1 June 2020

Hollywood Bowl Group plc

Interim Results for the Six Months Ended 31 March 2020

STRONG START TO THE YEAR, WELL MANAGED RESPONSE TO COVID-19 AND ROBUST RE-OPENING STRATEGY IN PLACE

Hollywood Bowl Group plc ("Hollywood Bowl" or the "Group"), the UK's market leading ten-pin bowling operator, today announces its interim results for the six-month period ended 31 March 2020 ("H1 FY2020").

Financial highlights

	6 months ended 31 March 2020 ("H1 FY2020") (IFRS 16)	**6 months ended 31 March 2020 ("H1 FY2020") (IAS 17)**	6 months ended 31 March 2019 ("H1 FY2019") (IAS 17)	Movement (IAS 17)
Total revenues	**£69.2m**	**£69.2m**	£67.0m	+3.3%
Like-for-like ("LFL") revenue growth [(1)]	**8.6%**	**8.6%**	4.4%	
Group adjusted EBITDA[(2)]	**£29.3m**	**£21.6m**	£21.1m	+2.4%
Operating profit margin	**27.7%**	**23.5%**	25.0%	-1.5%pts
Group profit before tax	**£14.5m**	**£15.3m**	£16.4m	-6.7%
Group profit after tax	**£11.5m**	**£12.2m**	£13.4m	-8.7%
Basic earnings per share	**7.68p**	**8.14p**	8.92p	-7.8%
Net debt [(3)]	**£190.8m**	**£14.6m**	£5.3m	

Operational highlights - **until estate closure on 20 March 2020**

- **Customer-focused strategy and ongoing rollout of new initiatives underpinning 8.6% LFL growth**
  - Average spend per game increased 2.1 per cent to £10.19, compared to H1 FY2019
  - Enhanced feedback via new blended customer service measurement
  - Positive results from extension of dynamic pricing, enhanced amusement offering and increased performance from digital channels

- **Continued investment in core estate delivering strong returns**
  - Three Hollywood Bowl refurbishments completed in H1 FY2020
  - Continued roll out of new scoring system which is now in 40 centres
  - Pins on Strings now in 15 centres

- **New centre opening programme on track, with further new developments signed**
  - Puttstars, our new trial mini golf brand launched with first centre opened on 6th March in Leeds receiving excellent customer feedback and trading in line with expectations
  - Practical completion of Hollywood Bowl York and Puttstars York - both ready for opening post lifting of Covid-19 measures
  - Puttstars Rochdale is mid-way through development with works expected to re-commence in June

Covid-19 response

- **Management acted quickly and effectively to support the welfare of team members and customers**
    - Extensive cleaning and social distancing measures in the lead up to Government lockdown
    - Close-down plans prepared in advance and executed with minimal disruption for customers and team members
    - All discretionary spend was suspended

- **A number of mitigating activities to strengthen balance sheet and preserve cash**
    - £10.5m net proceeds raised via a successful placing completed on 17 April 2020
    - Covenants on the debt facility have been waived or amended up to the first half of FY2021
    - £10m extension to the RCF provided by Lloyds Bank under the terms of the Government Coronavirus Large Business Interruption Loan Scheme ("CLBILS")
    - In addition to the management actions taken to preserve liquidity, the Board announced on 2 April 2020 that it does not intend to declare an interim ordinary dividend

- **Robust reopening strategy in place**
    - Social distancing in-centre customer journey developed to include only using alternate lanes, pre-booking only for peak periods, queue control measures, increased distance between bar and diner tables and operational amusements machines
    - Anew visual guidance campaign “Have Fun – Play Safe” to educate and encourage customer distancing
    - Comprehensive safety, cleaning, operational protocols and daily health monitoring developed for team members
    - Reduced opening hours for off-peak periods and revised rotas to support new operational measures
    - Reduced food and drink menu (also available as pre-booked options) to simplify operational delivery
    - Re-launch marketing programme created to include digital advertising, CRM campaigns and website pre visit information

Stephen Burns, Chief Executive Officer of Hollywood Bowl commented:
“We are very pleased with the strong financial and operational performance achieved in the first half, including the positive reaction to our new mini golf concept Puttstars, up until the impact of Covid-19 began to take effect. Since the estate shutdown, we have taken a number of mitigating actions to preserve cash, further strengthen our balance sheet and to ensure we are as well positioned as we can be for when it is possible to reopen. Prior to closing our centres, we had put in place a number of measures for our customers and teams’ safety. Our priority is to make sure that, once we reopen, our teams and customers can enjoy our unique leisure experience once again while feeling reassured that we will be taking every possible precaution for their health and continued welfare. We remain confident in the long-term strength of our business model and our ability to deliver our simple customer focused growth strategy.”

1. LFL revenue is defined as total revenue excluding any new centre openings from the current financial year until they are LFL (H1 FY2020: £1.9m), closures since the same reporting period in the prior year (H1 FY2019: £0.0m) and any closure period impacted by Covid-19 from 16th March (H1 FY2020: £0.8m, H1 FY2019: £5.7m) and is used as a key measure of constant centre growth.
2. Group adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) reflects the underlying trade of the overall business and excludes any one-off benefits (VAT rebates for prior years) and costs. It is calculated as statutory operating profit plus depreciation, amortisation, loss on disposal of property, right-of-use assets, plant and equipment and software, and any exceptional costs. It is management’s view that these are non-recurring benefits and costs. The reconciliation to operating profit is set out below in this section of this announcement.
3. Net debt under IAS 17 is defined as bank borrowings from bank facilities (£30.25m) excluding issue costs, less cash and cash equivalents (£15.64m). Under IFRS 16 finance leases (£176.2m) are included in the net debt calculation.

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Notes to Editors:
Hollywood Bowl Group is the UK's leading ten-pin bowling operator, with a high-quality portfolio of 61 centres operating under the Hollywood Bowl, AMF and Puttstars (mini golf) brands. The Group specialises in operating large (averaging 28,686 sq. ft), high quality bowling and mini golf 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 bowling lanes or mini golf courses, on-site dining, licensed bars, and state-of-the-art family amusement areas.

CHIEF EXECUTIVE OFFICER REVIEW
Our strong financial and operational performance for the first six months of the financial year was brought to a halt by the unprecedented environment we currently find ourselves in. Excluding the weeks from 16 March to the 31 March 2020 that were significantly impacted by the introduction of social distancing and lockdown measures, LFL revenue grew by 8.6 per cent. Total revenues grew by 3.3 per cent in the first half, driven by the successful execution of our customer led operating model.

During the period, we continued to improve the overall quality of the estate, through new centre openings, refurbishments, innovation and investment in technology. The very first Puttstars mini golf centre opened its doors in Leeds in early March and we also reached the practical completion phase of the new Hollywood Bowl centre and new Puttstars centre in York. We got half-way through the completion of Puttstars Rochdale, as well as securing two other fantastic locations for new Hollywood Bowl centres in Bracknell and Reading, further bolstering the pipeline of new openings, with ten now scheduled to open over the next four years.

Post the adoption of IFRS 16, profit before tax reduced by £1.9m to £14.5m compared to the corresponding period in the prior year. Constant centre EBITDA, on a pre-IFRS 16 basis, grew by 1.2 per cent in H1 FY2020, and was impacted by the UK Government's nationwide social distancing measures during the latter part of March. To the end of February 2020, constant centre EBITDA, on a pre-IFRS 16 basis, grew by 12.1 per cent to an average of £832,000 per centre. As we continued with our investment strategy, capital expenditure in the period was up from £8.6m in H1 FY2019, to £10.7m in H1 FY2020. The continued rollout of Pins on Strings, our new scoring system as well as new centres, accounted for the investment increase year on year. Along with the strong cash generated from operations of £12.2m, this left a cash balance at the end of the period of £15.6m and a net debt position (before leases) of £14.6m.

Covid-19 response
Management acted with pace and urgency to comply with the government led restrictions, protect the health and safety of our team and customers and to conserve cashflow. The business remains focused on mitigating the impact of the crisis over the coming months.

Our initial focus was on closing and securing our properties and reassuring our team, a team I would like to take this opportunity to thank for their incredible hard work and dedication over the first half of our financial year. On the 20 March, all of our centres were closed at 7pm following the Government announcement that hospitality and leisure venues should close. We put in place a detailed closedown procedure in every centre, including deep cleans and stocking up on long life product for when centres are permitted to reopen.

1,922 of Group employees (98.6 per cent), were placed on furlough, whilst all discretionary spend was suspended, including pausing the new builds in York and Rochdale as well as the refurbishments that were on site.

Alongside participation in the Coronavirus Job Retention Scheme ("CJRS"), the Group is implementing a three-stage salary strategy to financially support employees, retain top talent and save cost. This includes a staged deferral of 20 per cent of salary for all working salaried staff, including executive and non-executive directors, and further reductions in the event that centres remain closed beyond August.

In response to the Covid-19 crisis, the business secured a new £10m revolving credit facility through the CLBILS, suspended the payment of the interim dividend and placed an additional 7,500,000 shares (raising net proceeds of £10.5m), all combining to raise the liquidity to remain in a strong financial position during this crisis and emerge well placed to continue on our growth trajectory.

Subsequent to our centre closures we have also taken the following steps to ensure our team members remain focused and engaged with the business:

- All of our team members received full pay for the first four weeks of lockdown
- After the first four weeks, all hourly team members received the furlough claim amount
- All furloughed salary team members received full pay for March, April and May, including all of our management trainees
- Weekly video remote training for our management teams has been introduced focused on team wellbeing and our re-opening operational plans
- A re-opening framework and associated protocols have been developed with detailed operating procedures that comply with social distancing guidance, ensure team member health and safety whilst also maintaining a fun and safe environment for our customers to enjoy.

We have also temporarily paused our refurbishments programme, construction on new builds, and having made payments to landlords for the March 2020 quarter, entered into negotiations with landlords to help maintain our strong financial position. Given the strong relationship with our landlords they have been very supportive, which will result in a significantly lower rent payment being made in the June quarter, with minimal amounts being deferred.

As a result of the above actions, the Group expects a monthly net cash burn of approximately £1.2m whilst centres remain closed.

Development of our property portfolio

We completed the refurbishment of our centres in Sheffield, Rochester and Watford Woodside during the first half. The refurbishment of Sheffield included the installation of two extra lanes and the re-location of the Diner creating space for an enlarged and enhanced amusement offer. The trading performance up to 13 March was very encouraging and was on track to deliver a return in line with expectation.

We are currently on site in two existing centres and have detailed plans in place for two further Hollywood Bowl refurbishments and one AMF rebrand before the end of the financial year although our new on-site dates will be subject to government restrictions. The average return on investment from the most recent ten refurbishments / AMF rebrands is 47.3 per cent.

Despite the ongoing impact of Covid-19, we remain confident in our ability to continue to deliver at least our plan of an average of two new openings a year. Two new centres were signed during the period, in Reading and Bracknell, expanding our pipeline to 2024, with ten centres now secured to open over the next four years.

We were very proud to open the doors of our very first Puttstars mini golf centre in March, and whilst it was only open for a couple of weeks before being closed in line with the Government guidelines, we were delighted with the commercial performance, the customer feedback and the press interest. The new technology we have built is working well; the bespoke scoring system, gamification and digital journey combine to offer a truly differentiated experience in the mini golf sector, and we look forward to re-opening the Leeds centre in July subject to Government guidance, to continue the trial.

The second Puttstars trial centre in York is in the final stages of practical competition and will open at the same time as the new Hollywood Bowl in York in July, subject to the lifting of government restrictions.

The final Puttstars trial centre in Rochdale is in the middle of its development and following discussions with the landlords, the rent-free period originally negotiated has been extended, with rent being due no earlier than from when the centre is able to open.

Like-for-like growth
LFL sales grew 8.6 per cent during the first half of the financial year, with all revenue lines showing sales growth on the comparative period last year.

LFL game volumes were up 6.4 per cent as more customers came to enjoy our unique leisure experience in modern, well invested environments. Whilst external factors that can have a meaningful impact on customer demand were in our favour during the peak trade periods, our team worked very hard to capitalise on the increased demand, growing spend per game in all areas of our business.

LFL spend per game showed growth of 2.1 per cent on an LFL basis in the period, up from £9.86 in H1 FY2019 to £10.07 in H1 FY2020, whilst total spend per game increased by 4.1 per cent to £10.19 in H1 FY2020.

Whilst all ancillary revenue lines showed growth on a like for like basis, amusement spend per game grew above expectations at 11.6 per cent during the half. We have continued the roll out of the Play for Prizes redemption offer, that is now in 58 of our 61 centres, as well as installing a number of the latest video experiences and coin operated virtual reality offers in selected centres, keeping the offering fresh, relevant and easy to play. All centres now benefit from contactless technology on the change machines and higher price point attractions, further removing barriers to play for our customers.

Initiatives and Innovation
Our roll out of the new version of Pins on Strings continued, with installations in three centres during the half as we continue to execute the strategy of introducing the technology to those centres that have machines nearing the end of their useful economic life, as well as installing the technology into our new centre openings and locations where recruitment and retention of technicians proves challenging. Plans are in place to install the concept into three more centres in the second half of the year with plans for an average of eight centres benefiting from a Pins on Strings install per year going forward.

Our sector leading CRM and digital capability has continued to be very successful for both customer acquisition and in centre engagement. The Hollywood Bowl website saw further updates in February improving the user experience and supporting an increase in online purchases versus the same period last year.

Our in-centre digital experience has been further enhanced, 17 centres received the new scoring system with 66% of the estate now benefiting from the technology. Following successful trials of the new dynamic digital signage and digital leader boards, all future refurbishments and re-brands will have this technology installed.

Outlook
We were very pleased with the first five months of this financial year with game volumes up, spend per game in growth and a very healthy pipeline of revenue generating capital projects.

Due to our highly cash generative business model and following a very successful trading period prior to the Covid-19 restrictions, the Group's balance sheet is strong and we enjoy good relationships with our customers and team members meaning we have entered this period of disruption in a strong financial position. The activity taken throughout this period of disruption means the Group is well placed to resume its growth strategy and act on any potential strategic organic and non-organic opportunities to strengthen the business.

We remain fully committed to our simple but effective growth strategy in the medium term and we are pleased with the progress we made during the period prior to the Covid-19 lockdown. We remain well positioned for growth with our new centre opening programme and the development of our new indoor leisure mini golf concept Puttstars. The continual improvement of the existing estate through our ongoing refurbishment programme and investment in customer innovation and new technology remains a key component of our strategy to grow like-for-like revenue.

We remain very confident in our business model, and believe that we are well placed to successfully re-open our centres initially in a capacity restricted environment and as we start to emerge more fully from this crisis, to capitalise on the pent up demand for out of home leisure experiences, and return to a growth trajectory.

Stephen Burns
Chief Executive Officer
1 June 2020

FINANCE REVIEW

Group Financial Results

	H1 FY2020 (IFRS 16)	**H1 FY2020 (IAS 17)**	H1 FY2019 (IAS 17)	Movement (IAS 17)
Revenue	**£69.2m**	**£69.2m**	£67.0m	+3.3%
Gross profit	**£59.3m**	**£59.3m**	£57.5m	+5.3%
Gross profit margin	**85.6%**	**85.6%**	85.9%	-0.3%pts
Administrative expenses	**£40.1m**	**£43.0m**	£40.8m	+5.4%
Group adjusted EBITDA(1)	**£29.3m**	**£21.6m**	£21.1m	+2.4%
Group profit before tax	**£14.5m**	**£15.3m**	£16.4m	-11.7%
Free cash flow(2)	**£5.2m**	**£5.2m**	£9.3m	-43.9%
Group expansionary capital expenditure(3)	**£6.1m**	**£6.2m**	£4.6m	+32.3%
Average spend per game	**£10.19**	**£10.19**	£9.79	+4.1%

1. Group adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) reflects the underlying trade of the overall business and excludes any one-off benefits (VAT rebates for prior years) and costs. It is calculated as statutory operating profit plus depreciation, amortisation, loss on disposal of property, right-of-use assets, plant and equipment and software, and any exceptional costs. It is management's view that these are non-recurring benefits and costs. The reconciliation to operating profit is set out below in this section of this announcement.
2. Free cash flow is defined as net cash flow pre dividends.
3. Group expansionary capital expenditure includes all capital on new centres, refurbishments and rebrands only.

Total revenue for the first half of FY2020 grew by 3.3 per cent to £69.2m (FY2019 H1: £67.0m). This was impacted by the Covid-19 lockdown which resulted in all centres closing on 20th March, although the revenue impact was seen from 16th March as the government advised against social gatherings. Total revenue growth to the end of February 2020 was 12.5 per cent.

LFL revenue growth, which excludes any closure periods, was 8.6 per cent.

Despite the estate closure in March, Group adjusted EBITDA, on an IAS 17 basis, was up 2.4 per cent to £21.6m, whilst operating profit, also on an IAS 17 basis, was marginally down, at £16.3m.

Growth drivers
Whilst we are very disappointed to have had to close centres during the first half, we are extremely

pleased to have delivered a record first half sales performance over the six months to 31 March 2020 and continue to be encouraged by the LFL performance of our core estate as well as our invested centres, both refurbished and new.

The total 3.3 per cent revenue growth was driven through LFL revenue growth of 8.6 per cent, new centres contributing 2.9 per cent growth, netted down by the closedown and Covid-19 period impacting from 16th March, of 7.4 per cent.

LFL revenue is defined as total revenue excluding any new centre openings from the current financial year until they are LFL (H1 FY2020: £1.9m), closures since the same reporting period in the prior year (H1 FY2019: £0.0m) and any closure period impacted by Covid-19 from 16 March (H1 FY2020: £0.8m, H1 FY2019: £5.7m) and is used as a key measure of constant centre growth.

LFL game volumes were up year on year by 6.4 per cent, and we continued to see the benefit of our dynamic pricing model with an increase of 2.1 per cent in LFL spend per game.

Gross margin

Gross profit margin was in line with management expectations at 85.6 per cent (H1 FY2019: 85.9 per cent). This marginal decline is all due to the strong amusement revenue performance, whilst combined diner and bar gross profit per cent was marginally ahead of the same period last year, at 72.1 per cent (H1 FY2019: 71.8 per cent). Our continued focus on gross profit has seen it grow to a record first half of £59.3m, up 3.0 per cent, from £57.5m in the period to 31 March 2019.

Administrative expenses

Administrative expenses, on an IAS 17 basis, were £43.0m, an increase of £2.2m (5.4 per cent) on the corresponding period in the prior year, is primarily due to an increase in property costs of £0.9m and depreciation of £0.9m.

Excluding property lease assets depreciation, the depreciation charge increased from 6.3% of revenue (£4.2m) in H1 FY2019 to 7.4% of revenue (£5.1m) in H1 FY2020, as a result of the continued capital investment programme including new centres, refurbishments and centre scoring technology rollout. Post the adoption of IFRS 16, depreciation has increased as a percentage of revenue from 6.3% (£4.2m) in H1 FY2019 to 14.2% (£9.9m) in H1 FY2020.

Centre employee costs were £12.7m for the six-month period to 31 March 2020, an increase of £0.1m on an overall Group basis on the same period in the prior year. This has benefited from a nine-day period of CJRS credit, £0.4m, for March 2020. Excluding this, employee costs would have increased by £0.5m in H1 FY2020.

Following the adoption of IFRS 16, administrative expenses exclude property rents and include the depreciation of property right-of-use assets. On this statutory basis, administrative expenses decreased by £0.7m (1.7 per cent) compared to H1 FY2019.

Group adjusted EBITDA and operating profit

Group adjusted EBITDA, on an IAS 17 basis, continued to grow, albeit impacted by the Covid-19 enforced closure, and increased by 2.4 per cent compared to the prior year period, to £21.6m.

	H1 FY2020 2020 £'000	H1 FY2019 2019 £'000
Operating profit	**19,176**	16,763
Depreciation	**9,853**	4,197
Amortisation	**258**	261

Loss on property, right-of-use assets, plant and equipment and software	**7**	288
EBITDA	**29,294**	21,509
Exceptional items	**-**	(371)
IFRS 16 rent adjustment [1]	**(7,645)**	-
Group adjusted EBITDA excluding IFRS 16	**21,649**	21,138

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

To the end of February 2020, prior to any impact from Covid-19, Group adjusted EBITDA was up 17.7%.

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

Statutory operating profit grew to £19.2m in H1 FY2020, up 14.4 per cent compared to the same period last year. Operating profit margin also increased by 2.7 percentage points against the same period last year, to 27.7 per cent of total revenue in the period.

Exceptional costs
There were no exceptional costs for the period. The VAT rebate shown in the period to 31 March 2019 relates to a one-off retrospective reclaim in respect of unclaimed input VAT on professional fees.

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, including the CEO and CFO. These awards vest in three years providing continuous employment during this period and certain performance conditions are attained relating to earnings per share (EPS). The Group also started a new Share save scheme which was open to all team members, in February 2020.

The Group recognised a total charge of £336,000 (H1 FY2019: £265,000) in relation to the Group's share-based payment arrangements.

None of these non-cash costs are classified as exceptional costs.

Finance costs
Finance costs increased to £4.7m in H1 FY2020 (H1 FY2019: £0.4m) comprising the implied interest relating to the lease liability under IFRS 16 of £3.7m, £0.6m due to the change in discount rate used for the provision for dilapidations (as outlined in Note 5) and £0.4m associated with our bank borrowing facilities.

Taxation
The Group has incurred a tax charge of £2.9m for the first half compared to £3.0m in the comparable period in the prior year. £1.2m of the tax charge relates to current UK Corporation tax, whilst £1.8m is the movement in deferred tax.

Earnings
Profit before tax for the year was £14.5m, a decrease of £1.9m (11.7 per cent) on the corresponding period in FY2019) due to the factors discussed above. The impact of IFRS 16 on H1 FY2020 is to reduce profit before tax by £0.8m.

The Group delivered profit after tax of £11.5m (H1 FY2019: £13.4m) and basic earnings per share was 7.68 pence (H1 FY2019: 8.92 pence).

Dividend

As part of its Covid-19 related actions and as previously announced, the Board has declared there will be no interim dividend for H1 FY2020.

The Group operates a highly cash generative business model which puts it in a strong financial position. Once the overall impact of Covid-19 has been more clearly established and post the re-opening of the Group's centres, the Board will provide a further update on its capital allocation priorities.

Cash flow and net debt

The Group continues to deliver strong cash generation with Group adjusted operating cash flow of £12.3m and FCF of £5.2m in the period to 31 March 2020, as it continues on its investment strategy, with a total of £10.7m net capital expenditure spent in the period.

	H1 FY2020 2020 £'000	H1 FY2019 2019 £'000
Group Adjusted EBITDA	**29,294**	21,138
Movement in working capital	**(1,968)**	129
Maintenance capital expenditure	**(4,547)**	(3,982)
Taxation	**(5,016)**	(2,263)
Payment of capital elements of leases	**(5,544)**	-
Adjusted operating cash flow (OCF)[1]	**12,219**	15,022
Adjusted OCF Conversion	**41.7%**	71.1%
Expansionary capital expenditure	**(6,105)**	(4,615)
Net bank loan interest paid	**(472)**	(401)
Lease interest paid	**(3,696)**	-
Cash flows from financing activities	**3,250**	(750)
Free cash flow (FCF)[2]	**5,196**	9,256
Dividends paid	**(14,489)**	(12,839)
Net Cash flow	**(9,293)**	(3,583)

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

2 Free cash flow is defined as net cash flow pre dividends.

Capital expenditure

The primary focus for our capital expenditure continues to be on the opening of new centres and refurbishments, as well as maintenance spend to ensure all centres remain inviting and exciting places for our customers to dwell. Total net capital expenditure was up £2.1m (23.9 per cent) on the comparable period in the prior year, to £10.7m.

The largest increase was in expansionary capital. Within this, new centre capital expenditure increased to £4.9m (net of landlord contributions), from £3.5m (net of landlord contributions) in the corresponding period in FY2019. New centre spend this year included the first Puttstars mini golf centre in Thorpe Park, Leeds, which opened in March 2020, as well as spend on three sites still to open – York Hollywood Bowl, York Puttstars and Rochdale Puttstars. Construction on these three sites was temporarily suspended on 23 March in line with government guidance. In H1 FY2020, the Group spent £4.5m on maintenance capital, which was in line with management expectations, and included £1.5m (H1 FY2019: £0.3m) on the new scoring technology rollout and £1.0m (H1 FY2019: £0.3m) for continued Pins on Strings installations.

IFRS 16

The Group has applied IFRS 16 as at 1 October 2019. A right-of-use asset and a lease liability is included on the balance sheet, and interest and depreciation has been charged to the consolidated income statement instead of existing rental expenses.

IFRS 16 has no effect on how the business is run, and there will be no change to the Group's cash flow and growth plans due to its adoption.

The Group has adopted the modified retrospective method. Under this method, comparative data is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the date of initial application.

A summary of the impact on the Group consolidated income statement and consolidated statement of financial position (balance sheet), is as below:

	H1 FY2020 £'000
Administrative expenses:	
- Rent (1)	**7,645**
- Depreciation	**(4,764)**
- Gain on lease surrenders	**3**
Net reduction to Administrative expenses	**2,884**
Finance costs (interest)	**(3,696)**
Net decrease to profit before tax	**(812)**

1. IFRS 16 adoption has an impact on EBITDA, with the removal of rent from the calculation.

Impact on the Group consolidated statement of financial position

	H1 FY2020 £'000
Assets	**145,450**
Lease Liability	**(168,628)**
Retained Earnings	**(23,178)**

Covid-19 financial update

As highlighted previously, all centres were closed on 20 March, in line with government guidance. We are thankful to the government for the 12 months rates relief as well as the Time to Pay for the VAT quarter to March 2020. Both of these combined to give a £6m cash saving in FY2020, albeit none of that is reflected in H1 FY2020 due to timing.

At the half year, the Group had net debt of £14.6m, which consisted of £15.6m cash and £30.2m of gross debt, as well as an undrawn, committed revolving credit facility of £1m. This is after paying the March rent quarter in full.

Post the balance sheet date, and in light of the current Covid-19 uncertainty, the Group conducted an equity placing which raised £10.9m gross proceeds (£10.5m net of costs), and had also been in constructive discussion with its lender, Lloyds Bank plc (Lloyds) regarding banking covenants and CLBILS.

Lloyds has agreed to an extension of the Group's RCF, by an extra £10m, under the CLBILS and to the following amends to the covenants for the next 12 months:

- Leverage covenants extended to:
  - June 2020 1.50x
  - September 2020 2.25x
  - December 2020 5.00x
  - March 2021 1.50x

- Cash cover covenant waived for June 2020 and September 2020

The above actions provide the Group with an incremental £20.5m of liquidity compared to the balance sheet date.

Going concern

The uncertainty as to the future impact on the Group of the Covid-19 outbreak has been considered as part of the Group's adoption of the going concern basis. In the downside scenario analysis performed, the Board has considered the potential impact of the Covid-19 outbreak on the Group's results. In preparing this analysis the following key assumptions were used: the impact of a total loss of revenue across the estate for between one and five months, from the date of this announcement, and continued decline in revenue versus what the Group would normally expect in the period thereafter, payroll cost reductions during the period centres are closed and capital expenditure reductions. However, it is difficult to predict the overall outcome and impact of Covid-19 at this stage.

Under a 12-month scenario of closure and then re-opening, the Group can run at 20% of the level of trade of the prior year for the next 12 months, and still have sufficient liquidity within its current cash position.

Taking the above and the principal risks faced by the Group into consideration, the Directors are satisfied that that 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.

Laurence Keen
Chief Financial Officer
1 June 2020

Condensed Consolidated Income Statement and Statement of Comprehensive Income
For the six months ended 31 March 2020

	Note	Six months ended 31 March 2020 Unaudited £'000	Six months ended 31 March 2019 Unaudited £'000	Year ended 30 September 2019 Audited £'000
Revenue		69,230	66,990	129,894
Cost of sales		(9,976)	(9,474)	(18,542)
Gross profit		59,254	57,516	111,352
Administrative expenses		(40,078)	(40,753)	(82,908)
Operating profit		19,176	16,763	28,444
Underlying operating profit		19,176	16,392	28,064
Exceptional items	4	-	371	380
Finance income		65	104	167
Finance expenses	5	(4,773)	(482)	(1,023)
Profit before tax		14,468	16,385	27,588
Tax expense	7	(2,948)	(3,010)	(5,303)
Profit and total comprehensive income for the period attributable to equity shareholders		11,520	13,375	22,285
Earnings per share (based on weighted average number of shares)	6	**Pence**	**Pence**	**Pence**
Basic		7.68	8.92	14.86
Diluted		7.64	8.89	14.79
Adjusted earnings per share (based on weighted average number of shares)	6			
Basic		7.68	8.67	14.60
Diluted		7.64	8.64	14.54
Weighted average number of shares in issue for period (number)		150,700,785	150,529,032	150,676,861

IFRS 16 was adopted on 1 October 2019 without restating prior year figures as permitted by the standard. As a result, the primary statements are shown on an IFRS 16 basis for the 6 months ended 31 March 2020 and on an IAS 17 basis for the 6 months ended 31 March 2019 and year ended 30 September 2019. Note 2 provides a reconciliation of the two measures.

		Six months ended 31 March 2020 Unaudited	Six months ended 31 March 2019 Unaudited	Year ended 30 September 2019 Audited
Reconciliation of operating profit to Group Adjusted EBITDA		**£'000**	**£'000**	**£'000**
Operating profit		19.176	16,763	28,444
Depreciation of property, plant and equipment	8	3,619	4,197	9,041
Depreciation of right-of-use (ROU) assets	9	6,234	-	-
Amortisation of intangible assets	10	258	261	502
Exceptional items	4	-	(371)	(380)
Loss on disposal of property, plant and equipment and software and ROU Assets	8, 9, 10	7	288	596
Group Adjusted EBITDA		29,294	21,138	38,203

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

	Six months ended 31 March 2020 Unaudited	Six months ended 31 March 2019 Unaudited	Year ended 30 September 2019 Audited
Reconciliation of Net debt	**£'000**	**£'000**	**£'000**
Borrowings from bank facilities	30,250	27,750	27,000
Cash and cash equivalents	(15,636)	(22,459)	(24,929)
Net debt excluding leases	14,614	5,291	2,071
Finance leases	176,160	-	-
Net debt	190,774	5,291	2,071

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

IFRS 16 was adopted on 1 October 2019 without restating prior year figures as permitted by the standard. As a result, the primary statements are shown on an IFRS 16 basis for the 6 months ended 31 March 2020 and on an IAS 17 basis for the 6 months ended 31 March 2019 and year ended 30 September 2019. Note 2 provides a reconciliation of the two measures.

Condensed Consolidated Statement of Financial Position
As at 31 March 2020

	Note	31 March 2020 Unaudited £'000	31 March 2019 Unaudited £'000	30 September 2019 Audited £'000
ASSETS				
Non-current assets				
Property, plant and equipment	8	48,181	44,949	47,365
Right-of-use assets	9	147,391	-	-
Goodwill and intangible assets	10	78,364	78,527	78,457
Deferred tax asset	7	2,930	-	-
		276,866	123,476	125,822
Current assets				
Cash and cash equivalents		15,636	22,459	24,929
Trade and other receivables		2,994	7,415	8,014
Corporation tax receivable		1,312	-	-
Inventories		1,482	1,363	1,212
		21,424	31,237	34,155
Total assets		298,290	154,713	159,977
LIABILITIES				
Current liabilities				
Trade and other payables		11,737	17,067	18,464
Lease liabilities		11,831	-	-
Loans and borrowings	12	5,380	1,380	1,380
Corporation tax payable		-	3,607	2,517
		28,948	22,054	22,361
Non-current liabilities				
Other payables		687	7,261	6,846
Lease liabilities		164,329	-	-
Loans & borrowings	12	24,693	26,073	25,383
Deferred tax liabilities	7	-	467	596
Provisions		3,803	3,119	3,150
		193,512	36,920	35,975
Total liabilities		222,460	58,974	58,336
NET ASSETS		75,830	95,739	101,641
Equity attributable to shareholders				
Share capital		1,500	1,500	1,500
Merger reserve		(49,897)	(49,897)	(49,897)
Retained earnings		124,227	144,136	150,038
TOTAL EQUITY		75,830	95,739	101,641

IFRS 16 was adopted on 1 October 2019 without restating prior year figures as permitted by the standard. As a result, the primary statements are shown on an IFRS 16 basis for the 6 months ended 31 March 2020 and on an IAS 17 basis for the 6 months ended 31 March 2019 and year ended 30 September 2019. Note 2 provides a reconciliation of the two measures.

Condensed Consolidated Statement of Changes in Equity
For the six months ended 31 March 2020

	Share capital £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Equity at 30 September 2018 (audited)	**1,500**	**(49,897)**	**143,335**	**94,938**
Dividends paid (Note 11)	-	-	(12,839)	(12,839)
Share-based payments (Note 13)	-	-	265	265
Profit for the period	-	-	13,375	13,375
Equity at 31 March 2019 (unaudited)	**1,500**	**(49,897)**	**144,136**	**95,739**
Dividends paid (Note 11)	-	-	(3,405)	(3,405)
Share-based payments (Note 13)	-	-	397	397
Profit for the period	-	-	8,910	8,910
Equity at 30 September 2019 (audited)	**1,500**	**(49,897)**	**150,038**	**101,641**
Adjustment on initial application of IFRS 16 (Note 2)	-	-	(28,464)	(28,464)
Taxation on IFRS 16 transition adjustment (Note 2)	-	-	5,286	5,286
Adjusted balance at 1 October 2019	**1,500**	**(49,897)**	**126,860**	**78,463**
Dividends paid (Note 11)	-	-	(14,489)	(14,489)
Share-based payments (Note 13)	-	-	336	336
Profit for the period	-	-	11,520	11,520
Equity at 31 March 2020 (unaudited)	**1,500**	**(49,897)**	**124,227**	**75,830**

IFRS 16 was adopted on 1 October 2019 without restating prior year figures as permitted by the standard. As a result, the primary statements are shown on an IFRS 16 basis for the 6 months ended 31 March 2020 and on an IAS 17 basis for the 6 months ended 31 March 2019 and year ended 30 September 2019. Note 2 provides a reconciliation of the two measures.

Condensed Consolidated Statement of Cash Flows
For the six months ended 31 March 2020

	Six months ended 31 March 2020 Unaudited £'000	Six months ended 31 March 2019 Unaudited £'000	Year ended 30 September 2019 Audited £'000
Cash flows from operating activities			
Profit before tax	14,468	16,385	27,588
Adjusted by:			
Depreciation of property, plant and equipment	3,619	4,197	9,041
Depreciation of right-of-use assets	6,234	-	-
Amortisation of intangible assets	258	261	502
Net interest expense	4,708	378	856
Loss on disposal of property, plant and equipment and software and ROU Assets	7	288	596
Share-based payments (Note 13)	336	265	662
Operating profit before working capital changes	29,630	21,774	39,245
(Increase)/decrease in inventories	(270)	(109)	42
Decrease/(increase) in trade and other receivables	456	(748)	(1,444)
(Decrease)/increase in payables and provisions	(2,489)	350	1,718
Cash inflow generated from operations	27,327	21,267	39,561
Interest received	69	-	160
Income tax paid - corporation tax	(5,016)	(2,263)	(5,518)
Interest paid	(541)	(401)	(871)
Lease interest paid	(3,696)		
Net cash inflow from operating activities	18,143	18,603	33,332
Investing activities			
Purchase of property, plant and equipment	(10,488)	(8,457)	(16,390)
Purchase of intangible assets	(165)	(140)	(311)
Net cash used in investing activities	(10,653)	(8,597)	(16,701)
Cash flows from financing activities			
Repayment of bank loan	(750)	(750)	(1,500)
Drawdown of borrowings	4,000	-	-
Payment of capital elements of leases	(5,544)	-	-
Dividends paid	(14,489)	(12,839)	(16,244)
Net cash flows used in financing activities	(16,783)	(13,589)	(17,744)
Net change in cash and cash equivalents for the period	(9,293)	(3,583)	(1,113)
Cash and cash equivalents at the beginning of the period	24,929	26,042	26,042
Cash and cash equivalents at the end of the period	**15,636**	**22,459**	**24,929**

IFRS 16 was adopted on 1 October 2019 without restating prior year figures as permitted by the standard. As a result, the primary statements are shown on an IFRS 16 basis for the 6 months ended 31 March 2020 and on an IAS 17 basis for the 6 months ended 31 March 2019 and year ended 30 September 2019. Note 2 provides a reconciliation of the two measures.

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 2020 ('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 1 June 2020.

The Group's last annual audited financial statements for the year ended 30 September 2019 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 2019 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 2019 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 by the recognition of certain financial assets/liabilities at fair value through profit or 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 2019, other than the adoption of IFRS 16 *Leases* which became effective for the Group from 1 October 2019. A number of other new European Union endorsed amendments to existing standards are also effective for periods beginning on or after 1 October 2019.

IFRS 16 is a replacement for IAS 17 *Leases.* There has been a significant impact on the Group's accounting for leases as a result of IFRS 16, the effect of which is set out further down this report.

Going concern

The uncertainty as to the future impact on the Group of the recent Covid-19 outbreak has been considered as part of the Group's adoption of the going concern basis. In the downside scenario analysis performed, the Board has considered the potential impact of the Covid-19 outbreak on the Group's results. In preparing this analysis the following key assumptions were used: the impact of a total loss of revenue across the estate for between one and five months from the date of this announcement, and continued decline in revenue versus what the Group would normally expect in the period thereafter, payroll cost reductions during the periods centres are closed as well as whilst the Group experiences decline in revenue from what it would normally expect, and capital expenditure reductions. However, it is difficult to predict the overall outcome and impact of Covid-19 at this stage.

In response to the Covid-19 pandemic, in the period since 31 March 2020, the Group has further increased its liquidity position through an equity raise at 145 pence per share. This raised £10.9 million (approximately £10.5 million after expenses). In addition, the Group agreed an additional revolving credit facility of £10 million, under the UK Government's Coronavirus Large Business Interruption Loan Scheme (CLBILS), with Lloyds Bank plc. Lloyds Bank plc has also agreed to relax or remove covenant conditions for the tests arising over the next 12 months. Further details of these post balance sheet events can be found in note 16.

Under a 12-month scenario of closure and then re-opening, the Group can run at an average of 20% of the level of trade of the prior year for the next 12 months, and still have sufficient liquidity within its current cash position.

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

Accounting estimates and judgements

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 2019, except for the accounting for the acquisition of amusement machines which are now accounted for under IFRS 16 as outlined below.

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.

IFRS 16 Leases

IFRS 16 Leases replaces existing guidance under IAS 17 and introduces a fundamental change to the recognition, measurement, presentation and disclosure of leases for lessees.

The Group adopted IFRS 16 with effect from 1 October 2019. The Group applied the standard using the modified retrospective approach and thus comparative information has not been restated and is presented, as previously reported, under IAS 17.

The new standard results in all property and amusement machine leases being recognised on the Statement of Financial Position as, from a lessee perspective, there is no longer any distinction between operating and finance leases. Under IFRS 16, an asset, based on the right to use a leased item over a long-term period and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group leases properties, which under IAS 17 were classified as a series of operating lease contracts with payments made (net of any incentives received from the lessor) charged to profit or loss as arising over the period of the lease.

The Group obtains control over amusement machines using extended credit terms over 4 years. For financial years up to 30 September 2019, these were accounted for as property, plant and equipment under IAS 16, with an associated creditor with respect to the extended credit. Upon adoption of IFRS 16, the group has re-assessed the amusement machines contract as meeting the definition of a lease. Accordingly, these amusement machines have been accounted for under IFRS 16 from 1 October 2019.

From 1 October 2019, under IFRS 16, leases are recognised as a right-of-use asset with a corresponding lease liability from the date at which the leased asset becomes available for use by the Group. Each lease payment is allocated between the liability and a finance cost. The finance cost is charged to profit or loss over the lease period using the effective interest method. The right-of-use asset is depreciated over the shorter of the asset's useful life and the determined lease term, on a straight-line basis.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Short-term leases (leases of less than 12 months) and leases with less than 12 months remaining as at the date of adoption of the new standard are not within the scope of IFRS 16;
- Leases for which the asset is of low value (IT equipment and small items of office equipment) are not within the scope of IFRS 16;
- Exclusion of initial direct costs from the measurement of the right-of-use asset on transition.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases previously classified as 'operating leases' under the principles of IAS 17 Leases. For all leases, these liabilities were measured at the present value of the remaining lease payments, discounted using the Group's weighted average incremental borrowing rate as of 1 October 2019, specific to each type of lease. This was 4.25% for property leases and 2.75% for amusement machine leases. These rates were deemed appropriate given that the respective type of lease have reasonably similar characteristics.

The associated right-of-use assets were measured using the approach set out in IFRS 16.C8(b)(i), whereby right-of-use assets are measured at its carrying amount as if the standard had been applied since the lease commencement date, but discounted using the Group's incremental borrowing rate at the date of initial application.

Under IFRS 16, the right-of-use assets are tested for impairment in accordance with IAS 36 'Impairment of Assets'. This replaces the previous requirement to recognise a provision for onerous leases. An impairment assessment of the cash generating unit ("CGU") assets was performed on transition at 1 October 2019 with no initial impairment charge identified.

The effect of the accounting policy change on the Condensed Consolidated Statement of Financial Position at implementation on 1 October 2019 was:

	As at 30 September 2019 (£'000)	IFRS 16 adjustments (£'000)	As at 1 October 2019 (£'000)
Assets			
Property, plant and equipment	47,365	(6,312)	41,053
Right-of-use assets	-	151,037	151,037
Prepayments	7,240	(4,561)	2,679
Deferred tax asset	-	5,286	5,286
Total assets	**54,605**	**145,450**	**200,055**
Liabilities			
Lease liabilities – current	-	11,305	11,305
Lease liabilities – non-current	-	167,544	167,544
Lease incentives – current (within other payables)	218	(218)	-
Lease incentives – non-current (within other payables)	2,437	(2,437)	-
Rent-free creditor (within accruals)	1,269	(1,269)	-
Amusement machine creditor – current (within other payables)	2,652	(2,652)	-
Amusement machine creditor – non-current (within other payables)	3,645	(3,645)	-
Total liabilities	**10,221**	**168,628**	**178,849**
Retained earnings	150,038	(28,464)	121,574
Retained earnings – deferred tax	-	5,286	5,286
Total retained earnings	**150,038**	**(23,178)**	**126,860**

The adoption of IFRS 16 reduced opening retained earnings as at 1 October 2019 by £23.2m.

The table below presents a reconciliation from operating lease commitments disclosed at 30 September 2019 to lease liabilities recognised at 1 October 2019:

	£'000
Operating lease commitments disclosed at 30 September 2019	245,557
Increased rent reviews[1]	91
Effect of discounting[2]	(73,032)
Amusement machines[3]	6,233
Lease liabilities recognised as at 1 October 2019	**178,849**
Of which are:	
Current lease liabilities	11,305
Non-current lease liabilities	167,544
Lease liabilities recognised as at 1 October 2019	**178,849**

[1] A number of outstanding rent-reviews have been finalised since the end of FY19; these were not included in the operating lease commitments disclosed at 30 September 2019.
[2] Previously, disclosures of lease commitments were undiscounted whilst under IFRS 16 lease commitments are discounted based on the Group's incremental borrowing rate.
[3] Previously, amusement machines were accounted for as property, plant and equipment.

During the period ended 31 March 2020, the application of IFRS 16 resulted in increased adjusted EBITDA, as reported in the Consolidated Income Statement and Statement of Comprehensive Income, of £7.6m in comparison to treatment under IAS 17. There was an increase to operating profit of £2.9m. The differences have arisen as operating lease payments under IAS 17 were replaced by a depreciation charge on right-of-use assets, and adjustments to rent free periods and other lease incentives. Profit before taxation therefore decreased by a total of £0.8m with the inclusion of £3.7m of finance costs under the new standard.

The table below reconciles operating profit between IAS 17 and the new standard, IFRS 16:

	£'000
Add: operating lease costs under IAS17	7,645
Impact on adjusted EBITDA for the period ended 31 March 2020	7,645
Less: Depreciation of right-of-use assets for leases previously recognised as operating leases under IAS 17	(4,764)
Add: Gain on lease surrenders	3
Impact on operating profit for the period ended 31 March 2020	2,884
Less: Finance costs associated with lease liabilities	(3,696)
Impact on profit before tax for the period ended 31 March 2020	(812)

On application of IFRS 16, there will be no impact on cash flows, except in relation to tax payments. The presentation of cash flows will change. Cash flows from operating activities will increase, but this will be offset by an increase in lease capital payments.

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 2020 Unaudited £'000	Six months ended 31 March 2019 Unaudited £'000	Year ended 30 September 2019 Audited £'000
Bowling	33,700	33,112	64,033
Mini golf	31	-	-
Food and drink	18,964	19,068	35,044
Amusements	16,378	14,669	30,395
Other	157	141	422
	69,230	66,990	129,894

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 2020 Unaudited £'000	Six months ended 31 March 2019 Unaudited £'000	Year ended 30 September 2019 Audited £'000
VAT rebate[1]	-	371	380
	-	371	380

[1] The Group was able to make a one-off retrospective reclaim in respect of overpaid VAT relating to costs incurred in prior financial years.

5. Finance expenses

	Six months ended 31 March 2020 Unaudited £'000	Six months ended 31 March 2019 Unaudited £'000	Year ended 30 September 2019 Audited £'000
Interest on bank borrowings	424	453	930
Other interest	-	-	55
Unwinding of discount on provisions	31	29	38
Effect of change in discount rate on provisions[1]	622	-	-
Finance costs on lease liabilities	3,696	-	-
	4,773	482	1,023

[1] There was a reduction in the discount rate, from 2.0% at 30 September 2019 to 0.5% at 31 March 2020, used in preparing the dilapidations provision for the six months ended 31 March 2020. This resulted in an additional non-cash interest expense in the period of £622,000 (31 March 2019 and 30 September 2019: £nil), and will unwind over the term of the property leases.

6. Earnings per share

Basic earnings per share is calculated by dividing the profit to equity holders of Hollywood Bowl Group plc by the weighted average number of shares outstanding during the year, excluding invested shares held pursuant to Long Term Incentive Plans (note 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 2020, the Group had potentially dilutive shares in the form of unvested shares pursuant to Long Term Incentive Plans (note 13).

	Six months ended 31 March 2020 Unaudited	**Six months ended 31 March 2019 Unaudited**	**Year ended 30 September 2019 Audited**
Basic and diluted			
Profit for the period after tax (£'000)	11,520	13,375	22,285
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	700,785	529,032	676,861
Diluted weighted average number of shares	150,700,785	150,529,032	150,676,681
Basic earnings per share (pence)	7.68	8.92	14.86
Diluted earnings per share (pence)	7.64	8.89	14.79

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 2020 Unaudited	**Six months ended 31 March 2019 Unaudited**	**Year ended 30 September 2019 Audited**
Adjusted underlying earnings after tax (before exceptional items) (£'000)	11,520	13,004	21,905
Basic adjusted earnings per share (pence)	7.68	8.67	14.60
Diluted adjusted earnings per share (pence)	7.64	8.64	14.54

Adjusted underlying earnings after tax is calculated as follows:

	Six months ended 31 March 2020 Unaudited £'000	**Six months ended 31 March 2019 Unaudited £'000**	**Year ended 30 September 2019 Audited £'000**
Profit for the period before tax	14,468	16,385	27,588
Exceptional items (Note 4)	-	(371)	(380)
Adjusted underlying profit before taxation	14,468	16,014	27,208
Less taxation	(2,948)	(3,010)	(5,303)
Adjusted underlying earnings after tax	11,520	13,004	21,905

7. Taxation

The tax expense is as follows:	Six months ended 31 March 2020 Unaudited £'000	Six months ended 31 March 2019 Unaudited £'000	Year ended 30 September 2019 Audited £'000
- UK Corporation tax	1,188	2,947	5,134
- Adjustments in respect of previous periods	-	43	60
Total current tax	1,188	2,990	5,194
Deferred tax:			
Origination and reversal of temporary differences	1,682	20	123
Effects of changes in tax rates	78	-	(14)
	1,760	20	109
Total tax expense	2,948	3,010	5,303

Factors affecting 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 applied to the profit before tax for the half year ended 31 March 2020. The effective tax rate has increased from 19.2% for the year ended 30 September 2019 to 20.4% for the six months ended 31 March 2020.

Deferred tax

At Budget 2020, the government announced that the Corporation Tax main rate for the years starting 1 April 2020 and 2021 would remain at 19%. As such, the rate used to calculate the deferred tax balances as at 31 March 2020 has increased from 17% to 19%.

8. Property, plant and equipment

	Long leasehold property £'000	Short leasehold property £'000	Lanes and pinspotters £'000	Amusement machines £'000	Plant & machinery, fixtures and fittings £'000	Total £'000
Cost:						
At 1 October 2018	1,251	18,311	8,561	14,912	25,699	68,734
Additions	-	5,321	1,594	2,981	6,751	16,647
Disposals	(10)	(34)	(85)	(1,531)	(3,039)	(4,699)
At 30 September 2019 (audited)	**1,241**	**23,598**	**10,070**	**16,362**	**29,411**	**80,682**
Additions	-	1,343	1,301	-	8,113	10,757
Disposals	(1)	(71)	-	-	(142)	(214)
Adjustment on initial application of IFRS 16 (Note 2)	-	-	-	(16,362)	-	(16,362)
At 31 March 2020 (unaudited)	**1,240**	**24,870**	**11,371**	**-**	**37,382**	**74,863**
Accumulated depreciation:						
At 1 October 2018	207	6,492	3,668	8,173	9,117	27,657
Depreciation charge	48	2,201	413	2,687	3,692	9,041
Disposals	(10)	(29)	(60)	(810)	(2,472)	(3,381)
At 30 September 2019 (audited)	**245**	**8,664**	**4,021**	**10,050**	**10,337**	**33,317**
Depreciation charge	24	1,178	354	-	2,063	3,619
Disposals	(1)	(70)	-	-	(133)	(204)
Adjustment on initial application of IFRS 16 (Note 2)	-	-	-	(10,050)	-	(10,050)
At 31 March 2020 (unaudited)	**268**	**9,772**	**4,375**	**-**	**12,267**	**26,682**
Net book value						
At 31 March 2020 (unaudited)	**972**	**15,098**	**6,996**	**-**	**25,115**	**48,181**
At 30 September 2019 (audited)	996	14,934	6,049	6,312	19,074	47,365

Plant & machinery, fixtures and fittings includes £4,484,000 (30 September 2019: £1,228,000) of assets in the course of construction, relating to the development of new centres.

As at 31 March 2020, outstanding capital commitments totalled £1,050,000 (31 March 2019: £1,873,000; 30 September 2019: £1,634,000).

9. Right-of-use assets

	Property £'000	Amusement machines £'000	Total £'000
Cost			
At transition on 1 October 2019	144,909	6,128	151,037
Lease additions	1,807	1,108	2,915
Lease surrenders	-	(208)	(208)
At 31 March 2020 (unaudited)	**146,716**	**7,028**	**153,744**
Accumulated depreciation			
At transition on 1 October 2019	-	-	-
Depreciation charge to profit or loss	4,839	1,395	6,234
Depreciation charge to PPE[1]	269	-	269
Lease surrenders	-	(150)	(150)
At 31 March 2020 (unaudited)	**5,108**	**1,245**	**6,353**
Net book value			
At 31 March 2020 (unaudited)	**141,608**	**5,783**	**147,391**
At 30 September 2019 (audited)	-	-	-

[1] Depreciation incurred during the fit-out of a new property lease until the centre is open for trade is capitalised under IAS 16 *Property, plant and equipment* as part of the cost of the fit-out of the centre.

10. Intangible assets

	Goodwill £'000	Brand £'000	Trademark £'000	Software £'000	Total £'000
Cost					
At 1 October 2018	75,034	3,360	798	1,455	80,647
Additions	-	-	-	311	311
Disposals	-	-	-	(129)	(129)
At 30 September 2019 (audited)	**75,034**	**3,360**	**798**	**1,637**	**80,829**
Additions	-	-	-	165	165
Disposals	-	-	-	-	-
At 31 March 2020 (unaudited)	**75,034**	**3,360**	**798**	**1,802**	**80,994**
Accumulated amortisation					
At 1 October 2018	-	684	216	1,099	1,999
Amortisation charge	-	168	50	284	502
Disposals	-	-	-	(129)	(129)
At 30 September 2019 (audited)	**-**	**852**	**266**	**1,254**	**2,372**
Amortisation charge	-	84	25	149	258
Disposals	-	-	-	-	-
At 31 March 2020 (unaudited)	**-**	**936**	**291**	**1,403**	**2,630**
Net book value					
At 31 March 2020 (unaudited)	**75,034**	**2,424**	**507**	**399**	**78,364**
At 30 September 2019 (audited)	75,034	2,508	532	383	78,457

11. Dividends

The following dividends were declared and paid by the Group

	Six months ended 31 March 2020 Unaudited £'000	Six months ended 31 March 2019 Unaudited £'000	Year ended 30 September 2019 Audited £'000
Final dividend year ended 30 September 2018 - 4.23p per ordinary share	-	6,344	6,344
Special dividend year ended 30 September 2018 - 4.33p per ordinary share	-	6,495	6,495
Interim dividend year ended 30 September 2019 - 2.27p per ordinary share	-	-	3,405
Final dividend year ended 30 September 2019 - 5.16p per ordinary share	7,739	-	-
Special dividend year ended 30 September 2019 - 4.50p per ordinary share	6,750	-	-
	14,489	12,839	16,244

The Board does not intend to declare an Interim ordinary dividend at this time.

12. Loans and borrowings

	31 March 2020 Unaudited £'000	31 March 2019 Unaudited £'000	30 September 2019 Audited £'000
Current			
Bank loan	1,380	1,380	1,380
Revolving credit facility	4,000	-	-
Borrowings (less than 1 year)	5,380	1,380	1,380
Non-current			
Bank loan	24,693	26,073	25,383
Borrowings (greater than 1 year)	24,693	26,073	25,383
Total borrowings	30,073	27,453	26,763

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 due 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. As at 31 March 2020, the outstanding loan balance, excluding the amortisation of issue costs, was £26,250,000 (31 March 2019: £27,750,000 and 30 September 2019: £27,000,000). In addition, the Group has a £5,000,000 revolving credit facility of which £1,000,000 remains undrawn. 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 2020 is 1.75 per cent. (31 March 2019 and 30 September 2019: 1.75 per cent.). The Group considers this feature to be a non-financial variable that is specific to a party to the contract and hence not treated as an embedded derivative.

The terms of the Facility include the following Group financial covenants:

(i) that the ratio of consolidated total net debt to EBITDA in respect of any relevant period shall not exceed 1.25:1 and
(ii) that the ratio of consolidated cash flow to consolidated debt service in respect of any relevant period shall not be less than 1:1

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

See note 16 for updated covenants for the next twelve months following changes to the facility on 7 May 2020.

13. Share-based payments
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 Long Term Incentive Plan 2019
d) The Hollywood Bowl Group plc Long Term Incentive Plan 2020
e) The Hollywood Bowl Group plc Save-As-You-Earn Scheme 2018
f) The Hollywood Bowl Group plc Save-As-You-Earn Scheme 2019
g) The Hollywood Bowl Group plc Save-As-You-Earn Scheme 2020

The Group recognised a total charge of £336,000 in the 6 months ended 31 March 2020 (31 March 2019: £265,000, 30 September 2019: £662,000) in respect of the Group's share based payment arrangements and related employer's national insurance of £49,000 (31 March 2019: £37,000, 30 September 2019: £87,000).

Long Term Incentive Plans

HWB Group plc operates Long Term Incentive Plans (LTIPs) for certain key management. In accordance with IFRS 2 Share Based Payments, the value of the awards is measured at fair value at the date of the grant. The 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 FY2019), 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, 2020, 2021 and 2022 and the Executive Directors' continued employment at the date of vesting.

During the six months ended 31 March 2020, 358,809 share awards were granted under the 2020 LTIP. For this grant, the Group recognised a charge of £47,371 and related employer national insurance of £6,537.

During the six months ended 31 March 2019, 403,018 share awards were granted under the 2019 LTIP. For this grant, the Group recognised a charge of £34,944 and related employer national insurance of £4,822.

Save-As-You-Earn Plans

On 1 February 2020, HWB Group plc launched its third Save-As-You-Earn plan (SAYE), available to all employees of the Group. The SAYEs permit the grant to employees of options in respect of ordinary shares linked to a bank Save-As-You-Earn contract for a term of three 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 2020, the Group has recognised £12,433 of share-based payment expense in the profit or loss account (31 March 2019: £8,002 and 30 September 2019: £28,707).

14. Principal Risks and Uncertainties

The Group's business has been significantly disrupted as a result of the Covid-19 pandemic. This has caused the Group to suspend business operations, and there remains some uncertainty as to when this will change. 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 Covid-19 pandemic will have an impact on the economic condition in the UK and hence on the Group, and could potentially heighten other risk factors, for example through the impact on third party suppliers, although in the main, these are large well-funded businesses. These two risks were identified at 30 September 2019, but Covid-19 has increased their likelihood.

With the addition of the risk related to the impact of Covid-19, the directors consider that the principal risks and uncertainties otherwise remain as set out in the Annual Report for the year ended 30 September 2019.These risksare summarised below, and how the Group seeks to mitigate these risks is set out on pages 26 to 29 of the Annual Report and Accounts 2019, 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 third party suppliers which are key to the customer experience
- Retention of key team members
- Data security and protection
- Compliance with regulatory requirements
- Breach of laws and regulations

The Group's Board notes that whilst the immediate uncertainties surrounding Brexit have been removed, a level of uncertainty will remain until negotiations around trading arrangements are concluded. However, Brexit may ultimately impact consumer prosperity and disposable income, which may adversely affect demand for the Group's services.

Covid-19

The Group actioned the temporary closure of its centres on 20 March 2020 as a result of the Covid-19 pandemic, in line with Government guidance, and set about reducing the financial risk to the business during the closure period.

The Group has welcomed the granting of the one-year exemption granted from business rates and the deferral of VAT payments announced by the Government, which combined are expected to result in cash savings of £6m for the current financial year (FY2020), and therefore reduce the financial risk this year.

A key priority for management is the welfare of its team members and with the support from the Coronavirus Job Retention Scheme, the Group intends to keep its team members at full salary levels for as long as is practicable.

Alongside this Government support, management have taken several actions regarding capex and opex. These include the pausing of refurbishments and new centre fit outs as well as the renegotiation of supplier contracts and payment terms, which will reduce costs and conserve cash while the Covid-19 situation continues. However, management remain confident in the long-term prospects of the Group and will ensure that it is well positioned for when it is appropriate to re-open centres.

Management has always adopted a prudent approach to the Group's cost base and capital expenditure and, with the benefit of its cash generative business model, has maintained a strong financial position.

Management remains focused on taking action to maintain the Group's strong cash and liquidity position, retaining its team members throughout the centre closure period and ensuring the business is ready to welcome customers back to its centres once it is safe for them to re-open. The Group has a number of different re-opening scenarios modelled depending on the restrictions that may be imposed by the Government, including but not limited to, social distancing. Management is confident that, with the benefit of these actions, the Group will be well positioned for when it is permitted to re-open.

The Board continues to monitor the situation closely and remains confident in the Group's long-term prospects.

15. Related Party Transactions

31 March 2020 and 31 March 2019

There were no related party transactions during either period.

16. Post balance sheet events

On 17 April 2020, a total of 7,500,000 Ordinary Shares of 1 pence, representing approximately 5 per cent of the existing issued share capital of the Company, were placed at a price of 145 pence per share, raising gross proceeds of £10.9 million (approximately £10.5 million after expenses) for the Group. Following admission, the Company has 157,500,000 Ordinary Shares in issue.

On 7 May 2020, the Group entered into a new additional £10m revolving credit facility with Lloyds Bank plc for a maximum period of twelve months. This revolving credit facility is supported by the CLBILS, managed by the British Business Bank on behalf of, and with the financial backing of, the Secretary of State for Business, Energy and Industrial Strategy. The interest charge on this loan, if drawn, tracks the Bank of England Base rate plus a margin of 1.60 per cent.

Following this new facility, the bank covenants have been amended as follows for the next twelve months:

- The ratio of consolidated total net debt to EBITDA (leverage covenant) extended to:

- June 2020	1.50x
- September 2020	2.25x
- December 2020	5.00x
- March 2021	1.50x

- The ratio of consolidated cash flow to consolidated debt service (cash cover covenant) waived for June 2020 and September 2020.

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 1 June 2020 and is signed on its behalf by:

Stephen Burns	**Laurence Keen**
CEO	CFO
1 June 2020	1 June 2020