24 May 2017

Hollywood Bowl Group plc

STRONG REVENUE AND PROFIT GROWTH DELIVERED THROUGH SUCCESSFUL EXECUTION OF STRATEGY

Hollywood Bowl Group plc ("Hollywood Bowl" or the "Group"), the UK's market leading ten-pin bowling operator, is pleased to announce its interim results for the six month period ended 31 March 2017.

Financial highlights

	6 months ended 31 March 2017	**6 months ended 31 March 2016**	% Movement
Total revenues	**£59.3m**	£55.0m	+7.9%
Like for like revenues (1)	**1.2%**	10.4%	
Group Adj. EBITDA (2)	**£18.2m**	£16.8m	+8.6%
Group Adj. EBITDA margin	**30.8%**	30.6%	+0.2%pts
Operating Profit	**£13.0m**	£10.9m	+18.5%
Net debt	**£13.5m**	£91.4m	-85.3%
Interim Dividend per share	**1.8 pence**	–	

Operational Highlights/Progress

- *Refurbishment programme progressing well*
    - *2 further Bowlplex rebrands now complete with 2 more planned for H2*
    - *1 further Hollywood Bowl refurbishment completed in H1 with an additional 5 planned for H2, two of which are already underway*
- *Increased capacity utilisation*
    - *Total game volumes increased 8.8%*
    - *LFL game volumes increased by 2.1%*
- *New Centre Opening plan on track*
    - *Southampton opened in H1 and is performing in line with expectations.*
    - *Strong pipeline secured, with Derby opened in April 2017, Hollywood Bowl at The* O_2 *due to open in June 2017 and Dagenham due to open in September 2017*
    - *Further 3 centres agreed for FY18/19.*
- *Games per stop*[(3)] *increased by 15% year on year, to an industry leading 356*

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

"The strength of this first half trading performance reflects the continued progress we have made in delivering against our three growth priorities; opening new centres and acquisitions; growing like for like revenue; and continuing to improve our existing estate through our refurbishment and rebrand programme."

"We will continue to focus on delivering an exceptional customer experience every time, investing in our customer proposition and our centres to continue the growth of the business. This customer focus, combined with our disciplined capital and cost management, gives us confidence in delivering another year of progress, and reporting results in line with Board expectations."

"As highlighted in our post close statement, the business has a strong balance sheet and cash generation remains strong. Assuming that cash generation remains in line with expectations through the second half of the year, the Board will consider the most appropriate use of the Group's financial position to enhance shareholder returns."

1 Like-for-like revenue is defined as total revenue excluding any new centre openings, acquisitions (H1 2017: £3.3m), closed centres (H1 2016: £0.3m) from the current or prior year, and also centres impacted by new centre openings (H1 2017: £0.5m) and is used as a key measure of core same 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 H1 17: £0.1m), and costs (the costs on property transactions – Avonmeads, restructuring costs for Bowlplex acquisition £0.02m, IPO related expenses £0.1m and costs in relation to strategic projects £0.1m). It is our view that these are not recurring costs.
3 Games per stop is an industry measure of the number of games played before a fault is reported on the lane

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Notes to Editors:
Hollywood Bowl Group is the UK's largest ten-pin bowling operator, with a portfolio of 56 centres operating across the UK under the Hollywood Bowl, AMF and Bowlplex brands. The Group specialises in operating large, high quality bowling centres, predominantly located in out of town multi-use leisure parks (typically co-located with cinema and casual dining sites) and large retail parks. The centres are designed to offer a complete family entertainment experience with each centre offering at least 16 bowling lanes, on-site dining, licensed bars, and state-of-the-art family games arcades.

CHIEF EXECUTIVE REVIEW

We are pleased to report that our progress in the first half of FY17 has met with Board expectations. Revenue of £59.3m, an increase of 7.9%, has been driven by a combination of LFL sales growth from the core estate, the full year effect of the Bowlplex acquisition, refurbishment and rebrand performance as well as the opening of our new centre in Southampton.

We continue to focus on the management and improvement of our estate, with the refurbishment programme progressing well. We completed 3 full centre refurbishments during the period under review, and plan to complete a further 7 by the end of the year, including 2 Bowlplex rebrands and an AMF rebrand. Other notable investments in the half included the rollout of the VIP lane concept to a further 4 centres, taking the total number to 31, and we now have 24 centres with our own scoring system. This increases the quality and enjoyment of the customer experience, while also increasing our ability to deliver personalised and targeted digital marketing campaigns.

The increase in revenues and our disciplined capital and cost management have translated into continued profit growth. Group adjusted EBITDA grew by £1.4m to £18.2m, up 8.6% (H1 FY16: £16.8m). Average centre EBITDA increased by 6.3% (1.4% on a LFL basis), which is ahead of revenue growth, demonstrating the operational leverage inherent within our model. Our business model has continued to generate strong cash flows through the period.

The Board has declared an interim dividend of 1.8 pence per share.

Growth Strategy

We have made good progress in delivering on our three strategic growth priorities; opening new centres and acquisitions; growing like for like revenue; and continual improvement of the existing estate through our refurbishment and rebrand programme.

Development of our property portfolio

We are currently ahead of our initial target for the rebranding and refurbishment of our Bowlplex centres, and will complete 4 by the end of this year. We also anticipate rebranding and refurbishing our final 4 Bowlplex centres by the end of FY18. These centres continue to deliver excellent returns on investment, with the 4 completed showing a return of 76% at the end of H1.

The new centre pipeline is progressing very well, with landlords continuing to make Hollywood Bowl their leisure operator of choice and a desirable addition to their retail and leisure assets. The Group provides them with an excellent anchor leisure tenant with a strong profitable trading history, that generates significant footfall and has a continual investment approach in its centres. As highlighted in the Trading announcement, the Group will hit its forecasted 2 new openings per annum for at least the next 3 years, with all six exchanged and legally committed.

During FY17 we will open 4 new prime location centres. **Southampton** opened as part of the Hammerson West Quay leisure extension and is trading very well. Hollywood Bowl opened in the intu shopping centre in **Derby** in early April 2017 and trading since opening has been very encouraging. Both of these performances support our thesis that location is key, as we trade strongly against a branded bowling operator in both markets. The third centre to open in FY17 will be in the **O_2 London**, taking over the recently closed Brooklyn Bowl. The location will be branded Hollywood Bowl and run under a management agreement for AEG, giving the Group a strong brand presence in the nation's capital. Our fourth opening will be in **Dagenham** during September. This is an existing bowling facility which we have acquired as part of a deal with the landlord and will be rebranded to a Hollywood Bowl in early FY18.

Like-for-like growth

Despite the shift in the Easter period, like for like sales grew 1.2% during the first half of the financial year, and by 3.2% when taking into account the impact of the Easter holidays in 2017 falling into the second half of the financial year.

We have seen a small decline in spend per game, with the average at £8.72, 1.0% behind last year. This decline was seen in the Bowlplex business, down 27% due to the introduction of the Hollywood Bowl volume drivers to drive utilisation as well as an overhaul of pricing. This saw a positive impact on the overall Bowlplex revenues that are up 6.2% post acquisition. Within the core LFL estate, spend per game is up 2.0% to £8.68, driven by the continued improvements to our customer offering, and roll out of our yield enhancement initiatives. These initiatives around improving spend per game include VIP lanes, which are now in 31 centres, and command a small premium to the pricing of our other lanes.

The new look Hollywood Diner menu has undergone extensive testing and is now in 16 centres. We have been very pleased with the customer feedback on this high quality and excellent value menu. Those centres benefiting from the Hollywood diner menus saw food revenues increase 14.4% ahead of the rest of the estate during the period.

Our new dynamic pricing trial (currently in test in 4 locations) is helping us better understand the yield dynamics during the trading calendar, enabling us to use price to help manage demand during peak trading and driving utilisation in other times.

Use of Technology

We have continued to invest in our technology platform; enhancing our pricing and yield capability, adding functionality to our CRM system, improving our Business Intelligence and deploying an upgraded version of our proprietary scoring system to 24 centres. The system has improved the experience for our customers during the game and has given us the capability to deliver highly personalised post bowling communications promoting healthy competition between bowlers and encouraging repeat visits.

We have also made good progress migrating to a new Cloud based infrastructure and to an improved technology support structure for our centres. Our digital marketing programmes continue to perform well, delivering increased revenues through our online booking channel.

Focus on People

We want to acknowledge the fantastic efforts our team have put into delivering these results. Our continued focus on attracting and retaining only the very best talent is a fundamental part of our business success. We are very fortunate to have such a high quality, customer focused team and are committed to providing them with an inclusive and supportive environment with opportunities to develop rewarding careers.

Our internal talent development programmes provide opportunities for all team members. This year's intake has seen 45 join the Assistant Manager in training programme and 14 team members join the Centre Manager in training programme. These government accredited development schemes have helped drive team turnover down 3% versus last financial year, and provide an invaluable pipeline of senior management for succession planning.

Brexit

The Board has carefully considered the potential impact of Brexit on Hollywood Bowl Group plc. Considering that Hollywood Bowl Group plc only has operations in the UK, low exposure to foreign exchange rates and is not reliant on employees from the European Union, we do not consider this to be a principal risk for the business.

Outlook

After a good first half we are on track to meet Board expectations for the full year and our focus remains on delivering an exceptional experience for every customer, every time, increasing value for shareholders. By always putting the customer at the heart of what we do, and with our sustainable organic growth strategy in place, the Board is confident in the outlook for the business.

Stephen Burns
Chief Executive Officer
24 May 2017

FINANCE REVIEW

	31 March 2017 £'000	31 March 2016 £'000
Total number of centres	**55**	54
Number of games played	**6.7m**	6.1m
Revenue	**£59.3m**	£55.0m
Gross profit	**84.9%**	83.7%
Group adjusted EBITDA[1]	**£18.2m**	£16.8m
Group operating profit	**£13.0m**	£10.9m
Net debt	**£13.5m**	£91.4m
Adjusted group operating cash flow[2]	**£14.6m**	£17.1m
Group expansionary capital expenditure	**£3.3m**	£1.3m

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 H1 17: £0.1m), and costs (the costs on property transactions - Avonmeads, restructuring costs for Bowlplex acquisition £0.02m, IPO related expenses £0.1m and costs in relation to strategic projects £0.1m). It is our view that these are not recurring costs.

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

Our Group adjusted EBITDA growth has been achieved through continued focus on what the customer values for their leisure time and ensuring that each of our centres offers a great all round experience to all customers on every visit. Group adjusted EBITDA increased by 8.6 per cent during the year driven by the full year effect of Bowlplex, LFL revenue growth and our continued investment strategy across the estate.

Growth drivers

The strength of the Group's strategy is reflected in our revenue performance for the period, which was driven by 3 main areas: opening new centres and acquisitions; growing like for like revenue; and continual improvement of the existing estate through our refurbishment and rebrand programme.

Bowlplex revenues for H1 were £10.4m (H1 FY16: £6.6m). We have seen continued growth in these centres as we continue to see the benefits of our Customer Contact Centre (CCC) as well as the growth in our centre specific customer databases. We have also now completed 5 Bowlplex rebrands (2 in H1 FY17), with Portsmouth being completed on 28 March 2017. Returns from the other 4 are showing a return of 76% in their first year post investment.

Further investments include the refurbishment of our Hollywood Bowl in Cribbs Causeway, as well as introducing more VIP lanes into our core estate. The plan for H2 FY17 is to complete a further 7 refurbishments, including 2 Bowlplex and 1 AMF rebrand, as well as 8 more centres receiving the VIP lanes treatment. This will mean that by year end, 39 centres will be able to offer the VIP lanes experiences, with the rest of the estate being fitted out over the following 18-24 months.

We opened our 55th Centre in December, as part of the Hammerson West Quay leisure extension in Southampton. This centre has traded above management expectations initially and we expect it to show a return of over 50% for its first year.

Given the challenging weather in the first half, with unprecedented record dry months in December, January and February, we are pleased with our record sales performance over this period.

Group revenue increased by 7.9% (£4.3m) to £59.3m.

Gross margin

Gross profit margin improved from 83.7 per cent to 84.9 per cent primarily as a result of the full-year effect of new food and drink contracts, and improved terms on amusements for the like-for-like estate post the Bowlplex acquisition. The slight change in revenue mix also helped margins, with bowling increasing its share from 48.0 per cent to 48.6 per cent.

Administrative expenses

Administration expenses excluding exceptional items increased by 9.2 per cent driven primarily by the acquisition of Bowlplex.

	31 March 2017 £'000	31 March 2016 £'000
Employee costs	**10,524**	9,729
Other fixed property	**13,691**	12,529
Maintenance and supplies	**979**	961
Other expenses	**1,695**	1,637
Corporate costs	**5,214**	4,346
Loss on disposal of property, plant and equipment	**15**	–
Depreciation and amortisation	**5,131**	4,897
Exceptional items	**132**	2,203
	37,381	36,302

Administrative expenses increased to £37.4m in the 1st half, from £36.3m in the previous year. Property and employee costs continue to represent the largest expenses in the business, with the increase on the prior period primarily the result of the acquisition of Bowlplex in December 2015. Property costs on a constant basis were static compared with the prior period last year at £10.6m with rent reviews, property rates and utility cost increases netted off by the new rent on Liverpool and a lower insurance charge due to a recent tender process. Employee costs on a constant centre basis stay at £8.5m in the first half, as we saw the national living wage and national minimum wage increases netted off by the impact of our focus on cost controls through the new labour scheduling tool. We expect to see a year on year increase in H2 given the second National Minimum wage increase in our financial year. It is anticipated that the Apprenticeship Levy introduced in April 2017 will not have a material impact on the Group, as we will be able to reclaim a significant proportion of this through our approved development programmes.

Group adjusted EBITDA

Group adjusted EBITDA increased during the period mainly due to the full year effect of the Bowlplex acquisition as well as growth of the core estate through refurbishments and continued spend on maintenance capital to ensure that all centres are inviting family entertainment centres.

Depreciation increased to £4.9m in the first half, largely as a result of the Bowlplex acquisition. Corporate costs increased by 20 per cent to £5.2m. This is due to the full year effect of the investment to support Bowlplex (£0.2m), and the PLC costs (£0.6m). As a percentage of total sales, total corporate costs represented 8.8 per cent in H1 FY17, against 7.9 per cent in H1 FY16.

	31 March 2017 £'000	31 March 2016 £'000
Operating profit	**12,957**	10,931
Depreciation	**4,866**	4,672
Amortisation	**265**	225
EBITDA	**18,088**	15,828
Exceptional items	**132**	968
Long term employee incentive costs	**21**	–
Adjusted EBITDA	**18,241**	16,796

Management use EBITDA adjusted for exceptional items (adjusted EBITDA) as a key performance measure of the business as this excludes non-recurring costs and is more reflective of the underlying performance of the operations of the business.

Finance costs

Net interest and other finance charges decreased by 87.4% from £4.6m for H1FY16 to £0.6m in H1FY17, driven primarily by the removal of the subordinated shareholder loans.

Taxation

The Group has incurred a tax charge of £2.4m for the first half compared to £1.4m for the prior year.

Earnings

Profit for the first half was £10.0m which was an increase of £5.0m on the previous year, while earnings per share were 6.64 pence.

Dividend

The Directors have declared an interim dividend of 1.8 pence per share. The ex-dividend date is 15th June 2017, record date of 16th June and a payment date of 12th July 2017.

The Group operates a highly cash generative business model, which combined with lower net capital expenditure on new sites and post all refurbishment spend, still leaves the Group in a strong financial position.

The Board will consider the most appropriate use of the financial position to enhance shareholder returns.

Cash flows and Net Debt

The Group continues to deliver strong cash generation with Group Operating Cash flow conversion at 80.0%. The prior year number was impacted by the acquisition of Bowlplex. Both periods are impacted by the bonus accrual in H1 which is paid in the following financial year.

	31 March 2017 £'000	31 March 2016 £'000
Group Adjusted EBITDA	**18,241**	16,796
Movement in working capital	**483**	3,900
Maintenance capital expenditure[1]	**(3,163)**	(2,753)
Taxation	**(976)**	(809)
Adjusted Operating cash flow (OCF)[2]	**14,585**	17,134
Adjusted OCF Conversion	**80.0%**	102.0%
Expansionary capital expenditure	**(3,277)**	(1,272)
Disposal proceeds	–	1,351
Exceptional items	**(3,244)**	(1,745)
Net Interest paid	**(459)**	(993)
Acquisition of subsidiary	–	(22,801)
Cash acquired in subsidiary	–	970
Cash flows from financing activities	–	8,513
Dividends Paid	**(285)**	–
Net Cash flow	**7,320**	1,157

1 In this table, maintenance capital expenditure includes amusements capital and amusement disposal proceeds. This is split out below

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

Strong cash generation during the half year has resulted in a decrease in net debt to £13.5m. The Group has not drawn on the £5m capital facility available to fund new sites or capital expenditure. In addition, the Group has a £5m revolving credit facility which was also undrawn at 31 March 2017.

Capital expenditure

	31 March 2017 £'000	31 March 2016 £'000

Maintenance	**2,497**	2,249
Amusement supplier	**666**	504
Refurbishment	**1,346**	1,154
New centres	**3,056**	118
Landlord contributions	**(1,125)**	–
Net disposal proceeds	–	(1,351)
Total capital expenditures	**6,440**	2,674

Maintenance capital spend increased by 11 per cent due to having the Bowlplex sites for the full period. Spend is in line with guidance provided and we continue to ensure that all centres are maintained to a high quality, as well as the lane machines continue to be in good working order – both of which enhance the overall customer experience.

Refurbishment spend increased as we completed the rebrands in Brighton and Portsmouth, as well as a refurbishment in Cribbs Causeway. We also invested in VIP lanes in 5 more centres with a further 8 centres planned to receive this investment in the second half. New Centre spend includes Southampton and Derby.

Going Concern

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

Laurence Keen
Chief Financial Officer
24 May 2017

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 31 March 2017

	Note	Six months ended 31 March 2017 Unaudited £'000	Six months ended 31 March 2016 Unaudited £'000	Year ended 30 September 2016 Audited £'000
Revenue		59,289	54,968	106,632
Cost of sales		(8,951)	(8,970)	(17,205)
Gross profit		50,338	45,998	89,427
Administrative expenses		(37,462)	(36,302)	(76,444)
Other income		81	1,235	1,395
Operating profit		12,957	10,931	14,378

Underlying operating profit		13,089	11,899	19,541
Exceptional items	4	(132)	(968)	(5,163)
Finance income		3	7	22
Finance expenses		(583)	(4,610)	(11,905)
Movement in derivative financial instrument		31	(32)	79
Profit before tax		12,408	6,296	2,574
Tax expense	6	(2,441)	(1,355)	(1,387)
Profit for the year attributable to equity shareholders		9,967	4,941	1,187
Other comprehensive income for the period		-	-	-
Total comprehensive income attributable to equity shareholders		9,967	4,941	1,187
Earnings per share (based on weighted average number of shares)	5	**pence**	**pence**	**pence**
Basic and Diluted		6.64	4.75	1.12
Adjusted earnings per share (based on weighted average number of shares)	5			
Basic and Diluted		6.74	8.61	13.23
Weighted average number of shares in issue for period (number)		150,000,000	104,086,932	105,843,170
Reconciliation of operating profit to Group Adjusted EBITDA		**£'000**	**£'000**	**£'000**
Operating profit		12,957	10,931	14,378
Depreciation of property, plant and equipment	7	4,866	4,672	9,316
Amortisation of intangible assets	8	265	225	493
Exceptional items	4	132	968	5,163
Long term employee incentive costs	13	21	-	-
Group Adjusted EBITDA		18,241	16,796	29,350

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

Condensed Consolidated Statement of Financial Position
As at 31 March 2017

		31 March 2017 Unaudited £'000	31 March 2016 Unaudited £'000	30 September 2016 Audited £'000
ASSETS				
Non-current assets				
Property, plant and equipment	7	38,599	37,008	37,264
Intangible assets	8	79,048	79,331	79,228
		117,647	116,339	116,492
Current assets				

Cash and cash equivalents		16,544	15,853	9,224
Short Term Financial Asset		-	1,998	-
Trade and other receivables		6,162	11,757	9,634
Inventories		1,212	1,209	1,018
		23,918	30,817	19,876
Total assets		141,565	147,156	136,368
LIABILITIES				
Current liabilities				
Trade and other payables		13,510	19,515	18,866
Loans and borrowings	10	630	1,131	-
Corporation tax payable		2,440	2,568	1,034
		16,580	23,214	19,900
Non-current liabilities				
Other payables		6,129	7,004	6,941
Loans & borrowings	10	28,833	106,113	29,403
Deferred tax liabilities		2,289	2,206	2,230
Accruals and provisions		3,665	3,797	3,476
Derivative financial instruments	11	24	166	55
		40,940	119,286	42,105
Total liabilities		57,520	142,500	62,005
NET ASSETS		84,045	4,656	74,363
Equity attributable to shareholders				
Share capital		1,500	49,932	71,512
Share premium		-	-	51,832
Merger reserve		(49,897)	(49,847)	(49,897)
Capital redemption reserve		-	-	99
Retained earnings		132,442	4,571	817
TOTAL EQUITY		84,045	4,656	74,363

Condensed Consolidated Statement of Changes in Equity
For the six months ended 31 March 2017

	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000

Equity at 30 September 2015 (audited)	49,932	-	(49,847)	-	(370)	(285)
Profit for the period	-	-	-	-	4,941	4,941
Equity at 31 March 2016 (unaudited)	**49,932**	**-**	**(49,847)**	**-**	**4,571**	**4,656**
Shares issued during the year	100	-	(50)	-	-	50
Debt for equity swap	21,424	51,460	-	-	-	72,884
Issue of shares to employees	155	372	-	-	-	527
Share re-organisation	(99)	-	-	99	-	-
Loss for the period	-	-	-	-	(3,754)	(3,754)
Equity as at 30 September 2016 (audited)	**71,512**	**51,832**	**(49,897)**	**99**	**817**	**74,363**
Share capital re-organisation (Note 12)	(70,012)	(51,832)	-	(99)	121,943	-
Dividends paid (Note 9)	-	-	-	-	(285)	(285)
Profit for the period	-	-	-	-	9,967	9,967
Equity as at 31 March 2017 (unaudited)	**1,500**	**-**	**(49,897)**	**-**	**132,442**	**84,045**

Condensed Consolidated Statement of Cash Flows
For the six months ended 31 March 2017

	Six months ended 31 March 2017 Unaudited £'000	Six months ended 31 March 2016 Unaudited £'000	Year ended 30 September 2016 Audited £'000
Cash flows from operating activities			
Profit before tax	12,408	6,296	2,574
Adjusted by:			
Depreciation and impairment	4,866	4,662	9,316
Amortisation of intangible assets	265	225	493
Net interest expense	580	4,603	11,883
Loss/(profit) on disposal of property, plant and equipment	15	(802)	(745)
Movement on derivative financial instrument	(31)	32	(79)
Share-based payment	-	-	526
Operating profit before working capital changes	18,103	15,016	23,968
(Increase)/decrease in inventories	(194)	(84)	108
Decrease in trade and other receivables	3,472	2,992	5,115
(Decrease)/increase in payables and provisions	(6,040)	1,027	143

Cash inflow generated from operations	15,341	18,951	29,334
Interest received	3	7	7
Income tax paid - corporation tax	(976)	(809)	(2,352)
Interest paid	(462)	(1,000)	(2,100)
Net cash inflow from operating activities	13,906	17,149	24,889
Investing activities			
Acquisition of subsidiaries	-	(22,801)	(22,801)
Subsidiary cash acquired	-	970	970
Purchase of property, plant and equipment	(6,355)	(4,690)	(10,157)
Purchase of intangible assets	(85)	(192)	(357)
Sale of assets	139	2,208	2,708
Net cash used in investing activities	(6,301)	(24,505)	(29,637)
Cash flows from financing activities			
Issue of loan notes	-	10,000	10,000
Repayment of bank loan	-	(750)	(9,250)
Payment of financing costs	-	(737)	(1,474)
Dividends paid	(285)	-	-
Net cash flows (used in)/from financing activities	(285)	8,513	(724)
Net change in cash and cash equivalents for the period	7,320	1,157	(5,472)
Cash and cash equivalents at the beginning of the period	9,224	14,696	14,696
Cash and cash equivalents at the end of the period	16,544	15,853	9,224

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 audited financial statements for the six months ended 31 March 2017 (‘Interim Financial Statements’).

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

The interim Financial Statements were approved by the Board of Directors on 23 May 2017.

The financial information for the six months ended 31 March 2017 has been reviewed by KPMG, the Company’s external auditor. Their report is included within this announcement.

The Group’s last annual audited financial statements for the year ended 30 September 2016 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 2016 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 2016 has been delivered to the Registrar of Companies. The external auditor has reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006.

2. Basis of preparation

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

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

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those applied in the presentation of the Group's consolidated financial statements for the year ended 30 September 2016. A number of new European Union endorsed standards and amendments to existing standards are effective for periods beginning on or after 1 October 2016. However, none of these have a material, if any, impact on the annual or condensed interim consolidated financial statements of the Group in the year ending 30 September 2017.

The Group's principal activities are that of the operation of ten-pin bowling centres as well as the development of new centres and other associated activities. It is managed as one entity and management have consequently determined that there is only one operating segment. All revenue arises in and all non-current assets are located in the United Kingdom. The Group's operations are not considered to be seasonal or cyclical in nature.

Going concern

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

Accounting estimates and judgements

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 30 September 2016.

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.

4. Exceptional items

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

	Six months ended 31 March 2017 Unaudited £'000	Six months ended 31 March 2016 Unaudited £'000	Year ended 30 September 2016 Audited £'000
VAT rebate[1]	81	1,235	1,395
Rates rebate[2]	-	79	79
Property income / (costs)[3]	-	678	(648)
Acquisition related expenses[4]	-	(2,334)	(2,334)
Restructuring and legal costs[5]	(21)	(518)	(757)
IPO related expenses[6]	(102)	(108)	(2,298)
Share-based payments[7]	-	-	(600)

Non-recurring expenditure on strategic projects[8]	(90)	-	-
	(132)	(968)	(5,163)

[1] The Group was able to make a one-off retrospective reclaim in respect of overpaid VAT relating to customers who were 'no-shows' and children's shoe hire. This VAT rebate relates to a rebate for FY2012 to 2016. This has been classified as other income in the condensed consolidated statement of comprehensive income. Going forward this has not been classified as exceptional as it has been recognised within revenue. The amount recognised in FY2017 relates to a historic claim for no shows from FY2015 to FY2016.

[2] There was a sector-wide property rating appeal which was settled during FY2015 which resulted in a majority of the Groups' centres being eligible for one-off rebates for the period from April 2010 onwards. Most of this was received in FY2015. With the new rating effective from April 2017, the normal rates appeals process will be followed and in-year refunds will not be included within exceptional costs.

[3] For FY2016 this includes profit for the sale of Avonmeads Centre (£0.8m) and a reverse premium (£1.6m) for exiting a lease rental contract for the Liverpool centre.

[4] Costs relating to the acquisition of Bowlplex in December 2015. These costs include legal and research fees in connection with the lengthy CMA process which was part of the acquisition.

[5] Costs relating to the acquisition of Bowlplex in December 2015. Also includes costs for the management of the Group by Epiris. In FY2017 this relates to abnormal restructuring costs.

[6] Costs associated with the IPO of Hollywood Bowl Group plc on the London Stock Exchange on 21 September 2016. Costs include legal and accounting transaction fees along with corporate banking costs.

[7] Allocation of shares to employees on IPO date. Shares issued to employees have been recorded at fair value, being the strike price at IPO. This comprises the fair value of the shares (£527,000) and the employers' national insurance expense (£73,000). This was a one-off allocation of shares to employees as part of the IPO. Share-based payments and other LTIPs will not be included in exceptional items as these are envisaged to be recurring and part of the normal course of business going forward.

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

5. Earnings per share

Basic earnings per share is calculated by dividing the profit to equity holders of Hollywood Bowl Group plc by the weighted average number of shares in issue during the year. The weighted average number of shares for the preceding periods has been stated as if the Group share for share exchange had occurred at 1 October 2015.

	Six months ended 31 March 2017 Unaudited	**Six months ended 31 March 2016 Unaudited**	**Year ended 30 September 2016 Audited**
Basic and diluted*			
Profit for the year after tax (£'000)	9,967	4,941	1,187
Weighted average number of shares in issue for the period (number)	150,000,000	104,086,932	105,843,170
Earnings per share (pence)	6.64	4.75	1.12

***The weighted average number of shares in issue for the period ended 31 March 2017 for the diluted EPS calculation is 150,033,148. The increased number of shares has not had an impact on the diluted EPS which remains at 6.64 pence.

Adjusted underlying earnings per share

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

	Six months ended 31 March 2017 Unaudited	**Six months ended 31 March 2016 Unaudited**	**Year ended 30 September 2016 Audited**

Adjusted underlying earnings after tax (before exceptional costs and shareholder interest) (£'000)	10,111	8,962	14,004
Weighted average number of shares in issue for the period (number)	150,000,000	104,086,932	105,843,170
Adjusted earnings per share (pence)	6.74	8.61	13.23

Adjusted underlying earnings after tax is calculated as follows:

	Six months ended 31 March 2017 Unaudited £'000	**Six months ended 31 March 2016 Unaudited £'000**	**Year ended 30 September 2016 Audited £'000**
Profit for the year before tax	12,408	6,296	2,574
Exceptional items (Note 4)	132	968	5,163
Exceptional costs within finance expenses	-	-	2,995
Shareholder interest	-	3,439	6,886
Adjusted underlying profit before taxation	12,540	10,703	17,618
Less taxation	(2,429)	(1,741)	(3,614)
Adjusted underlying earnings after tax	10,111	8,962	14,004

6. Taxation

	Six months ended 31 March 2017 Unaudited £'000	**Six months ended 31 March 2016 Unaudited £'000**	**Year ended 30 September 2016 Audited £'000**
The tax expense is as follows:			
- UK Corporation tax	2,714	2,080	2,130
- Adjustments in respect of previous periods	(332)	-	(42)
Total current tax	2,382	2,080	2,088
Deferred tax:			
Origination and reversal of temporary differences	59	(13)	(701)
Adjustments in respect of prior years	-	(712)	-
	59	(725)	(701)
Total tax expense	2,441	1,355	1,387

Factors affecting current tax charge:
The income tax expense was recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year of 22%, applied to the profit before tax for the half year ended 31 March 2017. The effective tax has decreased from 54% for the year ended 30 September 2016 to 20% for the six months ended 31 March 2017. This is due to the tax treatment of shareholder loan note interest in the year end 30 September 2016.
The net deferred tax liability recognised at 31 March 2017 was £2,289,000 (31 March 2016: £2,206,000; 30 September 2016: £2,230,000). This comprised deferred tax assets relating to temporary differences and unrelieved losses of £9,000 (31 March 2016: £nil; 30 September 2016: £76,000) and deferred tax liabilities in relation to accelerated capital allowances, ineligible items on acquisition and acquired intangible assets totaling £2,298,000 (31 March 2016: £2,206,000; 30 September 2016: £2,306,000).

7. Property, plant and equipment

	Long leasehold property £'000	**Short leasehold property £'000**	**Plant, machinery and fixtures and fittings £'000**	**Total £'000**
Cost:				
At 1 October 2015	1,224	5,980	30,943	38,147
Additions	-	2,674	7,483	10,157
On acquisition	-	1,715	5,817	7,532
Disposals	-	(20)	(4,476)	(4,496)
At 30 September 2016 (audited)	**1,224**	**10,349**	**39,767**	**51,340**
Additions	27	1,824	4,504	6,355
Disposals	-	(1)	(366)	(367)
At 31 March 2017 (unaudited)	**1,251**	**12,172**	**43,905**	**57,328**
Accumulated depreciation:				
At 1 October 2015	64	1,633	5,596	7,293
Depreciation charge	46	1,688	7,582	9,316
Disposals	-	(10)	(2,523)	(2,533)
At 30 September 2016 (audited)	**110**	**3,311**	**10,655**	**14,076**
Depreciation charge	24	903	3,939	4,866
Disposals	-	(1)	(212)	(213)
At 31 March 2017 (unaudited)	**134**	**4,213**	**14,382**	**18,729**
Net book value				
At 31 March 2017 (unaudited)	**1,117**	**7,959**	**29,523**	**38,599**
At 30 September 2016 (audited)	1,114	7,038	29,112	37,264

Outstanding capital commitments totalled £1,023,000 (31 March 2016: £nil; 30 September 2016: £4,195,000).

8. Intangible assets

	Goodwill £'000	Brand £'000	Trademark £'000	Software £'000	Total £'000
Cost					
At 1 October 2015	62,014	3,360	798	544	66,716
Additions	-	-	-	357	357
On acquisition	13,020	-	4	154	13,178
Disposals	-	-	-	(15)	(15)
At 30 September 2016 (audited)	**75,034**	**3,360**	**802**	**1,040**	**80,236**
Additions	-	-	-	85	85
Disposals	-	-	-	(8)	(8)
At 31 March 2017 (unaudited)	**75,034**	**3,360**	**802**	**1,117**	**80,313**
Accumulated amortisation and impairment losses					
At 1 October 2015	-	180	66	284	530
Amortisation charge	-	168	50	275	493
Disposals	-	-	-	(15)	(15)
At 30 September 2016 (audited)	**-**	**348**	**116**	**544**	**1,008**
Amortisation charge	-	84	26	155	265
Disposals	-	-	-	(8)	(8)
At 31 March 2017 (unaudited)	**-**	**432**	**142**	**691**	**1,265**
Net book value					
At 31 March 2017 (unaudited)	**75,034**	**2,928**	**660**	**426**	**79,048**
At 30 September 2016 (audited)	75,034	3,012	686	496	79,228

9. Dividends

The following dividends were declared and paid by the Group

	Six months ended 31 March 2017 Unaudited £'000	Six months ended 31 March 2016 Unaudited £'000	Year ended 30 September 2016 Audited £'000
0.19p per ordinary share	285	-	-

10. Loans and borrowings

	31 March 2017 Unaudited £'000	31 March 2016 Unaudited £'000	30 September 2016 Audited £'000
Current			
Bank loan	630	1,131	-
Borrowings (less than 1 year)	630	1,131	-

Non-current			
Bank loan	28,833	35,340	29,403
Other loans	-	70,773	-
Borrowings (greater than 1 year)	28,833	106,113	29,403
Total borrowings	29,463	107,244	29,403

At 31 March 2016 other loans comprised unsecured subordinated shareholder loan notes from Electra Investments Limited and members of Company Management which should have been due for repayment in 2021. Interest of 10 per cent per annum was charged on these notes which accrued or paid in accordance with the provisions of the loan note instrument.

On 16 September 2016, the outstanding loan notes were exchanged for shares in Hollywood Bowl Group plc.

On 21 September 2016, the Group repaid the outstanding bank loans and entered into a £30m facility with Lloyds Bank plc. This facility is due for repayment in instalments over a five year period up to the expiry date of 20 September 2021. The first repayment of £0.75m is due 31 December 2017, and in 6-monthly instalments up to 31 December 2020. The remaining balance of £24.75m will be repayable at the expiry date of 20 September 2021. In addition, the Group has an undrawn £5m revolving credit facility and undrawn £5m capex facility. All loans carry interest at libor plus a margin, which varies in accordance with the ratio of net debt divided by EBITDA. The margin at 31 March 2017 is 2.25 per cent. The bank loans are secured by a fixed and floating charge over all assets.

11. Financial Instruments

	31 March 2017 Unaudited £'000	31 March 2016 Unaudited £'000	30 September 2016 Audited £'000
Financial liabilities			
Interest rate swap	24	166	55

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

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

Trade date	Type	Fixed rate	Notional amount	Start date	End date
03/12/2014	Swap	1.082%	8,000,000	03/12/2014	30/09/2017
03/12/2014	Swap	1.082%	18,666,667	03/12/2014	09/09/2017

On the 21st September 2016 the interest rate swap for a national amount of £18,666,667 was broken as part of a refinancing activity described in note 10.

Fair value hierarchy

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

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

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

12. Share capital

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

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

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

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

13. Long term employee incentive costs

HWB Group plc operates a Long Term Incentive Plan (LTIP) for certain key management. In accordance with IFRS 2 Share Based Payments, the value of the awards is measured at fair value at the date of the grant. The fair value is written off on a straight-line basis over the vesting period, based on management's estimate of the number of shares that will eventually vest. In accordance with the LTIP scheme outlined in the Group's Remuneration Policy (Annual Report FY16), 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.

During the six months ended 31 March 2017, 428,113 share awards were granted under the LTIP. For this grant, the Group recognised a charge of £18,090 and related employer national insurance of £2,496.

14. Principal Risks and Uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year. The directors do not consider that the principal risks and uncertainties have changed since the publication of the Annual Report for the year ended 30 September 2016. These risks are summarised below, and how the Group seeks to mitigate these risks is set out on pages 20 and 21 of the Annual Report and Accounts 2016, which can be found at www.hollywoodbowlgroup.com
In summary, these include:

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

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' adopted by the EU.
- The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year).
- The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties transactions and changes therein).

This responsibility statement was approved by the Board on 24 May 2017 and is signed on its behalf by:

Stephen Burns	**Laurence Keen**
CEO	CFO
24 May 2017	24 May 2017

INDEPENDENT REVIEW REPORTTO THE SHAREHOLDERS OF HOLLYWOOD BOWL GROUP PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2017 which comprises the condensed consolidated income statement and statement of comprehensive income, the condensed consolidated statement of financial position, the consolidated statement of changes in equity, the condensed consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UKFCA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The Company has not previously produced a half-yearly report containing a condensed set of financial statements. As a consequence, the review procedures set out above have not been performed in respect of the comparative period for the six months ended 31 March 2016.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2017 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Peter Selvey
For and on behalf of KPMG LLP
Chartered Accountants

24 May 2017