

hollywood bowl
group plc

ENJOYING

GOOD

TIMES

together

BOWLING

★ ★ ★ FOOD & DRINK ★ ★ ★

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Let the good times roll!

THE UK'S LARGEST

TEN-PIN

bowling

OPERATOR

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Our business

OUR CENTRES ARE TYPICALLY CO-LOCATED WITH CINEMA AND CASUAL DINING RESTAURANTS IN LARGE, HIGH FOOTFALL, EDGE-OF-TOWN LEISURE AND RETAIL DEVELOPMENTS.

REVENUE

£120.5m

2017: £114.0M (+5.8%)

NUMBER OF CENTRES

58

- ▶ THE UK'S LARGEST TEN-PIN BOWLING OPERATOR
- ▶ BOWLING LANES
- ▶ AMERICAN-THEMED DINERS
- ▶ LICENSED BARS
- ▶ THE COMPLETE FAMILY ENTERTAINMENT EXPERIENCE



HOLLYWOOD BOWL CENTRES

50

AMF BOWLING CENTRES

8

OUR INVESTMENT CASE



MARKET-LEADING OPERATOR WITH NATIONAL SCALE

With 58 centres, Hollywood Bowl Group operates a high-quality, well-invested estate led by an experienced management team



SIGNIFICANT MARKET OPPORTUNITY

Current ten-pin bowling penetration, usage rates and competitive price position in a growing leisure sector are supporting future expansion and organic growth



CUSTOMER-FOCUSED

Revitalising the ten-pin bowling experience and driving engagement levels and revenue through strong customer understanding



CORE FOCUS ON TEAM AND CULTURE

Customer-focused culture promotes consistent behaviours and attitudes from the best people, attracted, retained and nurtured through talent management and incentive programmes



DIVERSIFIED REVENUE STREAMS

Bowling accounts for half of Group revenue with the other half made up of amusements and food and drink



MULTIPLE LEVERS TO DRIVE FURTHER GROWTH

Strong returns and excellent customer feedback through ongoing refurbishments and customer innovations. A strong new centre pipeline is backed by a disciplined and rigorous site selection process



ATTRACTIVE FINANCIAL MODEL

Consistent strong financial performance and returns, driven by an ongoing capital investment programme and unrelenting focus on the customer experience

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Financial highlights

REVENUE GROWTH
+£6.6M
(+5.8%)

PROFIT BEFORE TAX
£23.9M
2017: £21.1m (+13.4%)

LFL REVENUE GROWTH¹
+£2.0M
(+1.8%)

FINAL ORDINARY DIVIDEND PER SHARE
4.23P
2017: 3.95p (+7.1%)

GROUP ADJUSTED EBITDA¹
£36.2M
2017: £33.4m (+8.3%)

SPECIAL DIVIDEND PER SHARE
4.33P
2017: 3.33p (+30.0%)

GROUP ADJUSTED EBITDA MARGIN¹
30.0%
2017: 29.3% (+0.7%pts)

EARNINGS PER SHARE
12.52P
2017: 12.17p (+2.9%)

Operational highlights

- Bowlplex integration and rebranding programme completed: all 11 sites now rebranded to Hollywood Bowl
- Five further centres refurbished or rebranded in FY2018, with strong returns
- Strong progress in new centre programme: two opened in the year and eight exchanged for openings before the end of FY2022
- Ongoing innovation of the customer proposition: VIP lanes now in 47 centres, the improved Hollywood Diner menu rolled out across the estate and a new scoring system is on trial
- Continued investment in our sector-leading technology platform driving improved e-commerce revenue and yield performance
- Team member development programme delivering excellent results: ten promoted to centre manager
- A strong balance sheet and excellent cash generation underpin our business model

¹ Definitions for these measures are in the key performance indicators section (pages 28 and 29). Management believe providing these specific financial highlights gives valuable supplemental detail regarding the Group's results, consistent with how management evaluate the Group's performance. A reconciliation between Group adjusted EBITDA and statutory operating profit is provided on page 36.



LET THE
good
 TIMES
Roll

Ten-pin bowling is for everyone. The competition is healthy and everyone gets the chance to celebrate. We are the UK's market leader and the game's biggest fans.

NEW
 THINKING

It's a 'shoe-in'!
 Always looking to make life a little easier for our customers, we pioneered adults wearing their own shoes instead of bowling shoes – and it's been a big hit.



Highlights

- Rolling out fun nationwide – over 13 million games bowled in FY2018
- VIP lanes now available in 47 centres
- Dynamic pricing extended – demand based with advance booking incentives
- Improved games per stop with 'Pins on strings' system now in seven centres
- Next generation version of our scoring system being trialled

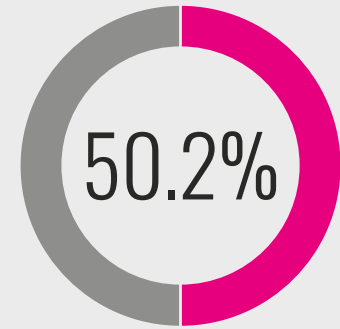
LANES OPERATED

1,384

CENTRES OPERATED

58

BOWLING: PERCENTAGE OF GROUP REVENUE





IT'S ALL
FUN

& *games*

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





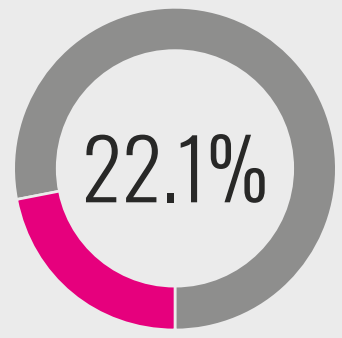
Highlights

- Over 400 new machine installations with £5.0m capital investment in FY2018 ensures that we remain the 'go-to' family amusement centre
- 'Play for prizes' now in 47 centres
- 405 million 'Play for prizes' tickets issued
- 1.9 million games of pool played
- Enhanced supplier commercial terms have improved margins year-on-year
- Hybrid cash and cashless amusements model on trial
- Virtual reality zones on trial in three centres

NEW ADDITIONS

Virtual reality
 We have introduced a range of virtual reality (VR) experiences in selected centres and are proud to operate the only installations of the amazing Mario Kart VR outside of Japan.

AMUSEMENTS:
PERCENTAGE
OF GROUP
REVENUE



Order up

A LITTLE

SOMETHING
ON THE SIDE

3

FOOD &
DRINK

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

UPGRADED MENU

Family favourites

The hugely popular American-themed Hollywood Diner menu has now been rolled out to the whole estate - delighting our customers and simplifying operational delivery for our teams.

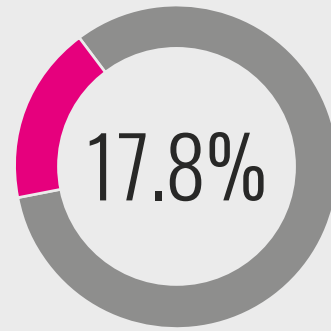




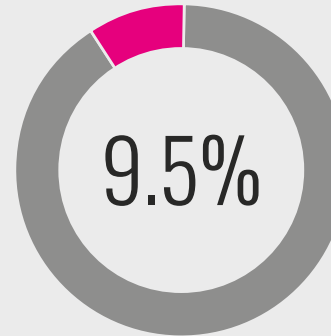
Highlights

- ▶ The Hollywood Diner menu is now available in 58 centres with favourite classics such as burgers, hot dogs and milkshakes served
- ▶ Our customers drank 4 million soft drinks and 1.6 million pints of beer
- ▶ We served over half a million burgers and 1.2 million portions of fries
- ▶ The i-Serve lane ordering system is helping improve the customer experience and spend per game

DRINKS:
PERCENTAGE
OF GROUP
REVENUE



FOOD:
PERCENTAGE
OF GROUP
REVENUE



Strategic Report

Governance

Financial Statements



CHAIRMAN'S STATEMENT

A GREAT
year for
HOLLYWOOD
BOWL

Peter Boddy

Chairman

[+](#) Read full biography on page 46



THE HIGH-QUALITY FAMILY FRIENDLY EXPERIENCE, DRIVEN BY OUR SIMPLE CUSTOMER-LED STRATEGY, HAS RESULTED IN INCREASED REVENUES.

Relentless focus on our purpose

I am very pleased to say that this has been a year of strong delivery against our strategy. In FY2018, the Group continued to focus relentlessly on its purpose of growing the business organically and driving growth through the effective deployment of capital, resulting in Group adjusted EBITDA¹ growth of 8.3 per cent and like-for-like (LFL)¹ revenue growth of 1.8 per cent.

The high-quality family-friendly experience, underpinned by our simple customer-led strategy, has resulted in revenues growing to £120.5m, an increase of 5.8 per cent. This was driven by LFL sales growth¹ in the core estate, continued investment in refurbishments and rebrands, as well as the opening of two new centres, Dagenham and Yeovil. Our strong balance sheet has been further strengthened on the back of positive trading, and net debt has reduced to £2.5m, with the net debt to Group adjusted EBITDA¹ ratio at 0.07 times.

This year's performance reinforces our position as the market leader, and is particularly impressive given the more challenging trading backdrop caused by extreme weather conditions and consumer uncertainty. The significant cash generation from our core business and returns from our ongoing investment programme, combined with our excellence in operations, has enabled the Board to recommend a special dividend for the second year running. In line with our progressive dividend policy we have announced an increase in the final ordinary dividend to 4.23 pence per share (FY2017: 3.95 pence per share) and, I am delighted to say, a special dividend of 4.33 pence per share, resulting in a total of £15.9m returned to shareholders in respect of FY2018.

The business continues to invest in its existing centres and we have completed nine transformational refurbishments and rebrands during the year. Our centre in Cribbs Causeway in Bristol is a great example of some of the success we are enjoying. Following a £277,000 refurbishment, completed within five weeks, the centre has delivered one of the highest rates of centre EBITDA growth in the Company. We will continue to invest in our refurbishment programme in FY2019.

We have now fully completed the Bowlplex rebrand programme, the success of which reinforces what an excellent investment Bowlplex was. We will continue to enjoy the benefits of that in the next financial year and beyond. Additional innovation and investment in 'Pins on strings' and our scoring system are delivering customer experience improvements.

Alongside these capital investments, and in line with our stated capital structure and cash allocation policy, we continue

to seek selective opportunities for profit enhancing acquisitions.

Good corporate governance remains a focus for the Board. We are ably supported by a full complement of outstanding Non-Executive Directors (NEDs); Nick, Claire and Ivan, who have all been in office for at least 12 months and who have each established themselves as important members of the Board. Details of further progress in this area can be found in our Corporate Governance report on pages 48 to 51, which also describes the work completed during the year and outlines our areas of focus and development for the year ahead.

Key to the success of the Group is our incredible team and on behalf of the Board, I thank them for the exceptional job they have done in FY2018. The Company has remained committed to delivering against our strategy throughout some difficult weather conditions, and every team member has remained focused on providing an outstanding customer experience. I derive enormous pride from the fact that our financial and customer satisfaction measures clearly indicate that the strength of our team and our customer-focused culture, achieve industry-leading performance.

One of the great benefits of my role is the opportunity to go out and have fun at our centres! I am delighted to say that this 'perk' is fully enjoyed by my NED colleagues too. Bowling scores are much discussed when we compete but, importantly, our visits ensure that the Board 'lives the product', stays in touch with our centres and their teams, and fully understands the results of our decisions and the impact they have on our customers.

Whilst Brexit continues to create an uncertain market backdrop, we are confident that Hollywood Bowl Group is particularly well positioned to face the future. The nature of our business means that we will continue to thrive, given our wide customer appeal, attractive price point and quality customer experience.

I look forward to the year ahead with enthusiasm and confidence. We are well placed to create more value for all our stakeholders, with the whole team working every day to deliver the best possible experience for our customers. I am very grateful to those members of the team I work most closely with and would like to express my thanks to Stephen, Laurence, Melanie and Mathew, all of whom lead with distinction and are the embodiment of our culture and relentless desire to succeed.

Peter Boddy

**Chairman
10 December 2018**

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CEO'S REVIEW

BUILDING *on our* ENHANCED OFFER

Stephen Burns

Chief Executive Officer

[+](#) Read full biography on page 46





WE LEAD THE MARKET NOT JUST IN SIZE, BUT ALSO IN PROFITABILITY AND MARGIN.



I am delighted to report FY2018 has been another very successful year for Hollywood Bowl Group. Revenues of £120.5m are 5.8 per cent higher than FY2017, and 1.8 per cent higher on an LFL¹ basis. Our simple, customer-led strategy to drive revenue, whilst managing our cost base to improve margin and profit, enabled us to grow Group adjusted EBITDA¹ by 8.3 per cent, to £36.2m. Profit before tax also grew, to a record £23.9m, an increase of 13.4 per cent over the prior year.

Hollywood Bowl Group remains the UK ten-pin bowling market leader. We have a national presence, operating out of 58 high-quality, leasehold centres. We lead the market not just in size, but also profitability and margin. The shift in customer spending towards experiential leisure continues to play to our advantage, thanks to our all-inclusive, family-focused offer, which delivers an experience that cannot be matched at home. We continue to enhance our offer and develop our brand to strengthen our appeal to our core family customer group, who, as a consequence, are spending more in our centres. We also continue to enhance our relationship with our property partners, delivering best-in-class refurbishments, rebrands and new centres that enhance the quality of the leisure parks from which we operate, making the Group the bowling operator of choice, with the strongest covenant and most innovative product offering.

Strategic progress

Our simple and effective strategy remains unchanged. Our strategy is to focus on growing the business organically and drive growth through the effective deployment of capital. We are very pleased with the progress made on this during FY2018.

Like-for-like growth

We are very pleased with our LFL¹ revenue growth of 1.8 per cent given that LFL¹ revenues were impacted, to some degree in FY2018, by factors outside of our control, such as the extreme weather and England's World Cup performance.

Underpinning the positive LFL numbers is the 5.5 per cent growth in spend per game, with total spend per game up from £8.70 to £9.22 in FY2018. The full-year effect of the dynamic pricing initiative that was rolled out in July 2017, coupled with new pricing trials, helped mitigate the impact of the year-on-year drop in LFL bowling games sold whilst maintaining our competitive price point, still the lowest of the branded bowling operators. Game volumes in the year were marginally down as a result of the snow-affected weeks in the early part of the year as well as the May to July heatwave. The continued investment in our digital marketing and

customer relationship management (CRM) capabilities enabled us to effectively deploy tactical offers during the weather-affected trading periods, delivering over £2m of incremental revenue.

We continually look for ways to enhance the customer experience and this year, in addition to the rollout of proven initiatives, we have introduced new trials and concepts. The Hollywood Diner menu has been successfully rolled out across the Group, underpinning an increased food spend per game of 5.4 per cent. A new drinks menu was launched, adopting learnings and customer feedback from earlier trials, which helped us grow bar spend per game by 7.0 per cent. New product, exciting game formats and a focus on merchandising standards saw amusement spend per game grow by 8.3 per cent in the year. The amusement 'Play for prizes' redemption offer, now in 47 centres, new virtual reality (VR) game formats, and some encouraging results from the cashless hybrid trials have all helped deliver a very credible performance in this revenue category.

Refurbishments and rebrand programme

Nine full refurbishments were completed in FY2018, including the rebranding of four Bowlplex centres and two further rebrands of the AMF estate to the Hollywood Bowl brand. The final Bowlplex centre was rebranded as Hollywood Bowl at the end of the financial year, meaning the estate now consists of 50 Hollywood Bowl and 8 AMF centres. We continue to push the design brief with our refurbishments and rebrands, taking into account customer feedback and resulting in impressive returns from the capital deployed. The nine refurbishments are on track to outperform the 33 per cent targeted return on investment.

Property portfolio

We successfully opened two new prime location centres in FY2018. Hollywood Bowl Dagenham, previously trading as Namco Funscape which was an acquisition brought to us by the landlord at nil cost, opened in October 2017. After a net capital spend of £391,000, the centre is trading in line with management expectations. Hollywood Bowl Yeovil, a 23,000 square feet centre, also brought to us for nil cost by the landlord, is co-located with cinema on a high footfall leisure park. It opened its doors in March, and after a net capex spend of £630,000 is on track to pay back this investment in under 18 months.

AMF Gravesend closed in July following an end of lease redevelopment plan, but our new centre in Lakeside, scheduled for a second half FY2019 opening, should attract customers from this catchment area. Our rent per centre continues to

OPERATING PROFIT GROWTH

+12.1%

TOTAL DIVIDEND PER SHARE

10.59p

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CEO'S REVIEW CONTINUED

be a focus for the Group, ensuring we are maintaining our position of having no loss-making centres in the portfolio. The average rent per centre reduced to £245,701 from £247,785.


Property pipeline

We have a strong pipeline of new centres secured to the end of FY2022 and a delivery plan of an average of two new openings per annum. We are opening two centres during FY2019 including at the intu scheme in Watford, where we are creating a 14 lane, 20,000 square feet centre scheduled to open pre Christmas 2018. We are also on site at the intu Lakeside leisure extension. At 34,000 square feet and 24 lanes, Lakeside will be the largest bowling centre to be opened in the UK in the last ten years. It is scheduled for completion early in the second half of FY2019.


This year we have agreed leases for new bowling centres in York, Swindon and Southend, all of which are in locations which meet our investment criteria for a successful centre: ample parking; co-location with the area's number one cinema; limited competition; and a strong local demographic to attract through our doors. In line with our medium to long term growth strategy, we have agreed a lease on a first floor unit above the new centre in York, where we will trial our new indoor putting concept. Both York sites will open in FY2020.

Our people

We have continued to invest in training to ensure that we can provide an even higher level of service to all of our valued customers. We are delighted that our Net Promoter Scores have been maintained, and our overall satisfaction scores have improved during FY2018. Our team continues to be an integral part of the success of our business, and to that end we have implemented Long Term Incentive Plans for centre managers, assistant managers and senior support centre team members. As a result of our strategy to support our team members in developing a rewarding career, 103 team members successfully completed our internal management training programmes during the financial year.



WE HAVE CONTINUED TO INVEST IN TRAINING TO ENSURE THAT WE CAN PROVIDE AN EVEN HIGHER LEVEL OF SERVICE.



I am incredibly fortunate to be supported by such a hard-working, entrepreneurial team. They are growth leaders who are proud of our culture and pleased to serve our customers. I thank them for all their efforts this year.

Technology-driven growth

Developing our technology platforms and our consumer marketing capability are both key drivers for further sustainable growth.

Our online channels continue to perform well as revenue increased by 27 per cent year-on-year, with 37 per cent revenue gains from mobile. This performance has been supported by strong sales growth from our performance digital advertising channels, the returns from which recovered quickly after a temporary downturn following the introduction of the General Data Protection Regulation (GDPR) in May.

Our contactable marketing database has increased above its pre-GDPR levels. It remains a key revenue driver for us, facilitating tactical and automated email campaigns to our closed user groups.

At the start of the year, we centralised all of our social media activity and have seen followers and engagement levels increase as a result. We are working with a number of social influencers to extend the reach of our public relations activity through social media channels and I am pleased to report signs of success from these initiatives.

Our technology team and partners have been working hard on exciting key initiatives that will be introduced next year, including a new website and upgraded

booking engine, the next iteration of our dynamic pricing functionality, as well as our next generation scoring system which will be rolled out to the whole estate over the next two years.

Brexit

Given the nature of our activities, which have huge customer appeal throughout the country and through all economic cycles, we do not believe the exit of the UK from the EU will have an impact on the underlying performance of the business.

Outlook

We have a well thought out, and proven, capital investment plan to continue the refurbishment of our estate, opening of new centres that will enhance the quality of our portfolio and investment in technology to further boost our industry-leading proposition. I am confident that our plan for the coming year will continue our strong growth trajectory, strengthen the business and deliver value for our shareholders.

Stephen Burns

**Chief Executive Officer
10 December 2018**

Q

&

A



STEPHEN BURNS, CEO

Q: 2018 was a good year for Hollywood Bowl. What is at the top of your agenda now?

We are a people business; the attraction and retention of top talent is at the top of the leadership agenda. It is central to our business model that a customer who visits any one of our centres has the best experience possible and we rely on our centre teams to deliver this every time. I am grateful to work with such high-quality people right across the business.

Q: This year saw some challenging weather conditions, how did you manage?

Clearly, weather can have a real impact on our trading, but as we have seen over the last ten years, this evens itself out over a longer period of time. This was an unusual year however, but the tools we have in place to drive volume and manage costs, were used very effectively by our teams.

Q: Are you concerned about falling levels of consumer confidence?

In our business, any fall in consumer confidence should give rise to concern. Leisure activities rely on disposable income, which is why we obsess about keeping our product offering relevant, engaging, and great value for money for a very discerning customer base. I am pleased to say that we remain the cheapest of the branded bowling offers and that, in the majority of our centres, a family of four can enjoy our bowling experience for less than £20.

Q: Have you been impacted by the CVAs in the casual dining space?

Many of the closures we have seen have been at retail parks with below average footfall, whereas our centres are located in some of the UK's top retail and leisure parks. While we do not like to see businesses failing, the situation has reinforced to landlords the role strong leisure operators play in driving footfall to retail parks and shopping centres. We have excellent relationships with our landlords and are their bowling tenant of choice. That said, while we see a number of opportunities, we will still be highly selective when it comes to choosing our locations. All of our centres are profitable – and we want to keep things that way.

Q: What makes landlords choose Hollywood Bowl over other leisure operators?

We have an excellent reputation, not only due to the quality of our customer offer and the pride we take in our centres but also our long track record of being a reliable tenant. Our appeal to a wide demographic makes us a key footfall driver. After all, there are very few businesses that offer activities you can safely enjoy with whoever you are out with – family, friends or business colleagues.

Q: You have refurbished a lot of centres. What drives the programme?

We have to remain fresh and relevant. So we have a programme to keep everything up to date and each centre sits at a different stage of our ongoing refurbishment cycle. We target completing seven to ten refurbishments each year, a good range that allows us to work around periods such as school holidays while continuing to drive returns for the business.

Q: What impact, if any, do you expect from Brexit?

We actually have very little international exposure, but Brexit is certainly something we keep an eye on. We are solely a UK business – less than four per cent of our team members come from outside of the UK and our supply chain is mostly UK-based. Like others, we have seen some cost increases in certain food lines, but by tweaking our menu we have not had to pass any of these increases on to our customers.

Q: Are you looking at any opportunities abroad?

There is currently enough potential in the UK for us to be focusing on. In the UK, bowling is a relatively low-frequency activity compared with going to the cinema or health club, and we feel there is significant opportunity for us to grow the UK bowling market in terms of number of centres and frequency of visits. We have a pipeline of new centres until FY2022, targeting an average of two openings a year, all of which are on high quality UK retail and leisure parks.

Q: What about other leisure activities?

Our short-term strategy will remain bowling-led and there is still significant scope for us to drive returns through our focus on growing our existing offer which combines bowling, amusements and a quality food and beverage offering, all at a reasonable price point. We do, however, recognise that other types of indoor leisure activities could benefit from our customer-led operating model and as a result we will be opening a new indoor putting concept in York in FY2020. We will continue to assess other adjacent market entry opportunities for the Group in line with our medium to long-term strategy.

MARKET OVERVIEW

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

THE EXPERIENCE ECONOMY

THE UK LEISURE MARKET IS SEEING A STRONG TREND TOWARDS CONSUMERS SUBSTITUTING SPENDING ON POSSESSIONS FOR SPENDING ON EXPERIENCES

[+](#) Read more on page 19

67%

Of consumers have not participated in ten-pin bowling over the past 12 months

47%

Of the UK population live within a 15-minute drive of a bowling centre

SIGNIFICANT OPPORTUNITIES

16%

Expected market growth between 2017-2021 in the ten-pin bowling sector

THE TEN-PIN BOWLING MARKET FORMS A SMALL, BUT FAST-GROWING, PART OF THE UK'S EXPANDING AND INCREASINGLY DIVERSE 'OUT OF HOME' LEISURE SECTOR, OFFERING A COMPETITIVELY-PRICED EXPERIENCE AND BROAD CUSTOMER APPEAL.

Hollywood Bowl Group has led growth in the market by investing consistently and reinvigorating the customer proposition. This has helped reposition bowling, putting it back into the mainstream.

A growth sector

The UK out of home leisure sector was worth an estimated £125bn¹ in 2017, of which ten-pin bowling had a market share of 0.24 per cent². It is estimated that the UK ten-pin bowling market in 2017 grew by 5.6 per cent. This marked the fifth consecutive year of growth².

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

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

Hollywood Bowl Group has driven much of the market growth through our investment in reinvigorating customer engagement through CRM platforms, refocusing the bowling proposition towards family leisure, improving ancillary product offerings and driving operating improvements. From 2015–2018, the Group delivered a revenue compound annual growth rate of 12.5 per cent.

Our position in the market

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

As at 30 September 2018, the UK had 307 ten-pin bowling venues. While some independently owned centres have closed, the process of consolidation and reinvestment among some of the leading players has led to the branded centres offering a greater number of lanes.

OUR POSITION IN THE MARKET

THE UK HAS

307

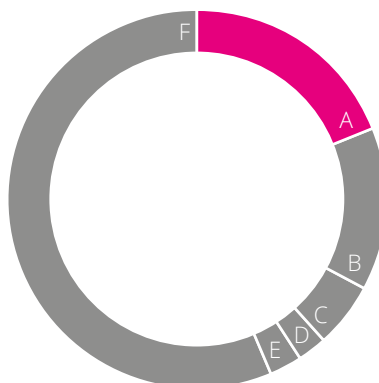
TEN-PIN BOWLING CENTRES

OF THESE,

58

ARE HOLLYWOOD BOWL GROUP CENTRES

A	Hollywood Bowl Group	58
B	Tenpin	43
C	MFA Bowl	17
D	Namco	8
E	QLP	8
F	Independents/Others	173



MARKET OVERVIEW CONTINUED

The market remains relatively fragmented, but has seen significant consolidation since 2014. There are four types of operator³ identified within the UK ten-pin bowling market:

- **Major multiples** (dominating the market with an estimated 71 per cent share) operating five or more centres. The largest five operators control 44 per cent of all UK centres and over 60 per cent of all available lanes. Hollywood Bowl Group is in this category.
- **Other multiples** (estimated five per cent market share), operating fewer than five centres.
- **Urban bowling operators** (estimated seven per cent market share) catering primarily for professionals, operating smaller sites with a focus on the 'urban' market and an emphasis on food and beverage sales.
- **Independent operators** (estimated 17 per cent market share) operating single centres, which are typically smaller and situated in tertiary locations.

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

Opportunities to increase participation

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

In the UK, ten-pin bowling is a relatively low-frequency activity compared with other forms of leisure, such as going to the cinema. Almost 70 per cent of consumers have not participated in ten-pin bowling over the past 12 months, compared with a figure of 32 per cent for cinema visits².

The accessibility of bowling locations is also a factor – an estimated 47 per cent of the UK's population live within a 15-minute drive of a bowling centre, compared with 69 per cent living within a 15-minute drive of a cinema². Distance may be a factor in deterring some consumers from visiting centres and may also impact negatively on repeat visits.

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

RETAIL DEVELOPERS
ARE LOOKING TO
CREATE A WIDER
CUSTOMER EXPERIENCE
THROUGH THE
EXPANSION OF THEIR
LEISURE OFFERING.

12.5%

2015 – 2018 HOLLYWOOD BOWL GROUP REVENUE COMPOUND ANNUAL GROWTH RATE

25%

HOLLYWOOD BOWL GROUP SHARE OF UK BOWLING LANES

Evolving customer behaviour

An important trend supporting the growth in the leisure sector is that consumers are increasingly focusing on having fun with friends, families and colleagues over investing in material items. In other words, people are enjoying 'experiences' more than 'things'.

Participation and, in many cases, social competition are important elements of social capital. This is shaping how consumers allocate their discretionary budget and leisure time as they seek to create more enjoyment and fun-filled memories to share.

Bringing retail and leisure experiences together

Traditional retail outlets are under increasing pressure from online channels and the rise of the 'experience economy'.

It is estimated that the leisure sector is now attracting one and a half times more discretionary spend than retail and is growing twice as fast¹.

As a result, larger retail developers are responding and are increasingly looking to create a wider customer experience through the expansion of their leisure offering to increase footfall and extend dwell time. Leisure areas are created by reformatting existing space or via purpose-built extensions.

Within these new retail and leisure developments, ten-pin bowling is currently under-represented when compared with gyms and cinemas².

As the UK's market-leading operator, Hollywood Bowl Group is the 'go-to' tenant in the sector securing attractive developer contributions on new centres, most recently Dagenham and Yeovil, and has secured a strong pipeline of centres until FY2022.

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

Outlook

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

Ten-pin bowling is a competitively priced and highly accessible form of family entertainment. The cost to a family of a visit to one of our bowling centres compares favourably with other leisure activities and gives bowling more resilience to any future challenges from the economy.

Consumer leisure spending could be tempered as rising inflation and slowing wage growth begin to impact household budgets and UK economic growth slows amid uncertainty over the impact of Brexit. However, barring a more severe economic slowdown than is currently anticipated, it is expected that the value of the ten-pin bowling market will grow by an estimated 16 per cent between 2017 and 2021².

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

- 1 Mintel Leisure Review 2017
- 2 Mintel Ten-pin Bowling Report 2017
- 3 Pragma Consulting Report 2016
- 4 Deloitte UK leisure consumer report 2016
- 5 Shore Capital/Trevor Wood Associates 2017

OUR STAKEHOLDERS

HOW THE BOARD GATHERS FEEDBACK FROM OUR STAKEHOLDERS

Effectively engaging with, and gathering feedback from, our various stakeholder groups is a key enabler for the long-term success of Hollywood Bowl Group. The Board ensures that the interests and views of stakeholders are considered as part of its decision-making process.



OUR CUSTOMERS

Consistently delivering fun-filled, great value-for-money leisure experiences for our customers is what we do as a business.

Why we listen

- To remain passionately focused on the customer
- To assess our performance
- To respond to customer needs and demands
- To stimulate innovation in our leisure offering



OUR PEOPLE

Our teams are key to ensuring our customers have the best possible experience. We put a lot of effort into creating a positive and inclusive environment in which our people can thrive.

Why we listen

- To maintain engaged and loyal team members
- To attract and retain top talent
- To develop the skills and capabilities of our teams
- To ensure consistent culture and behaviours across the business

137,000

Customer satisfaction surveys gathered and analysed

How we take feedback

- Customer satisfaction surveys
- Mystery shopping programmes
- Social media
- Via our team members and customer contact centre
- Focus groups and other primary research
- Regular board member centre visits

103

Team members successfully completed our internal management training programme

How we take feedback

- Annual team member survey
- Bi-annual centre manager listening sessions
- Bi-annual assistant manager listening sessions
- Annual management conference
- Regular board member centre visits



INVESTORS

As a listed business on the main market of the London Stock Exchange, we provide investors with detailed and transparent information which aids their understanding of our strategy and performance.

Why we listen

- To maintain our loyal and supportive shareholder base
- To assist investors in making informed decisions
- To enhance long-term shareholder value

£15.9m

Total dividend to be returned to our shareholders in respect of FY2018

How we take feedback

- Individual investor meetings and calls
- Annual General Meeting
- Participation in investor conferences



PARTNERS & SUPPLIERS

We work hard to build open and strong relationships with our key strategic partners, landlords and suppliers.

Why we listen

- To ensure collaborative and strategic partnerships
- To ensure cultural alignment
- To foster trust-based relationships
- To access innovations as the opportunities arise
- To access new property opportunities
- To maintain a competitive advantage

2

New centres opened – the Group is the landlord’s bowling tenant of choice

How we take feedback

- Contract negotiation process
- Regular meetings to discuss contract performance
- External benchmarking



COMMUNITIES

As a multi-site business, we provide an important leisure facility and employment opportunity in the communities in which we operate.

Why we listen

- To support local economies through employment opportunities
- To develop local charity relationships with a family focus
- To build a relationship with the community

30

Local employment opportunities created by each of our centres

How we take feedback

- Local charity relationships and events
- School engagement events
- Centre managers meeting local bowling clubs and concessionary groups
- Recruitment events

OUR BUSINESS MODEL

1 CUSTOMER-FOCUSED

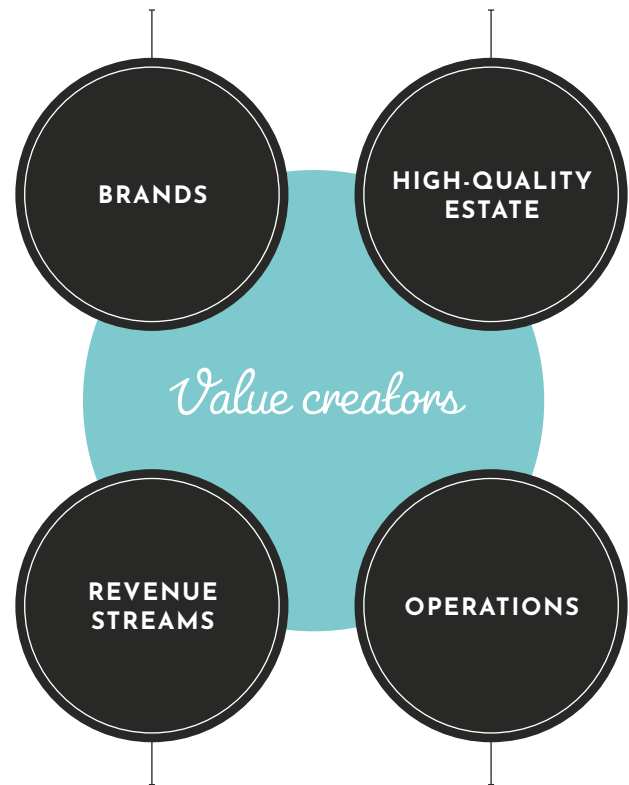
AT HOLLYWOOD BOWL GROUP, WE HAVE AN UNRELENTING FOCUS ON DELIVERING THE BEST LEISURE EXPERIENCE FOR EVERY CUSTOMER. OUR BUSINESS MODEL DELIVERS VALUE THROUGH CONTINUAL INVESTMENT IN ENHANCING OUR CUSTOMERS' EXPERIENCE.

THE FINANCIAL RETURNS OF THIS ARE REINVESTED IN OUR BUSINESS, ARE USED TO REWARD OUR EMPLOYEES AND FORM THE DIVIDENDS PAID TO OUR SHAREHOLDERS.

2 FOUR KEY LEVERS

Hollywood Bowl is the Group's flagship brand with centres in prime locations and benefits from the highest levels of investment. AMF centres are generally in secondary locations.

Our centres are predominantly located in out-of-town multi-use leisure parks, alongside cinema and casual dining sites, adjacent to large retail parks. Centres average 24 bowling lanes and 30,000 square feet.



Alongside bowling, customers can also enjoy amusements, food and beverages. These give an all-round entertainment experience and increase reasons to visit, dwell time and secondary spend.

Our high-quality centres provide innovative, fun-filled experiences delivered by our enthusiastic centre teams. Our central support office includes a 55-seat contact centre that manages all calls and takes bookings.



3 OUTPUTS THAT DELIVER VALUE

Great customer experience

Delivering a fun-filled, safe and great-value experience on each visit builds our reputation and attracts new customers. It also increases the likelihood of customers recommending us to friends and family and visiting us again sooner and more often.

Motivated and engaged teams

We strive to ensure our teams deliver a positive customer experience every time. We invest consistently in ensuring that team members are motivated and engaged with our culture and behaviours.

Financial and KPI performance

The Group's financial performance and the progress we are making against our key performance indicator (KPI) metrics are the principal ways we measure our achievements.

Shareholder returns

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



4 OUR BUSINESS MODEL IS UNDERPINNED BY

People and culture

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

Technology and customer insight

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

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

Capital investment programme

As well as delivering our new centres, our capital investment programme supports centre refurbishments and our ongoing maintenance spend.

We continually invest in technology-led innovation including our CRM and reservation system, our scoring system, our back-of-house equipment and our amusement offering.

Property and supplier relationships

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


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

Strong balance sheet

By driving revenues, continuing to achieve healthy margins and maintaining a strong balance sheet with low net debt, we can continue to invest in all areas of our business – expanding and improving our estate, rewarding our team members and creating value for our shareholders.

Risk management and governance

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

 Read more on pages 30 to 32

OUR STRATEGY AT A GLANCE

INVESTMENT-LED GROWTH

STRATEGY

OVERVIEW

PROGRESS

DRIVING LIKE-FOR-LIKE REVENUE GROWTH

Driving LFL revenue growth by attracting new customers, increasing the frequency of visits of existing customers and raising the spend per game. LFL revenue is defined on page 28.

In FY2018, our LFL revenue grew by 1.8 per cent. Spend per game was the key driver for this, up 5.5 per cent. Our approach is to increase dwell time and gain a greater share of customers' leisure spend, which resulted in LFL revenue growth in all areas of the business.

REFURBISHMENT PROGRAMME

Our refurbishment programme generates improved sales and profitability at existing centres through investment in the bowling experience (including the introduction of VIP lanes), new external signage, an upgraded bar offer and the introduction of the Hollywood Diner concept. These upgrades attract new customers, drive revenue, increase customer satisfaction and encourage a higher spend per game.

In FY2018 we refurbished/rebranded nine centres and have an average return on investment (ROI) greater than 33 per cent. We have between seven and ten refurbishments planned for FY2019 and we are confident we can continue to deliver above ROI expectations as we continue to roll out our family-focused model.

CONVERSION OF THE BOWLPLEX ESTATE

Following the acquisition of Bowlplex in December 2015, 11 centres became part of the Group and we then started a programme to refurbish and rebrand these centres as Hollywood Bowl, bringing them in line with the higher standards across the remainder of the Group's estate.

We have completed the conversion of the Bowlplex estate with the refurbishment and rebrand of four Bowlplex centres in FY2018. The average revenue for the Bowlplex centres has increased to £1.88m from £1.81m in the prior year.

DEVELOPMENT OF NEW CENTRES AND ACQUISITIONS

There are growth opportunities via new-build centres and from the acquisition and rebranding of bowling sites from other operators.

Dagenham opened in October 2017 and Yeovil in March 2018. New centres will open in the intu developments in Watford and Lakeside in FY2019.

We have signed for new centres in York, Southend and Swindon, which secures our pipeline to FY2022, and have a number of other opportunities in strong stages of negotiation.

FOCUS ON PEOPLE

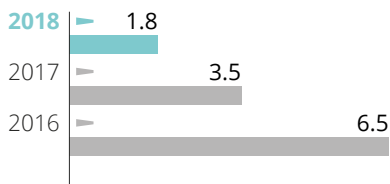
Our people underpin our business. Attracting and retaining top talent is a key priority for the Group.

We continue to build on the success of our centre manager and assistant manager in training programmes. In FY2018, 61 management positions were filled internally, a 17.3 per cent increase on FY2017.

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

KPIs

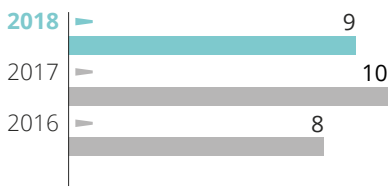
LFL growth (%)



PRIORITIES

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

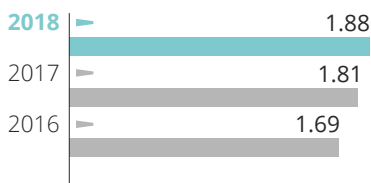
Number of centres refurbished/rebranded



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

We have seven to ten refurbishments planned for FY2019 and we are confident we can maintain this level of ROI as we continue to invest in our family-focused model.

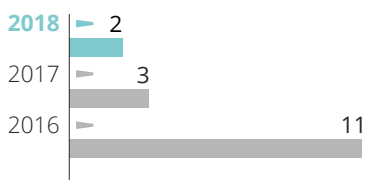
Average Bowlplex centre revenue (£M)



We have now refurbished all 11 Bowlplex centres and migrated them to the Hollywood Bowl brand. The average revenue per Bowlplex centre for FY2018 was £1.88m – an increase of four per cent over the prior year.

See pages 26 and 27 for further information.

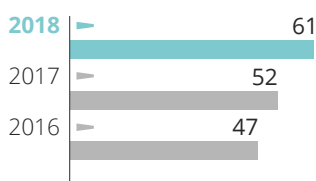
Number of new Group centres



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

We recognise that other types of indoor leisure activities could benefit from our customer-led operating model and we will continue to assess adjacent market entry opportunities for the Group in line with our long-term strategy.

Number of management positions filled internally



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

STRATEGY IN ACTION: FROM BOWLPLEX TO HOLLYWOOD BOWL

2015

BOWLPLEX

In December 2015, Hollywood Bowl acquired 11 profitable Bowlplex sites in high-quality locations complementary to the Group's existing bowling centres. We invested between £250,000 and £750,000 per centre to refurbish each of the properties and rebrand them as Hollywood Bowl.

1

NEW SYSTEMS

The first step was the installation of new systems for finance, reservations, CRM and online booking. We also incorporated the new centres into the Group's marketing campaigns.

2

WAYS OF WORKING

Team training and recruitment programmes were implemented at each Bowlplex centre to ensure that they were being managed to Hollywood Bowl standards.

3

EXTERNAL REFURBISHMENT

Refurbishment and rebranding began, working to a timeline of 4–6 weeks for each location and with centres being kept open during refurbishment works. External refurbishments, undertaken with the involvement of designers and local planners, typically centred around new signage, and increasing kerb appeal and visibility using Hollywood Bowl's signature pink.

4

INTERNAL REFURBISHMENT

Architects and our operational teams worked closely to specify the transformational internal refurbishment programmes – consisting of plush new furnishings, contemporary American décor, upgraded music and lighting technology, the introduction of VIP lanes and an upgraded food and drink offering served from new American-style diner and bar areas.



2018

hollywood bowl

In October 2018, the rebrand of the Longwell Green centre in Bristol marked the completion of the Bowlplex to Hollywood Bowl programme. The 11 centres are averaging a return on investment of over 50 per cent. Average revenue per centre has grown to £1.88m for FY2018 from £1.57m pre acquisition.

5

UPGRADED AMUSEMENTS

A key part of centre refurbishment was the reconfiguration of the amusement areas. These were extended and enhanced with industry-leading games such as Jurassic Park, Cruis'n Blast, Pacman Smash, cranes, MotoGP Bikes, Injustice and Time Crisis 5. In Tunbridge Wells, we also installed a VR suite.

6

GRAND VIP OPENINGS

A launch was planned for each centre with plenty of local publicity generated and media support deployed to promote the arrival of the Hollywood Bowl brand in the local market. The VIP opening nights, attended by a Marilyn Monroe lookalike, corporate customers, journalists, social influencers and members of the Board were a memorable highlight.

7

MONITOR & FEEDBACK

After the local market launch, the Group is tightly focused on the standards of customer service and customer satisfaction using mystery shoppers and online customer satisfaction questionnaires alongside financial performance measures.

Dates centres became Hollywood Bowl:

- Poole Tower Park** May 2016
- Oxford** May 2016
- Basingstoke** Jul 2016
- Brighton** Jan 2017
- Portsmouth** May 2017
- Cwmbran** Jun 2017
- Tunbridge Wells** Oct 2017
- Broadway Plaza** Mar 2018
- Dunfermline** Apr 2018
- Poole Branksome** Sep 2018
- Bristol Longwell** Oct 2018

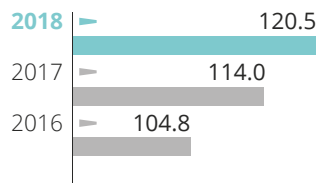


KEY FINANCIAL PERFORMANCE INDICATORS

We monitor our performance by regularly reviewing KPI metrics¹. We use these to gain a thorough understanding of the drivers of our performance, of our operations and of our financial condition.

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

REVENUE (£M)



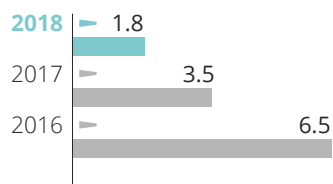
Definition

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

Comment

Revenue increased by 5.8 per cent as the Group continued to drive its investment-led strategy.

LIKE-FOR-LIKE GROWTH (%)



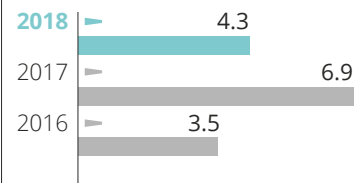
Definition

LFL revenue growth is total revenue excluding any new centres, closed centres, acquisitions and any leap year effect. New centres are included in the LFL growth calculation only for the period after they annualise their opening date. Closed centres are excluded in the year of closure.

Comment

LFL growth increased 1.8 per cent. All areas of the business showed LFL revenue growth.

REVENUE GENERATING CAPEX (£M)



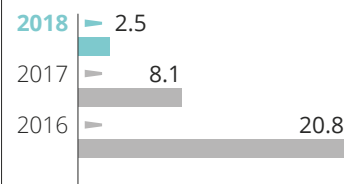
Definition

Capital expenditure on refurbishments, rebrands and new centres. Maintenance capex is not included.

Comment

Revenue-generating capex decreased by 37.4 per cent due in part to a reduction in new centre opening capital of £3.5m.

NET DEBT/(CASH) (£M)



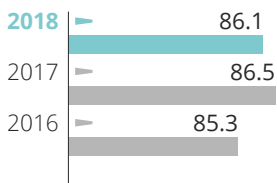
Definition

Net debt is defined as borrowings from bank facilities (£28.5m) excluding issue costs, less cash and cash equivalents (£26.0m).

Comment

Net debt has continued to reduce due to the positive cash flow position for the year.

GROSS PROFIT (%)



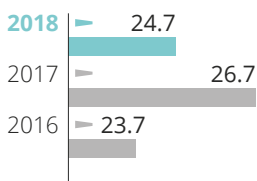
Definition

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

Comment

Gross profit margin reduced slightly year-on-year, in part due to a slightly higher amusement revenue mix, as well as customers trading up into more premium drink products within our packages.

GROUP ADJUSTED OPERATING CASH FLOW (£M)



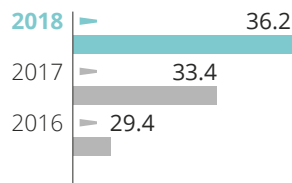
Definition

Group adjusted operating cash flow is calculated as adjusted EBITDA less working capital less maintenance capex less corporation tax paid. A reconciliation of Group adjusted operating cash flow to net cashflow is provided on page 38.

Comment

Group adjusted operating cash flow decreased due to higher amounts of tax being paid as profits increased, as well as a lower working capital movement, offsetting the increase in Group adjusted EBITDA.

GROUP ADJUSTED EBITDA (£M)



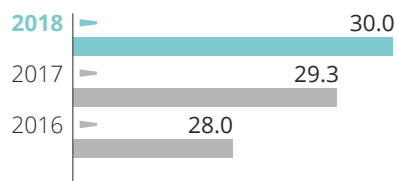
Definition

Group adjusted EBITDA is calculated as operating profit before depreciation, amortisation, exceptional items and other income. A reconciliation between Group adjusted EBITDA and statutory operating profit is provided on page 36.

Comment

Group adjusted EBITDA increased by £2.8m (8.3 per cent), largely due to revenue growth and strong cost management.

GROUP ADJUSTED EBITDA MARGIN (%)



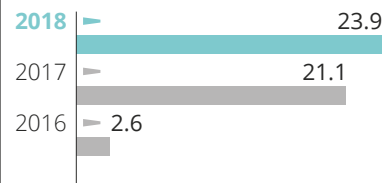
Definition

Group adjusted EBITDA margin is calculated as Group adjusted EBITDA divided by total revenue.

Comment

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

PROFIT BEFORE TAX (£M)



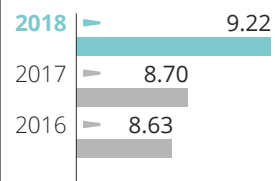
Definition

Profit before tax as shown in the financial statements.

Comment

Profit before tax grew due to growth in EBITDA.

TOTAL AVERAGE SPEND PER GAME (£)



Definition

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

Comment

Average spend per game increased by 6.1 per cent due to customers continuing to spend more during their visits across all areas of the business.

PRINCIPAL RISKS EFFECTIVE RISK MANAGEMENT

Our approach to risk

When we look at risk, we specifically consider the effects it could have on our business model, our culture and therefore our ability to deliver our long-term strategic purpose (see pages 10 to 43).

We consider both short- and long-term risks within a timeframe of up to three years. We consider social, governance and environmental risks as well as financial risks.

Risk appetite

This describes the amount of risk we are willing to tolerate as a business. We have a higher appetite for risks around a clear opportunity to deliver on the strategy of the business.

We have a very low appetite for, and tolerance of, risks that have a downside only, particularly when they could adversely impact health and safety or our value, culture or business model.

Our risk management process

The Board is ultimately responsible for ensuring that a robust risk management process is in place and that it is being adhered to. The main steps in this process are:

- ▶ Department heads formally review their risks on a six-monthly basis to compile their department risk register. They consider the impact each risk they are managing could have on the department and overall business, as well as the mitigating controls in place. They assess the likelihood and impact of each risk.
- ▶ The Executive team reviews each departmental risk register. Any risks which are deemed to have a level above our appetite are added to/retained on the Group Risk Register (GRR). The GRR provides an overview of these risks and how they are being managed. The GRR also includes any risks the Executive team is managing at a Group level. The Executive team determines mitigation plans for the Board to review.

- ▶ The Board challenges and agrees the Group's key risk, appetite and mitigation actions twice yearly and uses its findings to finalise the Group's principal risks.
- ▶ The principal risks are taken into account in the Board's consideration of long-term viability as outlined in the viability statement (see page 33).
- ▶ Risks and uncertainties of which we are unaware, or which we currently believe are immaterial, may have an adverse effect on the Group.

Risk management activities

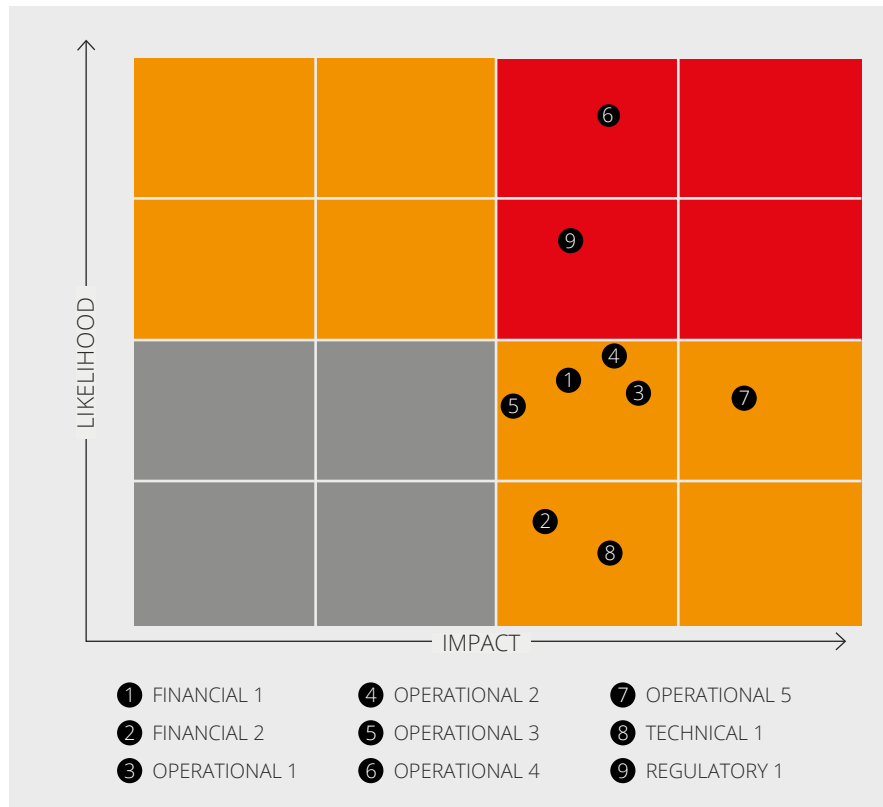
Risks are identified via operational reviews by senior management; internal audits; control environments; our whistleblowing helpline; and independent project analysis.

The internal audit team provides independent assessment of the operation and effectiveness of the risk framework and process in centres, including the effectiveness of the controls, reporting of risks and reliability of checks by management.




We have undertaken an extensive review of the organisation's risk profile to verify that all risks have been identified and considered by management.







Each risk has been scaled as shown on the risk heat map below:

Risk heat map





Trend change

-  Increasing
-  Unchanged
-  Decreasing

Risk type	Risk and Impact	Mitigating factors
FINANCIAL 1 	<ul style="list-style-type: none"> — Adverse economic conditions may affect Group results. — A decline in spend on discretionary leisure activity could lead to a reduction in profits. 	<ul style="list-style-type: none"> — The Board is comfortable that the majority of locations are based in high-footfall areas which should stand up to a recessionary decline. This continues to be a focus as can be seen by the new centre openings and their performance. Both Southampton and Derby have EBITDA performance in excess of £600,000 in year one and continue to provide strong returns. — A focus on opening new centres only with appropriate property costs remains high on the new-opening agenda. — The implementation of dynamic pricing has resulted in higher spend per game and a small increase in people booking early.
FINANCIAL 2 	<ul style="list-style-type: none"> — Adversely impacted by a failure to review funding arrangements when they become due, or a failure to meet banking covenants. — Covenant breach would result in a review of banking arrangements and potential liquidity issues. 	<ul style="list-style-type: none"> — The Group has considerable headroom on the current facility with net debt and cash flow cover significantly below its covenant levels, as shown in the monthly Board packs. We prepare short-term and long-term cash flow, EBITDA and covenant forecasts to ensure risks are identified early. Tight controls exist over the approval for capex and expenses. — The special dividends for FY2017 and proposed special dividend for FY2018 are excluded from the covenant test for cash flow cover, as agreed with the Group's lender.
OPERATIONAL 1 	<ul style="list-style-type: none"> — Failure in the stability or availability of information through IT systems could affect Group business and operations. — Customers not being able to book through website. Inaccuracy of data could lead to incorrect business decisions being made. 	<ul style="list-style-type: none"> — All core systems are backed up to our Disaster Recovery Centre. — The reservation/CRM systems, provided by a third party, are hosted by Microsoft Azure Cloud for added resilience and performance. This also has full business continuity provision.
OPERATIONAL 2 	<ul style="list-style-type: none"> — Operational business failures from key suppliers (non-IT). — Unable to provide customers with a full experience. 	<ul style="list-style-type: none"> — The Group has key suppliers in food and drink under contract to tight service level agreements (SLAs). Other suppliers that know our business could be introduced, if needed, at short notice. Centres hold between 14 and 21 days of food, drink and amusement product. Regular reviews and updates are held with external partners to identify any perceived risk and its resolution.
OPERATIONAL 3 	<ul style="list-style-type: none"> — Any disruption which affects Group relationship with amusement suppliers. — Customers would be unable to utilise a core offer in the centres. 	<ul style="list-style-type: none"> — Regular key supplier meetings between our Product Director, and Namco and Gamestech. There are biannual meetings between the CEO, CFO and Namco. — New Gamestec and Namco contracts, with an expiry date of September 2022, have been signed.
OPERATIONAL 4 	<ul style="list-style-type: none"> — Loss of key personnel – centre managers. — Lack of direction at centre level with effect on customers. 	<ul style="list-style-type: none"> — The Group runs centre manager in training (CMIT) and assistant manager in training (AMIT) programmes annually, which identify potential centre talent and develop staff ready for these roles. CMITs run centres, with assistance from the regional support manager as well as experienced centre managers from across the region, when a vacancy needs to be filled at short notice. — The centre manager bonus scheme has been reviewed this year to ensure it is still a strong recruitment and retention tool. Small amends to make it more attractive include a long-term retention plan.

PRINCIPAL RISKS EFFECTIVE RISK MANAGEMENT CONTINUED

Risk type	Risk and Impact	Mitigating factors
OPERATIONAL 5 NEW	<ul style="list-style-type: none"> — Major food incident including allergen or fresh food issues. — Loss of trade and reputation, potential closure and litigation. 	<ul style="list-style-type: none"> — Enhanced centre audits for FY2019 based upon learnings of prior year and food incidents seen in other companies. STRIKES training, which includes allergen and intolerance issues, to be reviewed, understood and complied with. An updated nutrition project in Q1 FY2019 will further increase awareness in this area.
TECHNICAL 1 	<ul style="list-style-type: none"> — Data protection or GDPR breach. — Obtaining all customer email addresses and impact on reputation with customer database. The Group does not hold any customer payment information. 	<ul style="list-style-type: none"> — The Group's IT networks are protected by firewalls and secure passwords. Vulnerability scans are frequently run on firewalls to ensure their integrity. The Group plans to move to a new analytics system allowing the IT team to see real-time or historical threat analytics. — A GDPR steering group was established in FY2017 and monthly steering group meetings are held to ensure that the programme and data related queries/issues are addressed as part of GDPR governance. — A data protection officer has been appointed. All team members have been briefed via online presentations. A training course on GDPR awareness was created on STRIKES and all team members have completed an online training course.
REGULATORY 1 	<ul style="list-style-type: none"> — Failure to adhere to regulatory requirements such as listing rules, taxation, health and safety, planning regulations and other laws. — Potential financial penalties and reputational damage. 	<ul style="list-style-type: none"> — Expert opinion is sought where relevant. We run continuous training and development for appropriately qualified staff. — The Board has oversight of the management of regulatory risk and ensures that each member of the Board is aware of their responsibilities. — Compliance documentation for centres to complete for health and safety and food safety are updated and circulated twice per year. Adherence to company/legal standards is audited by the internal audit team.

Viability statement

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

The three-year plan considers the Group's earnings growth potential, its cash flows, financing options and covenant tests, taking into account the economic outlook as well as a robust assessment of the principal risks and mitigating factors affecting the Group. The assessment of viability has been made with reference to the Group's current position and future projections, its strategy and principal risks. These were reviewed by the Board at its strategy day in June 2018, when the three-year financial plan was presented as well as during the budget approval at September's Board meeting.

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

The Directors confirm that the Group has considerable financial strength, as well as undrawn facility agreements, and therefore they have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due for the three years ending September 2021.

Going concern

The Group meets its day to day working capital requirements through cash generated from operations. The Group has considerable financial resources. At 30 September 2018, it had net debt of £2.5m, which included cash balances of £26.0m and bank debt of £28.5m. The Group also has undrawn financing facilities of £10.0m which are available to fund new centres, capital expenditure and working capital.

The Group's forecasts and projections, in terms of cash forecasts and profit, have been stress-tested for reasonably possible adverse variations in economic trading conditions and performance. The Directors are of the opinion that the Group's forecasts and projections show that the Group is able to operate within its current facilities and would not breach its facility covenants for the foreseeable future.

Taking the above into consideration and also the principal risks faced by the Group, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the Group's financial information. Further information regarding the Group's business activities, together with the factors likely to affect its future growth, performance and position is set out in the Strategic Report on pages 10 to 43. The financial position, cash flows and borrowing facilities are shown in the Financial review on pages 34 to 38.

FINANCE REVIEW



Laurence Keen

Chief Financial Officer

[+](#) Read full biography on page 46

WE ARE PLEASED TO HAVE DELIVERED ANOTHER STRONG SET OF RESULTS WITH REVENUE GROWTH AND EFFECTIVE COST CONTROLS LEADING TO RECORD PROFITS.

	30 September 2018	30 September 2017	Movement
Number of centres	58	57	+1
Average spend per game	£9.22	£8.70	+6.1%
Revenue ¹	£120.5m	£114.0m	+5.8%
Gross profit margin	86.1%	86.5%	-0.4%pts
Group adjusted EBITDA ²	£36.2m	£33.4m	+8.3%
Group profit before tax margin	19.9%	18.5%	+1.3%pts
Group profit before tax	£23.9m	£21.1m	+13.4%
Net debt	£2.5m	£8.1m	-69.1%
Group adjusted operating cash flow ³	£24.7m	£26.7m	-7.2%
Group expansionary capital expenditure	£4.3m	£6.9m	-37.4%

¹ FY2017 excludes Dagenham which was acquired on 18 September 2017 but did not open until 4 October 2017.

² Group adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) reflects the underlying trade of the overall business. It is calculated as operating profit plus depreciation, amortisation and any exceptional costs, and is considered by Management to be a measure investors look at to reflect the underlying business. A reconciliation between Group adjusted EBITDA and statutory operating profit is provided on page 36.

³ Group adjusted operating cash flow (page 38) is calculated as Group adjusted EBITDA less working capital movements and maintenance capital expenditure.

We are pleased to have delivered a strong set of financial results with total revenue growth of 5.8 per cent and Group adjusted EBITDA² growth of 8.3 per cent.

The growth in Group adjusted EBITDA² has been achieved as we continued to focus on delivering an exceptional customer experience, which led to increased spend per game and LFL revenue growth in all areas of the business, despite the closure of our AMF centre in Gravesend and the periods of extreme weather experienced in the year.

This, alongside managing our cost base effectively without negatively impacting on the customer experience, has contributed to record profits before tax of £23.9m, an increase of £2.8m (13.4 per cent) on FY2017. Group adjusted operating cash flow³ was £24.7m in FY2018, a slight decrease on FY2017. The decrease was driven by a lower working capital movement in FY2018 than the prior year, and an incremental £2.1m in corporation tax paid in the financial year given the increased profitability of the Group, partially offset by an increase in Group adjusted EBITDA² of £2.8m.

Revenue growth

The 5.8 per cent increase in revenue has been driven through LFL revenues growing at 1.8 per cent as well as 4.3 per cent from new centre openings, offset by the closure of our centre in AMF Gravesend (0.3 per cent). This resulted in record revenues of £120.5m, over the 12 months to 30 September 2018.

Game volumes were marginally down year-on-year, with LFL games slightly impacted by the snow-affected weeks earlier in the year, as well as the summer heatwave experienced across the country. We are pleased to see average spend per game grow by 6.1 per cent as customers continued to spend more across all areas of the business and consequently, all areas saw LFL revenue growth in FY2018.

Over the past year, we have continued on our investment strategy, completing the final four Bowlplex rebrands, rebranding two further AMFs to Hollywood Bowls and refurbishing three further centres. These investments are transformational for the customer experience and are leading to increased average spend as well as higher overall revenue. The average returns continue to be above our 33 per cent hurdle rate.

LFL revenue is defined as total revenue excluding any new centre openings (FY2018: £4.9m) and closed centres (FY2018: £1.1m) from the current or prior year and is used as a key measure of constant centre growth.

Gross margin

Gross profit margin for FY2018 was 86.1 per cent, in line with management expectations. Gross profit margin reduced slightly year-on-year, in part due to a slightly higher amusement revenue mix, as well as customers trading up into more premium drink products within our packages. Our focus on gross profit has seen it grow to £103.8m (+5.3 per cent) from £98.6m in FY2017. Cost of sales includes the cost of food and drink, as well as amusements.

Administrative expenses

Administrative expenses increased by £2.4m, up 3.2 per cent on the prior year.

The increase is primarily due to new centres at £2.8m and depreciation of £0.5m. These increases were netted off by a decrease in constant centre costs of £0.3m, a smaller loss on disposal of property, plant and equipment against the prior year, of £0.5m, and the closure of AMF Gravesend which resulted in lower administrative costs in that centre, of £0.1m.

The largest cost within administrative expenses is property costs, of which rent accounts for £14.1m (FY2017: £13.5m). Total property costs increased by £1.7m, with new centres accounting for £1.5m of this increase year-on-year. Centre employee costs form a significant part of administrative costs and increased from £21.6m to £22.3m for the 12-month period to 30 September 2018. On a constant centre basis, the centre employee costs decreased by £0.4m (1.7 per cent), through the tight controls exhibited in centres through the second half, offset by the increase in National Living / Minimum wage (NL/NMW) increases, where we have continued to maintain the differential for our team members. With the recent announcement of the April 2019 NL/ NMW increases, we expect constant centre employee costs in FY2019 to increase by 3.8 per cent on a normalised weather basis.

Corporate costs were in line with FY2017, at £10.9m, with cost increases offset by lower bonus payments for the year. As a percentage of total sales, corporate costs reduced to 9.0 per cent in FY2018, against 9.5 per cent in FY2017.

Group adjusted EBITDA and operating profit

Group adjusted EBITDA² increased by 8.3 per cent during the year, mainly due to revenue growth, tight cost control and the solid performance of the two new centres opened. Constant centre EBITDA continued to grow and increased by 2.9 per cent compared with the prior period. Depreciation increased by £0.5m to £10.5m, largely as a result of the new centres. As a percentage of total sales, depreciation represented 8.7 per cent in FY2018, against 8.8 per cent in FY2017. Operating profit margin increased by 1.2 percentage points, to a record 20.6 per cent of total sales in FY2018. The new openings in the year, Dagenham and Yeovil, continued to perform well.

FINANCE REVIEW CONTINUED

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

	30 September 2018 £'000	30 September 2017 £'000
Operating profit	24,892	22,201
Depreciation	10,494	9,990
Amortisation	504	540
Loss on property, plant and equipment and software	148	640
EBITDA	36,038	33,371
Exceptional items	118	3
Group adjusted EBITDA	36,156	33,374

Exceptional costs

Exceptional costs continue to be low in FY2018. The Group has a clear policy that exceptional costs should be one-off costs which are not forecast to continue, will not affect future years and are not a trend, and therefore should not be included in the underlying trade of the business.

	30 September 2018 £'000	30 September 2017 £'000
VAT rebate ¹	-	80
IPO related expenses ²	-	(102)
Non-recurring expenditure on strategic projects ³	(118)	(100)
Bank charges ⁴	-	(116)
Dilapidations provision ⁵	-	235
	(118)	(3)

1 The Group was able to make a one-off retrospective reclaim in respect of overpaid VAT relating to customers who were 'no-shows' and childrens' shoe hire. This was classified as other income in the consolidated statement of comprehensive income for the year ended 30 September 2017. The amount recognised in FY2017 relates to a historic claim for no shows from FY2015 to FY2016.

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

3 Costs (comprising legal and professional fees) relating to an aborted acquisition.

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

5 The release of a dilapidation provision for a site that was exited in FY2018 with no associated costs expected.

Share-based payments

During 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), as outlined in the remuneration report on pages 63 and 64. The Group recognised a charge of £403,537 (FY2017: £139,408) in relation to these non-cash share-based payments.

We opened our first Sharesave scheme to all team members in February 2018. We had over 200 employees join the scheme. The scheme will vest in three years subject to continued employment and the Group recognised a charge of £15,498 (FY2017: nil) in relation to the Sharesave scheme.

None of the above costs are classified as exceptional costs.

Finance costs

Finance costs decreased from £1.1m to £1.0m as a result of margin reductions in line with the bank quarterly covenant tests. The Group currently has gross debt of £28.5m with the next debt repayment of £0.75m due in December 2018. The Group has an undrawn revolving credit facility of £5.0m and capital expenditure facility of £5.0m.

Taxation

The Group has incurred a tax charge of £5.1m for the year which represents an effective tax rate on statutory profit before tax of 21.5 per cent. Within this charge is an amount of £0.6m, which is an adjustment in respect of prior years and relates to an Advance Thin Capitalisation Agreement tax liability. This is still being finalised with HMRC. The normalised tax charge would be £4.6m, which represents an effective tax rate on statutory profit before tax of 19.1 per cent.

Earnings

Profit before tax for the year was £23.9m, which was higher than the comparable period in the prior year by £2.8m (13.4 per cent) as a result of the factors discussed above.

The Group delivered an increased profit after tax of £18.8m (FY2017: £18.3m) and basic earnings per share was 12.52 pence (FY2017: 12.17 pence).

Dividend and special dividend

For the year ended 30 September 2018, the Board is recommending a final ordinary dividend of 4.23 pence per share, giving a total ordinary dividend for the year of 6.26 pence per share.

The final dividend will be paid, subject to shareholder approval at the Company's AGM on 31 January 2019, on 27 February 2019 to shareholders on the register on 1 February 2019.

As outlined in our capital and cash allocation policy in our FY2017 results, our top priority is to maintain a strong balance sheet. As at 30 September 2018, net debt stood at £2.5m (0.07 times Group adjusted EBITDA).

Our priorities for use of cash continue to be:

- capital investment in existing centres as well as new centre opportunities;
- appropriate acquisition opportunities;
- to pay and grow the ordinary dividend every year within a cover ratio of approximately 2 times; and
- thereafter, any excess cash will be available for additional distribution to shareholders as the Board deems appropriate.

To the extent that there is surplus cash within the business, the Board continues to expect to return the surplus to shareholders.

In line with this strategy, this year the Board has proposed a special dividend of 4.33 pence per share be paid to shareholders alongside the ordinary dividend. This will mean that the Group has returned a total of £15.9m in cash to shareholders for the year, equating to 10.59 pence per share. All of the dividend will be paid using cash on the balance sheet. Since IPO we will have returned a total of £29.8m to shareholders, including for the year FY2018.

FINANCE REVIEW CONTINUED

Cash flow

The Group continues to deliver strong cash generation with Group adjusted operating cash flow at £24.7m with an increase in EBITDA and small working capital movement in FY2018, offset by £5.0m in corporation tax payments in the financial year and maintenance capital spend of £6.7m.

	30 September 2018 £'000	30 September 2017 £'000
Group adjusted EBITDA	36,156	33,374
Movement in working capital	278	2,052
Maintenance capital expenditure ¹	(6,660)	(5,856)
Taxation	(5,030)	(2,905)
Adjusted operating cash flow (OCF)²	24,744	26,665
Adjusted OCF conversion	68.4%	79.9%
Expansionary capital expenditure	(4,316)	(6,896)
Disposal proceeds	24	–
Exceptional items	(234)	(3,153)
Net interest paid	(606)	(961)
Cash flows from financing activities	(1,500)	–
Dividends paid	(13,964)	(2,985)
Net cash flow	4,148	12,670

1 In this table, maintenance capital expenditure includes amusements capital.

2 Adjusted operating cash flow is calculated as Group adjusted EBITDA less working capital, maintenance capital expenditure and taxation. 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.

3 Working capital excludes any exceptional items. These are noted separately above. Working capital includes an amount relating to share based payments for LTIPs of £0.4m in FY2018 (FY2017: £0.1m).

Strong cash generation in the past 12 months has resulted in a decrease in net debt to £2.5m.

Capital expenditure

Total net capital expenditure was down 5.6 per cent year-on-year, to £12.4m. The largest decrease was in respect of new centres, where during FY2017 we spent £4.0m (net of landlord contributions) compared with £1.0m (net of landlord contributions) in FY2018. FY2018 includes capital for the two new centres opened in the year, plus £0.5m for the new Watford centre which will open pre Christmas 2018. As we continued on our refurbishment and rebrand programme, this expenditure increased year-on-year, by £0.3m, to £3.3m.

Laurence Keen

Chief Financial Officer
10 December 2018

SUSTAINABILITY REPORT

OUTSIDE THE EXPERIENCE AND ENVIRONMENTS WE PROVIDE, WE UNDERSTAND THAT HOW WE BEHAVE AS A BUSINESS PLAYS A MAJOR PART IN SHAPING HOW PEOPLE VIEW US.

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

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

Our customers

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

All of our centres have access for disabled customers and we are committed to delivering an inclusive fun-filled experience for customers of all abilities. In FY2018, over £1.6m of concessionary discounts were redeemed across a number of user groups.

We recognise that the consequences of a poor diet are an important health challenge in the UK and we continue to work with our suppliers to reduce the salt and sugar content of their products.

Our Hollywood Diner menu offers a selection of healthier eating options, including salads and, for children, vegetable options in their range. Alongside this, our customers have responded favourably as we extended the range of sugar-free options across our drinks categories including carbonated soft drinks, slush (now completely sugar free) and mixers.

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

Engaging with the local community

As a business operating in multiple locations around the UK, we seek to support the communities we operate in by offering employment and support through charity fundraising, awareness and access.

In FY2018, we partnered with 59 charities and community projects local to each of our bowling centres and our Hemel Hempstead support centre.

The chosen charities primarily focus on benefiting families or younger people. Many fantastic fundraising events have taken place, including the popular 'Hero Pin' evenings, during which strike-scoring customers earn a donation to their centre's charity.

59

LOCAL CHARITY PARTNERSHIPS

£125

AVERAGE ANNUAL TRAINING INVESTMENT PER TEAM MEMBER

Through donations and fundraising activities, in excess of £30,000 has been raised for our charities and projects. Our centre managers have direct responsibility for their local charity partnerships and the top-performing centre in this area was honoured at our annual manager's conference.

We are pleased to be continuing with our community charity engagement programme in FY2019.

SUSTAINABILITY REPORT CONTINUED

Our people

At Hollywood Bowl Group our people are at the heart of everything we do and we are constantly looking at new ways to ensure we recruit, engage and retain the best talent in the industry.

Employing almost 2,000 team members, we recognise the importance of offering a rewarding career to all of our team and providing them with training and development opportunities throughout their employment.

Spending an average of £125 per head on team member training, we embark on a robust induction which starts as soon as a new employee begins their career with us. The induction covers our culture and ways of working, as well as an insight into the centre they are working in and customer service skills training. Following a successful launch of our new online learning system in FY2017 to support all team members' continuous development, we have now embedded this system in all centres and on average team members completed nine online learning modules in FY2018. This system features heavily during the team members induction period.

We actively encourage our team to develop their careers with us and we run several top talent programmes to assist them to do so. Our assistant manager in training programme offers team members the support and development to move into a successful management career and almost 100 team members enrolled on this programme in FY2018. For those junior managers who aspire to run their own centres we have a centre manager in training programme and we are delighted to have been able to offer eight managers their own centres as a result of the programme in FY2018.

Our centre managers are given the autonomy to run their centres as their own business and are key to the success of the Group. We give all of our management teams the opportunity to share in the success of their centre performance, by offering a significant bonus scheme.

A key part of our engagement and retention strategy is to recognise and reward great performance and the right behaviours. We do this at centre level through a team member of the month scheme where everyone has the opportunity to nominate their peers. We also award great behaviours with our pin badges, which our teams wear with pride on their lanyards. At centre manager level, the highlight is our annual awards ceremony and conference. Following the FY2018 awards, four of our centre manager winners will attend a business course at Disney in Florida.

At Hollywood Bowl Group we pay all of our teams the relevant NL/NMW or in excess of this. We also commit to maintaining the differential between other roles in the business whenever there is a NL/MW increase.

We also offer our team members benefits which they have told us that they value, such as free bowling and discounted food and drink when they visit the centres socially, as well as a reduced price team member menu they can take advantage of when they are on shift.

We launched our Save-As-You-Earn share save scheme (SAYE) in February 2018, giving all of our team the opportunity to share in the financial success of the business. Over 200 employees signed up for this scheme and we plan to launch a new SAYE scheme in FY2019.

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

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

FY2018 number of employees

	Female	Male
Board	1	5
Senior managers	4	11
Team	1,038	862

Health and safety

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

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

The environment

Hollywood Bowl Group is committed to conducting its operations in an ethical and responsible manner. This is demonstrated in our environmental and energy achievements.

CASE STUDY

WORKING WITH CHARITIES LOCAL TO OUR CENTRES

LEICESTER HOLLYWOOD BOWL RAISED

>£2,000

FOR WISHES 4 KIDS

A helping hand



All 58 Hollywood Bowl Group centres and our Hemel support centre engaged with a local family-focused charity of their choice and created a support and fundraising activity calendar. Their work is typified by that of our Leicester centre.

“Last year, we supported our local children’s charity, **Wishes 4 Kids**. Through various in-centre activities – including tombola raffles, hero pin events, charity bowling nights with our mascots and collection boxes situated throughout the centre – we raised over £2,000.

As well as raising cash, we also helped raise the profile of Wishes 4 Kids among our customers. The spirit within our local community and the city of Leicester, and the determination to support a great cause and help others who are less privileged, has been great to see. Our support for this charity will continue with new fundraising events already planned, including members of the management team taking part in a fun run.”

CASE STUDY



FY2018 saw the introduction of several important environmental initiatives by Hollywood Bowl Group.

We eradicated all plastic straws from our drinks proposition, moving to paper straws made with 100 per cent virgin wood pulp. Following additional changes to limiting straws in our serving specifications, usage has dropped by over 60 per cent.

USAGE OF STRAWS DROPPED BY

60%

REDUCING ENVIRONMENTAL IMPACTS

The removal of paper hotdog trays and napkins, and plastic vinegar and ketchup bottles, is also starting to make an impact on our waste output.

Working with our food and drink partners, we are challenging the use of unnecessary packaging and transport miles by, for example, evaluating larger sized orders thereby reducing the number of deliveries.

As part of our kitchen upgrade programme, we are seeing reductions in our energy usage and lower cooking oil consumption by using advances in technology, such as induction fryers.

SUSTAINABILITY REPORT CONTINUED

Greenhouse gas emissions

Greenhouse Gas (GHG) emissions for FY2018 have been measured as required under the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013. The GHG Protocol Corporate Accounting and Reporting standards (revised edition) and the electricity and gas consumption data has been provided by Schneider Electric through analysis of our utility invoices. Conversion factors are taken from <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2018>.

Scope 1 Emissions	979.1 tCO ₂ e
Scope 2 Emissions	5,335.6 tCO ₂ e
Total Scope 1 and 2 Emissions	6,314.7 tCO ₂ e
Intensity Ratio (tCO ₂ e per centre)	113.9

Over 99% of all Scope 1 emissions were from natural gas.

Electricity usage

Our commitment to efficient and ethical use of natural resources is overseen by our energy manager and also forms part of our centre manager performance measures.

We have reduced our Emission Ratio for Scope 1 and 2 emissions by 48.4 or 29.8 per cent for FY2018 compared to the base year (FY2016).

We plan to further reduce our intensity ratio with a target of achieving less than 100 by FY2021.

GHG (CO ₂ e emissions)	Scope 1	Scope 2	Scope 1+2	Intensity Ratio
FY2016	895.7	8,195.0	9,090.7	162.3
FY2017	807.5	6,532.6	7,340.1	132.9
FY2018	979.1	5,335.6	6,314.7	113.9

Recycling 000's litres	Recycling	General	Total Waste	Recycling Percentage
FY2016	12,641.84	7,334.14	19,975.98	63.3%
FY2017	14,317.32	7,443.72	21,761.04	65.8%
FY2018	14,631.12	6,770.04	21,401.16	68.4%

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

- maximising efficiency of control strategies for air handling plant, and investing in new plant and machinery;
- we have converted almost all lighting to LED (the only lighting not converted are heat lamps and lighting controlled by PIRs in infrequently visited areas within our centres);
- rollout of SavaWatt controls in 42 centres; and
- behavioural change within our teams with conscious efforts to reduce electricity usage.

Solar power

We are working with both landlords and also external partners to install solar panels on our roofs via Power Purchase Agreements. The first centre to have landlord installed panels will be Stevenage and we are working with Green Nation to install panels on the roof of Bentley Bridge. Once these two centres are completed we will look at the potential for further roll out across the estate.

Recycling

We recycle our waste to help minimise our environmental impact.

In FY2017 we recycled 65.8 per cent of our waste and this has increased to 68.4 per cent for FY2018. We recycle the cooking oil that we use; in FY2017 we achieved a 65.5 per cent recycling level which increased to 77.5 per cent for FY2018. We have also cut the amount of waste we generate by reducing the use of straws and napkins and we are working with our suppliers to introduce reduced-packaging products across our business.

Non-financial information statement

We aim to comply with the new Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The below table, and information it refers to, is intended to help stakeholders understand our position on key non-financial matters.

Requirement	Policies and standards which govern our approach	Risk management and additional information
Environment	<ul style="list-style-type: none"> — Environmental statement — Health and Safety policy 	Health and Safety and food safety disclosures page 40 ; Stakeholders pages 20 and 21 ; Environment, greenhouse gas emissions and electricity usage disclosures pages 41 and 42 ; Case study on Reducing Environmental Impacts page 41
Employees	<ul style="list-style-type: none"> — Equal opportunities policy — Diversity policy — Board diversity policy approved post financial year end 	Stakeholders pages 20 and 21 ; Our people page 40 ; Employee numbers by gender page 40 ; Employee involvement and policy regarding disabled persons page 70 ; Board engagement with the business page 50 ; Diversity policy and Board diversity policy page 53 ; CEO's remuneration compared to employees page 65 ; Gender pay gap report published on the Company's website
Human rights	<ul style="list-style-type: none"> — Data protection policy — Slavery and human trafficking policy — Whistleblowing policy — IT and Information security policy 	Review and approval of the Group's modern slavery and human trafficking statement page 49 ; Stakeholders pages 20 and 21 ; Whistleblowing page 57
Social matters	The Company does not have a social matters policy per se but works with suppliers to reduce salt and sugar content and offer healthier eating options on food and drink menus; works with regulatory bodies and suppliers to ensure correct decisions are made on amusement area games; and provides a community charity engagement programme page 39	Stakeholders pages 20 and 21 ; Our customers and Engaging with the local community page 39
Anti-corruption and anti-bribery	<ul style="list-style-type: none"> — Anti-corruption policy — Audit services policy 	Non-audit services page 56
Policy embedding, due diligence and outcomes		Governance framework and structure page 48 ; Board activity during the year page 49 ; Audit Committee report page 55
Principal risks and impact on business activity		Principal risks and effective risk management pages 30 to 32 ; Audit Committee report page 55 ; Risk management and regulatory disclosure page 49
Description of business model		Our business model pages 22 and 23 Strategy in action pages 26 and 27
Non-financial key performance indicators		Strategy at a glance pages 24 and 25 Operational highlights pages 3,5,7 and 9 Stakeholders pages 20 and 21

The Strategic Report was approved by the Board on 10 December 2018 and signed on its behalf by:

Stephen Burns

Chief Executive Officer
10 December 2018

GOVERNANCE

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CHAIRMAN'S INTRODUCTION



Peter Boddy

Chairman

[+](#) Read full biography on page 46

OUR GOVERNANCE PRACTICE CONTINUES TO EVOLVE TO ENSURE HIGH STANDARDS ARE MAINTAINED.

Dear Shareholders,

On behalf of the Board, I am pleased to present the Corporate Governance report for the year ended 30 September 2018. The Board continues to focus on maintaining high standards of corporate governance and ensuring that the Company complies with the principles of the UK Corporate Governance Code (the Code) insofar as it applies to smaller companies (ie those below the FTSE 350). This section of the Annual Report sets out how we have complied with the principles of the 2016 version of the Code during the year, highlighting key areas of focus and challenge for the Board and its Committees. We continue to believe that the governance structure we have established is robust and appropriate to support the development of the Group.

We have continued to make good progress in a number of areas of our governance structure during the course of the year. We have increased the amount of time set aside for the Board to consider strategic matters, continued to develop (supported by the Nomination Committee) our Board and senior executive succession plans (see page 53), and carried out a detailed review of the impact of the new version of the Code (the New Code) published in July 2018 (see page 50).

As a Board, we recognise our responsibility to embody and demonstrate the culture and values of the Group, setting the example for the behaviours we expect from our team. My aim as Chairman is to ensure

that the Board is a forum for open and transparent debate, promoting and incentivising behaviours which will provide a positive and enjoyable environment for our employees and customers. The New Code places increased emphasis on culture and stakeholder (including workforce) engagement. We believe we are already in a good place in these areas, but intend to spend some time during the coming year to ensure that our approach is in line with the New Code requirements.

Our Board evaluation process (described on page 51) has shown that the Directors continue to believe the Board is operating effectively, providing support and challenge to our Executive team to promote the long-term success of the Group.

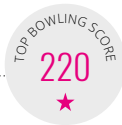
Peter Boddy

Chairman
10 December 2018

BOARD OF DIRECTORS

Peter Boddy

Non-Executive Chairman



Appointment

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

Skills and experience

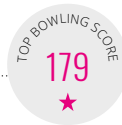
Peter holds chairmanships in three other companies: Xercise4Less (a low-cost gym chain); Novus Leisure Limited (operator of late-night bars and clubs); and The Harley Medical Group. All are backed by private equity. Previously, Peter held the position of CEO or managing director in a number of successful private equity-backed leisure sector companies including Fitness First UK, Megabowl Group Limited and Maxinutrition Limited. Peter has a degree in economics from De Montfort University and an MBA from Warwick Business School.

Committee membership

N

Stephen Burns

Chief Executive Officer



Appointment

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

Skills and experience

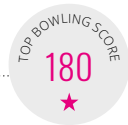
Before joining the Group, Stephen worked within the health and fitness industry, holding various roles within Cannons Health and Fitness Limited from 1999. He became sales and client retention director in 2007 upon the acquisition of Cannons Health and Fitness Limited by Nuffield Health, and became regional director in 2009. In 2011, Stephen was appointed to the operating board of MWB Business Exchange, a public company specialising in serviced offices, meeting and conference rooms, and virtual offices. Stephen was appointed Chairman at the Club Company Limited (operator of UK country clubs) in June 2018.

Committee membership

N/A

Laurence Keen

Chief Financial Officer



Appointment

Laurence joined the Group as Finance Director in 2014.

Skills and experience

Laurence has a first-class degree in business, mathematics and statistics from the London School of Economics and Political Science. He qualified as a chartered accountant in 2000 and has been an ICAEW Fellow since 2012. Previously, Laurence was UK development director for Paddy Power from 2012. He has held senior retail and finance roles for Debenhams PLC, Pizza Hut (UK) Limited and Tesco PLC.

Committee membership

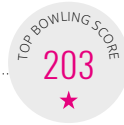
N/A



Committee membership

- A** Audit Committee
- N** Nomination Committee
- R** Remuneration Committee
- Chair
- Member

Nick Backhouse



Senior Independent Non-Executive Director

Appointment

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

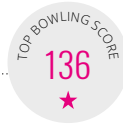
Skills and experience

Nick has extensive experience at Board level, including non-executive roles at Guardian Media Group plc (2007–2017) where he was also the Senior Independent Director, All3Media Limited (2011–2014) and Marston's PLC (2012–2018) and has chaired the Audit Committees of each of those businesses. He is currently a Non-Executive Director of Eaton Gate Gaming and a trustee of Chichester Festival Theatre. In his executive career, Nick was the Deputy Chief Executive Officer of the David Lloyd Leisure Group and was previously Group Finance Director of National Car Parks, Chief Financial Officer of the Laurel Pub Company and CFO of Freeserve PLC. Prior to that, he was a Board Director of Baring Brothers. Nick is a Fellow of ICAEW and has an MA in economics from Cambridge University.

Committee membership

- A** **N** **R**

Claire Tiney



Independent Non-Executive Director

Appointment

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

Skills and experience

Claire has over 20 years' board level experience encompassing executive and non-executive roles in blue-chip retailing, property development and the services sector across the UK and Eastern Europe. Claire runs her own business as an HR consultant, executive coach and facilitator, having spent 15 years as an executive director in a number of businesses including Homeserve plc, Mothercare plc and WH Smith Group plc. Most recently, Claire was HR director at McArthurGlen Group, the developer and owner of designer outlet malls throughout Europe. Claire was previously a Non-Executive Director of Family Mosaic and is currently a Non-Executive Director of Volution plc and of Topps Tiles plc. She has an MBA from Stirling University.

Committee membership

- R** **A** **N**

Ivan Schofield



Independent Non-Executive Director

Appointment

Ivan joined the Group as an Independent Non-Executive Director in October 2017.

Skills and experience

Ivan has extensive experience in the leisure sector in the UK and across continental Europe. He held a number of senior roles for Yum Brands Inc. over 15 years, notably as managing director of KFC France and Western Europe and more recently as CEO of itsu. Prior to this, Ivan held roles at Unilever and LEK Consulting. Ivan is also currently Chairman of Buffalo Grill SA and Thunderbird Fried Chicken Limited and runs his own business as a senior executive coach and mentor. Ivan holds a BSc in economics with econometrics from the University of Bath, an MBA from INSEAD and is a graduate of the Meyler Campbell Business Coaching Programme.

Committee membership

- R** **N** **A**



CORPORATE GOVERNANCE REPORT

UK Corporate Governance Code – Compliance Statement

The Company has applied all of the main principles of the 2016 Code as they apply to it as a 'smaller company' (defined in the Code as being a company below the FTSE 350) and has complied with all relevant provisions of the Code during the year.

Governance framework and structure

The Board is responsible for ensuring an appropriate system of governance is in operation throughout the Group. This includes a robust system of internal controls and a sound risk management framework. The Schedule of Matters Reserved to the Board and the Board Committees' terms of reference, which are available to view on the Group's website www.hollywoodbowlgroup.com, as well as Group policies and procedures which address specific risk areas, are core elements of the Group's governance framework.

Matters outside of the Schedule of Matters Reserved or the Committee terms of reference fall within the responsibility and authority of the CEO, including all executive management matters.

Key Board roles and responsibilities

The Chief Executive Officer, Chief Financial Officer and Executive Committee are responsible for executing the strategy determined by the Board. There is a clear division of responsibilities between the Chairman and Chief Executive Officer. The key responsibilities of members of the Board are set out on this page. Biographies of each director, which describe the skills and experience he or she brings to the Board, can be found on pages 46 and 47.

Non-Executive Chairman

Peter Boddy

Peter is responsible for the leadership and overall effectiveness of the Board and for upholding high standards of corporate governance throughout the Group and particularly at Board level. He promotes a culture of openness and facilitates the effective contribution of the Non-Executive Directors in Board debates and discussion.

Chief Executive Officer (CEO)

Stephen Burns

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

Senior Independent Director (SID)

Nick Backhouse

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

Chief Financial Officer (CFO)

Laurence Keen

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

Non-Executive Directors

Nick Backhouse, Claire Tiney, Ivan Schofield

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

Board independence

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

Non-Independent

Peter Boddy (Chairman)
Stephen Burns (Chief Executive Officer)
Laurence Keen (Chief Financial Officer)

Independent

Nick Backhouse (SID)
Claire Tiney
Ivan Schofield

The Company has complied with provision B.1.2 of the Code throughout the year as more than half the Board (excluding the Chairman) has comprised independent Directors.

Board and Committee attendance

The Board meets formally at least 10 times per year. Ad hoc meetings are called as and when appropriate, but no such ad hoc meetings were required during FY2018. The table below shows the attendance of each Director at meetings of the Board and of the Committees of which they are a member:

Membership and attendance of Board Committees

Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Peter Boddy	10/10	–	–	2/2
Stephen Burns	9/10	–	–	–
Laurence Keen	9/10	–	–	–
Nick Backhouse	9/10	4/4	4/4	2/2
Ivan Schofield	9/10	–	3/4	2/2
Claire Tiney	10/10	4/4	4/4	2/2

In addition to the Chief Executive and Chief Financial Officer, the Chief Marketing and Technology Officer and Talent Director were present at Board meetings during the year to take questions from the Non-Executive Directors.

Where Non-Executive Directors are unable to attend a Board or Committee meeting, they are encouraged to submit any comments or questions on the matters to be discussed to the Chairman (or Committee Chair as appropriate) in advance to ensure that their views are recorded and taken into account.

In addition to the formal scheduled meetings, all Directors attended a full strategy review session in June 2018. Non-Executive Directors remain in regular contact with the Chairman, whether in face to face meetings or by telephone, to discuss matters relating to the Group without the Executives present.

Activity during the year

The Board approves an annual calendar of agenda items to ensure that all matters are given due consideration and are reviewed at the appropriate point in the regulatory and financial cycle. Scheduled Board meeting discussions in 2018 focused on the following main themes:

Strategy including: development of the Group's strategy and strategic initiatives; reviewing and improvement of the customer experience; and reviewing and approving key projects including the new scoring system rollout.

Financial performance and investor relations including: setting financial plans and KPIs and monitoring the Group's results against them; oversight and approval of the annual budgeting process; approving financial results for publication; the review of broker reports on the Group; and feedback from investor meetings.

Risk management and regulatory including: the approval of the support centre spending authority limits; consideration of the impact of the GDPR; gender pay gap reporting; consideration of the new UK Corporate Governance Code; review and approval of the Company's modern slavery and human trafficking statement; reviewing and approving changes to the Group's policies; and seeking to ensure that the Group complies with all regulatory requirements.

Executive Committee

Mathew Harl
Chief Marketing and Technology Officer

TOP BOWLING SCORE
151
 ★

Mathew joined the Group as Commercial Director in January 2015. He has 25 years of commercial, marketing, e-commerce and general management experience across the travel, leisure and healthcare sectors.

He has held executive positions at Holiday Autos (Managing Director), Lastminute.com (Group Marketing Director), Cannons Health Clubs (Group Marketing and Commercial Director), Nuffield Health (Group Marketing Director) and Encore Tickets (Group Marketing Director).

Melanie Dickinson
Talent Director

TOP BOWLING SCORE
144
 ★

Melanie was appointed Talent Director in October 2012. She has 18 years of HR experience across the leisure and hospitality sectors.

Starting her career in retail operations before moving into HR, Melanie has held HR roles at Pizza Express, Holmes Place Health Clubs and Pizza Hut UK, as well as obtaining a post-graduate diploma in Personnel and Development. Most recently, she headed the People function at Zizzi Restaurants, part of the Gondola group.

CORPORATE GOVERNANCE REPORT CONTINUED

Board and Board Committee

governance including: the review and updates of the terms of reference for the Committees; and the annual review of the Board's and Board Committees' effectiveness.

In addition to the key themes, at each meeting the Executive Directors provide the Board with updates on the Group's operational and financial performance, and regular updates are also provided on business development, HR, and health and safety matters.

Consideration of the revised UK Corporate Governance Code

Following its publication in July 2018, the Board considered in detail the impact of the New Code, which applies to financial years commencing on or after 1 January 2019.

A detailed analysis of the impact of the New Code was carried out by the Company Secretary who identified areas requiring further attention over the coming year. A list of specific actions has been drawn up and the programme of work for the Board and its Committees in FY2019 has been updated to ensure that we move towards compliance with the New Code. We will report on any changes to the Group's governance framework in next year's Annual Report and Accounts.

Executive Director service contracts:

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

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

Name	Date of appointment	Commencement date of current term (full years)	Unexpired term at December 2018
Peter Boddy	13 June 2016	16 September 2016	9 months
Nick Backhouse	14 June 2016	14 June 2016	7 months
Claire Tiney	14 June 2016	14 June 2016	7 months
Ivan Schofield	1 October 2017	1 October 2017	1 year, 10 months

Subject to their re-election by shareholders at the AGM in 2019, the Board's intention is that Peter Boddy, Nick Backhouse and Claire Tiney will each be appointed for a further three-year term in June 2019.

Engagement with the business

The Non-Executive Directors are in regular contact with the Executive Directors and other senior executives outside of formal Board meetings. The Chairman and the Non-Executive Directors frequently visit the Group's centres, including attending new or refurbished centre openings, accompanied by regional support managers and centre management teams, and have the opportunity to meet members of the local teams at all levels.

The Chairman and Non-Executive Directors also attend the annual Company conference, held every September.

Information and support

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

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

Appointment and election

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

During the year, the Board agreed to Stephen Burns' appointment as Chairman of a private equity backed company, The Club Company Limited, which carries a maximum time commitment of two days per month.

The Board considers each Director to be effective and committed to their role. The Board has decided to comply with provision B.7.1 of the Code and accordingly all members of the Board will be offering themselves for re-election at the Company's Annual General Meeting (AGM) on 31 January 2019.

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

Induction

All new Directors appointed to the Board undertake a tailored induction programme designed by the Chairman and Executive Directors, with assistance from the Company Secretary. The purpose of the induction is to give new Directors an overview of the Group, focusing on its culture, operations and governance structure.

Performance evaluation

In accordance with the principles and provisions of the Code, the Board's intended practice is to conduct a thorough review of the effectiveness of the performance of the individual Directors, the Board as a whole and its Committees on an annual basis. In line with the New Code, the Chairman will consider using an external facilitator for Board evaluations in the future.

The 2018 evaluation was conducted by way of detailed questionnaires designed to assess the effectiveness and assist in the objective review of the performance of the individual Directors, the Board and the Committees. Separately, the Senior Independent Director conducted interviews with other Board members in order to evaluate the performance of the Chairman.

The findings of these questionnaires were reviewed and discussed at a Board meeting. The outcomes of the evaluation process indicated that the Board and Committees continue to perform effectively, and that the Board reflects the culture and values of the Group.

Specific areas of focus for the coming year include increasing the opportunities for the Chairman and Non-Executives to meet separately from management, as well as enhancing formal training and development opportunities for the Board.

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

Conflicts of interest

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

Relations with shareholders

As part of its ongoing investor relations programme, the Group aims to maintain an active dialogue with its shareholders, including institutional investors, to discuss issues relating to the performance of the Group. Communicating and engaging with investors means the Board can express clearly its strategy and performance and receive regular feedback from investors. It also gives the Company the opportunity to respond to questions and suggestions.

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

The Company's AGM will take place on 31 January 2019, 9.30am, at Investec Bank plc, 30 Gresham Street, London EC2V 7QP. The Chairman, and the Chairs of the Audit and Remuneration Committees, will be present to answer questions put to them by shareholders. Electronic proxy voting will be available to shareholders through both our registrar's website and the CREST service. Voting at the AGM will be conducted by way of a poll and the results will be announced through the Regulatory News Service and made available on the Company's website.

REPORT OF THE NOMINATION COMMITTEE



Peter Boddy

Nomination Committee Chair

[+](#) Read full biography on page 46

Nomination Committee

Chair	Peter Boddy
Committee members	Nick Backhouse Claire Tiney Ivan Schofield
Number of meetings held in the year	2

THE COMMITTEE HAS CONTINUED TO ENCOURAGE MANAGEMENT TO GROW ITS TALENT PIPELINE, WITH PARTICULAR FOCUS ON DEVELOPING EXISTING EMPLOYEES.

Role and responsibilities

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

Specific duties of the Nomination Committee include:

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

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

Activity during the year

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

The Nomination Committee is satisfied that the balance of skills, experience, independence and knowledge on the Board and Committees is appropriate.

Diversity

The Company's policy is that no individual should be discriminated against on the ground of race, ethnicity, religious belief, political affiliation, gender, sexual orientation, age or disability, and this extends to Board appointments. The Board recognises the benefits of diversity, including gender diversity, on the Board, although it remains of the opinion that appointments to the Board should be made on merit. The Board currently consists of one female (17 per cent) and five male (83 per cent) Directors.

The Board did not operate a formal Board diversity policy during the year, but has approved a policy since the year end. The objectives of the policy are to ensure that Directors embody the culture and values of the Group, and that appointments to the Board are made with due consideration for all aspects of diversity. The policy also provides that the Nomination Committee will only engage with executive search firms which are signatories to the Voluntary Code of Conduct for Executive Search Firms, and that recruitment long-lists will include candidates from a diverse range of backgrounds. All appointments will continue to be made against objective criteria.

The Nomination Committee will monitor the effectiveness of the Board diversity policy, although no Board appointments are anticipated in the near term.

Succession planning

During the year, the Committee carried out a robust review of Executive succession planning with a view to ensuring that the Group's future leadership will have the qualities necessary for the development of the business. The Committee has continued to encourage management to grow its talent pipeline, with particular focus on developing existing employees, and is satisfied that the succession plans in place for senior executive positions are appropriate. The Committee also spent time considering Non-Executive Director succession planning and agreed that the Committee Chair and the Non-Executive Directors would keep this under review to ensure orderly succession when required. It was agreed that the Board appointment process should ensure that the relevant skills and experience to support the strategic direction of the Group are always appropriately represented on the Board.

Annual evaluation

The Nomination Committee has evaluated its own performance during the year by way of a questionnaire completed by each member of the Committee and key contributors to Nomination Committee meetings. The evaluation indicated that the Committee is appropriately constituted and operates effectively, and reiterated the need to maintain focus on succession planning and the development of talented executives within the business.

Peter Boddy

**Chairman of the
Nomination Committee
10 December 2018**

REPORT OF THE AUDIT COMMITTEE



Nick Backhouse

Audit Committee Chair

[+](#) Read full biography on page 47

Audit Committee

Chair	Nick Backhouse
Committee members	Claire Tiney Ivan Schofield
Number of meetings held in the year	4

WE CONTINUE TO PROVIDE INDEPENDENT SCRUTINY OF THE PROCESSES IN PLACE TO SUPPORT THE COMPANY'S FINANCIAL AND NON-FINANCIAL REPORTING.

Role and responsibilities

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

Specific duties of the Audit Committee include:

- monitoring the integrity of the annual and half year financial statements;
- keeping under review the internal financial control systems; and
- overseeing the relationship with the internal and external audit functions.

The Committee also monitors the effectiveness of the Group's risk management systems.

Dear Shareholders,

On behalf of the Board, I am pleased to present the Audit Committee report for the year ended 30 September 2018. During the year, the Committee has continued to play an important role in the governance structure of the Group. We have a formal schedule of annual activity which ensures that we cover our key responsibilities under our terms of reference and that we adhere to the UK Corporate Governance Code and other regulatory requirements. Areas of particular focus this year have been the significant financial judgements identified by the finance team and external auditor, our oversight of, and interaction with, the Group's internal audit function, and our formal review of external audit effectiveness.

We have continued to develop our oversight and monitoring of the Group's internal control and risk management systems, including undertaking a rigorous review of the Group's risk register. As a result, the register has been revised to increase its effectiveness. A review (by the Committee and the Board) of various internal policies and procedures, including the Group's whistleblowing arrangements, and updates on the activities of the internal audit function and its testing of processes and controls implemented at our centres, has been carried out. It is our view that the risk management and internal control systems continue to work effectively.

Our review of the effectiveness of the external audit process is described in more detail on page 57. We have reviewed KPMG LLP's (KPMG) continuing independence, and the Committee is satisfied that KPMG continues to be independent and provides an effective audit service.

In July 2018, the Group received an enquiry letter from the Corporate Reporting Review Team of the Financial Reporting Council (FRC) in relation to the FY2017 Annual Report. Details of the enquiry raised by the FRC and the Group's proposed response were discussed with the Committee prior to issuing the response.

The response included the commitment to make some additional disclosures relating to fixed assets, the cash flow statement, significant estimates and judgements and the expected impact of IFRS16 adoption. We also committed to discount the creditors within non-current liabilities in relation to the amusement machines purchases on extended credit terms, which reduced creditors by £0.2m. The FRC subsequently closed its enquiry with no further action. We have reviewed the adoption of these modifications and enhancements in the FY2018 Annual Report. The review of the FY2017 Annual Report by the FRC does not provide any additional assurance regarding its accuracy and the FRC does not accept any liability in relation to its review.

The Audit Committee has evaluated its own performance this year by way of a questionnaire completed by each member of the Committee and other regular attendees. We discussed the outcome of the evaluation process at our meeting in November 2018. The evaluation confirmed that the Committee continues to operate effectively. It also identified certain areas for further improvement during the coming year, in particular the need to keep under review the remit of the Internal Audit function.

The Committee continues to be comprised wholly of independent Non-Executive Directors, Claire Tiney and I having been joined as members of the Committee since the year end by Ivan Schofield. The Board is satisfied that by virtue of my qualification as a chartered accountant, my executive background in finance roles, and my experience as an audit committee chair in other non-executive positions, I have recent and relevant financial experience as recommended under provision C.3.1 of the Code. As all members of the Committee have experience as Directors of other companies in the retail and leisure sector, the Board is also satisfied that the Audit Committee as a whole has competence relevant to the sector in which the Company operates.

Nick Backhouse

**Chairman of the Audit Committee
10 December 2018**

Meetings and attendees

The Audit Committee meets at least three times per year. The names of the attendees of the Audit Committee meetings are set out in the table on page 48.

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

Activity during the year

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

- annual review of the Committee's terms of reference with changes recommended to the Board;
- regular review of the Group's risk register and consideration of the process to support the long-term viability statement;
- reviewing the interim results and the Annual Report and Financial Statements and recommending their approval by the Board; and
- considering the potential impact of future changes in accounting standards, in particular in relation to lease accounting under IFRS 16 (which will be effective for the Group from FY2020).

REPORT OF THE AUDIT COMMITTEE CONTINUED

Significant issues considered in relation to the Financial Statements

Significant issues and accounting judgements are identified by the finance team and the external audit process and are reviewed by the Audit Committee. The significant issues considered by the Committee in respect of the year ended 30 September 2018 are set out in the table below:

Significant issues and judgement	How the issues were addressed
Accounting for the acquisition of amusement machines	The Audit Committee reviewed management's conclusion to account for amusement machines as the acquisition of plant, property and equipment under IAS 16, and the decision not to discount the long-term creditor in prior years (see Critical accounting judgements on page 88). The Committee noted the impact if the machines were accounted for as a finance lease, and agreed that the approach adopted by management was appropriate.
Useful life of Property, Plant and Equipment (PPE)	The Audit Committee reviewed management's estimate of the useful life of PPE, in particular considering the assumptions used in determining the impairment of lanes and pinspotters (see Key sources of estimation uncertainty on page 89). The Audit Committee was satisfied that PPE is fairly stated as at 30 September 2018.

Risk management and internal control

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

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

- holding regular Board meetings to consider the matters reserved for its consideration;
- receiving regular management reports which provide an assessment of key risks and controls;
- scheduling annual Board reviews of strategy including reviews of the

material risks and uncertainties facing the business;

- ensuring there is a clear organisational structure with defined responsibilities and levels of authority;
- ensuring there are documented policies and procedures in place; and
- reviewing regular reports containing detailed information regarding financial performance, rolling forecasts, actual and forecast covenant compliance, and financial and non-financial KPIs.

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

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

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

Internal audit

The Group has an internal audit function which focuses on performing regular testing of the processes and controls implemented in centres. Internal audit findings are presented to the relevant centre manager and the Chief Financial Officer for review. A member of the internal audit team attends Audit Committee meetings at least once per year to provide updates on the activities of the internal audit function. The Committee has assessed the effectiveness of the internal audit function as part of its annual performance evaluation process, and is satisfied that the current arrangements remain appropriate and effective for the Company. The Committee will keep under review the remit of the Internal Audit function.

External auditor

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

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

External audit effectiveness review

The Committee reviewed the effectiveness of the external audit process following completion of the FY2017 audit. A report was prepared by the finance team summarising its view of KPMG's effectiveness based on interactions during the audit and set out under three headings: Mindset and Culture; Skills, Character and Knowledge; and Quality Control. The Committee also took into account its own interactions with the external auditor in forming its conclusion that both KPMG and the external audit process were effective.

Non-audit services

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

During the year ended 30 September 2018, KPMG was engaged to provide permitted non-audit services relating to the interim financial statements (£25,000) and the issuance of turnover certificates (£3,000) for a total fee of £28,000, representing 25.7 per cent of the total audit fee. This is shown in further detail in note 6 to the Financial Statements.

Appointment and tenure

KPMG was first appointed as the Group's external auditor in 2007.

The Audit Committee continues to be satisfied with the scope of the external auditor's work, the effectiveness of the external audit process, and that KPMG continues to be independent and objective. The Committee is therefore pleased to recommend that KPMG be reappointed as the Group's auditor at the 2019 AGM.

In accordance with the Code and EU legislation, it is the Committee's intention that the external audit contract will be put out to tender at least every ten years (commencing on the date of the Group's IPO at which point it became a "public interest entity" for the purpose of EU audit tendering requirements).

Whistleblowing

The Group has adopted procedures by which employees may, in confidence, raise concerns relating to possible improprieties in matters of financial reporting, financial control or any other matter. The whistleblowing policy applies to all employees of the Group, who are required to confirm that they have read the policy and are aware of how the procedure operates as part of an ongoing internal training programme. The Audit Committee has received regular updates with respect to the whistleblowing procedures during the year, with only one incident reported, which was satisfactorily addressed. In accordance with the revised UK Corporate Governance Code, published in July 2018, responsibility for oversight of the Group's whistleblowing arrangements has moved to the Board with effect from October 2018.

Nick Backhouse

**Chairman of the Audit Committee
10 December 2018**

REPORT OF THE REMUNERATION COMMITTEE



Claire Tiney

Remuneration Committee Chair

[+](#) Read full biography on page 47

Remuneration Committee

Chair	Claire Tiney
Committee members	Nick Backhouse Ivan Schofield
Number of meetings held in the year	4

THE OBJECTIVE OF THE REMUNERATION COMMITTEE IS TO ENSURE THAT SHAREHOLDER AND MANAGEMENT INTERESTS ARE ALIGNED. IN DOING THIS, WE AIM TO MAKE THE VARIOUS ELEMENTS OF THE REMUNERATION PACKAGE TRANSPARENT, EASY TO COMMUNICATE AND SIMPLE TO OPERATE.

Role and responsibilities

The role of the Remuneration Committee is set out in its terms of reference, which are available on the Group's website. The Committee's primary purpose is to develop and determine the Group's remuneration policies for the Executive Directors, Chairman and Senior Management.

Specific duties of the Remuneration Committee include:

- setting the remuneration policy for Executive Directors, Chairman and Senior Management;
- determining individual pay awards within the terms of the agreed policy; and
- ensuring that the remuneration policy operates to align the interests of management with those of shareholders.

The Committee also has responsibility for reviewing pay and conditions across the Group and the alignment of incentives and rewards, with culture.

Dear Shareholders,

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 30 September 2018.

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

- the annual statement by the Chair of the Remuneration Committee;
- a summary of the Directors' remuneration policy which was put to a binding shareholder vote at the AGM in February 2017 and applies for three years from the date of approval; and
- the annual report on remuneration which sets out payments made to the Directors and details the link between Company performance and remuneration for FY2018. The annual report on remuneration is subject to an advisory shareholder vote at the 2019 AGM.

Remuneration framework

The remuneration policy which was put to a binding vote at the AGM in February 2017 continues to appropriately support our remuneration principles which are to:

- attract and retain the best talent;
- drive behaviours which support the Group's strategy and business objectives which are developed in the long-term interests of the Company and its shareholders;
- reward senior management appropriately for their personal and collective achievements;
- provide incentives that help to maintain commitment over the longer term and align the interests of senior management with those of shareholders; and
- ensure that a significant percentage of the overall package for the Executives and senior managers remains at risk dependent upon performance and that their pay and benefits adequately take account of reward versus risk.

Performance in FY2018 and remuneration outcomes

It has been another robust year of financial and operational performance for Hollywood Bowl Group. The Group has delivered a 5.8 per cent increase in overall revenues, which resulted in an increase in Group adjusted EBITDA

to £36.2m. In addition, the Board is recommending a final ordinary dividend of 4.23 pence per share, and a special dividend of 4.33 pence per share, to shareholders.

The annual bonus plan for Executive Directors was based on target performance of Group adjusted EBITDA of £35.5m with a maximum payment of 100% of salary for achieving an EBITDA of £37.28m in FY2018. Consequently, the Executive Directors will receive a payment of 68.1 per cent of salary which will be paid 65 per cent in cash and 35 per cent in shares deferred for two years.

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

Remuneration decisions for FY2018–19

While the Committee is satisfied that the overall policy remains fit for purpose in the context of a relatively newly listed business, one of the key design principles is that a competitive package should be maintained in order to attract, retain and motivate high-calibre talent to help ensure the Company's continued growth and success as a listed company. The Committee recognised that the current total remuneration packages of the Executive Directors had fallen further behind the market over the last two years when compared to other companies of a similar size and complexity. The Committee therefore took action to address this half-way through the year by making significant increases to their base salaries to reflect the strong performance of the Executive Directors over the last two years and their having taken on a number of additional responsibilities as directors of a listed company. The fee for the Company Chairman has also been adjusted.

Increases in the base salaries for the Chief Executive Officer, Chief Financial Officer and Chairman's fee, were made with effect from 1 May 2018:

- Stephen Burns: £385,000 (previous salary £254,000).
- Laurence Keen: £250,000 (previous salary £172,720).
- Peter Boddy: £130,000 (previous fee £81,280).

The salaries of the Executive Directors, and the Chairman's fee, were not subject to a further increase in November 2018, the usual month for senior management salary and Director fee reviews.

The Committee also decided to early-adopt the FRC's new UK Corporate Governance Code for total vesting and holding periods to be at least five years and so future awards under the Long Term Incentive Plan will be subject to a two-year post-vesting holding period. This will be formally reflected in the remuneration policy when it is next put to shareholders for approval at the 2020 AGM.

We are committed to maintaining an open and transparent dialogue with shareholders on Executive pay. We have communicated to our major shareholders the remuneration decisions as set out above and have encouraged them to contact me directly to share their views. A number of shareholders have contacted me, and in general their responses have been supportive.

Sharesave scheme

As the next step of our journey as a listed company, during the year Hollywood Bowl Group implemented an all-employee Sharesave scheme to enable employees to invest in the future of the Group and encourage wider share ownership.

New UK Corporate Governance Code

The Committee is mindful of the new UK Corporate Governance Code, published earlier this year, and has started to consider the implications of the new Code for the Group. We considered early adoption of the CEO pay ratio disclosure which does not apply until FY2020. Given the complexity of gathering the data needed under the Government's preferred calculation method, we have decided not to early adopt and will review for the FY2019 Annual Report.

Annual General Meeting (AGM)

On behalf of the Board, I would like to thank shareholders for their continued support. I look forward to meeting shareholders at the AGM on 31 January 2019.

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

Claire Tiney

Chair of the Remuneration Committee
10 December 2018

DIRECTORS' REMUNERATION POLICY

The Directors' remuneration policy (the 'Policy') was approved by shareholders at the AGM on 23 February 2017 (98.61 per cent of votes cast being in favour) and became effective from that date. There are no proposals to amend the Policy at the 2019 AGM.

A summary of the Policy is included for reference to assist with the understanding of the contents of this report. The full Policy can be found on the Company's website, www.hollywoodbowlgroup.com, in the 'Investors' section, under 'Reports and presentations', in our FY2016 Annual Report.

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

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

Element of remuneration	Strategic alignment	Operation	Opportunity	Performance metrics
Long term incentive plan (LTIP)	Incentivises the Executive Directors to maximise total shareholder returns by delivering the Company's objectives and to share in the resulting increase in total shareholder value.	Awards are granted annually to Executive Directors in the form of nil cost options or conditional awards of shares. These will vest at the end of a three-year period subject to: the Executive Director's continued employment at the date of vesting; and satisfaction of the performance conditions. The Remuneration Committee may award dividend equivalents on awards to the extent that these vest.	Award maximum of 150 per cent of base salary.	The awards vest subject to the satisfaction of a performance condition measuring EPS in the final year of the performance period. Awards granted from FY2019 onwards will be subject to a further two-year holding period post vesting.
Employee share ownership	To encourage wider employee share ownership and thereby align employees' interests with those of the shareholders.	The Company has a share incentive plan (which is HMRC approved and is open to all eligible staff), and operates a Sharesave scheme, in which the Executive Directors are eligible to participate.	UK scheme in line with HMRC limits as amended from time to time.	None.
Shareholding requirement	To support long-term commitment to the Company and the alignment of Executive Directors' interests with those of shareholders.	The Remuneration Committee has adopted formal shareholding guidelines that encourage the Executive Directors to build, over a five-year period, and then hold, a shareholding equivalent to a percentage of base salary. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements.	200 per cent of salary.	None.
Chairman and Non-Executive Director fees	Provides a level of fees to support recruitment and retention of Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Company's strategic objectives.	Non-Executive Directors are paid a base fee. An additional payment is paid to the Senior Independent Director in respect of the additional duties of the role. No additional fees are paid to Non-Executive Directors or the Chairman of the Company for the membership or chairmanship of committees. Fees are reviewed annually, based on equivalent roles in an appropriate comparator group used to review salaries paid to the Executive Directors.	The base fees for Non-Executive Directors are set with reference to the market rate.	None.

ANNUAL REPORT ON REMUNERATION

Single total figure of remuneration (audited)

Executive Directors (audited)

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in respect of FY2018. Comparative figures for FY2017 have been provided. Figures provided have been calculated in accordance with the UK disclosure requirements: the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (Schedule 8 to the Regulations).

Name	Salary ¹ £'000		Benefits £'000		Bonus £'000		LTIP £'000		Pension £'000		Total £'000	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Stephen Burns	308.3	250.0	2.5	2.2	210.0	250.0	Nil	Nil	15.3	12.4	536.1	514.6
Laurence Keen	204.7	170.0	2.1	0.8	139.5	170.0	Nil	Nil	10.2	8.4	356.5	349.2

1 Executive Director salaries were reviewed on 1 November 2017 and increased by 1.6 per cent (in line with increases to wider employees) to £254,000 for Stephen Burns and £172,720 for Laurence Keen. During the year, as described in the Remuneration Committee Chair's statement on page 59, Executive Director salaries were subject to a further review and increased with effect from 1 May 2018 to £385,000 for Stephen Burns and £250,000 for Laurence Keen.

Non-Executive Directors (audited)

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

	2018			2017		
	Fees £'000	Taxable benefits £'000	Total £'000	Fees £'000	Taxable benefits £'000	Total £'000
Peter Boddy – Chairman	101.5	–	101.5	80.0	–	80.0
Nick Backhouse – Senior Independent Director, Chairman – Audit Committee	50.7	–	50.7	50.0	–	50.0
Ivan Schofield ¹	45.0	–	45.0	–	–	–
Claire Tiney – Chair – Remuneration Committee	45.7	–	45.7	45.0	–	45.0
Bill Priestley ²	–	–	–	–	–	–

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

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

Additional information regarding single figure table (audited)

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

Bonus awards (audited)

Total bonuses awarded to the Executive Directors in respect of FY2018 are £210,045 to Stephen Burns and £139,486 to Laurence Keen. In accordance with the policy, 65 per cent of the bonus was paid in cash, with the rest in shares deferred for a period of two years.

Performance for the FY2018 annual bonus awards was measured against a Group adjusted EBITDA bonus target, reconciled as Group adjusted EBITDA, £36.2m, as set out on page 36 and adjusted for any items which would not have been foreseen when setting the target. For FY2018 this adjustment had the impact of reducing Group adjusted EBITDA for bonus purposes to £35.76m. The Remuneration Committee uses this measure as it considers this to be an important measure of Group performance and it is consistent with how business performance is assessed internally by the Board.

As set out in the table below, based on the Group adjusted EBITDA bonus target performance over the year, the Remuneration Committee determined that the Executive Directors should be awarded 68.1 per cent of the maximum opportunity under the annual bonus plan:

Metric	Weighting	Performance targets			Actual	% vesting
		Threshold	On-target	Maximum		
Group adjusted EBITDA bonus target	100%	£33.73m	£35.50m	£37.28m	£35.76m	68.1%

Long-term incentives awarded in 2018 (audited)

Awards were made under the LTIP scheme on 6 February 2018. The following share awards as nil cost options were granted in accordance with the remuneration policy:

Director	Position	Number of share awards granted
Stephen Burns	Chief Executive Officer	130,256
Laurence Keen	Chief Financial Officer	88,574

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

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

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

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

Statement of Directors' shareholdings and share interests (audited)

The number of shares of the Company in which current Directors had a beneficial interest and details of long-term incentive interests as at 30 September 2018 are set out in the table below:

	Outstanding scheme interests 30 September 2018			Beneficially owned shares		Total of all scheme interests and shareholdings at 30 September 2018
	Unvested LTIP interests subject to performance conditions	Scheme interests not subject to performance measures ¹	Total shares subject to outstanding scheme interests	As at	As at	
				1 October 2017	30 September 2018	
Executive Directors						
Stephen Burns	290,000	24,298	314,298	3,276,041	3,276,041	3,590,339
Laurence Keen	197,200	17,488	214,688	1,482,325	1,495,383	1,710,071
Non-Executive Directors						
Peter Boddy	–	–	–	863,596	863,596	863,596
Nick Backhouse	–	–	–	15,625	15,625	15,625
Ivan Schofield ²	–	–	–	–	100,000	100,000
Claire Tiney	–	–	–	3,125	3,125	3,125

¹ Sharesave awards that have not vested, Deferred bonus shares subject to holding period.

² Share interests of Ivan Schofield include shares held by his spouse.

No changes in interests of the Executive or Non-Executive Directors set out above have taken place between 30 September 2018 and the date of this report.

ANNUAL REPORT ON REMUNERATION CONTINUED

Directors' share ownership guidelines (audited)

Shareholding requirements in operation at the Company are currently 200 per cent of base salary for the CEO and the CFO. Executive Directors are required to build their shareholdings over a reasonable amount of time, which would normally be five years. Non-Executive Directors are not subject to a shareholding requirement.

Director	Shareholding requirement (percentage of salary)	Current shareholding (percentage of salary) ¹	Beneficially owned shares held as at 30 September 2018	Shareholding requirement met?
Stephen Burns	200	1,881	3,276,041	Yes
Laurence Keen	200	1,322	1,495,383	Yes

1 The share price of 221.00 pence as at 30 September 2018 has been taken for the purpose of calculating the current shareholding as a percentage of salary. Unvested LTIP shares and options do not count towards satisfaction of the shareholding guidelines.

Executive Directors' share plan interest movements during FY2018 (audited)

The tables below set out the Executive Directors' interests in Deferred shares under the Annual Bonus Plan, and their interests in the LTIP Scheme and the Sharesave scheme.

Awards under the Sharesave scheme are not subject to any performance conditions (other than continued employment on the vesting date). Deferred shares are not subject to any performance conditions or continued employment. The LTIP awards are subject to performance conditions as set out in the table below.

Face values for LTIP awards are calculated by multiplying the number of shares granted during FY2018 by the average share price for the five business days preceding the awards. Face value for the Sharesave scheme is calculated by reference to the exercise price of options granted in 2018. Deferred shares are acquired on behalf of the Executive Directors by the Company's Employee Benefit Trust (EBT), which is provided with the appropriate post-tax value of the Deferred element of bonus awards to affect the acquisition. Legal title to the Shares is held by the EBT for a period of two years before being transferred to the Executive Directors.

	Date of award	Vesting, exercise or release date	No. of shares/awards held as at 1 October 2017	Awarded	Exercised/ vested	Lapsed	No. of awards held as at 30 September 2018	Grant/award price in pence (exercise price for sharesave)	Face value of awards granted during FY2017
Stephen Burns									
Deferred shares	02/01/2018	02/01/2020	-	21,677	-	-	21,677	£2.10	£45,522
LTIP	27/02/2017	27/02/2020	159,744	-	-	-	159,744	-	-
	06/02/2018	06/02/2021	-	130,256	-	-	130,256	£1.95	£254,000
Sharesave	01/02/2018	01/02/2021	-	2,621	-	-	2,621	£2.06	£6,815
Laurence Keen									
Deferred shares	02/01/2018	02/01/2020	-	14,867	-	-	14,867	£2.10	£31,220
LTIP	27/02/2017	27/02/2020	108,626	-	-	-	108,626	-	-
	06/02/2018	06/02/2021	-	88,574	-	-	88,574	£1.95	£172,272
Sharesave	01/02/2018	01/02/2021	-	2,621	-	-	2,621	£2.06	£6,815

LTIP awards vest on the basis of adjusted EPS performance measured in the final year of the performance period. Vesting of the awards shown in the table above will be based on the following adjusted EPS targets:

Award year	Vesting level		
	25%	Straight line between 25% and 100%	100%
2017	12.25 pence	12.25 pence – 13.75 pence	13.75 pence
2018	13.86 pence	13.86 pence – 14.85 pence	14.85 pence

Chief Executive Officer historical remuneration

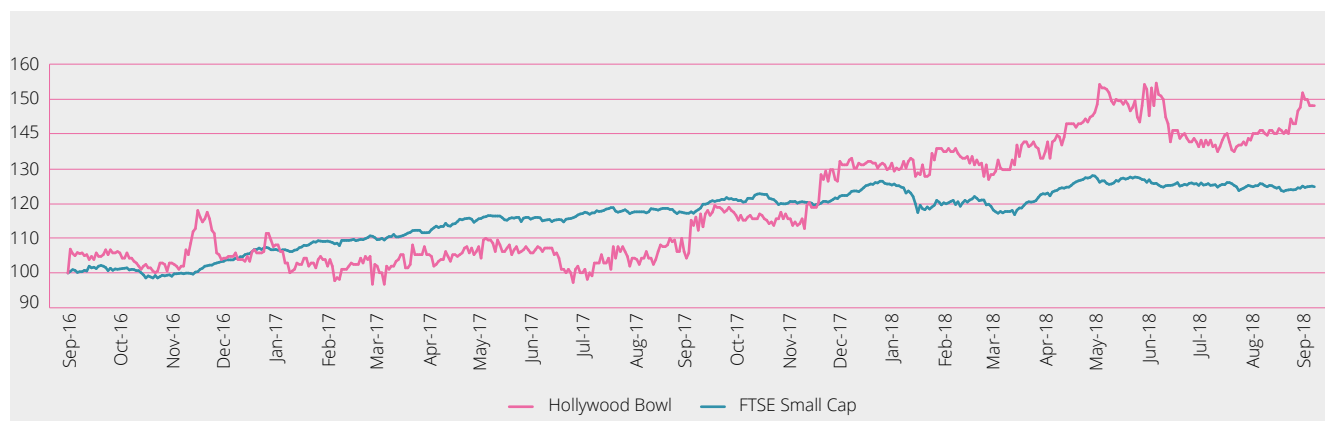
The table below sets out the total remuneration delivered to the Chief Executive Officer over the last three years, valued using the methodology applied to the single total figure of remuneration. The Remuneration Committee does not believe that the remuneration paid in earlier years as a private company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

Chief Executive Officer	2018	2017	2016
Total single figure (£'000)	536.1	514.6	301.4
Annual bonus payment level achieved (percentage of maximum opportunity)	68.1%	100%	N/A
LTIP vesting level achieved (percentage of maximum opportunity)	N/A	N/A	N/A

It should be noted that the Company only introduced the LTIP on admission to the London Stock Exchange in 2016.

Performance graph

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



Change in remuneration of CEO compared to Group employees

The table below sets out the change in total remuneration paid to the CEO from 2016/17 to 2017/18 and the average percentage change from 2016/17 to 2017/18 for employees in the Group as a whole.

	% increase in element between from 2016/17 and 2017/18		
	Salary and fees	Taxable benefits	Annual bonus
Stephen Burns	5.4%	5.4%	(16.0%)
All Group employees ¹	4.5%	(5.3%)	(19.3%) ²

1 Reflects the change in average pay for all Group employees employed in both the financial year 2016/17 and the financial year 2017/18.

2 Reflects the change in the average bonus payout for eligible employees.

ANNUAL REPORT ON REMUNERATION CONTINUED

Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in FY2018 and FY2017 compared with other disbursements. All figures provided are taken from the relevant Company accounts.

	Disbursements from profit in FY2018 £m	Disbursements from profit in FY2017 £m	Percentage change
Profit distributed by way of dividend	15.9	13.6	16.6
Overall spend on pay including Executive Directors	27.83	26.69	4.3

Shareholder voting at general meetings

The following table shows the results of the advisory vote on the Directors' remuneration report at our Annual General Meeting held on 30 January 2018:

	Approval of the Directors' remuneration report	
	Total number of votes	% of votes cast
For (including discretionary)	90,651,943	94.48
Against	5,292,269	5.52
Votes withheld	-	-

Implementation of the Policy in FY2019

The Remuneration Committee proposes to implement the Policy for FY2019 as set out below:

Salary

The salaries for FY2019 are set out below:

Name	Salary		Percentage change
	2019 ¹	2018	
Stephen Burns	£385,000	£254,000	52%
Laurence Keen	£250,000	£172,720	45%

¹ Note that the salary increases for FY2019 shown above took effect from 1 May 2018, and are explained in the Remuneration Committee Chair's statement on page 59. The Executive Directors' salaries were not subject to a further increase in November 2018 when salaries of other members of the senior management team were reviewed.

Changes to Non-Executive Directors' Fees

A 2 per cent increase to Non-Executive Director (excluding the Chairman) base fees has been included for FY2019. This is in line with increases throughout the business. The Chairman's fee was increased with effect from 1 May 2018 as explained in the Remuneration Committee Chair's statement on page 59, and was therefore not subject to a further review in November 2018. Breakdown of fee components will be as follows:

Chairman fee	£130,000
Senior Independent Director fee	£5,000
Base fee	£46,634 ¹
Chairman of Audit Committee fee	No additional fee
Chair of Remuneration Committee fee	No additional fee

¹ Ivan Schofield base fee is set at £45,900 and was also subject to a 2 per cent increase for FY2019.

Benefits and pension

No changes are proposed to benefits or pension.

Annual bonus plan

The maximum bonus opportunity for the Executive Directors will remain at 100 per cent of salary. A maximum of 65 per cent of any bonus award may be paid in cash, with the balance awarded in deferred shares. Annual bonus outcomes will be determined based on achievement of financial targets alone.

The Remuneration Committee considers that the detailed performance targets for the FY2019 annual bonus awards are commercially sensitive and that disclosing precise targets for the annual bonus plan in advance would not be in shareholder interests. Actual targets, performance achieved and awards made will be disclosed in the FY2019 Annual Report so that shareholders can fully assess the basis for any payouts under the annual bonus plan.

LTIP award

Awards will be made in FY2019 under the LTIP.
The LTIP awards for the Executive Directors will be:

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

These awards will vest three years after grant, based upon the following adjusted earnings per share (EPS) and will be subject to a further two year holding period. The Committee believes these targets are no less challenging in relative terms than the targets set for the FY2018 awards.

Adjusted EPS for the final year of the performance period	Vesting
15.19 pence	25%
15.19 pence – 16.28 pence	Vesting determined on a straight-line basis
16.28 pence	100%

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

Composition and terms of reference of the Remuneration Committee

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

All members of the Remuneration Committee are Non-Executive Directors. Claire Tiney (Chair) and Nick Backhouse, who are both independent Non-Executive Directors, were appointed on 14 June 2016. Ivan Schofield joined the Remuneration Committee effective 1 October 2017. The Remuneration Committee receives assistance from the Chairman, CEO, CFO and Company Secretary, who attend meetings by invitation, except when issues relating to their own remuneration are being discussed. The Remuneration Committee met four times during the year. All members attended each meeting.

Advisers to the Remuneration Committee

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

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

PwC received fees of £33,200 for its advice during the year to 30 September 2018.

On behalf of the Board

Claire Tiney

Chair of the Remuneration Committee
10 December 2018

DIRECTORS' REPORT

The Directors present their report for the year ended 30 September 2018. Additional information which is incorporated by reference into this Directors' report, including information required in accordance with the Companies Act 2006 and the Listing Rule 9.8.4R of the UK Financial Conduct Authority's Listing Rules, can be located as follows:

Disclosure	Location
Future business developments	Strategic Report – pages 10 to 43
Greenhouse gas emissions	Sustainability – page 42
Employee involvement	Sustainability – pages 40 and 41
Financial risk management objectives and policies (including hedging policy and use of financial instruments)	Note 29 to the financial statements – pages 103 to 105
Details of long-term incentive schemes	Directors' Remuneration Report – pages 63 and 67
Directors' responsibilities statement	Page 71

Directors

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

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

The roles and biographies of the Directors in office as at the date of this report are set out on pages 46 and 47.

Results and dividend

The results for the year are set out in the consolidated income statement on page 77. The Directors recommend the payment of a final dividend of 4.23 pence per share on 27 February 2019 subject to approval at the AGM on 31 January 2019, with a record date of 1 February 2019.

Given the Group's financial position the Directors are recommending a special dividend of 4.33 pence per share to be paid on 27 February 2019, subject to approval at the AGM on 31 January 2019, with a record date of 1 February 2019.

Articles of Association

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

Share capital

Details of the Company's share capital, including changes during the year, are set out in note 22 to the Financial Statements. As at 30 September 2018, the Company's share capital consisted of 150,000,000 Ordinary shares of one pence each.

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

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

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

Authority for the Company to purchase its own shares

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

At the Company's AGM held on 30 January 2018, the Company was generally and unconditionally authorised by its shareholders to make market purchases (within the meaning of section 693 of the Companies Act 2006) of up to a maximum of 15,000,000 of its Ordinary shares. The Company has not repurchased any of its Ordinary shares under this authority, which is due to expire at the AGM to be held on 31 January 2019, and accordingly has an unexpired authority to purchase up to 15,000,000 Ordinary shares with a nominal value of £150,000.00.

Directors' interests

The number of Ordinary Shares of the Company in which the Directors were beneficially interested as at 30 September 2018 are set out in the Directors' remuneration report on page 64.

Directors' indemnities

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

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

Compensation for loss of office

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

Significant interests

The table below shows the interests in shares (whether directly or indirectly held) notified to the Company in accordance with the Disclosure Guidance and Transparency Rules as at 30 September 2018 and 5 December 2018 (being the latest practicable date prior to publication of the Annual Report):

Name of Shareholder	At 30 September 2018		At 5 December 2018	
	Number of Ordinary shares of 1 pence each held	Percentage of total voting rights held	Number of Ordinary shares of 1 pence each held	Percentage of total voting rights held
Aggregate of Standard Life Aberdeen plc affiliated investment management entities with delegated voting rights on behalf of multiple managed portfolios	15,260,329	10.17%	16,955,290	11.30%
Ameriprise Financial, Inc. and its group	8,920,471	5.95%	8,920,471	5.95%
AXA Investment Managers	7,783,664	5.19%	7,783,664	5.19%
GLG Partners LP	7,640,989	5.09%	6,056,883	4.04%
Schroders plc	7,497,039	5.00%	7,497,039	5.00%
J O Hambro Capital Management Limited	7,343,387	4.90%	7,343,387	4.90%
Invesco Ltd	7,273,837	4.84%	7,273,837	4.84%
SFM UK Management LLP	7,181,539	4.79%	7,181,539	4.79%
Canaccord Genuity	5,389,850	3.59%	5,389,850	3.59%
Degroof Petercam Asset Management SA	4,693,356	3.13%	4,693,356	3.13%

DIRECTORS' REPORT CONTINUED

Employee involvement and policy regarding disabled persons

The Group actively encourages employee involvement and consultation and places emphasis on keeping its employees informed of the Group's activities and financial performance by such means as employee briefings and publication (via the Group's intranet) to all staff of relevant information and corporate announcements. The Group also publishes a weekly staff bulletin. Further information about employees, including how they are incentivised, can be found in the Sustainability section on page 40.

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

Political donations

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

Change of control – significant agreements

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

Audit information

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

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

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

Auditors

KPMG has indicated their willingness to continue in office and a resolution seeking to re-appoint KPMG will be proposed at the forthcoming AGM.

Annual General Meeting

The 2019 AGM of the Company will be held at Investec Bank plc, 30 Gresham Street, London EC2V 7QP on 31 January 2019 at 9.30am. The notice convening the meeting, together with details of the business to be considered and explanatory notes for each resolution, will be published separately and will be available on the Company's website and distributed to shareholders who have elected to receive hard copies of shareholder information.

The Strategic Report on pages 10 to 43 and this Directors' Report have been drawn up and presented in accordance with, and in reliance upon, applicable English company law and any liability of the Directors in connection with these reports shall be subject to the limitations and restrictions provided by such law.

By order of the Board

Laurence Keen

Chief Financial Officer

10 December 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

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

Responsibility statement of the Directors in respect of the Annual Financial Report We confirm that to the best of our knowledge:

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

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

By order of the Board

Stephen Burns

Chief Executive Officer
10 December 2018

Laurence Keen

Chief Financial Officer
10 December 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOLLYWOOD BOWL GROUP PLC

1. Our opinion is unmodified

We have audited the financial statements of Hollywood Bowl Group plc (the Company) for the year ended 30 September 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity, Company Statement of Cash Flows and the related notes, including the accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRSs as adopted by the EU');
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

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

We were appointed as auditor by the directors on 2 June 2016. The period of total uninterrupted engagement is for the 3 financial years ended 30 September 2018. Prior to that we were also auditor to the Group's previous parent company, but which, being unlisted, was not a public-interest entity. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole	£1.1m (2017: £0.8m) 4.7% of Group profit before tax (2017: 4% of normalised Group before tax)	
Coverage	100% (2017: 100%)	
Risks of material misstatement	vs 2017	
Recurring risk	New: Revenue recognition	◀▶
	Recoverability of parent's investment in subsidiaries/amounts due from group entities	◀▶

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

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

	The risk	Our response
<p>Revenue recognition</p> <p>(Group: £121m; 2017: £114m)</p> <p>Refer to page 83 (accounting policy) and page 89 (financial disclosures).</p>	<p>Low risk, high value</p> <p>Revenue recognition is considered to be the area that had the greatest effect on our overall audit due to its materiality in the context of the Group financial statements, although its recognition itself is not subject to a significant judgement, or other specific risks.</p>	<ul style="list-style-type: none"> — Understanding of process and controls: We understood from management, and observed the process and controls around revenue recognition and cash. — Trend analysis: We performed a risk assessment trend analysis of monthly revenues for the past two years, and monthly deferred income balances for the past year, and enquired into exceptions that are not in line with our expectations. — Cut-off tests: We performed the following tests to assess whether revenues in the last week of the year ended 30 September 2018 have been appropriately recognised and do not include revenues that relate to the year ended 30 September 2019: <ul style="list-style-type: none"> a) Obtaining an external confirmation from the amusement supplier, of the total amusement cash taking in the last week of the year, and comparing it to that recorded by management; b) Reconciliation of the last week's bowling and food & drinks revenue to that declared by the centres, and testing of any significant variances; and c) Agreeing a sample of journals relating to the last week's bowling and food & drinks revenues to sales and cash declared by the centres. — Revenue to cash reconciliation: We formed an expectation of revenue for the year based upon cash receipts and compared our expectation to the actual revenue recognised. Within this test, we: <ul style="list-style-type: none"> a) Agreed a sample of cash receipts within the reconciliation to bank statements, and b) Understood and tested all the material reconciling items. <p>Our results</p> <ul style="list-style-type: none"> — We found the revenues recognised within the financial statements to be appropriate.
<p>Recoverability of parent company's investment in subsidiaries/ amounts due from group entities</p> <p>(£123m; 2017: £124m)</p> <p>Refer to page 108 (accounting policy) and page 110 and 111 (financial disclosures).</p>	<p>Low risk, high value</p> <p>The carrying amount of the parent company's investments in subsidiaries and amounts due from group entities represents 99.9% (2017:99.9%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> — Historical comparisons: We assessed the reasonableness of the budgets by considering the historical accuracy of the previous forecasts; — Benchmarking assumptions: We compared the Group's assumptions to externally derived and historical data, as well as our own assessments in relation to key inputs, in particular the growth and discount rates; — Sensitivity analysis: We performed breakeven analysis on the key assumptions noted above to assess whether a reasonably possible change in these assumptions could trigger an impairment charge; and — Comparing valuations: We compared the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cash flows. <p>Our results</p> <ul style="list-style-type: none"> — We found the Group's assessment of the recoverable amount of parent company's investment in subsidiaries and group debtor balances to be acceptable.

We continue to perform procedures over recoverability of Group goodwill and property, plant & equipment. However, following a consistently reasonable headroom despite sensitivity analysis of the key assumptions within the impairment model, we have not assessed these as the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £1.1m (2017: £0.8m), determined with reference to a benchmark of Group profit before tax, of which it represents 4.7% (2017: 4% of adjusted profit before tax, group profit before tax normalised to exclude the write-down of property, plant and equipment of £0.3m).

Materiality for the parent company financial statements as a whole was set at £1m (2017: £0.8m), determined with reference to a benchmark of company net assets, of which it represents 1% (2017: 0.7%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £55,000 in addition to other identified misstatements that warranted reporting on qualitative grounds.

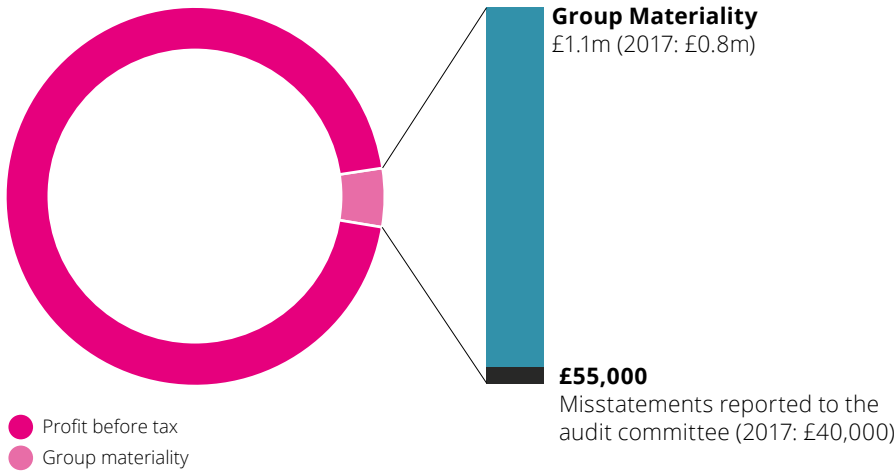
For both the current and prior year, the Group audit team performed the audit of the Group as if it was a single aggregated set of financial information, at the Group's head office in Hemel Hempstead. Both the current and audit was performed using the materiality level set out on this page and covered 100% of the Group's profit before tax, total revenues and total assets.

Our audit of the parent company was undertaken to the materiality level specified above and was all performed at the company's head office in Hemel Hempstead.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOLLYWOOD BOWL GROUP PLC CONTINUED

Profit before tax

£23.9m (2017: £21.1m)



4. We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 33 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

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

Strategic report and directors' report

Based solely on our work on the other information:

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

Directors' remuneration report

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

Disclosures of principal risks and longer-term viability

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

- the directors' confirmation within the Viability Statement on page 33 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

Corporate governance disclosures

We are required to report to you if:

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

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

We have nothing to report in these respects.

Based solely on our work on the other information described above:

- with respect to the Corporate Governance Report disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures:
 - > we have not identified material misstatements therein; and
 - > the information therein is consistent with the financial statements; and
- in our opinion, the Corporate Governance Report has been prepared in accordance with relevant rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

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

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

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

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOLLYWOOD BOWL GROUP PLC CONTINUED

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 71, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors (as required by auditing standards), and from inspection of the group's regulatory and legal correspondence.

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and other management, and inspection of regulatory and legal correspondence. We considered the effect of any known or possible non-compliance in these areas as part of our procedures on the related financial statement items.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

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

Peter Selvey (Senior Statutory auditor)

for and on behalf of KPMG LLP, Statutory auditor
Chartered Accountants
58 Clarendon Road
Watford WD17 1DE
10 December 2018

**CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME
YEAR ENDING 30 SEPTEMBER 2018**

	Note	30 September 2018 £'000	30 September 2017 £'000
Revenue	3	120,548	113,968
Cost of sales		(16,748)	(15,349)
Gross profit		103,800	98,619
Administrative expenses	6	(78,908)	(76,498)
Other income		-	80
Operating profit		24,892	22,201
Underlying operating profit		25,010	22,204
Exceptional items	5	(118)	(3)
Finance income	9	18	12
Finance expenses	9	(976)	(1,158)
Movement in derivative financial instrument		-	55
Profit before tax		23,934	21,110
Tax expense	10	(5,150)	(2,848)
Profit for the year attributable to equity shareholders		18,784	18,262
Other comprehensive income		-	-
Total comprehensive income for the year attributable to equity shareholders		18,784	18,262
Basic earnings per share (pence)	11	12.52	12.17
Diluted earnings per share (pence)	11	12.49	12.17

The accompanying notes on pages 81 to 105 form an integral part of these Financial Statements.

**CONSOLIDATED STATEMENT
OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018**

	Note	30 September 2018 £'000	30 September 2017 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	41,077	39,709
Intangible assets	13	78,648	78,867
		119,725	118,576
Current assets			
Cash and cash equivalents	15	26,042	21,894
Trade and other receivables	16	6,563	7,144
Inventories	17	1,254	1,189
		33,859	30,227
Total assets		153,584	148,803
LIABILITIES			
Current liabilities			
Trade and other payables	18	16,626	16,857
Loans and borrowings	20	1,380	1,380
Corporation tax payable		2,840	2,461
		20,846	20,698
Non-current liabilities			
Other payables	18	7,616	6,145
Loans and borrowings	20	26,763	28,143
Deferred tax liabilities	21	487	746
Accruals and provisions	19	2,934	3,308
		37,800	38,342
Total liabilities		58,646	59,040
NET ASSETS		94,938	89,763
Equity attributable to shareholders			
Share capital	22	1,500	1,500
Merger reserve	23	(49,897)	(49,897)
Retained earnings	23	143,335	138,160
TOTAL EQUITY		94,938	89,763

The accompanying notes on pages 81 to 105 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors on 10 December 2018.

Signed on behalf of the Board

Laurence Keen

Chief Financial Officer

Company Registration Number 10229630

**CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
Equity at 30 September 2016	71,512	51,832	(49,897)	99	817	74,363
Share capital reorganisation	(70,012)	(51,832)	-	(99)	121,943	-
Dividends paid	-	-	-	-	(2,985)	(2,985)
Share-based payments (note 27)	-	-	-	-	123	123
Profit for the period	-	-	-	-	18,262	18,262
Equity at 30 September 2017	1,500	-	(49,897)	-	138,160	89,763
Dividends paid	-	-	-	-	(13,964)	(13,964)
Share-based payments (note 27)	-	-	-	-	355	355
Profit for the period	-	-	-	-	18,784	18,784
Equity at 30 September 2018	1,500	-	(49,897)	-	143,335	94,938

The accompanying notes on pages 81 to 105 form an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Note	30 September 2018 £'000	30 September 2017 £'000
Cash flows from operating activities			
Profit before tax		23,934	21,110
Adjusted by:			
Depreciation	12	10,494	9,990
Amortisation of intangible assets	13	504	540
Net interest expense		958	1,145
Loss on disposal of property, plant and equipment and software		148	640
Movement on derivative financial instrument		-	(55)
Share-based payments		355	123
Operating profit before working capital changes			
		36,393	33,493
Increase in inventories		(65)	(171)
Decrease in trade and other receivables		581	2,490
Decrease in payables and provisions		(709)	(3,035)
Cash inflow generated from operations			
		36,200	32,777
Interest received		19	12
Income tax paid – corporation tax		(5,030)	(2,905)
Interest paid		(625)	(975)
Net cash inflow from operating activities			
		30,564	28,909
Investing activities			
Purchase of property, plant and equipment		(10,687)	(13,551)
Purchase of intangible assets		(289)	(196)
Sale of assets		24	493
Net cash used in investing activities			
		(10,952)	(13,254)
Cash flows from financing activities			
Repayment of bank loan		(1,500)	-
Dividends paid		(13,964)	(2,985)
Net cash flows used in financing activities			
		(15,464)	(2,985)
Net change in cash and cash equivalents for the period			
		4,148	12,670
Cash and cash equivalents at the beginning of the period		21,894	9,224
Cash and cash equivalents at the end of the period			
	15	26,042	21,894

The accompanying notes on pages 81 to 105 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Hollywood Bowl Group plc (together with its subsidiaries, the Group) is a public limited company whose shares are publicly traded on the London Stock Exchange and is incorporated and domiciled in England and Wales. The registered office of the Parent Company is Focus 31, West Wing, Cleveland Road, Hemel Hempstead, HP2 7BW, United Kingdom. The registered Company number is 10229630. A list of the company's subsidiaries is presented in note 14.

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

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

2. Accounting policies

The principal accounting policies applied in the consolidated Financial Statements are set out below. These accounting policies have, unless otherwise stated, been applied consistently to all periods presented in these consolidated Financial Statements. The financial information presented is as at and for the financial years ended 30 September 2018 and 30 September 2017.

Statement of compliance

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

Basis of preparation

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

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

Judgements made by the Directors, in the application of these accounting policies, that have significant effect on the Financial Statements and estimates with a significant risk of material adjustment in the next year are discussed on pages 88 and 89.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. Accounting policies continued

Standards issued not yet effective

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

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

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

The Group plans to adopt IFRS 16 using the modified retrospective approach.

During the next financial year, the Group will finalise this work and set out accounting policies and procedures for leases. Until the impact assessment is completed, it is not practical to provide a reasonable estimate of the financial effect of IFRS16.

As at the reporting date, the Group has non-cancellable operating lease commitments of £210.4m, see note 24.

2. Accounting policies continued

Basis of consolidation

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

Going concern

The Group has considerable financial resources. At 30 September 2018, it had cash balances of £26.0m and undrawn financing facilities of £10.0m which are available to fund new centres, capital expenditure and working capital.

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

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

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

Revenue recognition

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

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

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

Employee benefits

(i) Short-term benefits

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

(ii) Defined contribution plans

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

(iii) Share-based payments

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. Accounting policies continued

(iv) Save-As-You-Earn plan

The Group launched an equity-settled Save-As-You-Earn (SAYE) plan during the year. The fair value is calculated at the grant date using the Black-Scholes pricing model. The resulting cost is charged to the Group income statement over the vesting period. The value of the charge is adjusted to reflect expected and actual levels of vesting.

Leases

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rentals applicable to operating leases are charged against profits on a straight-line basis over the period of the lease. Lease incentives are released to the statement of comprehensive income on a straight-line basis over the remaining term of each lease.

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

Dilapidation provision

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

Property, plant and equipment

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

Depreciation is provided to write off the cost of all property, plant and equipment evenly over their expected useful lives, calculated at the following rates:

Leasehold property	— lesser of lease period and 25 years
Lanes and pinspotters	— over 40 years
Amusement machines	— over 4 years
Plant and machinery	— over 8 years
Fixtures, fittings and equipment	— over 3–8 years

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

Intangible assets

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

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

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

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

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

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

2. Accounting policies continued

Inventories

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

Impairment

(i) Impairment of financial assets

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

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

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

(ii) Impairment of non-financial assets

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

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

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

Taxation

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

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

Deferred taxation

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

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. Accounting policies continued

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

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

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

Operating segments

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

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

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

Equity

Equity comprises the following:

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

Financial instruments

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

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

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

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

Financial assets

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

2. Accounting policies continued

(i) Trade and other receivables

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

(ii) Cash and cash equivalents

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

Financial liabilities

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

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

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

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

(i) Trade and other payables

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

Non-current other payables relating to extended credit from an amusement machine supplier have been discounted.

(ii) Interest-bearing borrowings

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

Equity instruments

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

Derivative financial instruments

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. Accounting policies continued

Exceptional items and other adjustments

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

Adjusted measures

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

These non-GAAP measures comprise of like-for-like revenue growth, net debt, group adjusted operating cash flow, Group adjusted EBITDA, group adjusted EBITDA margin, adjusted earnings per share and adjusted diluted earnings per share

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

A reconciliation between key adjusted and statutory measures is provided on page 36 of the Financial review which details the impact of exceptional and other adjusted items when comparing to the non-GAAP financial measures in addition to those reported in accordance with IFRS.

Summary of critical accounting estimates and judgements

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

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

Critical accounting judgements

Critical judgements are discussed below:

— Accounting for the acquisition of amusement machines

The Group, on an ongoing basis, obtains control over amusement machines using extended credit terms over 4 years. Management has concluded that these arrangements should be accounted for as the purchase of property, plant and equipment under IAS 16, with an associated creditor with respect to the extended credit, although the machines return to the supplier at the end of 4 years. The risk with the amusement machine passes to the Group on completion of delivery and over the predominant useful life of the asset of 4 years. The contract grants rights that include the ability to select the make and model of the machines as well as control the location and use. These machines are therefore recognised as an asset within property, plant and equipment, and not as a finance lease under IAS17, even though the machines are returned to the supplier at the end of the predominant useful life. The associated amount due to the supplier is recognised within current and non-current liabilities.

The total amount included within non-current liabilities at 30 September 2018 has been discounted during the current year resulting in a credit to property, plant and equipment of £219,000. The creditor balance of £3,366,000 at 30 September 2017 was not discounted and the effect of £139,000 is not considered material. Within the consolidated Group Statement of Cash Flows, cash repayments of the capital are included within purchases of property, plant and equipment in investing activities.

Accounting for this contract under IAS 17 Leases would result in the disclosure of a finance lease liability under debt within the consolidated balance sheet. The total cost recognised would not be materially different compared to the existing policy, as the impact of accounting for this contract as a finance lease would primarily affect balance sheet reclassifications as explained above. Within the consolidated Group Statement of Cash Flows, the cash repayments included within property, plant and equipment would be included as finance lease principal payments within financing activities rather than in the investing activities. The total cash payments would be the same under IAS 17.

2. Accounting policies continued

Key sources of estimation uncertainty

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

— Impairment of lanes and pinspotters

The Group determines whether the lanes and pinspotters are impaired, based on the annual impairment assessment, or when there are specific indicators. The pinspotter machines have been in existence for over 40 years and form an integral part of the bowling activity. Whilst there have been technological advancements, in particular 'Pins on strings', management do not intend to replace all existing pinspotters with 'Pins on strings'. This is due to a number of factors including the fact that the 'Pins on strings' technology has not been proved financially or operationally to provide significant benefits in an existing centre where the skills to utilise and maintain the current pinspotters exist. However, should this view change in the future, this could result in an impairment charge being recorded in the financial statements, on account of pinspotters.

'Pins on strings' will be installed for all new builds given the space restrictions that tend to exist, the cost per square foot of space required for the older pinspotters, as well as the lower capital cost of these machines.

3. Segmental reporting

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

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

	30 September 2018 £'000	30 September 2017 £'000
Bowling	60,552	57,691
Food and drink	32,959	31,055
Amusements	26,657	24,621
Other	380	601
	120,548	113,968

4. Reconciliation of operating profit to Group adjusted EBITDA

	30 September 2018 £'000	30 September 2017 £'000
Operating profit	24,892	22,201
Depreciation (note 12)	10,494	9,990
Amortisation (note 13)	504	540
Loss on disposal of property, plant and equipment and software (notes 12 and 13)	148	640
EBITDA	36,038	33,371
Exceptional items (note 5)	118	3
Group adjusted EBITDA	36,156	33,374

Group adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) reflects the underlying trade of the overall business. It is calculated as operating profit plus depreciation, amortisation and any exceptional costs.

Management use Group adjusted EBITDA as a key performance measure of the business and it is considered by management to be a measure investor's look at to reflect the underlying business.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5. Exceptional items

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

	30 September 2018 £'000	30 September 2017 £'000
VAT rebate ¹	-	80
IPO related expenses ²	-	(102)
Non-recurring expenditure on strategic projects ³	(118)	(100)
Bank charges ⁴	-	(116)
Dilapidations provision ⁵	-	235
	(118)	(3)

- 1 The Group was able to make a one-off retrospective reclaim in respect of overpaid VAT relating to customers who were 'no-shows' and children's shoe hire. This has been classified as other income in the consolidated statement of comprehensive income for the year ended 30 September 2017. The amount recognised in FY2017 relates to a historic claim for 'no shows' from FY2015 to FY2016.
- 2 Costs associated with the IPO of Hollywood Bowl Group plc on the London Stock Exchange on 21 September 2016. Costs include legal and accounting transaction fees along with corporate banking costs.
- 3 Costs (comprising legal and professional fees) relating to an aborted acquisition.
- 4 Card payment processing fees relating to prior periods that were not previously invoiced.
- 5 The release of a dilapidations provision for a site that was exited in FY2018 with no associated costs.

6. Profit from operations

Profit from operations includes the following:

	30 September 2018 £'000	30 September 2017 £'000
Amortisation of intangible assets	504	540
Depreciation of property, plant and equipment	10,494	9,990
Operating leases:		
- Property	14,229	13,648
- Other	50	46
Loss on disposal of property, plant and equipment and software	148	640
Auditor's remuneration:		
- Fees payable for audit of these financial statements	79	75
Fees payable for other services		
- Audit of subsidiaries	30	30
- Review of interim financial statements	25	22
- Other services	3	2
	137	129

7. Staff numbers and costs

The average number of employees (including Directors) during the period was as follows:

	30 September 2018	30 September 2017
Directors	6	6
Administration	70	62
Operations	1,968	1,887
Total staff	2,044	1,955

The cost of employees (including Directors) during the period was as follows:

	30 September 2018 £'000	30 September 2017 £'000
Wages and salaries	25,435	24,651
Social security costs	1,780	1,736
Pension costs	261	180
Shared-based payments (note 27)	355	123
Total staff cost	27,831	26,690

8. Remuneration of Directors and key management personnel

A) Directors' emoluments

The Directors' emoluments and benefits were as follows:

	30 September ¹ 2018 £'000	30 September ¹ 2017 £'000
Salaries and bonuses	1,110	1,018
Pension contributions	26	21
Share-based payments (note 27)	222	77
Total	1,358	1,116

¹ This includes two Executive Directors and four (2017: three) Non-Executive Directors.

The aggregate of emoluments of the highest paid Director were £668,000 (2017: £560,000) and company pension contributions of £15,000 (2017: £12,000) were made to a defined contribution scheme on their behalf.

B) Key management personnel

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

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

	30 September 2018 £'000	30 September 2017 £'000
Salaries and bonuses	1,569	1,396
Pension contributions	39	33
Share-based payments	355	123
Total	1,963	1,552

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9. Finance income and expenses

	30 September 2018 £'000	30 September 2017 £'000
Interest on bank deposits	15	9
Other interest	3	3
Finance income	18	12
Interest on bank borrowings	910	1,091
Unwinding of discount on provisions	66	67
Finance expense	976	1,158

10. Taxation

	30 September 2018 £'000	30 September 2017 £'000
The tax expense is as follows:		
– UK corporation tax	4,766	4,667
– Adjustment in respect of prior years	643	(335)
Total current tax	5,409	4,332
Deferred tax:		
Origination and reversal of temporary differences	(253)	(820)
Effect of changes in tax rates	27	22
Adjustment in respect of prior years	(33)	(686)
Total deferred tax	(259)	(1,484)
Total tax expense	5,150	2,848

Factors affecting current tax charge/(credit):

The tax assessed on the profit for the period is different to the standard rate of corporation tax in the UK of 19 per cent (30 September 2017: 19.5 per cent). The differences are explained below:

	30 September 2018 £'000	30 September 2017 £'000
Profit excluding taxation	23,934	21,110
Tax using the UK corporation tax rate of 19% (2017: 19.5%)	4,547	4,116
Change in tax rate on deferred tax balances	27	22
Non-deductible expenses	13	(235)
Tax exempt revenues	(47)	(34)
Adjustment in respect of prior years	610	(1,021)
Total tax expense included in profit or loss	5,150	2,848

The Group's standard tax rate for the year ended 30 September 2018 was 19 per cent (30 September 2017: 19.5 per cent).

£577,000 of the adjustment in respect of prior years for current taxation, relates to an expected Advance Thin Capitalisation Agreement tax liability. This is still being finalised with HMRC.

Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate from 19 per cent to 17 per cent (effective from 1 April 2020) was substantively enacted on 15 September 2016. This will reduce the Group's future current tax charge accordingly and the deferred tax liability at 30 September 2018 has been calculated based on these rates.

11. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of Hollywood Bowl Group plc by the weighted average number of shares outstanding during the year, excluding invested shares held pursuant to Long Term Incentive Plans (note 27).

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 years ended 30 September 2018 and 30 September 2017, the Group had potentially dilutive shares in the form of unvested shares pursuant to Long Term Incentive Plans (note 27).

	30 September 2018	30 September 2017
Basic and diluted		
Profit for the year after tax (£'000)	18,784	18,262
Basic weighted average number of shares in issue for the period (number)	150,000,000	150,000,000
Adjustment for share awards	384,101	104,367
Diluted weighted average number of shares	150,384,101	150,104,367
Basic earnings per share (pence)	12.52	12.17
Diluted earnings per share (pence)	12.49	12.17

Adjusted underlying earnings per share

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

	30 September 2018	30 September 2017
Adjusted underlying earnings after tax (before exceptional costs) (£'000)	18,902	18,256
Basic adjusted earnings per share (pence)	12.60	12.17
Diluted adjusted earnings per share (pence)	12.57	12.16

Adjusted underlying earnings after tax is calculated as follows:

	30 September 2018 £'000	30 September 2017 £'000
Profit before taxation	23,934	21,110
Exceptional items (note 5)	118	3
Adjusted underlying profit before taxation	24,052	21,113
Less taxation	(5,150)	(2,857)
Adjusted underlying earnings after tax	18,902	18,256

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12. Property, plant and equipment

	Long leasehold property £'000	Short leasehold property £'000	Lanes and pinspotters £'000	Amusement machines £'000	Plant & machinery, fixtures and fittings	Total £'000
Cost						
At 1 October 2016	1,224	10,349	7,390	11,439	20,938	51,340
Additions	27	5,921	512	2,716	4,375	13,551
Disposals	–	(950)	–	(1,286)	(3,139)	(5,375)
At 30 September 2017	1,251	15,320	7,902	12,869	22,174	59,516
Discounting of creditors arising on assets purchased in prior years on extended credit terms (note 18)	–	–	–	(68)	–	(68)
Additions	–	3,035	742	4,810	4,008	12,595
Disposals	–	(44)	(83)	(2,699)	(483)	(3,309)
At 30 September 2018	1,251	18,311	8,561	14,912	25,699	68,734
Accumulated depreciation						
At 1 October 2016	110	3,311	3,442	6,050	1,163	14,076
Depreciation charge	49	1,969	144	2,217	5,611	9,990
Disposals	–	(697)	–	(793)	(2,769)	(4,259)
At 30 September 2017	159	4,583	3,586	7,474	4,005	19,807
Depreciation charge	48	1,945	165	2,903	5,433	10,494
Disposals	–	(36)	(83)	(2,204)	(321)	(2,644)
At 30 September 2018	207	6,492	3,668	8,173	9,117	27,657
Net book value						
At 30 September 2018	1,044	11,819	4,893	6,739	16,582	41,077
At 30 September 2017	1,092	10,737	4,316	5,395	18,169	39,709
At 30 September 2016	1,114	7,038	3,948	5,389	19,775	37,264

Lanes and pinspotters have been disclosed as a separate item of property, plant and equipment in the comparative and current year to enable an improved understanding of what the property, plant and equipment comprises of. This disclosure enhancement has been done to enable an improved understanding of a key estimation uncertainty (note 2).

Impairment

Impairment testing is carried out at the cash-generating unit (CGU) level on an annual basis. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each individual centre is considered to be a CGU.

The Group determines whether property, plant and equipment are impaired when indicators of impairments exist or based on the annual impairment assessment. The annual assessment requires an estimate of the value in use of the CGU to which the property, plant and equipment are allocated.

13. Intangible assets

	Goodwill £'000	Brand ¹ £'000	Trademark ¹ £'000	Software £'000	Total £'000
Cost					
At 1 October 2016	75,034	3,360	802	1,040	80,236
Additions	-	-	-	196	196
Disposals	-	-	-	(65)	(65)
At 30 September 2017	75,034	3,360	802	1,171	80,367
Additions	-	-	-	289	289
Disposals	-	-	(4)	(5)	(9)
At 30 September 2018	75,034	3,360	798	1,455	80,647
Accumulated amortisation					
At 1 October 2016	-	348	116	544	1,008
Amortisation charge	-	168	51	321	540
Disposals	-	-	-	(48)	(48)
At 30 September 2017	-	516	167	817	1,500
Amortisation charge	-	168	50	286	504
Disposals	-	-	(1)	(4)	(5)
At 30 September 2018	-	684	216	1,099	1,999
Net book value					
At 30 September 2018	75,034	2,676	582	356	78,648
At 30 September 2017	75,034	2,844	635	354	78,867
At 30 September 2016	75,034	3,012	686	496	79,228

¹ This relates to the Hollywood Bowl brand and trademark only.

Impairment testing is carried out at the cash-generating unit (CGU) level on an annual basis. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each individual centre is considered to be a CGU. However, for the purposes of testing goodwill for impairment, it is acceptable under IAS36 to group CGUs, in order to reflect the level at which goodwill is monitored by management. The whole Group is considered to be one CGU, for the purposes of goodwill impairment test, on the basis of the level at which goodwill is monitored by management and historical allocation of goodwill upon acquisition.

The recoverable amount of the CGU is determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by the Board covering a three-year period. Cash flows beyond this period are extrapolated using the estimated growth rates stated in the key assumptions. The key assumptions used in the value-in-use calculations are:

	2018	2017
Discount rate (pre-tax)	8.7%	8.9%
Growth rate	2.0%	2.0%

Discount rates reflect management's estimate of return on capital employed required and assessment of the current market risks. This is the benchmark used by management to assess operating performance and to evaluate future capital investment proposals. These discount rates are derived from the Group's weighted average cost of capital. Changes in the discount rates over the years are calculated with reference to latest market assumptions for the risk free rate, equity market risk premium and the cost of debt. Other assumptions also include the number of games and spend per game.

Based on these assumptions there is no impairment required.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13. Intangible assets continued

Goodwill is tested for impairment on at least an annual basis, or more frequently if events or changes in circumstance indicate that the carrying value may be impaired. In the years under review management's value-in-use calculations have indicated no requirement to impair.

Sensitivity to changes in assumptions

The estimates of the recoverable amounts associated with the CGU affords reasonable headroom over the carrying value.

Management have sensitised the key assumptions in the goodwill impairment tests and under both the base case and sensitised cases no impairment exists. The key assumptions used and sensitised were forecast growth rates and the discount rate, which were selected as they are the key variable elements of the value in use calculation.

A reduction of 1% or 2% in growth rates for each CGU or an increase in the discount rate applied to the cashflows of each CGU of 1% would not cause the carrying value to exceed its recoverable amount. Therefore, management believe that any reasonably possible change in the key assumptions would not result in an impairment charge.

14. Investment in subsidiaries

Hollywood Bowl Group plc's operating subsidiaries as at 30 September 2018 are as follows:

Name	Company number	Principal activity	Country of incorporation	Proportion of Ordinary Shares directly held by the Group
Direct holding				
Kanyeco Limited ^{1,2}	09164276	Investment holding	England and Wales	100%
Hollywood Bowl EBT Limited ^{1,2}	10246573	Dormant	England and Wales	100%
Indirect holdings				
Khloeco Limited ^{1,2}	09164277	Investment holding	England and Wales	100%
Kendallco Limited ^{1,2}	09176418	Investment holding	England and Wales	100%
The Original Bowling Company Limited ²	05163827	Ten-pin bowling	England and Wales	100%
AMF Bowling (Eastleigh) Limited ²	06998390	Dormant	England and Wales	100%
MABLE Entertainment Limited ²	01094660	Dormant	England and Wales	100%
Milton Keynes Entertainment Limited ²	01807080	Dormant	England and Wales	100%
Bowlplex Limited ^{1,2}	01250332	Ten-pin bowling	England and Wales	100%
Bowlplex European Leisure Limited ²	05539281	Dormant	England and Wales	100%
Wessex Support Services Limited ²	01513727	Dormant	England and Wales	100%
Wessex Superbowl (Germany) Limited ²	03253033	Dormant	England and Wales	100%
Bowlplex Properties Limited ²	05506380	Dormant	England and Wales	100%

1 These subsidiaries are controlled and consolidated by the Group and the Directors have taken the exemption from having an audit of its financial statements for the year ended 30 September 2018. This exemption is taken in accordance with the Companies Act s479A.

2 The registered office of these subsidiaries is Focus 31, West Wing, Cleveland Road, Hemel Hempstead, Hertfordshire, HP2 7BW.

15. Cash and cash equivalents

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

	30 September 2018 £'000	30 September 2017 £'000
Cash and cash equivalents	26,042	21,894

16. Trade and other receivables

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

	30 September 2018 £'000	30 September 2017 £'000
Trade receivables	344	879
Other receivables	45	178
Prepayments	6,174	6,087
	6,563	7,144

17. Inventories

	30 September 2018 £'000	30 September 2017 £'000
Goods for resale	1,254	1,189

18. Trade and other payables

	30 September 2018 £'000	30 September 2017 £'000
Current		
Trade payables	3,548	3,534
Other payables	3,364	3,225
Accruals and deferred income	7,091	7,298
Taxation and social security	2,623	2,800
Total trade and other payables	16,626	16,857
Non-current		
Other payables	7,616	6,145

Accruals and deferred income includes a staff bonus provision of £2,312,000 (2017: £2,730,000).

Non-current other payables include lease incentives received of £2,560,000 (30 September 2017: £2,780,000) which are expected to be released to the statement of comprehensive income on a straight-line basis over the remaining term of each lease, which range from 1 to 25 years, and extended credit of £5,056,000 (30 September 2017: £3,365,000) from an amusement machine supplier. The total amount outstanding due to the amusement machine supplier as at 30 September 2018 is £8,133,000 (30 September 2017: £6,369,000), out of which £3,077,000 (30 September 2017: £3,003,000) is disclosed within the current liabilities. The balance as at 30 September 2017 was not discounted but the effect of discounting would not have been material.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

19. Accruals and provisions

	30 September 2018 £'000	30 September 2017 £'000
Lease dilapidations provision	2,934	3,308

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

	Dilapidations £'000	Total £'000
As at 30 September 2016	3,476	3,476
Released during the period	(235)	(235)
Unwind of discounted amount	67	67
As at 30 September 2017	3,308	3,308
Released during the period	(440)	(440)
Unwind of discounted amount	66	66
As at 30 September 2018	2,934	2,934

A provision is made for future expected dilapidation costs on the opening of leasehold properties not covered by the Landlord and Tenant Act (LTA), and is expected to be utilised on lease expiry. This also includes properties covered by the LTA where we may not extend the lease, after consideration of the long-term trading and viability of the centre. The provision release in FY2018 relates to three centres where there has either been a lease extension, a lease change where it is now covered by the Landlord and Tenant Act, or a significant improvement in trade at a centre covered by the LTA meaning the provision is no longer required.

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

20. Loans and borrowings

	30 September 2018 £'000	30 September 2017 £'000
Current		
Bank loan	1,380	1,380
Borrowings (less than 1 year)	1,380	1,380
Non-current		
Bank loan	26,763	28,143
Borrowings (greater than 1 year)	26,763	28,143
Total borrowings	28,143	29,523

Bank borrowings have the following maturity profile:

	30 September 2018 £'000	30 September 2017 £'000
Due in less than 1 year	1,500	1,500
Less issue costs	(120)	(120)
	1,380	1,380
Due 2 to 5 years	27,000	28,500
Due over 5 years	-	-
Less issue costs	(237)	(357)
Total borrowings	28,143	29,523

The bank loans are secured by a fixed and floating charge over all assets. The loans carry interest at LIBOR plus a variable margin.

20. Loans and borrowings continued

	30 September 2018 £'000	30 September 2017 £'000
Loans and borrowings brought forward	29,523	29,643
Repayment during the year	1,500	–
Amortisation of issue costs	(120)	(120)
Loans and borrowings carried forward	28,143	29,523

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 every six months up to 31 December 2020. The remaining balance of £24.75m will be repayable at the expiry date of 20 September 2021. As at 30 September 2018, the outstanding loan balance, excluding the amortisation of issue costs, was £28,500,000 (30 September 2017: £30,000,000). In addition, the Group had an undrawn £5m revolving credit facility and undrawn £5m capex facility at 30 September 2018 and 30 September 2017. 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 30 September 2018 was 1.75 per cent and at 30 September 2017 was 2.25 per cent.

21. Deferred tax liabilities

	30 September 2018 £'000	30 September 2017 £'000
Deferred tax liabilities		
Deferred taxation assets	1,075	956
Deferred taxation liabilities	(1,562)	(1,702)
	(487)	(746)

	30 September 2018 £'000	30 September 2017 £'000
Reconciliation of deferred tax balances		
Balance at beginning of period	(746)	(2,230)
Deferred tax credit for the period	226	798
Adjustment in respect of prior years	33	686
Balance at end of period	(487)	(746)

The components of deferred tax are:

	30 September 2018 £'000	30 September 2017 £'000
Deferred tax assets		
Differences between accumulated depreciation and capital allowances	954	930
Other temporary differences	121	26
	1,075	956
Deferred tax liabilities		
Property, plant and equipment	(559)	(671)
Intangible assets	(455)	(483)
Capital gain	(548)	(548)
	(1,562)	(1,702)

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the periods when the assets are realised or liabilities settled, based on tax rates enacted or substantively enacted at 30 September 2018.

The capital gain relates to a site sold in 2010, where the gain will crystallise in 2020.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

22. Share capital

	30 September 2018		30 September 2017	
	Shares	£'000	Shares	£'000
Ordinary Shares of £0.01 each	150,000,000	1,500	150,000,000	1,500

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

The Ordinary Shares are entitled to dividends.

23. Reserves

Share premium

Amount subscribed for share capital in excess of nominal value.

Retained earnings

The accumulated net profits and losses of the Group.

Merger reserve

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

24. Lease commitments

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

	30 September 2018		30 September 2017	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within 1 year	14,798	50	14,624	50
In 2 to 5 years	57,419	149	57,666	199
In over 5 years	138,144	-	141,524	-
	210,361	199	213,814	249

The Group has contingent lease contracts for four (30 September 2017: three) sites. There is a revenue-based rent top-up on these sites. The total charged in the consolidated statement of comprehensive income in the current year for these top-ups was £184,000 (four sites) (30 September 2017: £34,000 (one site)). It is anticipated that top-ups totalling £188,000 will be payable in the year to 30 September 2019, based on current expectations. These have not been included in the above.

25. Capital commitments

As at 30 September 2018, the Group had entered into contracts to refurbish existing sites for £1,652,000 (2017: £963,000). These commitments are expected to be settled in the following financial year.

26. Related party transactions

30 September 2018

During the period there were no transactions with related parties.

30 September 2017

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

27. Share-based payments

Long term employee incentive costs

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

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

Scheme name	Year of grant	Method of settlement accounting	Outstanding at 1 October 2017	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 September 2018	Exercisable at 30 September 2018
LTIP 2017	2017	Equity	428,113	–	–	–	428,113	–
LTIP 2018	2018	Equity	–	349,087	–	–	349,087	–

In accordance with the LTIP schemes outlined in the Group's remuneration policy, the vesting of these awards is conditional upon the achievement of an EPS target set at the time of grant, measured at the end of a three year period ending 30 September 2019 and 30 September 2020, and the Executive Directors' continued employment at the date of vesting.

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

Adjusted EPS in the final year of the performance period (pence)

LTIP 2017	LTIP 2018	Vesting
12.25	13.86	25%
12.25–13.75	13.86–14.85	Vesting determined on a straight line basis
13.75	14.85	100%

During the year ended 30 September 2018, 349,087 (30 September 2017: 428,113) share awards were granted under the LTIP. For all LTIPs, the Group recognised a charge of £354,602 (30 September 2017: £122,503) and related employer national insurance of £48,935 (30 September 2017: £16,905).

The following assumptions were used to determine the fair value of the LTIPs granted:

Financial year LTIP granted	2018	2017
Share price at date of grant	1.950	1.565
Discount rate/dividend yield	3%	3%

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

27. Share-based payments continued

Save-As-You-Earn Plan

On 1 February 2018 Hollywood Bowl Group plc launched a Save-As-You-Earn plan (SAYE), available to all employees of the Group. The SAYE permits 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 with contributions from employees of an amount between £5 and £250 per month. 204 employees took up a total of 296,437 options with an exercise date of 1 February 2021 and an exercise price of £2.06, being equal to the market price of the shares on the date of grant. The options vest if the employee remains in employment by the group on the exercise date, otherwise the options lapse on the date the employee leaves. Employees can opt to leave the SAYE at any time, at which point their options will lapse.

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.

The fair value at grant date is estimated using a Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted. The contractual life of each option granted is three years. The fair value of options granted during the year ended 30 September 2018 was estimated on the date of grant using the following assumptions:

Exercise price:	£2.06
Dividend yield:	3.0%
Expected volatility:	28.3%
Risk-free interest rate:	0.8%
Life of option:	3 years
Anticipated number of options to vest:	75%

The expected volatility is based on the annualised standard deviation of the continuously compounded rates of return on the share over a period of time.

The assessed fair value of the options granted during the year ended 30 September 2018 was £0.31 (30 September 2017: £nil).

For the year ended 30 September 2018, the Group has recognised £15,498 of share-based payment expense in the consolidated statement of comprehensive income (30 September 2017: £nil).

The shares are not dilutive for the purposes of calculating diluted earnings per share.

28. Financial instruments

Fair value hierarchy

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

Level 1: inputs are quoted prices in active markets.

Level 2: a valuation that uses observable inputs for the asset or liability other than quoted prices in active markets.

Level 3: a valuation using unobservable inputs ie a valuation technique.

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

28. Financial instruments continued

Fair values

All financial assets held at the balance sheet date, which comprise trade and other receivables and cash and cash equivalents are classified as loans and receivables and held at amortised cost. All financial liabilities, which comprise trade and other payables and borrowings, are classified as financial liabilities held at amortised cost.

The following table shows the fair value of financial assets and financial liabilities within the Group at the balance sheet date. The fair value of all financial assets and liabilities are categorised as Level 2.

	30 September 2018 £'000	30 September 2017 £'000
Financial assets – measured at amortised cost		
Cash and cash equivalents	26,042	21,894
Trade and other receivables	389	1,057
Financial liabilities – measured at amortised cost		
Trade and other payables	18,840	17,422
Borrowings	28,500	30,000

There is no difference between the carrying value and fair value of any of the above financial assets and financial liabilities.

29. Financial risk management

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

Credit risk

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

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

Liquidity risk

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

Cash flow and fair value interest rate risk

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

29. Financial risk management continued

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

	Within 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	More than 5 years £'000	Total £'000
2018					
Trade and other payables	13,490	2,568	2,706	-	18,764
Provisions	-	240	312	3,228	3,780
Borrowings	2,278	2,326	26,318	-	30,922
	15,768	5,134	29,336	3,228	53,466
2017					
Trade and other payables	14,057	1,716	1,650	-	17,423
Provisions	-	237	240	3,763	4,240
Borrowings	2,277	2,225	28,484	-	32,986
	16,334	4,178	30,374	3,763	54,649

Capital risk management

The Group's capital management objectives are:

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

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

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

Market risk

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

29. Financial risk management continued

Interest rate risk

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

The Group manages its interest rate risk by entering into interest rate derivatives when it is considered appropriate to do so by management. At 30 September 2018 and 30 September 2017, none of the Group's borrowings were at fixed rates of interest.

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

	2018 £'000	2017 £'000
Increase in interest rate of 1%	(237)	(184)
Decrease in interest rate of 1%	135	65

30. Dividends paid and proposed

	30 September 2018 £'000	30 September 2017 £'000
The following dividends were declared and paid by the Group		
Final dividend year ended 30 September 2016 – 0.19p per Ordinary share	–	285
Interim dividend year ended 30 September 2017 – 1.8p per Ordinary share	–	2,700
Final dividend year ended 30 September 2017 – 3.95p per Ordinary share	5,925	–
Special dividend year ended 30 September 2017 – 3.33p per Ordinary share	4,995	–
Interim dividend year ended 30 September 2018 – 2.03p per Ordinary share	3,044	–
	13,964	2,985
Proposed for approval by shareholders at AGM (not recognised as a liability at 30 September 2018)		
Final dividend year ended 30 September 2018 – 4.23 p per Ordinary share (2017: 3.95p)	6,347	5,925
Special dividend year ended 30 September 2018 – 4.33 p per Ordinary share (2017: 3.33p)	6,495	4,995

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

	Note	30 September 2018 £'000	30 September 2017 £'000
ASSETS			
Non-current assets			
Investments	5	50,161	49,982
Current assets			
Cash and cash equivalents	6	2	51
Deferred tax asset	7	56	13
Trade and other receivables	8	72,969	73,674
Total assets		123,188	123,720
LIABILITIES			
Current liabilities			
Trade and other payables	9	20,359	6,537
Total liabilities		20,359	6,537
NET ASSETS		102,829	117,183
Equity attributable to shareholders			
Share capital	10	1,500	1,500
Retained earnings		101,329	115,683
TOTAL EQUITY		102,829	117,183

These financial statements were approved by the Board of Directors on 10 December 2018.

The accompanying notes on pages 108 to 112 form an integral part of these Financial Statements.

Signed on behalf of the Board

Laurence Keen

Chief Financial Officer

Company Registration Number: 10229630

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
Equity as at 30 September 2016	71,512	51,832	99	(2,401)	121,042
Share capital re-organisation	(70,012)	(51,832)	(99)	121,943	-
Dividends paid	-	-	-	(2,985)	(2,985)
Share based payments (note 11)	-	-	-	77	77
Total comprehensive loss for the period	-	-	-	(951)	(951)
Equity as at 30 September 2017	1,500	-	-	115,683	117,183
Dividends paid	-	-	-	(13,964)	(13,964)
Share based payments (note 5, 11)	-	-	-	401	401
Total comprehensive loss for the period	-	-	-	(791)	(791)
Equity as at 30 September 2018	1,500	-	-	101,329	102,829

The accompanying notes on pages 108 to 112 form an integral part of these Financial Statements.

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2018

	30 September 2018 £'000	30 September 2017 £'000
Cash flows from operating activities		
Loss before tax	(834)	(964)
Adjusted by:		
Share based payments (note 11)	222	77
Operating loss before working capital changes	(612)	(887)
Decrease/(increase) in trade and other receivables	705	(1,012)
Increase in trade and other payables	13,822	4,935
Cash inflow generated from operations and net cash inflow from operating activities	13,915	3,036
Cash flows from financing activities		
Dividends paid	(13,964)	(2,985)
Net cash flows used in financing activities	(13,964)	(2,985)
Net change in cash and cash equivalents for the period	(49)	51
Cash and cash equivalents at the beginning of the period	51	-
Cash and cash equivalents at the end of the period	2	51

The accompanying notes on pages 108 to 112 form an integral part of these Financial Statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. General information

Hollywood Bowl Group plc is a public limited company which is listed on the London Stock Exchange and is domiciled and incorporated in the United Kingdom under the Companies Act 2006. The Company was incorporated on 12 June 2016, registered number 10229630.

2. Summary of significant accounting policies

A summary of the significant accounting policies is set out below; these have been consistently applied throughout the period.

Basis of preparation

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

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

The financial information presented is at and for the year ended 30 September 2018 and 30 September 2017.

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

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

As permitted by section 408 of the Companies Act 2006, an entity statement of comprehensive income is not included as part of the published consolidated Financial Statements of Hollywood Bowl Group plc. The loss for the financial period dealt with in the Financial Statements of the Parent Company is £791,000 (2017: loss £951,000).

Investments in subsidiaries

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

Employee benefits

Share-based payments

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

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

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

2. Summary of significant accounting policies continued

Taxation

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

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

Deferred taxation

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

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

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

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

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

3. Directors' remuneration

The company has no employees other than the Directors.

The Directors' emoluments and benefits were as follows:

	30 September¹ 2018 £'000	30 September ¹ 2017 £'000
Salaries and bonuses	1,110	1,018
Pension contributions	26	21
Share-based payments (note 11)	222	77
Total	1,358	1,116

¹ This includes two Executive Directors and four (30 September 2017: three) Non-Executive Directors.

The aggregate of emoluments of the highest paid Director were £668,000 (2017: £560,000) and company pension contributions of £15,000 (2017: £12,000) were made to a defined contribution scheme on their behalf.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

4. Taxation

	30 September 2018 £'000	30 September 2017 £'000
The tax credit is as follows:		
– UK corporation tax	–	–
Total current tax	–	–
Deferred tax:		
Origination and reversal of temporary differences	42	15
Adjustments in respect of prior years	5	–
Effect of changes in tax rates	(4)	(2)
Total deferred tax	43	13
Total tax credit	43	13

Factors affecting current tax charge/(credit):

The tax assessed on the profit for the period is different to the standard rate of corporation tax in the UK of 19 per cent (30 September 2017: 19.5 per cent). The differences are explained below:

	30 September 2018 £'000	30 September 2017 £'000
Loss excluding taxation	(834)	(964)
Tax using the UK corporation tax rate of 19% (2017: 19.5%)	(158)	(188)
Change in tax rate on deferred tax balances	4	2
Adjustments in respect of prior years	(5)	–
Non-deductible expenses	7	25
Group relief	109	148
Total tax credit included in profit or loss	(43)	(13)

The Group's standard tax rate for the year ended 30 September 2018 was 19 per cent (30 September 2017: 19.5 per cent).

Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate from 19 per cent to 17 per cent (effective from 1 April 2020) was substantively enacted on 15 September 2016. This will reduce the Company's future current tax charge accordingly and the deferred tax asset at 30 September 2018 and 30 September 2017 has been calculated based on these rates.

5. Investments

	Investment in subsidiary undertakings £'000
At the beginning of the period	49,982
Additions	179
At the end of the period	50,161

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

6. Cash and cash equivalents

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

	30 September 2018 £'000	30 September 2017 £'000
Cash and cash equivalents	2	51

7. Deferred tax asset

	30 September 2018 £'000	30 September 2017 £'000
Deferred tax asset		
Deferred taxation asset	56	13
	56	13
Reconciliation of deferred tax balances		
Balance at beginning of period	13	–
Adjustments in respect of prior years	5	–
Deferred tax credit for the period	38	13
Balance at end of period	56	13

The components of deferred tax are:

	30 September 2018 £'000	30 September 2017 £'000
Deferred tax asset		
Temporary differences	56	13

8. Trade and other receivables

	30 September 2018 £'000	30 September 2017 £'000
Other receivables	34	33
Amounts owed by Group companies	72,935	73,641
	72,969	73,674

9. Trade and other payables

	30 September 2018 £'000	30 September 2017 £'000
Amounts owed to Group companies	19,601	5,687
Trade and other payables	169	209
Accruals and deferred income	589	641
	20,359	6,537

10. Share capital

	30 September 2018		30 September 2017	
	Shares	£'000	Shares	£'000
Allotted, called up and fully paid				
Ordinary Shares of £0.01 each	150,000,000	1,500	150,000,000	1,500
	150,000,000	1,500	150,000,000	1,500

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

11. Share-based payments

Long-term employee incentive costs

The Company operates Long Term Incentive Plans (LTIPs) for the Directors. In accordance with IFRS 2 Share Based Payments, the value of the awards is measured at fair value at the date of the grant. The fair value is written off on a straight-line basis over the vesting period, based on management's estimate of the number of shares that will eventually vest.

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

Scheme name	Year of grant	Method of settlement accounting	Outstanding at 1 October 2017	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 September 2018	Exercisable at 30 September 2018
LTIP 2017	2017	Equity	268,370	–	–	–	268,370	–
LTIP 2018	2018	Equity	–	218,830	–	–	218,830	–

In accordance with the LTIP schemes outlined in the Group's remuneration policy, the vesting of these awards is conditional upon the achievement of a Group EPS target set at the time of grant, measured at the end of a three year period ending 30 September 2019 and 30 September 2020 and the Executive Directors' continued employment at the date of vesting.

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

Adjusted EPS in the final year of the performance period (pence)

LTIP 2017	LTIP 2018	Vesting
12.25	13.86	25%
12.25 – 13.75	13.86 – 14.85	Vesting determined on a straight line basis
13.75	14.85	100%

During the year ended 30 September 2018, 218,830 (30 September 2017, 268,370) share awards were granted under the LTIPs. For all LTIPs, the Company recognised a charge of £222,288 (30 September 2017: £76,793) and related employer national insurance of £30,676 (30 September 2017: £10,597).

The following assumptions were used to determine the fair value of the LTIPs granted:

Financial year LTIP granted	2018	2017
Share price at date of grant	1.950	1.565
Discount rate/dividend yield	3%	3%

12. Guarantee

The Company has given a guarantee over certain subsidiaries under S479A CA 2006 such that the Financial Statements of these subsidiaries for the year ended 30 September 2018 will be exempt from audit (note 14 of the Group Financial Statements).

COMPANY INFORMATION

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