of VAT for tourism and hospitality, as a similar activity to those listed in Group 16 of schedule 7A of the VAT Act 1994.

As a result, the Group has made a retrospective claim for overpaid output VAT for the period 15 July 2020 to 30 September 2021 totalling £5,792,000 and included within bowling revenue, and has incurred associated expenses totalling £151,000, which are included within administrative expenses (See note 5).

Other receivables includes £7,292,000 (£5,792,000 for the period 15 July 2020 to 30 September 2021 as noted above and £1,500,000 for the period 1 October 2021 to 31 December 2021) due from HMRC in relation to the claim. An additional £1,548,000 for the period 1 January 2022 to 31 March 2022 is offset against the VAT due to HMRC as at 31 March 2022 included within trade and other payables.

Going concern

The financial position of the Group, its cash flows, performance and position are described in the financial review section. Details of the Group's available and drawn facilities are included in note 14. At 31 March 2022, the Group had a cash balance of £49.6m with an undrawn RCF of £25m with Barclays Bank plc, and no outstanding loan balances. The principal risks of the Group are set out in note 16 to these financial statements.

As part of the review of the going concern basis of preparation, the Group has modelled a base case forecast and a severe but plausible case for the period covering 12 months from the date of these financial statements.

The base case forecast assumes that the Group trades in line with the FY2022 budget for the remainder of the financial year, and for the first 8 months of FY2023 using the following assumptions:

- October to December 2022 revenue down 5.0 per cent on a like-for-like (LFL) basis versus FY2022

- January to March 2023 revenue down 7.7 per cent on a LFL basis versus FY2022
- April and May 2023 revenue in line, on a LFL basis, with April and May 2019
- Payroll inflation of 5 per cent above FY2022
- All other cost inflation of 3 per cent above FY2022
- Dividend payments for FY2022 to be paid at 50 per cent of profit after tax

The severe but plausible downside scenario assumes that the Group trades 5 per cent down on revenue budget for the remainder of FY2022 and 10 per cent down on a LFL basis versus FY2022 for October 2022 to May 2023. The other key assumptions are as follows:

- Payroll inflation of 10 per cent above FY2022
- All other cost inflation of 8 per cent above FY2022
- Dividend payments for FY2022 to be paid at 50 per cent of profit after tax

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

Accounting estimates and judgements

The preparation of the Group financial statements requires management to make judgements, estimates and assumptions in applying the Group's accounting policies to determine the reported amounts of assets, liabilities, income and expenditure. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis, with revisions applied prospectively.

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

Critical accounting judgements

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

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. Judgement is applied in determining the components of the IBR used for each lease including risk-free rates, the Group's credit risk and any lease specific adjustments.

IBRs depend on the term and start date of the lease. The IBR is determined based on a series of inputs including: the risk-free rate based on government bond rates and a credit risk adjustment based on the average credit spread from commercial bank lenders.

Key sources of estimation uncertainty

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

- *Property, plant and equipment and right-of-use asset impairment reviews*

Property, plant and equipment and right-of-use assets are reviewed for impairment when there is an indication that the assets might be impaired by comparing the carrying value of the assets with their recoverable amounts. The recoverable amount of an asset or a CGU is typically determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates.

The key assumptions in the value-in-use calculations include growth rates of revenue and expenses, and discount rates. The carrying value of property, plant and equipment and right-of-use assets have been assessed to reasonable possible changes in key assumptions and these would not lead to a material impairment.

Further information in respect of the Group's property, plant and equipment and right-of-use assets is included in notes 10 and 11 respectively.

Standards issued not yet effective

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

3. Segmental reporting

Management consider that the Group consists of a single segment, and operates within the UK. No single customer provides more than 10 per cent of the Group's revenue. Within this one operating segment there are multiple revenue streams which consist of the following:

	Six months ended 31 March 2022 Unaudited £'000	Six months ended 31 March 2021 restated Unaudited £'000	Year ended 30 September 2021 Audited £'000
Bowling	51,625	5,050	34,530
Food and drink	24,529	2,647	17,396
Amusements	22,909	2,452	18,625
Mini-golf	1,049	219	1,076
Other	61	65	251
	100,173	10,433	71,878

Prior year comparatives for the period ended 31 March 2021 have been restated due to a reclassification of government grant income from revenue to other income of £1,594,000.

4. Other income

	Six months ended 31 March 2022 Unaudited £'000	Six months ended 31 March 2021 restated Unaudited £'000	Year ended 30 September 2021 Audited £'000
Government grants for the purpose of immediate financial support	-	1,594	2,814

Other income includes government grants received in prior years (31 March 2021: £1,594,000, 30 September 2021 £2,814,000). These were received as part of a government initiative to provide immediate financial support for businesses that were forced to close as a result of trading restrictions due to the COVID-19 pandemic. No government grants were received in the current financial year to 31 March 2022.

Prior year comparatives for the period ended 31 March 2021 have been restated due to a reclassification of government grant income from revenue to other income of £1,594,000.

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 expenses that have been shown separately due to the significance of their nature or amount:

	Six months ended 31 March 2022 Unaudited £'000	Six months ended 31 March 2021 Unaudited £'000	Year ended 30 September 2021 Audited £'000
Bowling revenue[1]	5,792	-	-
Administrative expenses[2]	(151)	-	-
	5,641	-	-

[1] Exceptional bowling revenue relates to overpaid output VAT for the period 15 July 2020 to 30 September 2021 following HMRC's review of its policy position on the reduced rate of VAT for hospitality and tourism (note 2).
[2] Exceptional administrative expenses relate to the exceptional bowling revenue and constitute additional turnover rent and profit share due to landlords, and also professional fees.

6. Finance expenses

	Six months ended 31 March 2022 Unaudited £'000	Six months ended 31 March 2021 Unaudited £'000	Year ended 30 September 2021 Audited £'000
Interest on bank borrowings	-	506	1,155
Other interest	102	-	3
Unwinding of discount on provisions	23	5	8
Finance costs on lease liabilities	4,054	3,956	7,952
	4,179	4,467	9,118

7. Earnings/(losses) per share

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) attributable to equity holders of Hollywood Bowl Group plc by the weighted average number of ordinary shares in issue during the period, excluding invested shares held pursuant to Long Term Incentive Plans (note 15).

Diluted earnings/(losses) per share is calculated by adjusting the weighted average number of ordinary shares in issue during the financial year adjusted for the effects of potentially dilutive options. The dilutive effect is calculated on the full exercise of all potentially dilutive ordinary share options granted by the Group, including performance-based options which the Group considers to have been earned. During the period ended 31 March 2022, the Group had potentially dilutive shares in the form of unvested shares pursuant to Long Term Incentive Plans (note 15).

Basic and diluted	Six months ended 31 March 2022 Unaudited	Six months ended 31 March 2021 Unaudited	Year ended 30 September 2021 Audited
Profit/(loss) for the period after tax (£'000)	27,025	(11,633)	1,728
Basic weighted average number of shares in issue for the period (number)	170,828,776	158,577,985	164,607,791
Adjusted for share awards	603,170	1,098,012	859,432
Diluted weighted average number of shares	171,431,946	159,675,997	165,467,223
Basic earnings per share (pence)	15.82	(7.34)	1.05
Diluted earnings per share (pence)	15.76	(7.34)	1.04

APM: Adjusted underlying earnings per share

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

	Six months ended 31 March 2022 Unaudited	Six months ended 31 March 2021 Unaudited	Year ended 30 September 2021 Audited
Adjusted underlying earnings/(loss) after tax (£'000)	22,442	(11,633)	1,728
Basic adjusted earnings per share (pence)	13.14	(7.34)	1.05
Diluted adjusted earnings per share (pence)	13.09	(7.34)	1.04
Adjusted underlying earnings/(loss) after tax is calculated as follows:			
Profit/(loss) before tax	33,437	(14,489)	462
Exceptional items (note 5)	(5,641)	-	-
Adjusted underlying profit/(loss) before tax	27,796	(14,489)	462
(Less)/add tax	(5,354)	2,856	1,266
Adjusted underlying earnings/(loss) after tax	22,442	(11,633)	1,728

8. Taxation

	Six months ended 31 March 2022 Unaudited £'000	Six months ended 31 March 2021 Unaudited £'000	Year ended 30 September 2021 Audited £'000
The tax expense/(credit) is as follows:			
- UK Corporation tax	4,311	(436)	(384)
- Adjustments in respect of previous periods	-	-	20
Total current tax	4,311	(436)	(364)
Deferred tax:			
Origination and reversal of temporary differences	2,101	(2,420)	287
Effects of changes in tax rates	-	-	(1,202)
Adjustments in respect of previous periods	-	-	13
Total deferred tax	2,101	(2,420)	(902)
Total tax expense/(credit)	6,412	(2,856)	(1,266)

Factors affecting tax charge:
The income tax expense/(credit) was recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the profit before tax for the half year ended 31 March 2022.

Deferred tax

At Budget March 2021, the government confirmed that the corporation tax main rate would remain at 19 per cent and increase to 25 per cent from 1 April 2023. As such, the rate used to calculate the deferred tax balances as at 31 March 2022 and 30 September 2021 has increased from 19 per cent to a blended rate up to 25 per cent depending on when the deferred tax balance will be released.

9. Trade and other receivables

	Six months ended 31 March 2022 Unaudited £'000	Six months ended 31 March 2021 Unaudited £'000	Year ended 30 September 2021 Audited £'000
Trade receivables	577	335	611
Other receivables	7,399	67	89
Prepayments	2,498	1,917	2,600
	10,474	2,319	3,300

Other receivables includes £7,292,000 (31 March 2021 and 30 September 2021: £nil) of previously overpaid VAT due from HMRC following its review of its policy position on the reduced rate of VAT for hospitality and tourism. (See note 2).

10. Property, plant and equipment

	Long leasehold property £'000	Short leasehold property £'000	Lanes and pinspotters £'000	Plant & machinery, fixtures and fittings £'000	Total £'000
Cost:					
At 1 October 2020	1,240	28,652	12,269	36,157	80,682
Additions	-	1,435	1,489	6,406	9,330
Disposals	-	(424)	(448)	(406)	(1,278)
At 30 September 2021 (audited)	**1,240**	**29,663**	**13,310**	**42,157**	**86,370**
Additions	-	3,240	2,100	5,779	11,119
Disposals	-	(24)	(309)	(223)	(556)
At 31 March 2022 (unaudited)	**1,240**	**32,879**	**15,101**	**47,713**	**96,933**
Accumulated depreciation:					
At 1 October 2020	292	11,011	4,347	14,448	30,098
Depreciation charge	48	2,773	694	4,225	7,740
Impairment charge	-	-	-	299	299
Disposals	-	(38)	(428)	(337)	(803)
At 30 September 2021 (audited)	**340**	**13,746**	**4,613**	**18,635**	**37,334**
Depreciation charge	24	1,411	356	2,353	4,144
Disposals	-	(24)	(303)	(195)	(522)
At 31 March 2021 (unaudited)	**364**	**15,133**	**4,666**	**20,793**	**40,956**
Net book value					
At 31 March 2022 (unaudited)	**876**	**17,746**	**10,435**	**26,920**	**55,977**
At 30 September 2021 (audited)	900	15,917	8,697	23,522	49,036

Plant & machinery, fixtures and fittings includes £3,343,000 (31 March 2021: £422,000; 30 September 2021: £2,162,000) of assets in the course of construction, relating to the development of new centres.

As at 31 March 2022, outstanding capital commitments totalled £2,351,000 (31 March 2021: £1,074,000; 30 September 2021: £3,041,000).

11. Leases

Group as a lessee

The Group has lease contracts for property and amusement machines used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group is restricted from assigning and subleasing the leased assets. There are eight lease contracts that include variable lease payments in the form of revenue-based rent top-ups.

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

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

	Property £'000	**Amusement machines £'000**	**Total £'000**
Cost			
At 1 September 2020	139,699	7,662	147,361
Lease additions	2,581	587	3,168
Lease surrenders	-	(443)	(443)
Lease modifications	7,710	-	7,710
At 30 September 2021 (audited)	**148,722**	**8,109**	**156,831**
Lease additions	3,530	1,499	5,029
Lease surrenders	-	(213)	(213)
Lease modifications	1,578	-	1,578
At 31 March 2022 (unaudited)	**153,830**	**9,395**	**163,225**
Accumulated depreciation			
At 1 October 2020	9,742	2,443	12,185
Depreciation charge	9,339	2,543	11,882
Impairment charge	551	-	551
Lease surrenders	-	(129)	(129)
At 30 September 2021 (audited)	**19,632**	**4,857**	**24,489**
Depreciation charge	4,714	1,091	5,805
Lease surrenders	-	(146)	(146)
At 31 March 2022 (unaudited)	**24,346**	**5,802**	**30,148**
Net book value			
At 31 March 2022 (unaudited)	**129,484**	**3,593**	**133,077**
At 30 September 2021 (audited)	129,090	3,252	132,342

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

	Property £'000	Amusement machines £'000	Total £'000
Lease liabilities			
At 1 October 2020	167,100	6,704	173,804
Lease additions	2,581	587	3,168
Accretion of interest	7,836	116	7,952
Lease modifications	6,442	(11)	6,431
Payments[1]	(15,429)	(1,986)	(17,415)
At 30 September 2021 (audited)	**168,530**	**5,410**	**173,940**
Lease additions	3,530	1,499	5,029
Accretion of interest	4,012	42	4,054
Lease modifications	1,578	(100)	1,478
Payments[1]	(10,513)	(1,457)	(11,970)
At 31 March 2022 (unaudited)	**167,137**	**5,394**	**172,531**
Current	9,633	1,982	11,615
Non-current	157,504	3,412	160,916
At 31 March 2022	**167,137**	**5,394**	**172,531**
Current	11,644	2,167	13,811
Non-current	156,886	3,243	160,129
At 30 September 2021	168,530	5,410	173,940

[1] As a result of COVID-19 rent concessions, during the periods ended 31 March 2021 and 30 September 2021 respectively, £3,304,000 and £991,000 of property payments and £693,000 and £745,000 of amusement machine payments were deferred during those periods. A further £1,019,000 for the period ended 31 March 2021 and £2,110,000 for the period ended 31 September 2021 of property rent savings were taken to profit or loss as a credit to variable lease payments within administrative expenses. There were no such deferrals or savings in the period ended 31 March 2022.

12. Goodwill and intangible assets

	Goodwill £'000	Brand £'000	Trademark £'000	Software £'000	Total £'000
Cost					
At 1 October 2020	75,034	3,360	798	1,860	81,052
Additions	-	-	-	252	252
At 30 September 2021 (audited)	**75,034**	**3,360**	**798**	**2,112**	**81,304**
Additions	-	-	-	95	95
At 31 March 2022 (unaudited)	**75,034**	**3,360**	**798**	**2,207**	**81,399**
Accumulated amortisation					
At 1 October 2020	-	1,020	316	1,543	2,879
Amortisation charge	-	168	50	259	477
At 30 September 2021 (audited)	**-**	**1,188**	**366**	**1,802**	**3,356**
Amortisation charge	-	84	25	127	236
At 31 March 2022 (unaudited)	**-**	**1,272**	**391**	**1,929**	**3,592**
Net book value					
At 31 March 2022 (unaudited)	**75,034**	**2,088**	**407**	**278**	**77,807**
At 30 September 2021 (audited)	75,034	2,172	432	310	77,948

13. Share capital

	31 March 2022		31 March 2021		30 September 2021	
	No of shares	**£'000**	**No of Shares**	**£'000**	**No of shares**	**£'000**
Ordinary shares of £0.01 each	171,059,454	1,711	170,578,333	1,706	170,631,183	1,706

During the period, 428,113 ordinary shares of £0.01 each were issued under the Group's Long Term Incentive Plan (LTIP) and a further 158 ordinary shares of £0.01 each were issued under the Group's SAYE scheme.

14. Loans and borrowings

Current	31 March 2022 Unaudited £'000	31 March 2021 Unaudited £'000	30 September 2021 Audited £'000
Bank loan	-	368	-
Revolving credit facility	-	4,000	-
Borrowings (less than 1 year)	-	4,368	-
Non-current			
Bank loan	-	24,517	-
Borrowings (greater than 1 year)	-	24,517	-
Total borrowings	-	28,885	-

On 29 September 2021, the Group repaid and cancelled its borrowing facilities with Lloyds Bank plc, and on the same day entered into a new £25m revolving credit facility (RCF) with Barclays Bank plc.

The RCF has a termination date of 31 December 2024. Interest is charged on any drawn balance based on the reference rate (SONIA), plus a margin of 1.75 per cent.

A commitment fee equal to 35 per cent of the drawn margin is payable on the undrawn facility balance. The commitment fee rate as at 31 March 2022 was therefore 0.6125 per cent (30 September 2021: 0.6125 per cent).

Issue costs of £135,000 were paid to Barclays Bank plc on commencement of the RCF. These costs are being amortised over the term of the facility and are included within prepayments.

The terms of the Barclays Bank plc facility include the following Group financial covenants:

(i) For the 7 month period ended 31 December 2021, the ratio of total net debt to adjusted EBITDA shall not exceed 1.75:1.
(ii) For the 12 month period ending on each reference date, commencing 31 March 2022 and each quarter thereafter, the ratio of total net debt to adjusted EBITDA pre-IFRS 16 shall not exceed 1.75:1.

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

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

The Group had the following performance share based payment arrangements in operation during the period:
a) The Hollywood Bowl Group plc Long Term Incentive Plan 2020
b) The Hollywood Bowl Group plc Long Term Incentive Plan 2021
c) The Hollywood Bowl Group plc Long Term Incentive Plan 2022

Long Term Incentive Plans

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

In accordance with the LTIP schemes outlined in the Group's Remuneration Policy (Annual Report FY2021), 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 2022, 2023 and 2024 and the Executive Directors' continued employment at the date of vesting.

During the six months ended 31 March 2022, 463,436 (31 March 2021:nil, 30 September 2021:452,993) share awards were granted under the LTIP.

For the six months ended 31 March 2022, the Group has recognised £399,275 of performance share-based payment expense in the profit or loss account (31 March 2021: £395,708 and 30 September 2021: credit of £8,753).

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

16. Principal Risks and Uncertainties

The Directors have reconsidered the principal risks and uncertainties of the Group and have determined that those reported in the Annual Report for the year ended 30 September 2021 remain relevant for the remaining half of the financial year, as well as the impact the Ukraine / Russia crisis could have on inflation and therefore the risk of recession in the UK. These risks are summarised below, and how the Group seeks to mitigate these risks is set out on pages 44 to 47 of the Annual Report and Accounts 2021, which can be found at www.hollywoodbowlgroup.com.

In summary, these include:

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

17. Related Party Transactions

31 March 2022 and 31 March 2021

There were no related party transactions during either period.

Responsibility Statement

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting'.
- 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 25 May 2022 and is signed on its behalf by:

Stephen Burns
CEO
25 May 2022

Laurence Keen
CFO
25 May 2022