**Hollywood Bowl Group plc**
**(“Hollywood Bowl”, the “Company” or the “Group”)**

**Interim Results for the Six Months Ended 31 March 2023**

**CONTINUED STRONG CUSTOMER DEMAND REFLECTING ATTRACTIVENESS OF OFFER AND GREAT VALUE FOR MONEY PROPOSITION**

Hollywood Bowl, the UK and Canada’s largest ten-pin bowling operator, is pleased to announce its Interim Results for the six-month period ended 31 March 2023 (“H1 FY2023”).

**Financial highlights**

| | **H1 FY2023** | H1 FY2022 | **H1 FY2022 (excluding VAT benefit on bowling)** | Movement H1 FY2023 vs H1 FY2022 (excluding VAT benefit on bowling)) |
|---|---|---|---|---|
| Revenue | **£110.2m[4]** | £100.2m[4] | **£91.3m** | +20.7% |
| Gross profit | **£91.3m** | £86.5m | **£77.7m** | +17.5% |
| Gross profit margin | **82.8%** | 86.4% | **85.1%** | -230bps |
| Administrative expenses | **£60.0m** | £48.9m | **£48.7m** | +23.2% |
| Group adjusted EBITDA[1] | **£43.9m** | £42.2m | **£39.2m** | +12.0% |
| Group adjusted EBITDA[1] pre-IFRS 16 | **£35.1m** | £34.0m | **£31.0m** | +13.2% |
| Group profit before tax | **£26.7m** | £33.4m | **£24.8m** | +7.7% |
| Group profit after tax | **£20.9m** | £27.0m | **£20.4m** | +2.5% |
| Group adjusted profit after tax[2] | **£21.9m** | £27.0m | **£20.4m** | +7.5% |
| Free cash flow[3] | **£15.3m** | £19.6m | **£19.6m** | -21.9% |
| Interim dividend per share | **3.27p** | 3.00p | **3.00p** | +9.0% |

**Operational highlights**

- **Continued strong performance driven by demand for high-quality, great value for money offer**
  - LFL revenue growth[5] of 3.5% with a record first half Group revenue of £110.2m, up 9.7 per cent vs H1 FY2022[4]. Excluding the effect of the reduced rate (TRR) of VAT in H1 FY2022, group revenues were up 20.7 per cent vs H1 FY2022
  - Group adjusted EBITDA[1] pre-IFRS 16 increased 13.2 per cent vs H1 FY2022 (excluding the TRR of VAT in H1 FY2022) to £35.1m
  - Interim dividend of 3.27 pence per share
  - Strong net cash position at 31 March 2023 of £44.1m; undrawn £25m revolving credit facility

- **Active improvement of the quality of the estate through new centre openings and successful execution of our refurbishment strategy**
  - Hollywood Bowl Speke and Puttstars Peterborough opened during the period and are trading ahead of management’s expectations
  - Currently on site in Hollywood Bowl Merry Hill which is due to open in Q4 FY2023 and expect to be on site on a combined Hollywood Bowl/Puttstars offering during H2 FY2023
  - Eight refurbishments (including three rebrands) completed in the half, with all trading in line with or above our return on investment expectations, with a further two underway
  - Four further centres had solar panels installed, bringing the total to 26 centres (38 per cent of UK estate)

- **Relentless focus on innovation resulting in high customer satisfaction and strong LFL growth**
  - Food LFL revenue up 9.0 per cent and drinks LFL revenue up 1.7 per cent following the introduction of a simplified food menu new ‘snacks and sharers’ lane offering and a new drinks range, all of which are increasing dwell time and spend
  - Pins on Strings installed in seven centres during the period, bringing the total sites using the new technology to 48 (75 per cent of the Group’s UK bowling centres), with a further five planned before year end
  - Increased technology investment in CRM, website and core booking systems to enhance the digital customer journey

- **Canada performing ahead of our expectations**
  - Canadian business generated EBITDA of CAD: 5.0m (£3.1m)[6] in the period
  - Three further entertainment centres in Calgary acquired in February which are trading in line with expectations.
  - Integration with Splitsville is progressing well

  - Exchanged on a new build bowling centre in Ontario due to open in H1 FY2024
  - Strong momentum and significant expansion potential supported by strong Group balance sheet

- **Outlook – the Group remains well-placed to continue executing its growth strategy**
  - Trading in line with the Board's expectations for FY2023
  - On track to meet target of 15-20 new centre openings by the end of FY2025 with strong new centre pipeline for Hollywood Bowl and Puttstars brands, as well as Canadian Splitsville brand
  - Continued balance sheet strength and disciplined capital allocation policy supports ability to grow and further invest and innovate for customers
  - Confident in resilient demand as customers look for value for money leisure experiences
  - Well-insulated from inflationary pressures with electricity costs hedged to the end of FY2024
  - Training and development programmes for team members progressing well; continued investment in people to retain and attract the best talent

1 Group adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) reflects the underlying trade of the overall business. It is calculated as statutory operating profit plus depreciation, amortisation, loss on disposal of property, right-of-use assets, plant and equipment and software and any exceptional costs or income, and is also shown pre-IFRS 16 as well as adjusted for IFRS 16.
2 Group adjusted profit after tax is calculated as group profit after tax, adding back the acquisition fees of £0.5m (H1 FY2022: nil), the non-cash expense of £0.7m (H1 FY2022: nil) related to the fair value of the earn out consideration on the Teaquinn acquisition in May 2022 and removing the TRR of VAT benefit on bowling of £0.2m (H1 FY2022: £6.6m)
3 Free cash flow is defined as net cash flow pre-exceptional items, cost of acquisitions, debt facility repayment, RCF drawdowns, dividends and equity placing.
4 Group revenue in H1 FY2022 included a total of £8.8m relating to the reduced rate (TRR) of VAT on bowling. £5.8m of this was in respect of prior years and £3.0m for H1 FY2022. H1 FY2023 includes £0.2m in respect of TRR of VAT on bowling parties.
5 Like-for-like (LFL) revenue growth is total revenue excluding any new centres and Canada. New centres are included in the LFL growth calculation for the period, after they complete the calendar anniversary of their opening date. LFL revenues in H1 FY2023 and H1 FY2022 exclude the impact of TRR of VAT on bowling.
6 Revenues in GBP based on an average foreign exchange rate over the relevant period of 1.62 CAD: 1 GBP.

**Stephen Burns, Chief Executive, commented:**

*"I am delighted with our record performance in the first half, and I would like to thank our fantastic team members for all the hard work that goes into delivering excellent value for money, high quality experiences. It is clear from our high customer satisfaction scores that our continually evolving proposition appeals to all generations looking to enjoy affordable leisure activities together.*

*"We are looking forward to driving further growth in the UK and Canada, capturing the significant market opportunity ahead. Our resilience to inflationary pressures, strong balance sheet and cash-generative model gives us confidence in the future as we continue to invest so that our customers have the best experience possible in our centres."*

**Enquiries:**


**Hollywood Bowl Group PLC**

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## CHIEF EXECUTIVE REVIEW

I am delighted with the Group's financial performance in the first six months of the year. We continue to deliver sustainable, profitable growth, with total revenue of £110.2m, a 20.7 per cent growth to H1 FY2022 (excluding the reduced rate (TRR) of VAT benefit in H1 FY2022). Like-for-like (LFL) revenues grew by 3.5 per cent, underpinned by enhancements in margin and volume of games sold, in conjunction with the successful execution of our customer led operating model.

We remain focused on enhancing the customer experience and the overall quality of the estate, through new centre openings and acquisitions, both in the UK and in Canada, through our programme of refurbishments and rebrands as well as through product and service innovation and investments in technology.

During the half, we retired the AMF brand from the portfolio, after rebranding the final two centres to the Hollywood Bowl brand, we refurbished six existing Hollywood Bowl centres and opened two new centres in high quality locations in Speke and Peterborough. We are encouraged by the returns from the investments made and our programme remains on track with further refurbishments of our centres in the UK and Canada planned in the second half.

Adjusted profit after tax was £21.9m, which is up 7.5 per cent on prior period (H1 FY2022 (excluding TRR of VAT benefit): £20.4m). Statutory profit after tax was £20.9m in H1 FY2023.

Payment of the FY2022 final ordinary dividend, the special dividend and capital investments in the first half of this financial year, offset by the cash generation of the Group in the period, resulted in net cash of £44.1m at the end of the period, a reduction of £12.0m from 30 September 2022. In line with our progressive dividend policy, the Board has declared an interim dividend of 3.27 pence per share, representing 9 per cent growth on the comparable period last year.

We remain mindful of the wider economic environment and the resulting consumer headwinds but are confident that we will continue to deliver attractive returns for our shareholders by pursuing our proven strategy of delivering a sector leading leisure experience, at a great value for money price point, through our motivated and well rewarded teams.

**Like-for-like growth**

Against the exceptionally successful comparative period, LFL sales (which exclude TRR of VAT on bowling activities) grew by 3.5 per cent during the first half of the financial year, with the four main revenue lines all showing LFL sales growth on the comparative period in FY2022.

On a LFL basis game volumes grew by 0.6 per cent. LFL spend per game (excluding TRR of VAT on bowling activities), grew by 2.8 per cent.to £10.82 in the period, up from £10.53 in H1 FY2022. Our dynamic pricing technology has helped drive incremental volume and carefully controlled yield enhancement. Our wider pricing strategy has remained unchanged, and we still offer the best value for money product of all the branded UK bowling operators, with a family of four able to bowl at peak times for less than £25.

Food spend was also up in the year showing a 8.1 per cent LFL improvement in the first half. Our focus on speed, quality, consistency and value for money with our food offer has been well received by our customers. New menu items have been added in line with customer feedback and sales data, and although we have made some changes to price to mitigate the inflationary increases, the most popular menu items were still below their 2019 price point. Our drinks range has the same value for money proposition, for example a pint of Carling lager is still available for less than £4. Spend on drink grew on a per game LFL basis by 1.0 per cent, underpinned by further enhancements to the at lane ordering systems and the national roll out of a new drinks range.

Refurbishments and space optimisation projects, coupled with the expansion of contactless payment technology and new game formats, helped drive LFL sales growth of 6.3% in Amusements. The Amusement offer is an important part of the customer experience. In the main, we have kept the price to play at £1 despite the significant improvement in the gaming experience but are utilising new payment technology to enhance the yield on certain games where appropriate.

**Growth strategy - investing in our UK estate and new centre openings**

Our growth strategy remains unchanged, and we are pleased with the progress we have made growing our business during the period. Our new centre opening programme is on track in both the UK and Canada, and we continue to grow LFL revenue through the improvement of the existing estate and our refurbishment programme which continues to deliver above our returns hurdle rate.

FY2023 will be a record year of investment in the estate, and a very busy year for our property teams. In the first half, we have invested a total of £11.3m (excluding acquisitions costs), with two new centre openings, three rebrands and five full centre refurbishments completed in the UK. We will continue this investment led strategy in the second half with our new Hollywood Bowl in Merry Hill already on site, at least four more refurbishments and two space optimisation projects scheduled.

We remain confident in our ability to continue to deliver on our plan of an average of at least three new openings a year. As set out above, two new centres were opened in the first half, with Merry Hill, our new 24 lane 36,500 square foot centre, scheduled to open during the second half of the financial year.

Our two new centre openings in the first half took the total number of centres in the UK estate to 69. We opened our second Hollywood Bowl in Liverpool at the popular leisure and retail park in Speke, on 4 November 2022 for a net capital spend of £2.7m. The centre is a key anchor tenant complementing the leisure offering of the scheme, alongside a well-established cinema, Ninja Warrior, and a good selection of restaurants. The 16-lane centre occupying just under 20,000 square feet has been very well received and is trading ahead of expectations.

We also opened Puttstars Peterborough on 11th November 2022 for a net capital spend of £1.8m. The state of the art 27-hole golf venue occupies 19,500 square feet, over two floors and boasts a large amusement offer, cloud-based scoring and a combined bar diner. This new-look Puttstars is located in the Queensgate shopping centre in the heart of the city, and part of a multimillion leisure development by the landlord.

Transformational refurbishments have continued, including bringing the very latest design innovations and technological improvements to our centres in Finchley, Milton Keynes (including the addition of one extra bowling lane), Poole Tower Park and Leeds City, with one amusement enlargement project at Watford Atria. All the refurbishments are delivering returns in line with expectation, with the last 12 projects averaging more than a 55 per cent return on investment.

The Pins on Strings roll out has continued, with a further seven centres benefiting from the cost saving and customer experience enhancing technology. 48 centres now have the machines (75% of the Group's UK's bowling centres), delivering a minimum 30 per cent return on invested capital, and we plan to install into a further eight centres during the second half of the financial year.

**International expansion**

In May 2022, we were delighted to announce the acquisition of our Canadian business (Teaquinn), comprising Splitsville, an operator of five ten-pin bowling centres, and Striker Bowling Solutions (Striker), a B2B supplier and installer of bowling equipment, for an initial consideration of CAD 17m (approximately £10.6m).

Since the acquisition, Teaquinn has traded ahead of our expectations. During the first half of this financial year it contributed CAD 18.4m (£11.3m) in revenue and just over CAD 5m (£3.1m) of EBITDA (on a pre-IFRS 16 basis). Our growth strategy in Canada is focused on four areas; (i) investing in the existing estate, (ii) acquiring existing businesses that complement the current estate, (iii) opening new centres and (iv) supporting the Canadian bowling market with Striker's products and services.

In February, the Group acquired three entertainment centres in Calgary (Project Owl), a strategically important location between British Columbia and Ontario. These sites are trading in line with our expectations and integration with Splitsville is going well, helped in part by the UK management expertise that has been seconded to the largest of the centres in Calgary. The pipeline for acquisitions continues to build with several centres in the diligence process and we will continue to update on any acquisitions once appropriate to do so.

The group recently exchanged contracts on a new build bowling centre in Ontario. The 43,000 square feet centre scheduled to open in FY2024, will feature 24 lanes and will be our first new build bowling centre in Canada.

The Canadian refurbishment programme continues to progress well, with one refurbishment completed during the half, while one rebrand and two refurbishments are scheduled on site for the second half of the financial year.

Our Striker business continues to grow as a result of increased investment into bowling centres across the country after re-opening following the COVID-19 lockdowns. Revenues in the first half were CAD 2.9m (£1.8m) and the order book is strong with several large installation and maintenance projects already agreed.

**Growing sustainably**

Running our business in a sustainable manner is a key focus for the Group and we have continued to make good progress delivering against our ESG strategy and the FY2023 and longer-term targets aligned to this. Highlights in the first half included improvements in our Scope 1 and 2 emissions intensity ratio and waste recycling percentages, more than 50 per cent of management appointments coming from internal candidates, and the establishment of a Board Corporate Responsibility Committee.

**Outlook**

As we navigate the current economic landscape, we understand that many of our customers are facing challenges such as rising living costs and higher interest rates. This is why we continue to focus on providing a high-quality leisure experience that offers great value for money. We are proud that families and friends are continuing to choose our inclusive and affordable offerings for their leisure spending, and we are committed to maintaining this trend through the second half of the year.

To further enhance our business for the benefit of all of our stakeholders, we are fully committed to our ongoing investment programme across all areas. This, combined with our sustainable profitable growth strategy, gives the Board a strong sense of confidence in our future prospects. We are pleased to report that we are on track to meet our key strategic priorities for the year, and trading is in line with the Board's financial expectations. We are encouraged by the progress we have made so far and will continue to strive for excellence in all aspects of our business.

**Stephen Burns**

**Chief Executive Officer**

30 May 2022

## CHIEF FINANCIAL OFFICER'S REVIEW

### Group financial results

| | **H1 FY2023** | H1 FY2022 | **H1 FY2022 (excluding VAT benefit on bowling)** | Movement H1 FY2023 vs H1 FY2022 (excluding VAT benefit on bowling)) |
|---|---|---|---|---|
| Revenue | **£110.2m[4]** | £100.2m[4] | **£91.3m** | +20.7% |
| Gross profit | **£91.3m** | £86.5m | **£77.7m** | +17.5% |
| Gross profit margin | **82.8%** | 86.4% | **85.1%** | -230bps |
| Administrative expenses | **£60.0m** | £48.9m | **£48.7m** | +23.2% |
| Group adjusted EBITDA[1] | **£43.9m** | £42.2m | **£39.2m** | +12.0% |
| Group adjusted EBITDA[1] pre-IFRS 16 | **£35.1m** | £34.0m | **£31.0m** | +13.2% |
| Group profit before tax | **£26.7m** | £33.4m | **£24.8m** | +7.7% |
| Group profit after tax | **£20.9m** | £27.0m | **£20.4m** | +2.5% |
| Group adjusted profit after tax[2] | **£21.9m** | £27.0m | **£20.4m** | +7.5% |
| Free cash flow[3] | **£15.3m** | £19.6m | **£19.6m** | -21.9% |
| Interim dividend per share | **3.27p** | 3.00p | **3.00p** | +9.0% |

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

2 Group adjusted profit after tax is calculated as group profit after tax, adding back the acquisition fees of £0.5m (H1 FY2022: nil), the non-cash expense of £0.7m (H1 FY2022: nil) related to the fair value of the earn out consideration on the Teaquinn acquisition in May 2022 and removing the TRR of VAT benefit on bowling of £0.2m (H1 FY2022: £6.6m)

3 Free cash flow is defined as net cash flow pre-exceptional items, cost of acquisitions, debt facility repayment, RCF drawdowns, dividends and equity placing.

4 During FY2020 the Chancellor announced the reduced rate (TRR) of VAT on hospitality activities from which bowling activities were initially excluded. The Tenpin Bowling Proprietors Association has been lobbying on the industry's behalf, since that date, for the sector to be treated in line with the hospitality industry. We received confirmation on 12 April 2022 (FY2022) that HMRC agreed that there is indeed a clear distinction between the sport of competitive bowling and the leisure activity of bowling – with the latter being able to benefit from TRR of VAT retrospectively (H1 FY2022: £8.8m). H1 FY2023 includes £0.2m in respect of TRR of VAT on bowling parties.

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

All LFL revenue commentary is compared to the same period in FY2022, excludes the impact of TRR of VAT on bowling as well as revenue relating to the Group's Canadian business, which was acquired in May 2022. New centres are included in the LFL revenue after they complete the calendar anniversary of their opening date.

Further details on the Alternative Performance Measures used is at the end of this report.

### Revenue

On the back of an exceptionally strong FY2022, it was pleasing to see LFL growth of 3.5 per cent in H1 FY2023.

LFL revenue growth was a combination of a spend per game growth of 2.8 per cent, taking LFL average spend per game to £10.82, as well as LFL game volume growth of 0.6 per cent. The LFL growth, alongside the performance of the new UK centres, resulted in record UK revenues of £98.9m and growth of 8.3 per cent compared to the underlying revenues in H1 FY2022 (excluding the impact of TRR of VAT £8.8m in H1 FY2022).

Our Canadian business continues to trade ahead of our expectations. Total revenues in Canada were CAD 18.4m (£11.3m), with bowling centres accounting for CAD 15.5m (£9.5m).

Total Group revenue for H1 FY2023 was £110.2m a 20.7 per cent growth to H1 FY2022 (excluding VAT benefit in H1 FY2022).

**Gross profit margin**

Gross profit was £91.3m, 17.5 per cent growth on H1 FY2022 (excluding VAT benefit in H1 FY2022), with gross profit margin at 82.8 per cent.

Gross profit for the UK business was £83.0m with a margin of 83.8 per cent. The trend of amusements growing at a higher rate than bowling continued and given amusements' lower margin rate, this has reduced gross profit margin but produced a higher gross profit overall.

Gross profit for Teaquinn was in line with expectations, at CAD 13.5m (£8.3m), with a margin of 73.6 per cent. The lower margin rate when compared to the UK business is as forecasted due to the effect of the lower gross profit margin of the Striker bowling equipment and installations business, the higher food and drink mix in the Canadian bowling centres and the lower contractual amusement gross profit margin. Splitsville centres contributed CAD 12.9m (£7.9m) of gross profit.

**Administrative expenses**

Total administrative expenses on a statutory basis were £60.0m, of which the UK accounted for £54.1m.

On a pre-IFRS 16 basis, total administrative expenses were £63.6m and the UK accounted for £57.6m in H1 FY2023, compared to £52.4m during the corresponding period in FY2022.

Employee costs in centres increased to £19.9m, an increase of £4.3m when compared to H1 FY2022, due to a combination of salary increases over the period, the impact of higher LFL revenues, new UK centres (£0.8m) as well as the added employee costs in Canadian centres which were CAD 4.5m (£2.8m).

Property-related costs in centres, accounted for under pre-IFRS 16, were £19.1m, with £18.0m for the UK centres (H1 FY2022: £15.5m). Property costs in the UK increased by £2.5m with new centre costs of £0.9m, whilst business rates were higher by £1.5m due to the government implemented COVID-19 concession in the first half of FY2022. Canadian property centre costs were CAD 1.9m (£1.1m).

Total property costs, under IFRS 16, were £20.3m, including £5.2m accounted for as property lease assets depreciation and £4.7m in implied interest relating to the lease liability.

Corporate costs include all central costs and the out-performance bonus for centre management teams. Total corporate costs decreased by £0.2m, to £11.7m, when compared to the corresponding period in FY2022. UK corporate costs decreased by £1.0m, to £11.0m with the main driver of this being lower bonus amounts in H1 FY2023, whilst corporate costs for Canada were CAD 1.1m (£0.7m).

The statutory depreciation and amortisation charge for H1 FY2023 was £11.7m compared to £10.2m in H1 FY2022, with Canada accounting for £0.8m of the increase.

**Exceptional costs**

Exceptional costs relate in the main to two areas. The first is the acquisition costs in relation to Project Owl, which totalled £0.5m. The second is the earn out consideration for Pat Haggerty that is an exceptional cost of £0.7m in H1 FY2023 (of which £0.6m is in administrative expenses and £0.1m in interest expenses). As noted in the FY2022 full year results, the earn out consideration is considered a post-acquisition employment expense and not in the scope of IFRS 3, but instead is accounted for under IAS 19. The earn out has a cost impact in the following financial years up to and including at least FY2025.

More detail on these exceptional costs are shown in note 4 to the Financial Statements.

**Group adjusted EBITDA and operating profit**

Group adjusted EBITDA pre-IFRS 16 increased to a record £35.1m and includes a contribution of £3.1m (CAD 5.0m) from the Canadian business.

Compared to H1 FY2022 EBITDA pre-IFRS 16, this was an increase of 3.3 per cent. When excluding the impact of TRR of VAT (£3.0m) in the H1 FY 2022 comparable, the increase is 13.3 per cent. The increase is primarily due to the increased revenue performance and the addition of the Canadian business.

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

***Group adjusted EBITDA and operating profit***

| | **H1 FY2023 £'000** | H1 FY2022 £'000 |
|---|---|---|
| Operating profit | 31,248 | 37,616 |
| Depreciation | 11,303 | 9,949 |
| Amortisation | 395 | 236 |
| Loss / (profit) on property, right-of-use assets, plant and equipment and software disposal | 42 | (20) |
| Exceptional items | 899 | (5,641) |
| Group adjusted EBITDA under IFRS 16 | 43,886 | 42,158 |
| In-year impact on FY2022 of TRR of VAT on bowling activities | **-** | (2,970) |
| IFRS 16 adjustment[1] | (8,775) | (8,156) |
| **Group adjusted EBITDA pre-IFRS 16** | 35,112 | 31,033 |

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

**Share-based payments**
During the first half of the year, the Group granted Long-Term Incentive Plan (LTIP) shares to the senior leadership team. These awards vest in three years providing continuous employment during this period and attainment of performance conditions as outlined on page 113 of the Annual Report. H1 FY2023 share-based costs were £541,430 (H1 FY2022: £403,043). Share-based costs are not classified as exceptional costs.

**Financing**
Finance costs increased to £4.5m in H1 FY2023 (H1 FY2022: £4.2m) comprising mainly of implied interest relating to the lease liability under IFRS 16 of £4.7m. Bank interest costs in relation to the Groups undrawn revolving credit facility of £0.3m were offset by the interest received (£0.5m) on the Groups' bank balances.

The Group's bank borrowing facilities are a revolving credit facility (RCF) of £25m at a margin rate of 1.75 per cent above SONIA and an agreed accordion of £5m. The loan term runs to the end of December 2024; and the RCF remains fully undrawn.

**Capital expenditure**
During the financial year, the Group invested £18.6m of net capital expenditure, including £7.3m on the acquisition of three centres in Calgary.

A total of £3.9m was invested into the refurbishment programme. The refurbishment of eight UK centres was completed including the final two rebrands of AMF to Hollywood Bowl, in Torquay and Worthing, as well as interim spends of £1.7m on two Canadian centres. Despite inflationary pressures, returns on these UK refurbishments continue to exceed the Group's hurdle rate of 33 per cent.

New UK centre capital expenditure was a net £3.0m. This relates to the two centres opened in the year - Hollywood Bowl Speke and Puttstars Peterborough.

The Group spent £4.4m on maintenance capital in the UK, including continued spend on the rollout of Pins on Strings technology, now in 48 centres, and solar panel installations, with 26 centres now benefitting from this technology.

**Capital investment in Canada**
Three centres were acquired in Calgary during February 2023 for a consideration of CAD 12m (£7.6m), with £0.3m of cash acquired in the deal. On a proforma basis for the 12 months to 30 September 2022, these centres generated CAD 2.8m EBITDA on a pre-IFRS 16 basis, equating to a purchase price of 4.3x pre-IFRS 16 EBITDA.

We were pleased to complete the refurbishment and rebrand of Splitsville Richmond Hill in H1 FY2023 and will be on site in H2 FY2023 with refurbishments in both Kingston and Hamilton. Completion is expected before the end of the current financial year. We also plan to be on site in a refurbishment and rebrand in Calgary in late calendar year 2023.

The liquidity position of the Group remains strong, with a net cash position of £44.1m as at 31 March 2023, compared to £56.1m as at 30 September 2022. Detail on the cash movement in the year is shown in the table below.

***Cash flow and net debt***

| | **H1 FY2023 £'000** | H1 FY2022 £'000 |
|---|---|---|
| Group adjusted EBITDA under IFRS 16 | **43,886** | 42,158 |
| Movement in working capital | **(2,997)** | 1,972 |
| Maintenance capital expenditure | **(4,362)** | (4,106) |
| Taxation | **(4,269)** | (1,530) |
| Payment of capital elements of leases | **(5,540)** | (7,773) |

| | | |
|---|---|---|
| **Adjusted operating cash flow (OCF)**[1] | **26,719** | 30,721 |
| **Adjusted OCF conversion** | **60.9%** | 72.9% |
| Expansionary capital expenditure[2] | **(6,934)** | (6,997) |
| Net bank loan interest received / (paid) | **287** | (41) |
| Lease interest paid | **(4,741)** | (4,054) |
| **Free cash flow (FCF)**[3] | **15,331** | 19,634 |
| Exceptional items | **(278)** | — |
| Acquisition of Project Owl | **(7,574)** | — |
| Cash acquired in Project Owl | **320** | — |
| Dividends paid | **(19,724)** | — |
| **Net cash flow** | **(11,918)** | 19,634 |

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

2 Expansionary capital expenditure includes refurbishment and new centre capital expenditure.

3 Free cash flow is defined as net cash flow pre-exceptional items, cost of acquisitions, debt facility repayment, debt drawdowns, dividends and equity placing.

**Taxation**

The Group's tax charge for the first half is £5.8m, including a deferred tax amount of £1.3m.

**Earnings**

Statutory profit before tax for the half was £26.7m. The Group delivered profit after tax of £20.9m and basic earnings per share was 12.21 pence.

Adjusted profit after tax was £21.9m (EPS of 12.80 pence). This is calculated to take account of the impact of the costs associated with the Teaquinn earn out consideration as well as acquisition costs.

It is calculated as statutory profit after tax, adding back Canadian acquisition fees of £0.5m, the non-cash expense of £0.7m related to the earn out consideration on the Teaquinn acquisition in May 2022 and removing the TRR of VAT benefit on bowling parties of £0.2m.

**Dividend**

In line with its capital allocation policy, the Board has declared an interim dividend of 3.27 pence per share. The ex-dividend date is 8 June 2023, with a record date of 9 June 2023 and a payment date of 5 July 2023. Detail on the Group's capital allocation policy can be found on page 44 of the FY2022 Annual report and accounts.

**Going concern**

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

**Laurence Keen**

***Chief Financial Officer***

*30 May 2023*

**Note on alternative performance measures (APMs)**

The Group uses APMs to enable management and users of the financial statements to better understand elements of the financial performance in the period. APMs referenced earlier in the report are explained as follows.

**Like-for-like (LFL)** revenue for H1 FY2023 is calculated as:

- Total revenues £110.2m, less
- New UK centre revenues from FY2022 and FY2023 that have not annualised £4.3m, less
- Canada revenues £11.3m

New centres are included in the LFL revenue after they complete the calendar anniversary of their opening date.

LFL comparatives for H1 FY2022 are £91.3m.

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

**Free cash flow** is defined as net cash flow pre-dividends, exceptional items and acquisition costs.

**LFL spend per game** is defined as UK LFL revenue in the year divided by the number of LFL bowling games and golf rounds played in the UK.

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

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

**Adjusted profit after tax** for H1 FY2023 is calculated as statutory profit after tax, adding back Canadian acquisition fees of £0.5m, the non-cash expense of £0.7m related to the fair value of the earn out consideration on the Teaquinn acquisition in May 2022 and removing the TRR of VAT benefit on bowling parties of £0.2m. This adjusted profit after tax is also used to calculated adjusted earnings per share.

## Condensed Consolidated Income Statement and Statement of Comprehensive Income

## For the six months ended 31 March 2023

| | | Six months ended 31 March 2023 | | | Six months ended 31 March 2022 | | |
|---|---|---|---|---|---|---|---|
| | Note | Before exceptional items Unaudited £'000 | Exceptional items (note 4) Unaudited £'000 | Total Unaudited £'000 | Before exceptional items Unaudited £'000 | Exceptional Items (note 4) Unaudited £'000 | Total Unaudited £'000 |
| **Revenue** | | 110,052 | 192 | **110,244** | 94,381 | 5,792 | 100,173 |
| Cost of sales | | (18,972) | - | **(18,972)** | (13,641) | - | (13,641) |
| **Gross profit** | | 91,080 | 192 | **91,272** | 80,740 | 5,792 | 86,532 |
| Administrative expenses | | (58,934) | (1,091) | **(60,025)** | (48,765) | (151) | (48,916) |
| **Operating profit/(loss)** | | 32,146 | (899) | **31,247** | 31,975 | 5,641 | 37,616 |
| Finance income | 5 | 497 | - | **497** | - | - | - |
| Finance expenses | 5 | (4,954) | (79) | **(5,033)** | (4,179) | - | (4,179) |
| **Profit/(loss) before tax** | | 27,689 | (978) | **26,711** | 27,796 | 5,641 | 33,437 |
| Tax charge | 6 | (5,769) | (42) | **(5,811)** | (5,354) | (1,058) | (6,412) |
| **Profit/(loss) for the period attributable to equity shareholders** | | 21,920 | (1,020) | **20,900** | 22,442 | 4,583 | 27,025 |
| **Other comprehensive income** | | | | | | | |
| Retranslation (loss) of foreign currency denominated operations | | (724) | - | **(724)** | - | - | - |
| **Total comprehensive income/(loss) for the period attributable to equity shareholders** | | 21,196 | (1,020) | **20,176** | 22,442 | 4,583 | 27,025 |
| | | | | | | | |
| **Earnings per share** | | | | | | | |
| Basic earnings per share (pence) | | | | **12.21** | | | 15.82 |
| Diluted earnings per share (pence) | | | | **12.16** | | | 15.76 |
| | | | | | | | |
| Weighted average number of shares – Basic | | | | **171,222,369** | | | 170,828,776 |
| Dilutive potential ordinary shares | | | | **649,078** | | | 603,170 |
| Weighted average number of shares – Diluted | | | | **171,871,447** | | | 171,431,946 |

**Reconciliation of operating profit to Group adjusted EBITDA**

| | Note | Six months ended 31 March 2023 Unaudited £'000 | Six months ended 31 March 2022 Unaudited £'000 |
|---|---|---|---|
| Operating profit | | **31,247** | 37,616 |
| Exceptional items | 4 | **899** | (5,641) |
| Depreciation of property, plant and equipment | 9 | **4,932** | 4,144 |
| Depreciation of right-of-use assets | 10 | **6,370** | 5,805 |
| Amortisation of intangible assets | 11 | **395** | 236 |
| Loss/(profit) on disposal of property, plant and equipment, right-of-use assets and software | 9, 10, 11 | **43** | (2) |
| **Group adjusted EBITDA** | | **43,886** | 42,158 |

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

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

| **Reconciliation of net debt** | Six months ended 31 March 2023 Unaudited £'000 | Six months ended 31 March 2022 Unaudited £'000 | Year ended 30 September 2022 Audited £'000 |
|---|---|---|---|
| Cash and cash equivalents | **(44,149)** | (49,577) | (56,066) |
| **Net (cash) excluding finance leases** | **(44,149)** | (49,577) | (56,066) |
| Finance leases | **192,279** | 172,531 | 188,369 |
| **Net debt** | **148,130** | 122,954 | 132,303 |

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

## Condensed Consolidated Statement of Financial Position
## As at 31 March 2023

| | Note | 31 March 2023 Unaudited £'000 | 31 March 2022 Unaudited £'000 | 30 September 2022 Audited £'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 9 | **74,734** | 55,977 | 68,641 |
| Right-of-use assets | 10 | **150,563** | 133,077 | 147,455 |
| Goodwill and intangible assets | 11 | **88,628** | 77,807 | 81,794 |
| Deferred tax asset | | **298** | 4,130 | 1,647 |
| | | **314,223** | 270,991 | 299,537 |
| **Current assets** | | | | |
| Cash and cash equivalents | | **44,149** | 49,577 | 56,066 |
| Trade and other receivables | 7 | **5,898** | 10,474 | 5,130 |
| Corporation tax receivable | | **-** | - | 271 |
| Inventories | | **2,639** | 1,739 | 2,148 |
| | | **52,686** | 61,790 | 63,615 |

| | Note | | | |
|---|---|---|---|---|
| **Total assets** | | **366,909** | 332,781 | 363,152 |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | 8 | **25,984** | 21,773 | 28,681 |
| Lease liabilities | 10 | **11,910** | 11,615 | 11,557 |
| Corporation tax payable | | **96** | 2,067 | - |
| | | **37,990** | 35,455 | 40,238 |
| **Non-current liabilities** | | | | |
| Other payables | 8 | **3,866** | 516 | 3,000 |
| Lease liabilities | 10 | **180,369** | 160,916 | 176,812 |
| Provisions | | **5,297** | 3,769 | 4,682 |
| | | **189,532** | 165,201 | 184,494 |
| **Total liabilities** | | **227,522** | 200,656 | 224,732 |
| **NET ASSETS** | | **139,387** | 132,125 | 138,420 |
| **Equity attributable to shareholders** | | | | |
| Share capital | 12 | **1,717** | 1,711 | 1,711 |
| Share premium | | **39,716** | 39,691 | 39,716 |
| Merger reserve | | **(49,897)** | (49,897) | (49,897) |
| Foreign currency translation reserve | | **(313)** | - | 411 |
| Retained earnings | | **148,164** | 140,620 | 146,479 |
| **TOTAL EQUITY** | | **139,387** | 132,125 | 138,420 |

## Condensed Consolidated Statement of Changes in Equity
## For the six months ended 31 March 2023

| | Note | Share capital £'000 | Share Premium £'000 | Merger reserve £'000 | Foreign currency ranslation reserve £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| **Equity at 30 September 2021** (audited) | | 1,706 | 39,691 | (49,897) | - | 113,187 | 104,687 |
| Shares issued during the period | 12 | 5 | - | - | - | - | 5 |
| Share-based payments | 14 | - | - | - | - | 403 | 403 |
| Deferred tax on share-based payments | | - | - | - | - | 5 | 5 |
| Profit for the period | | - | - | - | - | 27,025 | 27,025 |
| **Equity at 31 March 2022** (unaudited) | | 1,711 | 39,691 | (49,897) | - | 140,620 | 132,125 |
| Shares issued during the period | | - | 25 | - | - | - | 25 |
| Dividends paid | | - | - | - | - | (5,132) | (5,132) |
| Share-based payments | 14 | - | - | - | - | 541 | 541 |
| Deferred tax on share-based payments | | - | - | - | - | 24 | 24 |
| Retranslation of foreign currency denominated operations | | - | - | - | 411 | - | 411 |
| Profit for the period | | - | - | - | - | 10,426 | 10,426 |
| **Equity at 30 September 2022** (audited) | | 1,711 | 39,716 | (49,897) | 411 | 146,479 | 138,420 |
| Shares issued during the period | 12 | 6 | - | - | - | - | 6 |
| Dividends paid | | - | - | - | - | (19,723) | (19,723) |
| Share-based payments | 14 | - | - | - | - | 541 | 541 |
| Deferred tax on share-based payments | | - | - | - | - | (33) | (33) |
| Retranslation of foreign currency denominated operations | | - | - | - | (724) | - | (724) |
| Profit for the period | | - | - | - | - | 20,900 | 20,900 |
| **Equity at 31 March 2023** (unaudited) | | **1,717** | **39,716** | **(49,897)** | **(313)** | **148,164** | **139,387** |

## Condensed Consolidated Statement of Cash Flows
## For the six months ended 31 March 2023

| | Note | Six months ended 31 March 2023 Unaudited £'000 | Six months ended 31 March 2022 Unaudited £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | **26,711** | 33,437 |
| **Adjusted by:** | | | |
| Depreciation of property, plant and equipment (PPE) | 9 | **4,932** | 4,144 |
| Depreciation of right-of-use (ROU) assets | 10 | **6,370** | 5,805 |
| Amortisation of intangible assets | 11 | **395** | 236 |
| Net interest expense | 5 | **4,536** | 4,179 |
| Loss/(profit) on disposal of property, plant and equipment, software and ROU Assets | | **43** | (2) |
| Share-based payments | | **541** | 403 |
| **Operating profit before working capital changes** | | **43,528** | 48,202 |
| (Increase) in inventories | | **(426)** | (278) |
| (Increase) in trade and other receivables | | **(584)** | (7,194) |
| (Decrease)/increase in payables and provisions | | **(1,905)** | 3,400 |
| **Cash inflow generated from operations** | | **40,613** | 44,130 |
| Interest received | | **411** | - |
| Corporation tax paid | | **(4,270)** | (1,530) |
| Bank interest paid | | **(124)** | (41) |
| Lease interest paid | | **(4,741)** | (4,054) |
| **Net cash inflow from operating activities** | | **31,889** | 38,505 |
| **Cash flows from investing activities** | | | |
| Acquisition of subsidiaries | 17 | **(7,574)** | - |
| Subsidiary cash acquired | 17 | **320** | - |
| Purchase of property, plant and equipment | | **(11,230)** | (11,007) |
| Purchase of intangible assets | | **(65)** | (95) |
| **Net cash used in investing activities** | | **(18,549)** | (11,102) |
| **Cash flows from financing activities** | | | |
| Payment of capital elements of leases | | **(5,540)** | (7,773) |
| Issue of shares | | **6** | 5 |
| Dividends paid | | **(19,723)** | - |
| **Net cash used in financing activities** | | **(25,257)** | (7,768) |
| **Net change in cash and cash equivalents for the period** | | **(11,917)** | 19,635 |
| Cash and cash equivalents at the beginning of the period | | **56,066** | 29,942 |
| **Cash and cash equivalents at the end of the period** | | **44,149** | **49,577** |

## Notes to the condensed consolidated interim financial statements

### 1. General information

The Directors of Hollywood Bowl Group plc (together with its subsidiaries, the "Group" or "HWB Group") present their interim report and the unaudited financial statements for the six months ended 31 March 2023 ('Interim Financial Statements').

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

On 15 February 2023, the Group acquired HLD Investments Inc. (operating as YYC Bowling & Entertainment), Mountain View Bowl Inc and Wong and Lewis Investments Inc. (operating as Let's Bowl), three Canadian-based ten-pin bowling businesses. These three companies are consolidated in Hollywood Bowl Group plc's Financial Statements with effect from 15 February 2023.

The interim Financial Statements were approved by the Board of Directors on 30 May 2023.

The Group's last annual audited financial statements for the year ended 30 September 2022 have been prepared in accordance with UK-adopted International Accounting Standards and the requirements of the Companies Act 2006, and these Interim Financial statements should be read in conjunction with them.

The comparative figures for the year ended 30 September 2022 are an abridged version of the Group's last annual financial statements and, together with other financial information contained in these interim results, do not constitute statutory financial statements of the Group as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 30 September 2022 have been delivered to the Registrar of Companies. The external auditor has reported on those accounts: their report was unqualified and did not contain a statement under s498 (2) or (3) of the Companies Act 2006.

**2. Basis of preparation**

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

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

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those applied in the presentation of the Group's consolidated financial statements for the year ended 30 September 2022. At the date of authorisation of this financial information, certain new standards, amendments and interpretations to existing standards applicable to the Group have been published but are not yet effective and have not been adopted early by the Group. The impact of these standards is not expected to be material.

***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, 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, or a gain on bargain purchase if the fair values of the identifiable net assets are greater than the cost of acquisition. Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

The results of HLD Investments Inc. (operating as YYC Bowling & Entertainment), Mountain View Bowl Inc and Wong and Lewis Investments Inc. (operating as Let's Bowl), are included from the date of acquisition on 15 February 2023.

***Going concern***

The financial position of the Group, its cash flows, performance and position are described in the financial review section. Details of the Group's available and drawn facilities are included in note 13. At 31 March 2023, the Group had a cash balance of £44.1m with an undrawn RCF of £25m with Barclays Bank plc, and no outstanding loan balances, giving an overall liquidity of £69.1m.

In their consideration of going concern, the Directors have reviewed the Group's future cash forecasts and profit projections using a base case and a severe but plausible downside scenario. 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 comfortably comply with the covenants outlined in its RCF.

Taking the above, and the principal risks faced by the Group as outlined in note 15 to these interim financial statements, into consideration, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future, a period of at least twelve months from the date of this report. Accordingly, the Group continues to adopt the going concern basis in preparing these interim financial statements.

***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 income statement caption to which they relate and are separately disclosed on the face of the condensed consolidated income statement and in the notes to these interim Financial Statements.

***Accounting estimates and judgements***

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

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

*Critical accounting judgements*

- *Dilapidation provision*

A provision is made for future expected dilapidation costs on the opening of leasehold properties not covered by the 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. Properties covered by the LTA provide security of tenure and we intend to occupy these premises indefinitely until the landlord serves notice that the centre is to be redeveloped. As such, no charge for dilapidations can be imposed and no dilapidation provision is considered necessary as the outflow of economic benefit is not considered to be probable.

*Key sources of estimation uncertainty*

The key estimates are discussed below:

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

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

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

Further information in respect of the Group's property, plant and equipment and right-of-use assets is included in notes 9 and 10 respectively.

*Other estimates*

The acquisition of HLD Investments Inc. (operating as YYC Bowling & Entertainment), Mountain View Bowl Inc and Wong and Lewis Investments Inc. (operating as Let's Bowl) has been accounted for using the acquisition method under IFRS 3. The identifiable assets, liabilities and contingent liabilities are recognised at their fair value at date of acquisition (note 17). The fair value of the net assets identified were determined with assistance from independent experts using professional valuation techniques appropriate to the individual category of asset or liability. Calculating the fair values of net assets, notably the fair values of intangible assets identified as part of the purchase price allocation, involves estimation and consequently the fair value exercise is recorded as another accounting estimate. The amortisation charge is sensitive to the value of the intangible asset values, so a higher or lower fair value calculation would lead to a change in the amortisation charge in the period following acquisition. These estimates are not considered key sources of estimation uncertainty as a material adjustment to the carrying value is not expected in the following financial year.

***Adjusted measures***

The Group uses a number of non-Generally Accepted Accounting Principles (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, adjusted profit after tax, net debt, Group operating cash flow, Group adjusted EBITDA and Group adjusted EBITDA margin.

Further explanation on alternative performance measures is provided in the Chief Financial Officer's review.

## 3. Segmental reporting

Management consider that the Group consists of two operating segments, as it operates within the UK and Canada (31 March 2022: UK only). The UK operating segment includes the Hollywood Bowl and Puttstars brands. The Canada operating segment includes the Splitsville and Striker Bowling Solutions brands (acquired May 2022), and from 15 February 2023, YYC Bowling & Entertainment, Mountain View Bowl Inc and Let's Bowl. Within these two operating segments there are multiple revenue streams which consist of the following:

**Six months ended 31 March 2023**

| | Before exceptional income UK Unaudited £'000 | Exceptional income UK (note 4) Unaudited £'000 | Total UK Unaudited £'000 | Canada Unaudited £'000 | Total Unaudited £'000 |
|---|---|---|---|---|---|
| Bowling | 44,972 | 192 | 45,164 | 5,042 | **50,206** |
| Food and drink | 26,743 | - | 26,743 | 2,805 | **29,548** |
| Amusements | 25,612 | - | 25,612 | 1,515 | **27,127** |
| Mini-golf | 1,307 | - | 1,307 | - | **1,307** |
| Installation of bowling equipment | - | - | - | 1,757 | **1,757** |
| Other | 120 | - | 120 | 179 | **299** |
| | 98,754 | 192 | 98,945 | 11,298 | **110,244** |

**Six months ended 31 March 2022**

| | Before exceptional income UK Unaudited £'000 | Exceptional income UK (note 4) Unaudited £'000 | Total UK Unaudited £'000 | Canada Unaudited £'000 | Total Unaudited £'000 |
|---|---|---|---|---|---|
| Bowling | 45,833 | 5,792 | 51,625 | - | 51,625 |
| Food and drink | 24,529 | - | 24,529 | - | 24,529 |
| Amusements | 22,909 | - | 22,909 | - | 22,909 |
| Mini-golf | 1,049 | - | 1,049 | - | 1,049 |
| Installation of bowling equipment | - | - | - | - | - |
| Other | 61 | - | 61 | - | 61 |
| | 94,381 | 5,792 | 100,173 | - | 100,173 |

No single customer provides more than ten per cent of the Group's revenue.

| | Six months ended 31 March 2023 | | | Six months ended 31 March 2022 | | |
|---|---|---|---|---|---|---|
| | UK Unaudited £'000 | Canada Unaudited £'000 | Total Unaudited £'000 | UK Unaudited £'000 | Canada Unaudited £'000 | Total Unaudited £'000 |
| Revenue | 98,945 | 11,298 | **110,244** | 100,173 | - | 100,173 |
| Group adjusted EBITDA[1] | 40,207 | 3,679 | **43,886** | 42,158 | - | 42,158 |
| Operating profit | 28,656 | 2,591 | **31,247** | 37,616 | - | 37,616 |
| Finance income | 444 | 53 | **497** | - | - | - |
| Finance expense | 4,621 | 412 | **5,033** | 4,179 | - | 4,179 |
| Depreciation and amortisation | 11,063 | 634 | **11,697** | 10,185 | - | 10,185 |
| Profit before tax | 24,479 | 2,232 | **26,711** | 33,437 | - | 33,437 |
| PPE asset additions | 9,946 | 1,799 | **11,745** | 11,119 | - | 11,119 |
| Intangible asset additions | 65 | - | **65** | 95 | - | 95 |
| Total assets | 328,011 | 38,898 | **367,788** | 332,781 | - | 332,781 |
| Total liabilities | 207,014 | 20,508 | **227,522** | 200,656 | - | 200,656 |

[1] Group adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) is calculated as operating profit plus depreciation, amortisation, impairment losses, loss on disposal of property, plant and equipment, right-of-use assets and software and exceptional items.

## 4. Exceptional items

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

| | Six months ended 31 March 2023 Unaudited £'000 | Six months ended 31 March 2022 Unaudited £'000 |
|---|---|---|
| Bowling revenue VAT rebate[1] | **192** | 5,792 |
| Administrative expenses[2] | **(2)** | (151) |
| Acquisition fees[3] | **(469)** | - |
| Contingent consideration[4] | **(699)** | - |
| Exceptional items before tax | **(978)** | 5,641 |
| Tax charge | **(42)** | (1,079) |
| Exceptional items after tax | **(1,020)** | 4,562 |

[1] During the prior year, HMRC conducted a review of its policy position on the reduced rate of VAT for leisure and hospitality and the extent to which it applies to bowling. Following its review, HMRC now accepts that leisure bowling should fall within the scope of the temporary reduced rate of VAT for leisure and hospitality, as a similar activity to those listed in Group 16 of schedule 7A of the VAT Act 1994. As a result, the Group made a retrospective claim for overpaid output VAT for the period 15 July 2020 to 30 September 2021 relating to package sales totalling £192,000 (31 March 2022 and 30 September 2022: £5,792,000 relating to leisure bowling), included within bowling revenue.
[2] Expenses associated with the VAT rebate, relating to additional turnover rent, profit share due to landlords and also professional fees, which are included within administrative expenses.
[3] Legal and professional fees relating to the acquisition of HLD Investments Inc. (operating as YYC Bowling & Entertainment), Mountain View Bowl Inc and Wong and Lewis Investments Inc. (operating as Let's Bowl).
[4] Contingent consideration of £620,000 in administrative expenses and £79,000 of interest expense in relation to the acquisition of Teaquinn in May 2022.

**5. Finance income and expenses**

| | Six months ended 31 March 2023 Unaudited £'000 | Six months ended 31 March 2022 Unaudited £'000 |
|---|---|---|
| Interest on bank deposits | **497** | - |
| **Finance income** | **497** | - |
| | | |
| Interest on bank borrowings | **113** | 102 |
| Unwinding of discount on provisions | **100** | 23 |
| Unwinding of discount on contingent consideration (note 4) | **79** | - |
| Finance costs on lease liabilities | **4,741** | 4,054 |
| **Finance expense** | **5,033** | 4,179 |

**6. Taxation**

| | Six months ended 31 March 2023 Unaudited £'000 | Six months ended 31 March 2022 Unaudited £'000 |
|---|---|---|
| The tax expense is as follows: | | |
| - UK Corporation tax | **3,901** | 4,311 |
| - Foreign tax suffered | **622** | - |
| Total current tax | **4,523** | 4,311 |
| Deferred tax: | | |

| | | |
|---|---|---|
| Origination and reversal of temporary differences | **1,238** | 2,101 |
| Effects of changes in tax rates | **50** | - |
| Total deferred tax | **1,288** | 2,101 |
| **Total tax expense** | **5,811** | 6,412 |

**Factors affecting tax charge:**
The income tax expense was recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the profit before tax for the half year ended 31 March 2023.

**Deferred tax**

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

### 7. Trade and other receivables

| | Six months ended 31 March 2023 Unaudited £'000 | Six months ended 31 March 2022 Unaudited £'000 | Year ended 30 September 2022 Audited £'000 |
|---|---|---|---|
| Trade receivables | **1,498** | 577 | 836 |
| Other receivables | **140** | 7,399 | 245 |
| Prepayments | **4,260** | 2,498 | 4,049 |
| | **5,898** | 10,474 | 5,130 |

Trade receivables have an ECL against them that is immaterial. There were no overdue receivables at the end of any period.

As at 31 March 2022, other receivables included £7,292,000 (31 March 2023 and 30 September 2022: £nil) of previously overpaid VAT due from HMRC following its review of its policy position on the reduced rate of VAT for hospitality and tourism. (See note 4).

### 8. Trade and other payables

| **Current** | Six months ended 31 March 2023 Unaudited £'000 | Six months ended 31 March 2022 Unaudited £'000 | Year ended 30 September 2022 Audited £'000 |
|---|---|---|---|
| Trade payables | **4,593** | 3,364 | 5,306 |
| Other payables | **2,509** | 1,977 | 1,310 |
| Accruals and deferred income | **12,768** | 13,458 | 17,000 |
| Taxation and social security | **6,114** | 2,974 | 5,065 |
| | **25,984** | 21,773 | 28,681 |

| **Non-current** | Six months ended 31 March 2023 Unaudited £'000 | Six months ended 31 March 2022 Unaudited £'000 | Year ended 30 September 2022 Audited £'000 |
|---|---|---|---|
| Other payables | **3,866** | 516 | 3,000 |

Accruals and deferred income includes a staff bonus accrual of £2,485,000 (31 March 2022: £5,703,000, 30 September 2022: £7,758,000). Deferred income includes £1,129,000 (31 March 2022: £893,000, 30 September 2022: £983,000) of customer deposits received in advance and £1,096,000 (31 March 2022: £nil, 30 September 2022: £160,000) relating to bowling equipment installations.

Non-current other payables includes £1,129,000 (31 March 2022: £nil, 30 September 2022: £464,000) of contingent consideration and £1,803,000 (31 March 2022: £nil, 30 September 2022: £1,841,000) of deferred consideration in respect of the acquisition of Teaquinn Holdings Inc.

**9. Property, plant and equipment**

| | Freehold property £'000 | Long leasehold property £'000 | Short leasehold property £'000 | Lanes and pinspotters £'000 | Plant & machinery, fixtures and fittings £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 October 2021 | - | 1,240 | 29,663 | 13,310 | 42,157 | 86,370 |
| Additions | - | - | 8,127 | 5,238 | 8,707 | 22,072 |
| Acquisition of Teaquinn Holdings Inc. | 7,061 | - | 872 | 284 | 237 | 8,454 |
| Disposals | - | - | (24) | (796) | (595) | (1,415) |
| Effects of movement in foreign exchange | 345 | - | 48 | 14 | 12 | 419 |
| **At 30 September 2022** (audited) | **7,406** | **1,240** | **38,686** | **18,050** | **50,518** | **115,900** |
| Additions | - | - | 6,543 | 2,616 | 2,586 | 11,745 |
| Acquisitions (note 17) | - | - | 77 | 73 | 30 | 180 |
| Disposals | - | - | (897) | (3) | (747) | (1,647) |
| Effects of movement in foreign exchange | (612) | - | (136) | (33) | (52) | (833) |
| **At 31 March 2023** (unaudited) | **6,794** | **1,240** | **44,273** | **20,703** | **52,335** | **125,345** |
| **Accumulated depreciation** | | | | | | |
| At 1 October 2021 | - | 340 | 13,746 | 4,613 | 18,635 | 37,334 |
| Depreciation charge | 24 | 48 | 3,047 | 706 | 4,896 | 8,721 |
| Impairment charge | - | - | 2,088 | - | 447 | 2,535 |
| Disposals | - | - | (24) | (785) | (522) | (1,331) |
| **At 30 September 2022** (audited) | **24** | **388** | **18,857** | **4,534** | **23,456** | **47,259** |
| Depreciation charge | 32 | 24 | 1,478 | 354 | 3,044 | 4,932 |
| Disposals | - | - | (884) | (3) | (680) | (1,567) |
| Effects of movement in foreign exchange | (3) | - | (5) | (2) | (3) | (13) |
| **At 31 March 2023** (unaudited) | **53** | **412** | **19,446** | **4,883** | **25,817** | **50,611** |
| **Net book value** | | | | | | |
| **At 31 March 2023** (unaudited) | **6,741** | **828** | **24,827** | **15,820** | **26,518** | **74,734** |
| At 30 September 2022 (audited) | 7,382 | 852 | 19,829 | 13,516 | 27,062 | 68,641 |

Plant & machinery, fixtures and fittings includes £2,039,000 (31 March 2022: £3,343,000; 30 September 2022: £2,916,000) of assets in the course of construction, relating to the development of new centres.

As at 31 March 2023, outstanding capital commitments to fit out new and refurbish existing sites and to complete the installation of solar panels totalled £673,000 (31 March 2022: £2,351,000; 30 September 2022: £4,728,000).

**10. Leases**

**Group as a lessee**

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

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

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

| | Property £'000 | Amusement machines £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 October 2021 | 148,722 | 8,109 | 156,831 |
| Lease additions | 7,805 | 3,462 | 11,267 |
| Acquisition of Teaquinn Holdings Inc. | 11,510 | - | 11,510 |
| Lease surrenders | - | (332) | (332) |
| Lease modifications | 5,640 | - | 5,640 |
| Effects of movement in foreign exchange | 583 | - | 583 |
| **At 30 September 2022** (audited) | **174,260** | **11,239** | **185,499** |
| Lease additions | - | 2,805 | 2,805 |
| Acquisitions (note 17) | 3,982 | - | 3,982 |
| Lease surrenders | - | (606) | (606) |
| Lease modifications | 3,982 | - | 3,982 |
| Effects of movement in foreign exchange | (1,257) | - | (1,257) |
| **At 31 March 2023** (unaudited) | **180,967** | **13,438** | **194,405** |
| **Accumulated depreciation** | | | |
| At 1 October 2021 | 19,632 | 4,857 | 24,489 |
| Depreciation charge | 9,846 | 2,164 | 12,010 |
| Impairment charge | 1,786 | - | 1,786 |
| Lease surrenders | - | (241) | (241) |
| **At 30 September 2022** (audited) | **31,264** | **6,780** | **38,044** |
| Depreciation charge | 5,198 | 1,172 | 6,370 |
| Lease surrenders | - | (572) | (572) |
| **At 31 March 2023** (unaudited) | **36,462** | **7,380** | **43,842** |
| **Net book value** | | | |
| **At 31 March 2023** (unaudited) | **144,505** | **6,058** | **150,563** |
| At 30 September 2022 (audited) | 142,996 | 4,459 | 147,455 |

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

| | Property £'000 | Amusement machines £'000 | Total £'000 |
|---|---|---|---|
| **Lease liabilities** | | | |
| At 1 October 2021 | 168,530 | 5,410 | 173,940 |
| Lease additions | 7,805 | 3,462 | 11,267 |
| Acquisition of Teaquinn Holdings Inc. | 11,510 | - | 11,510 |

| | | | |
|---|---|---|---|
| Accretion of interest | 8,354 | 98 | 8,452 |
| Lease modifications | 5,640 | (157) | 5,483 |
| Payments[1] | (19,873) | (2,994) | (22,687) |
| Effects of movement in foreign exchange | 584 | - | 584 |
| **At 30 September 2022** (audited) | **182,550** | **5,819** | **188,369** |
| Lease additions | - | 2,805 | 2,805 |
| Acquisitions (note 17) | 3,982 | - | 3,982 |
| Accretion of interest | 4,652 | 89 | 4,741 |
| Lease modifications | 3,982 | (72) | 3,910 |
| Payments[1] | (8,736) | (1,510) | (10,246) |
| Effects of movement in foreign exchange | (1,282) | - | (1,282) |
| **At 31 March 2023** (unaudited) | **185,148** | **7,131** | **192,279** |
| Current | 9,025 | 2,885 | 11,910 |
| Non-current | 176,123 | 4,246 | 180,369 |
| **At 31 March 2023** | **185,148** | **7,131** | **192,279** |
| Current | 9,027 | 2,530 | 11,557 |
| Non-current | 173,523 | 3,289 | 176,812 |
| At 30 September 2022 | 182,550 | 5,819 | 188,369 |

[1] In FY2023, £34,000 (FY2022: £35,000) of rent payments were part of the working capital movements in the year.

**11. Goodwill and intangible assets**

| | Goodwill £'000 | Brand £'000 | Trademark £'000 | Customer relationships £'000 | Software £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 October 2021 | 75,034 | 3,360 | 798 | - | 2,112 | 81,304 |
| Additions | 70 | - | - | - | 108 | 178 |
| Acquisition of Teaquinn Holdings Inc. | 90 | 3,888 | - | 314 | - | 4,292 |
| **At 30 September 2022** (audited) | **75,194** | **7,248** | **798** | **314** | **2,220** | **85,774** |
| Additions | - | - | - | - | 65 | 65 |
| Acquisitions (note 17) | 6,697 | - | - | 503 | - | 7,200 |
| Effects of movement in foreign exchange | (13) | - | - | (23) | - | (36) |
| **At 31 March 2023** (unaudited) | **81,878** | **7,248** | **798** | **794** | **2,285** | **93,003** |
| **Accumulated amortisation** | | | | | | |
| At 1 October 2021 | - | 1,188 | 366 | - | 1,802 | 3,356 |
| Amortisation charge | - | 335 | 50 | 8 | 231 | 624 |
| **At 30 September 2022** (audited) | **-** | **1,523** | **416** | **8** | **2,033** | **3,980** |
| Amortisation charge | - | 284 | 25 | 12 | 74 | 395 |
| **At 31 March 2023** (unaudited) | **-** | **1,807** | **441** | **20** | **2,107** | **4,375** |
| **Net book value** | | | | | | |
| **At 31 March 2023** (unaudited) | **81,878** | **5,441** | **357** | **774** | **178** | **88,628** |
| At 30 September 2022 (audited) | 75,194 | 5,725 | 382 | 306 | 187 | 81,794 |

**12. Share capital**

The share capital of the Group is represented by the share capital of the Parent Company, Hollywood Bowl Group plc.

During the period, 641,567 ordinary shares of £0.01 each were issued under the Group's Long Term Incentive Plan (LTIP).

| | 31 March 2023 | | 31 March 2022 | | 30 September 2022 | |
|---|---|---|---|---|---|---|
| | No of shares | £'000 | No of Shares | £'000 | No of shares | £'000 |
| Ordinary shares of £0.01 each | **171,712,357** | **1,717** | 171,059,454 | 1,711 | 171,070,790 | 1,711 |

During the periods ended 31 March 2022 and 30 September 2022, 428,113 ordinary shares of £0.01 each were issued under the Group's LTIP scheme. In addition, during the period ended 31 March 2023, nil (31 March 2022: 158, 30 September 2022: 11,494) ordinary shares of £0.01 each were issued under the Group's SAYE scheme.

The ordinary shares are entitled to dividends.

**13. Loans and borrowings**

On 29 September 2021, the Group entered into a £25m revolving credit facility (RCF) with Barclays Bank plc. The RCF has a termination date of 31 December 2024.

Interest is charged on any drawn balance based on the reference rate (SONIA), plus a margin of 1.75 per cent.

A commitment fee equal to 35 per cent of the drawn margin is payable on the undrawn facility balance. The commitment fee rate as at 31 March 2023 was therefore 0.6125 per cent (31 March 2022 and 30 September 2022: 0.6125 per cent).

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

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

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

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

**14. Performance share-based payments - Long term employee incentive costs**

The Group had the following performance share based payment arrangements in operation during the period:
a) The Hollywood Bowl Group plc Long Term Incentive Plan 2020
b) The Hollywood Bowl Group plc Long Term Incentive Plan 2021
c) The Hollywood Bowl Group plc Long Term Incentive Plan 2022
c) The Hollywood Bowl Group plc Long Term Incentive Plan 2023

*Long Term Incentive Plans*

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

In accordance with the LTIP schemes outlined in the Group's Remuneration Policy (Annual Report FY2022), the vesting of these awards is conditional upon the achievement of an EPS target set at the time of grant and measured at the end of a 3-year period ending 30 September 2022, 2023, 2024 and 2025 and the Executive Directors' continued employment at the date of vesting. The LTIP 2022 and LTIP 2023 also have performance targets based on return on centre invested capital, emissions ratio for Scope 1 and Scope 2 and team member development.

During the six months ended 31 March 2023, 486,515 (31 March 2022:463,436, 30 September 2022:463,436) share awards were granted under the LTIP.

For the six months ended 31 March 2023, the Group has recognised £568,286 of performance share-based payment expense in the profit or loss account (31 March 2022: £399,275 and 30 September 2022: £939,812).

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

**15. Principal Risks and Uncertainties**

The Directors have reconsidered the principal risks and uncertainties of the Group and have determined that those reported in the Annual Report for the year ended 30 September 2022 remain relevant for the remaining half of the financial year. These risks are summarised below, and how the Group seeks to mitigate these risks is set out on pages 69 to 73 of the Annual Report and Accounts 2022, which can be found at www.hollywoodbowlgroup.com.

In summary, these include:

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

**16. Related Party Transactions**

*31 March 2023 and 31 March 2022*

There were no related party transactions during either period.

**17. Acquisition of HLD Investments Inc. (operating as YYC Bowling & Entertainment), Mountain View Bowl Inc and Wong and Lewis Investments Inc. (operating as Let's Bowl)**

On 15 February 2023, the Group acquired 100% of the issued share capital and voting rights of HLD Investments Inc. (operating as YYC Bowling & Entertainment), Mountain View Bowl Inc and Wong and Lewis Investments Inc. (operating as Let's Bowl), based in Canada. All three businesses are operators of ten-pin bowling centres. The purpose of the acquisition was to grow the Group's core ten-pin bowling business in the region.

HLD Investments Inc. (operating as YYC Bowling & Entertainment), Mountain View Bowl Inc and Wong and Lewis Investments Inc. (operating as Let's Bowl) are consolidated in Hollywood Bowl Group plc's interim financial statements with effect from the completion of the acquisition on 15 February 2023.

The details of the business combination are as follows (stated at acquisition date fair values):

| | £'000 |
|---|---|
| **Fair value of consideration transferred** | |
| Amount settled in cash | 7,574 |
| **Recognised amounts of identifiable net assets** | |
| Property, plant and equipment | 180 |
| Right-of-use assets | 3,982 |
| Intangible assets | 503 |
| Inventories | 65 |
| Trade and other receivables | 204 |
| Cash and cash equivalents | 320 |
| Current tax liabilities | - |
| Trade and other payables | (255) |
| Lease liabilities | (3,982) |
| Deferred tax liabilities | (140) |
| Identifiable net assets | 877 |
| Goodwill arising on acquisition | 6,697 |
| Consideration for equity settled in cash | 7,574 |
| Cash and cash equivalents acquired | (320) |
| Net cash outflow on acquisition | 7,254 |
| Acquisition costs paid charged to expenses | 453 |
| **Net cash paid in relation to the acquisition** | **7,707** |

Acquisition related costs of £453,000 are not included as part of the consideration transferred and have been recognised as an expense in the consolidated income statement within administrative expenses.

The fair value of the identifiable intangible assets acquired includes £503,000 in relation to customer relationships. The customer relationships have been valued using the multi-period excess earnings method.

The fair value of right-of-use assets and lease liabilities were measured as the present value of the remaining lease payments, in accordance with IFRS 16.

The fair value and gross contractual amounts receivable of trade and other receivables acquired as part of the business combination amounted to £204,000. At the acquisition date the Group's best estimate of the contractual cash flows expected not to be collected amounted to £nil.

In the period since acquisition to 31 March 2023, the Group recognised £889,000 of revenue and £481,000 of profit before tax in relation to the acquired business. Had the acquisition occurred on 1 October 2022, the contribution to the Group's revenue would have been £3,340,000 and the contribution to the Group's profit before tax for the period would have been £1,811,000.

**Responsibility Statement**

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the Board on 30 May 2023 and is signed on its behalf by:

**Stephen Burns**
CEO
30 May 2023

**Laurence Keen**
CFO
30 May 2023