News release

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1 February 2018

The Rank Group Plc ("Rank" or the "Group")

Half year results for the 6 months ended 31 December 2017

Continued strong digital growth and good retail cost control

Financial highlights

		H1 2017/18 (unaudited)	H1 2016/17 (unaudited)	Change
Financial KPIs	Adjusted profit before tax	**£40.2m**	£34.5m	17%
	Group like-for-like revenue	**£378.1m**	£373.9m	1%
	UK digital revenue	**£60.6m**	£52.4m	16%
	UK digital operating profit	**£11.4m**	£7.3m	56%
	Venues like-for-like revenue	**£317.5m**	£321.5m	(1)%
	Venues operating profit	**£46.4m**	£42.5m	9%
	Group EBITDA before exceptional items	**£63.3m**	£59.7m	6%
	Group operating profit before exceptional items	**£41.7m**	£36.6m	14%
	Adjusted earnings per share	**8.0p**	6.9p	16%
Statutory performance	Statutory revenue	**£354.2m**	£355.3m	0%
	Profit before taxation after exceptional items	**£32.8m**	£35.4m	(7)%
	Cash generated from continuing operations	**£61.9m**	£51.8m	19%
	Net cash / (debt)	**£4.0m**	£(33.0)m	-
	Basic earnings per share after exceptional items	**6.4p**	7.2p	(11%)
	Dividend per share	**2.15p**	2.00p	8%

Financial and operational highlights

- Continued strong digital growth with revenues up 16% and operating profit up 56%
- Group operating profit before exceptional items up 14%
- Venues like-for-like revenue down 1%
- Adjusted EPS up 16%
- Net debt decreased by £37m to a net cash position
- Dividend up 8% to 2.15p per share
- Support for a statutory levy to replace the existing voluntary system, to fund research, education and treatment of gambling-related harm
- "Grosvenor One" single account and wallet solution successfully trialled in Grosvenor's Stockport casino
- Refurbishment of Grosvenor's Piccadilly and Golden Horseshoe casinos in London
- Launch of "Dual Play", the live streaming of roulette from Grosvenor's Victoria casino to the Group's digital channel
- Opened three new format "Luda" bingo clubs

- Appointment of Alan Morgan as new retail managing director
- Restructuring of central retail team leading to future cost efficiencies, investment and new hires in key areas

Henry Birch, Chief Executive of The Rank Group Plc said:

"We are pleased to report a good set of results with adjusted profit before tax up 17% and a particularly strong digital performance, with revenues up 16% and operating profit up 56%, despite the introduction of new gaming duty rules on customer bonuses. Along with much of the high street, we have faced a more challenging retail trading environment in the first half, but our combined venues businesses delivered an impressive 9% growth in operating profit."

"2018 promises to be a busy year with continued positive changes, including the launch of a single account and wallet product across Grosvenor's retail and digital businesses. We remain confident in the outlook for the Group with management's expectations for the full year unchanged."

Ends

Definition of terms:

- Any reference to revenue or like-for-like group revenue is before adjustment for customer incentives;
- EBITDA is operating profit before exceptional items, depreciation and amortisation;
- Adjusted profit before tax is profit from continuing operations before taxation adjusted to exclude exceptional items and other financial gains or losses resulting from foreign exchange gains and losses on loans and borrowings. See the financial results section for a reconciliation;
- Adjusted earnings per share is calculated by adjusting profit attributable to equity shareholders to exclude the impact of reductions in tax rate, exceptional items, other financial gains or losses and the related tax effects as detailed in the financial results section;
- "H1 2017/18" refers to the unaudited six-month period to 31 December 2017 and "H1 2016/17" refers to the unaudited six-month period to 31 December 2016;
- Like-for-like measures have been disclosed in this report to show the impact of club openings, closures and relocations;
- Prior period like-for-like measures are amended to show an appropriate comparative for the impact of club openings, closures and relocations;
- Grosvenor and Mecca venues no longer disclose customers numbers due to the introduction of new door policies, previously referred to as 'full' and 'partial' open door, that means the Group is no longer able to accurately track customer numbers;
- The Group results make reference to "'adjusted" results alongside our statutory results, which we believe will be more useful to readers as we manage our business using these adjusted measures. The directors believe that exceptional items and other adjustments impair visibility of the underlying performance of the Group's business and accordingly, these are excluded from our non-GAAP measurement of revenue; profit before tax; earnings before interest, tax, depreciation and amortisation ('EBITDA'); operating profit and eanings per share ('EPS'). Adjusted measures are the same as those used for internal reports; and
- Venues includes Grosvenor venues, Mecca venues and Enracha venues.

Enquiries

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Photographs available from www.rank.com

Analyst meeting and webcast details:
Thursday 1 February 2018
There will be an analyst meeting at 9.30am, admittance to which is by invitation only. There will also be a simultaneous webcast of the meeting.

For the live webcast, please register at www.rank.com. A replay of the webcast and a copy of the slide presentation will be made available on the website later. The webcast will be available for a period of six months.

Forward-looking statements
This announcement includes "forward-looking statements". These statements contain the words "anticipate", "believe", "intend", "estimate", "expect" and words of similar meaning. All statements, other than statements of historical facts included in this announcement, including, without limitation, those regarding the Group's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Group's products and services) are forward-looking statements that are based on current expectations. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance, achievements or financial position of the Group to be materially different from future results, performance, achievements or financial position expressed or implied by such forward-looking statements. Such forward-looking statements

are based on numerous assumptions regarding the Group's operating performance, present and future business strategies, and the environment in which the Group will operate in the future. These forward-looking statements speak only as at the date of this announcement. Subject to the Listing Rules of the Financial Conduct Authority, the Group expressly disclaims any obligation or undertaking, to disseminate any updates or revisions to any forward-looking statements, contained herein to reflect any change in the Group's expectations, with regard thereto or any change in events, conditions or circumstances on which any such statement is based. Past performance cannot be relied upon as a guide to future performance.

Chief executive's review

The Group delivered a significant improvement in operating profit before exceptional items in the period, up 14% with like-for-like revenue[3] up 1%.

The Group's UK digital business continued to deliver strong revenue[1] growth, up 16% with a 56% growth in operating profit[2]. The period saw lower gaming margins and a decline in visits in Grosvenor's venues which adversely impacted performance, resulting in a 1% fall in Grosvenor's like-for-like revenue. Mecca's like-for-like revenue fell by 3% in the period due to a 7% fall in visits.

Our Spanish business, Enracha, delivered a good venues performance with euro revenue up 6% and euro operating profit up 11%.

Total Group costs were reduced by £6.2m in the period, principally driven by the restructure of the Group's retail and corporate operations.

Central costs in the prior period were reduced by a £1.2m credit in respect of Long Term Incentive Plan costs following lower vesting expectations for the 2014 award.

£m	Group Revenue[1]		Operating profit[2]	
	H1 2017/18	H1 2016/17	**H1 2017/18**	H1 2016/17
Grosvenor Venues	**197.2**	202.0	**30.1**	26.1
Mecca Venues	**104.1**	108.0	**12.7**	13.3
UK Digital	**60.6**	52.4	**11.4**	7.3
meccabingo.com	**36.1**	33.1		
grosvenorcasinos.com	**24.5**	19.3		
Enracha	**17.7**	16.2	**2.6**[4]	2.9
Central costs	**-**	-	**(15.1)**	(13.0)
Total	**379.6**	378.6	**41.7**	36.6

1 Before adjustments for customer incentives.
2 Before exceptional items, as per note 2 in the financial results section.
3 Excludes venue openings, closures and relocations.
4 Includes Enracha's digital operating costs of £1.0m.

Post tax exceptional items produced a loss of £6.2m in the period. Further detail can be found in the Financial Review.

Current trading and outlook
Trading in the short four-week period to 28 January 2018 has been in line with management's expectations.

We remain confident in the outlook for the Group with management's expectations for the full year unchanged.

Dividend
The Board targets a progressive and sustainable dividend. The dividend policy reflects the strong cash flow characteristics and long-term earnings potential of the Group, whilst allowing it to retain sufficient capital to fund ongoing operating requirements, investment and balance sheet management.

The Board is pleased to declare an interim dividend of 2.15 pence per share to be paid on 15 March 2018 to shareholders on the register at 16 February 2018.

Responsible gambling

Rank has continued to progress a number of responsible gambling initiatives in the period and will continue to do so in the year ahead. In particular:

- we voice our support for the introduction of a statutory levy, replacing the current voluntary system[1], to help fund research, education and treatment of gambling-related harm;

- we continue to invest in responsible gambling training throughout our business; and
- we continue to develop propensity models to identify problem and at-risk gamblers and intervene where appropriate.

In the course of 2018 we intend:

- to trial limit-setting on slot machines within our casinos and share the learnings with the wider casino industry;
- to launch a number of tools to support responsible gambling across our digital brands;
- to undertake a cultural change programme with our senior managers with a focus on responsible gambling; and
- to establish a data access programme for gambling researchers.

We continue to evolve and execute a Rank responsible gambling strategy and consider responsible gambling at all levels of the business, including a specific Board committee, chaired by non-executive director Lord Kilmorey.

Management team changes

Retail structure
During the period, the Group created a single leadership team across its UK retail businesses with the appointment of Alan Morgan as retail managing director, covering both Mecca and Grosvenor Casinos. The retail team has been further strengthened by the appointment of a new chief marketing officer, a new property director and a new operations director for Grosvenor Casinos.

Chief Information Officer
In January 2018, the Group appointed Phil Moyes as chief information officer. Phil has most recently worked with various private equity firms on a number of ventures since leaving William Hill where he was group chief information officer until 2016. Phil brings a wealth of experience in driving growth via technology and digital operations.

Operating review

Grosvenor Casinos - Venues

Grosvenor recorded like-for-like[3] revenues down 1% on the back of a lower than average gaming margin – down 0.7 percentage points against the rolling five-year average - and a challenging consumer backdrop. A drop in visits of 7%, partly caused by refurbishment work in two London venues, and ongoing customer due diligence controls also had an impact on revenues.

Operating profit grew by 15% in the period driven by cost savings of £8.8m principally due to reduced employment costs.

Key financial performance indicators

	H1 2017/18	H1 2016/17	Change
Revenue[1] (£m)	**197.2**	202.0	(2)%
EBITDA[2] (£m)	**41.4**	38.8	7%
Operating profit[2] (£m)	**30.1**	26.1	15%
Like-for-like revenue[3]	**(1)%**		

1 Before adjustments for customer incentives.

2 Before exceptional items, as per note 2 in the financial results section.

3 Excludes venues openings, closures and relocations.

Key non-financial performance indicators

	H1 2017/18	H1 2016/17	Change
Customer visits (000s)	**3,670**	3,958	(7)%
Spend per visit (£)	**53.73**	51.04	5%

During the period, an exceptional cost of £4.9m was recognised relating to the continued underperformance of two casinos (Dundee and Didsbury). There are action plans in place to improve their performance.

Venues regional analysis

The casino estate is split into three key areas – London, Provinces and Belgium. To better illustrate different performance across the estate, analysis is provided below.

	Revenue[1] (£m)		Operating profit[2] (£m)		Customer visits (000s)		Spend per visit (£)	
	H1 2017/18	H1 2016/17	**H1 2017/18**	H1 2016/17	**H1 2017/18**	H1 2016/17	**H1 2017/18**	H1 2016/17
London	**67.1**	72.0	**12.2**	13.6	**679**	732	**98.82**	98.36
Provinces	**124.2**	121.7	**17.2**	11.5	**2,903**	3,093	**42.78**	39.35
Belgium	**5.9**	8.3	**0.7**	1.0	**88**	133	**67.04**	62.41
Total	**197.2**	202.0	**30.1**	26.1	**3,670**	3,958	**53.73**	51.04

London's visits suffered in the period due to the refurbishments at both the Golden Horseshoe and Piccadilly casinos. Excluding these two casinos, visits would have been broadly flat in the period. The refurbishments and a lower win margin led to a 7% fall in London revenue[1]. London revenues across the wider casino sector returned to growth in the period and Grosvenor management believes growth opportunities are positive in 2018.

Provincial visits were down 6% in the period but a higher win margin led to a 2% increase in revenue[1].

During the period, the casino concession at Middlekerke in Belgium expired. Therefore from 1 September 2017 the Belgian operations have consisted of only one casino in Blankenberge. With the Blankenberge concession due to end on 31 December 2020, the local council has commenced the process to grant a new concession. Grosvenor Casinos intends to bid for the concession and the process is expected to be completed by the end of the current financial year.

Venues revenue analysis – Great Britain only

£m	**H1 2017/18**	H1 2016/17	Change
Casino games	**123.4**	126.2	(2)%
Gaming machines	**45.7**	44.5	3%
Card room games	**7.7**	7.9	(2)%
Food and drink/other	**14.5**	15.1	(4)%
Total	**191.3**	193.7	(1)%

Gaming machine revenue continued to grow in the period, up 3%, following the relocation of two licences alongside higher performing venues (Portsmouth and Leeds) and slot machine investments made in H2 2016/17.

Mecca – Venues

Key financial performance indicators

	H1 2017/18	H1 2016/17	Change
Revenue[1] (£m)	**104.1**	108.0	(4)%
EBITDA[2] (£m)	**18.6**	19.2	(3)%
Operating profit[2] (£m)	**12.7**	13.3	(5)%
Like-for-like revenue[3]	**(3)%**		

1 Before adjustments for customer incentives.

2 Before exceptional items, as per note 2 in the financial results section.

3 Excludes venues closures and Luda openings.

Like-for-like revenue[3] was down 3% in the period due to a 7% fall in customers visits. Total revenue was down 4%, impacted by the closure of two clubs in the comparable period. Operating profit fell by 5% due to lower revenue.

Key non-financial performance indicators

	H1 2017/18	H1 2016/17	Change	LFL[4] change
Customer visits (000s)	**4,974**	5,379	(8)%	(7)%
Spend per visit (£)	**20.93**	20.08	4%	4%

Like-for-like[3] customer visits fell by 7% in the period, in contrast to a 4% increase in spend per visit in the period.

In the period, Mecca's performance on visits and revenues remained broadly in line with its competitors, however, more recent trends show Mecca is outperforming the market.

Mecca continued with its experiential bingo events (Batty Bingo, Bonkers Bingo and Big Bingo Bash) in the period, these events are not key drivers of profit but are successful in broadening the appeal of retail bingo. Mecca continues to experiment with broadening the reach of retail bingo with a planned Bonkers Bingo themed minicruise, in partnership with P&O Ferries.

Venues revenue analysis

£m	**H1 2017/18**	H1 2016/17	Change	LFL[4] change
Main stage bingo	**18.2**	17.2	6%	7%
Interval games	**38.7**	42.4	(9)%	(9)%
Amusement machines	**34.0**	35.4	(4)%	(4)%
Food and drink/other	**13.2**	13.0	2%	3%
Total	**104.1**	108.0	(4)%	(3)%

Recently introduced new bingo packages and Mecca Max investments made in the prior year led to a 6% increase in main stage bingo revenue.

Luda – venues

Luda is a new, bingo-led, high street gaming venue, offering a coffee shop and bar combined with bingo games, slots and arcade games in a modern and friendly environment. It is designed to target a different demographic from Mecca and will typically be located in town and city centres.

During the period three Luda venues were opened, in Walsall (August 2017), Weston-super-Mare (October 2017) and Leeds (November 2017).

It is too early to give comment on Leeds and Weston-super-Mare but initial progress in the Walsall venue has been below expectations. A review is underway to identify improvements to the marketing and offer to better suit the local market. A more detailed update on the new format will be outlined in the Group's full year results.

UK digital

Rank's UK digital business continued to grow strongly, with revenue[1] up 16% and operating profit[2] up 56% in the period.

Key financial performance indicators

	H1 2017/18	H1 2016/17	Change
Revenue[1] (£m)	**60.6**	52.4	16%
meccabingo.com	**36.1**	33.1	9%
grosvenorcasinos.com	**24.5**	19.3	27%
EBITDA[2] (£m)	**13.5**	10.1	34%
Operating profit[2] (£m)	**11.4**	7.3	56%

1 Before adjustments for customer incentives.

2 Before exceptional items, as per note 2 in the financial results section.

Following a strong revenue trend at the end of the prior year, meccabingo.com continued to grow, up 9%, and is showing good momentum into 2018.

Grosvenorcasinos.com revenue continues to grow, up 27%, driven by strong performances from its slots and Live Casino products.

Operating profit[2] continued to grow strongly, up 56%, due to higher revenue, increased scale and improved marketing efficiency. The recent changes in the taxation of free bets came into effect from October 2017 for the Group and resulted in an additional £1.0m of remote gaming duty for the period.

More targeted marketing focussing on driving higher revenue per user in meccabingo.com led to a 5% fall in digital customer numbers.

Key non-financial performance indicators

	H1 2017/18	H1 2016/17	Change
Customers[3] (000s)	397	418	(5)%

3 Customers shown on a moving annual total ('MAT') basis.

A new slots-led digital casino brand, bellacasino.com, will be fully launched in February on the Group's new digital content management system ('CMS'). The new CMS will bring increased flexibility and speed to the implementation of new digital content and brands.

Luda.com, the complementary digital offer to the recently opened Luda venues, is due to be launched later in 2018.

A new integrated marketing campaign, led by the "Meccarena" TV advert, was launched on Boxing Day and, to date, customer trends have been very positive.

The Group has made good progress with its single account and wallet project, now named "Grosvenor One", with a successful pilot in Grosvenor's Stockport casino. Roll-out across the remaining casino estate is scheduled to commence in Q4 and is due to be completed in the summer.

Enracha

Key financial performance indicators

	H1 2017/18	H1 2016/17	Change
Revenue (€m)	**19.9**	18.8	6%
Revenue (£m)	**17.7**	16.2	9%
EBITDA[1] (£m)	**3.4**	3.7	(8)%
Operating profit[1] (€m)	**2.9**	3.4	(15)%
- venues	**4.0**	3.6	11%
- digital	**(1.1)**	(0.2)	(450)%
Operating profit[1] (£m)	**2.6**	2.9	(10)%
- venues	**3.6**	3.1	16%
- digital	**(1.0)**	(0.2)	(400)%
Euro like-for-like revenue[2]	**6%**		

1 Before exceptional items, as per note 2 in the financial results section.

2 There were no venue closures or openings in the period, therefore like-for-like is the same as the revenue disclosed above.

Enracha had a strong first half to the financial year with euro retail revenue and operating profit[1] both up, by 6% and 11% respectively to €19.9m and €4.0m. This was driven by continued growth in bingo admissions, spend per visit and a strong amusement machines performance. Enracha also launched "Bingo Dynamico" in Madrid, similar to Mecca Max bingo in the UK, and has performed well in the period.

Enracha digital commenced operations in September 2017 with a limited offering on the Bede platform. Initial indications from market tests have shown strong enthusiasm for both the brand and the multi-channel offer. Management expect to launch enracha.es fully in the coming months with a full product suite and comprehensive marketing plan.

Key non-financial performance indicators

	H1 2017/18	H1 2016/17	Change
Customer visits (000s)	**987**	982	1%
Spend per visit (€)	**20.16**	19.14	5%
Spend per visit (£)	**17.93**	16.50	9%

Following regulatory delays, Enracha's first standalone sports bar and amusement machine venue 'Enracha Stadium' is expected to launch in H2 2017/18. If this proves successful Enracha will look to roll this out as a secondary brand to its core bingo offering.

€m	**H1 2017/18**	H1 2016/17	Change
Bingo	**11.2**	10.4	8%
Amusement machines	**7.4**	6.5	14%
Food & drink/other	**1.3**	1.9	(32)%
Total	**19.9**	18.8	6%

Our strategy

Rank's aim is to be the UK's leading multi-channel gaming operator. We are focused on building brands with the ability to deliver them via the channels our customers prefer, whether that is through our 152 venues, online or mobile.

1. Creating a compelling multi-channel offer

In the markets where we operate, Rank is one of the few gaming companies in a position to provide customers a genuine multi-channel gaming offer. We have a number of key assets, including a portfolio of 152 venues, our membership-based model with approximately three million members, our loyalty and reward programmes and the high levels of engagement that our team members enjoy with customers.

Activity in H1 2017/18

- Trial of Grosvenor's single account and wallet in Grosvenor's Stockport casino
- Dual play, the live streaming of electronic roulette at the Victoria casino to the Group's digital channels
- Roll-out of a new affiliate programme rewarding Grosvenor employees for converting retail customers to digital play
- Mobile ordering of F&B in Mecca rolled out in a further seven venues; with the trial to be reviewed before any further roll-out

Priorities for H2 2017/18

- Roll-out of single account and wallet in Grosvenor Casinos from Q4; roll-out to be completed in the summer
- Dual play baccarat, the live streaming of baccarat at the Victoria casino to the Group's digital channels
- F&B ordering via Mecca Max to be rolled out

2. Building digital capability and scale

Rank has built strong positions in venue-based gaming which we seek to replicate across our digital channels (online and mobile). In H1 2017/18, our digital operations generated 16% of Group revenue whereas digital channels now represent around 34% of Great Britain's gambling market (excluding National Lottery), presenting a significant growth opportunity. We continue to enhance our capability in this area such that we can leverage our active retail customer base of three million customers and meet their changing needs.

Activity in H1 2017/18

- Enracha.es launched
- New Live Casino apps successfully launched in August 2017 and performing well
- New Grosvenor and Mecca android apps launched with positive results
- New CRM system, Adobe Campaign, launched

Priorities for H2 2017/18

- Launch of Luda's digital offer
- Launch of a new digital content management ('CMS'), to be deployed on Grosvenor and Bella Casino. Mecca, Enracha and Luda will follow in FY 2018/19
- New digital brand, Bella Casino, due for full launch in February 2018 on the new CMS

3. Developing our venues

Our casino and bingo venues remain a material part of Rank's business, providing entertainment for millions of customers each year and generating the majority of the Group's revenue and profits. By continuing to invest in our venues (in terms of product, environment and service) and by creating new concepts, we are constantly evolving and enhancing the experiences that we offer to our customers.

Activity in H1 2017/18

- Opened three Luda venues in Walsall, Weston-super-Mare and Leeds
- Local authority approvals received for locating spare casino licences at two casinos in Glasgow (Riverboat and Merchant City)

- Completion of refurbishments at Piccadilly and Golden Horseshoe casinos in London
- External refurbishment of Mecca Beeston completed and new F&B offer launched
- Rollout of 220 new digital gaming machines in Mecca's venues incorporating server-based gaming and Ticket In Ticket Out functionality
- Roll-out of new bingo concepts to additional bingo venues
- Work continued on the development of a new concept casino experience

Priorities for H2 2017/18

- A further 250 new digital gaming machines to be rolled out in Mecca
- Continue to hone and evolve the operating model and offer for Luda venues
- Look to utilise four dormant casino licences alongside existing venues
- Refurbishment of Grosvenor's Barraccuda casino
- New condensed F&B offer to be rolled out to eight Mecca venues
- Review of Grosvenor Casinos menu to improve margins

4. Investing in our brands and marketing

The development of a group of well-defined, relevant and resonant brands is critical for the success of our ambition. Rank possesses a number of well-known brands with strong levels of affinity amongst customers. Continuing to invest and develop these brands, alongside new ones, is an important part of increasing and sustaining revenues.

Activity in H1 2017/18

- New fully integrated "Meccarena" marketing campaign, including TV ads, launched on Boxing Day 2017
- New Customer Relationship Management ('CRM') system launched with full functionality to be rolled out in H2 2017/18
- Olly Raeburn appointed as chief marketing officer and new retail marketing team put in place

Priorities for H2 2017/18

- Increased cross-channel marketing focus within the Grosvenor business
- Continued marketing focus around large sporting events e.g. Cheltenham and Grand National
- Continuation of Fulham Football Club sponsorship
- Roll-out of replacement loyalty system across Grosvenor's casino estate
- Roll-out of marketing campaign around single account and wallet launch

5. Using technology to drive efficiency and improve customer experience

The customer is at the heart of our focus on increasing the use of technology in our business and driving efficiency. An improved customer experience and higher operating margins will help to improve our competitive advantage. We continue to use technology to offer our customers more engaging experiences and to achieve sustainable growth in operating margins.

Activity in H1 2017/18

- Four electronic roulette pricing experiments were carried out across eight casinos with the aim of improving efficiency and suitability of offer
- A review of rostering software was carried out which concluded an upgrade of our current system was the most suitable
- Planned roll-out of additional side bets on electronic roulette

Priorities for H2 2017/18

- Findings of electronic roulette pricing trials to be reviewed and rolled out as appropriate across the casino estate
- Roll-out of the full suite of casino management system (Neon) applications to be completed
- Roll-out of electronic baccarat
- Refurbishment of 5,100 Mecca Max units across Mecca's retail estate
- Introduction of a F&B self-ordering App for Grosvenor retail

Financial Review

	H1 2017/18 £m	H1 2016/17 £m	Change
Revenue	**379.6**	378.6	0%
Less: Customer incentives	**(25.4)**	(23.3)	9%
Statutory revenue	**354.2**	355.3	0%
Operating profit[1]	**41.7**	36.6	14%
Less: Net finance charges	**(1.4)**	(3.0)	
Less: Other financial gains and losses	**(0.1)**	0.9	
Adjusted profit before taxation	**40.2**	34.5	17%
Profit before interest and taxation	**34.2**	38.4	(11)%
Net financing charge	**(1.4)**	(3.0)	(53)%
Taxation	**(7.7)**	(7.3)	(5)%
Profit after taxation	**25.1**	28.1	(11)%
Statutory EPS	**6.4p**	7.2p	(11)%
Adjusted EPS[2]	**8.0p**	6.9p	16%

1 Before exceptional items, as per note 2 in the financial results section.

2 Adjusted EPS is calculated using adjusted profit which excludes exceptional items, other financial gains or losses, unwinding of the discount in disposal provisions and the taxation on adjusted items and impact of the reduction in tax rates. Adjusted earnings is one of the business performance measures used internally by management to manage the operations of the business. Management believes that the adjusted earnings measure assists in providing a view of the underlying performance of the business.

For the six months to 31 December 2017, statutory revenue was broadly flat at £354.2m. UK Digital continues to deliver strong statutory revenue growth, up 12%, offset by the Group's UK retail performance, down 3%.

Total cost saving of £6.2m were made in the period, principally driven by the comprehensive review of the Group's cost base in 2016/17. These savings led to a 14% increase in operating profit. Adjusted profit before taxation increased by 17% in the period.

The net financing charge for the period fell by 53% to £1.4m as debt levels continued to reduce.

Exceptional items

In order to give a full understanding of the Group's performance and to aid comparability between periods, the Group reports certain items as exceptional to normal trading.

Details of exceptional items can be found in note 3. In the first half, the key items were an exceptional cost of £4.9m relating to the underperformance of Grosvenor's Dundee and Didsbury casinos; an exceptional cost of £1.0m regarding an onerous lease provision relating to a Grosvenor Casinos venue closed in a prior period; and an exceptional cost of £1.6m relating to the restructure of the Group's UK operations.

Earnings per share

Statutory EPS from operations was down 11% at 6.4 pence. Adjusted EPS[2] was up 16% at 8.0 pence. For further details refer to note 7 in the financial results section.

Taxation

The Group's effective corporation tax rate in 2016/17 was 22.3% (H1 2016/17: 22.0%) based on a tax charge of £9.0m on adjusted profit before taxation and exceptionals. This is in line with the Group's anticipated effective tax rate of 21%-23% for the year. In the period, the Group recorded a £1.3m exceptional tax credit which principally relates to the impairment charge on the two venues within Grosvenor Casinos with additional tax exceptional credits on the Group restructuring costs and a net loss from property leases. Further details on the taxation charge are provided in note 5.

On a statutory unadjusted basis, the Group had an effective tax rate of 23.5% (H1 2016/17: 20.6%), based on a tax charge of £7.7m and total profit of £32.8m.

Cash tax rate

In the period, the Group had an effective cash tax rate of 15.9% on adjusted profit (H1 2016/17: 17.0%). The cash tax rate is lower than the effective tax rate mainly as a result of the use of losses within the Group and the timing of tax instalment payments.

Cash flow and net debt

The Group's balance sheet continued to strengthen in the period with net debt moving to a net cash position at 31 December 2017.

Cash generated from continuing operations was up at £61.9m in the period. As at 31 December 2017, net cash was £4.0m, a £37.0m improvement from the previous half year end. Net cash comprised £70.0m in bank term loans, £10.1m in fixed rate Yankee Bonds, £7.7m in finance leases and £6.6m in overdrafts, offset by cash at bank and in hand of £98.4m.

The £90.0m of revolving credit facilities was undrawn at 31 December 2017. In January 2018, the Group's Yankee Bonds were repaid from cash on their maturity and the £70.0m term loan will be amortised further to £50.0m in February 2018.

The bank facilities require the maintenance of a minimum ratio of earnings before interest, tax, depreciation and amortisation (EBITDA) to net interest payable and a maximum ratio of net debt to EBITDA, tested biannually. The Group has complied with its banking covenants.

	H1 2017/18	H1 2016/17
Cash inflow from operations	**67.3**	57.9
Net cash payments in respect of provisions and exceptional items	**(5.4)**	(6.1)
Cash generated from operations	**61.9**	51.8
Capital expenditure	**(17.4)**	(17.0)
Net interest and tax payments	**(7.6)**	(7.2)
Dividends paid	**(20.7)**	(18.4)
Refund on unclaimed dividend	-	0.2
Other (including exchange translation)	**0.2**	(1.2)
Cash inflow	**16.4**	8.2
Opening net debt	**(12.4)**	(41.2)
Closing net debt	**4.0**	(33.0)

Capital expenditure

	H1 2017/18	H1 2016/17
Cash:		
Grosvenor Casinos – venues	**6.7**	6.7
Mecca – venues	**2.1**	4.0
Luda – venues	**1.6**	-
UK digital	**4.5**	1.5
Enracha	**0.4**	0.5
Central	**2.1**	4.3
Total	**17.4**	17.0

In relation to Grosvenor's casinos, £2.3m was spent on the refurbishment of London's Piccadilly and Golden Horseshoe casinos; £1.2m was spent on the new casino management system, Neon; with the balance of £3.1m relating to a variety of small IT projects, minor refurbishments and product maintenance.

£2.1m was spent in the period relating to general IT and general maintenance in Mecca's venues.

£1.6m was spent in the period on the three new Luda venues in Walsall, Weston-super-Mare and Leeds.

Within digital, £1.9m was spent on the single account and wallet project, £1.0m on the new digital content management system, £0.5m on the new customer relationship management system and £1.1m on numerous smaller digital projects.

For the full 2017/18 financial year, the Group is planning to invest between £45m and £48m.

Total capital committed at 31 December 2017 was £1.7m.

IFRS 16 - Leases

IFRS 16 Leases represents a significant change, notably for lessees, in how leases are accounted for and reported. The standard will result in most of the Group's lease arrangements to be accounted for on balance sheet and will have a material impact on the Group's balance sheet and reported results.

The standard will be effective for the Group for the period beginning 1 July 2019, subject to EU endorsement, and will replace IAS 17 Leases. The full impact of IFRS 16 on the Group is currently being assessed, including the practical application of the principles of the standard to the Group's leases, and it is therefore not yet possible to provide a reasonable estimate of its effect. We expect to provide further guidance on the impact of the new standard in our reporting for the year ended 30 June 2018.

IFRS 9 and IFRS 15

IFRS 9 and IFRS 15 will be effective for our next financial reporting period. The Group does not anticipate a material impact on the results or net assets from these standards that are in issue but not yet effective.

Going concern

In adopting the going concern basis for preparing the financial information the directors have considered the issues impacting the Group during the period as detailed in the financial review and have reviewed the Group's projected compliance with its banking covenants. Based on the Group's cash flow forecasts and operating budgets, the directors believe that the Group will generate sufficient cash to meet its borrowing requirements for at least 12 months from the approval of this report and comply with all of its banking covenants.

Principal risks and uncertainties

The Group's risk management strategy focuses on the minimisation of risks for the Group. Key risks are reviewed by the executive committee and the board on a regular basis and, where appropriate, actions are taken to mitigate the key risks that are identified. The principal risks and uncertainties faced by the Group remain those set out in the Group's annual report and financial statements for the year ended 30 June 2017 and include:

- Regulatory, finance, business environment and tax risks;
- Operational risk (volatility of gaming win, loss of licences, single account and wallet project, business continuity and disaster recovery); and
- Information technology risks.

Greater detail on these risks and uncertainties are set out in pages 42 to 44 of the Group's 2017 annual report and financial statements.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Interim Results for the six month period ended 31 December 2017 in accordance with applicable law, regulations and accounting standards. The directors confirm that to the best of their knowledge the condensed consolidated interim financial statements have been prepared in accordance with IAS 34: 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of the important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months of the year and any material changes in the related party transactions described in the last annual report.

The directors of The Rank Group Plc are listed in The Rank Group Plc 2017 Annual Report and Financial Statements. A list of current directors is maintained on The Rank Group Plc website at: www.rank.com.

Directors
Henry Birch – Chief Executive
Ian Burke - Chairman
Clive Jennings – Finance Director
Chris Bell – Senior Independent Director
Steven Esom*
Susan Hooper*
Lord Kilmorey*
Alex Thursby*

*Non-executive Directors

Signed on behalf of the board on 31 January 2018

Henry Birch	Clive Jennings
Chief Executive	Finance Director

INDEPENDENT REVIEW REPORT TO THE RANK GROUP PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2017 which comprises the Group Income Statement, Group Statement of Comprehensive Income, Group Statement of Changes in Equity, Group Balance Sheet, Group Cash Flow Statement and the related explanatory notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
31 January 2018

Group Income Statement
for the six months to 31 December 2017

		Six months to 31 December 2017 (unaudited)			Six months to 31 December 2016 (unaudited)		
	Note	**Before Exceptional Items £m**	**Exceptional items (note 3) £m**	**Total £m**	Before Exceptional Items £m	Exceptional items (note 3) £m	Total £m
Continuing operations							
Revenue before adjustment for customer incentives		**379.6**	**-**	**379.6**	378.6	-	378.6
Customer incentives		**(25.4)**	**-**	**(25.4)**	(23.3)	-	(23.3)
Revenue	2	**354.2**	**-**	**354.2**	355.3	-	355.3
Cost of sales		**(191.1)**	**-**	**(191.1)**	(193.0)	(0.2)	(193.2)
Gross profit		**163.1**	**-**	**163.1**	162.3	(0.2)	162.1
Other operating (costs) income		**(121.4)**	**(7.5)**	**(128.9)**	(125.7)	2.0	(123.7)
Group operating profit	2	**41.7**	**(7.5)**	**34.2**	36.6	1.8	38.4
Financing:							
– finance costs		**(1.7)**	**-**	**(1.7)**	(2.2)	-	(2.2)
– finance income		**0.2**	**-**	**0.2**	0.1	-	0.1
– other financial gains (losses)		**0.1**	**-**	**0.1**	(0.9)	-	(0.9)
Total net financing charge	4	**(1.4)**	**-**	**(1.4)**	(3.0)	-	(3.0)
Profit (loss) before taxation		**40.3**	**(7.5)**	**32.8**	33.6	1.8	35.4
Taxation	5	**(9.0)**	**1.3**	**(7.7)**	(6.3)	(1.0)	(7.3)
Profit (loss) for the period		**31.3**	**(6.2)**	**25.1**	27.3	0.8	28.1
Attributable to:							
Equity holders of the parent		**31.3**	**(6.2)**	**25.1**	27.3	0.8	28.1
Earnings (loss) per share attributable to equity shareholders							
– basic		**8.0**	**(1.6)**	**6.4**	7.0	0.2	7.2
– diluted		**8.0**	**(1.6)**	**6.4**	7.0	0.2	7.2

Group Statement of Comprehensive Income
for the six months to 31 December 2017

	Six months to 31 December 2017 (unaudited) £m	Six months to 31 December 2016 (unaudited) £m
Comprehensive income:		
Profit for the period	**25.1**	28.1
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange adjustments net of tax	**0.3**	1.0
Total comprehensive income for the period	**25.4**	29.1
Attributable to:		
Equity holders of the parent	**25.4**	29.1

Group Statement of Changes in Equity
for the six months to 31 December 2017

	For the six months to 31 December 2017 (unaudited)					
	Share capital £m	**Share premium £m**	**Capital redemption reserve £m**	**Exchange translation reserve £m**	**Retained earnings £m**	**Total £m**
At 1 July 2017	**54.2**	**98.4**	**33.4**	**15.8**	**188.8**	**390.6**
Comprehensive income:						
Profit for the period	**-**	**-**	**-**	**-**	**25.1**	**25.1**
Other comprehensive income:						
Exchange adjustments including tax	**-**	**-**	**-**	**0.3**	**-**	**0.3**
Total comprehensive income for the period	**-**	**-**	**-**	**0.3**	**25.1**	**25.4**
Transactions with owners:						
Dividends paid to equity holders (note 6)	**-**	**-**	**-**	**-**	**(20.7)**	**(20.7)**
Debit in respect of employee share schemes including tax	**-**	**-**	**-**	**-**	**(1.4)**	**(1.4)**
At 31 December 2017	**54.2**	**98.4**	**33.4**	**16.1**	**191.8**	**393.9**

	For the six months to 31 December 2016 (unaudited)					
	Share Capital £m	Share Premium £m	Capital Redemption Reserve £m	Exchange translation reserve £m	Retained earnings £m	Total £m
At 1 July 2016	54.2	98.4	33.4	13.5	153.1	352.6
Comprehensive income:						
Profit for the period	-	-	-	-	28.1	28.1
Other comprehensive income:						
Exchange adjustments including tax	-	-	-	1.0	-	1.0
Total comprehensive income for the period	-	-	-	1.0	28.1	29.1
Transactions with owners:						
Dividends paid to equity holders (note 6)	-	-	-	-	(18.4)	(18.4)
Refund of unclaimed dividends (note 6)	-	-	-	-	0.2	0.2
Debit in respect of employee share schemes including tax	-	-	-	-	(1.3)	(1.3)
At 31 December 2016	54.2	98.4	33.4	14.5	161.7	362.2

Group Balance Sheet
at 31 December 2017 and 30 June 2017

	Note	**31 December 2017 (unaudited) £m**	30 June 2017 £m
Assets			
Non-current assets			
Intangible assets		**413.1**	411.5
Property, plant and equipment		**175.3**	187.9
Deferred tax assets		**0.7**	0.1
Other receivables		**7.0**	6.5
		596.1	606.0
Current assets			
Inventories		**2.9**	2.8
Other receivables		**33.1**	25.3
Income tax receivable		**-**	0.3
Cash and short-term deposits		**98.4**	79.0
		134.4	107.4
Total assets		**730.5**	713.4
Liabilities			
Current liabilities			
Trade and other payables		**(142.4)**	(128.9)
Income tax payable		**(14.3)**	(12.7)
Financial liabilities - loans and borrowings		**(68.4)**	(34.6)
Provisions	8	**(7.4)**	(10.0)
		(232.5)	(186.2)
Net current liabilities		**(98.1)**	(78.8)
Non-current liabilities			
Trade and other payables		**(30.3)**	(31.8)
Financial liabilities - loans and borrowings		**(26.3)**	(57.0)
Deferred tax liabilities		**(19.6)**	(19.9)
Provisions	8	**(23.6)**	(23.7)
Retirement benefit obligations		**(4.3)**	(4.2)
		(104.1)	(136.6)
Total liabilities		**(336.6)**	(322.8)
Net assets		**393.9**	390.6
Capital and reserves attributable to the Company's equity shareholders			
Share capital		**54.2**	54.2
Share premium		**98.4**	98.4
Capital redemption reserve		**33.4**	33.4
Exchange translation reserve		**16.1**	15.8
Retained earnings		**191.8**	188.8
Total shareholders' equity		**393.9**	390.6

Group Cash Flow Statement
for the six months to 31 December 2017

	Note	**Six months to 31 December 2017 (unaudited) £m**	Six months to 31 December 2016 (unaudited) £m
Cash flows from operating activities			
Cash generated from continuing operations	10	**61.9**	51.8
Interest received		**0.2**	0.1
Interest paid		**(1.4)**	(1.5)
Tax paid		**(6.4)**	(5.8)
Net cash from operating activities		**54.3**	44.6
Cash flows from investing activities			
Purchase of intangible assets		**(6.5)**	(3.8)
Purchase of property, plant and equipment		**(10.9)**	(13.2)
Net cash used in investing activities		**(17.4)**	(17.0)
Cash flows from financing activities			
Dividends paid to equity holders		**(20.7)**	(18.4)
Refund of unclaimed dividends		**-**	0.2
Finance lease principal payments		**(0.7)**	(0.7)
Net cash used in financing activities		**(21.4)**	(18.9)
Net increase in cash, cash equivalents and bank overdrafts		**15.5**	8.7
Effect of exchange rate changes		**(0.2)**	(0.2)
Cash and cash equivalents at start of period		**76.5**	57.9
Cash and cash equivalents at end of period*		**91.8**	66.4

*Cash and cash equivalents at the end of the period includes overdraft of £6.6m (year ended 31 December 2016: £5.1m)

1 General information, basis of preparation and accounting policies

The Company is a public limited company which is listed on the London stock exchange and incorporated and domiciled in England and Wales under registration number 03140769. The address of its registered office is TOR, Saint-Cloud Way, Maidenhead, SL6 8BN.

This condensed consolidated interim financial information was approved for issue on 31 January 2018.

This condensed consolidated financial information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the 12 month period ended 30 June 2017 were approved by the board of directors on 16 August 2017 and delivered to the Registrar of Companies.The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement made under Section 498 of the Companies Act 2006.

This condensed consolidated interim financial information has been reviewed but not audited.

Basis of preparation

This condensed consolidated interim financial information for the six months ended 31 December 2017 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS34 'Interim financial reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the financial statements for the 12 month period ended 30 June 2017, which have been prepared in accordance with IFRSs as adopted by the European Union.

Going concern

In adopting the going concern basis for preparing the financial information the directors have considered the issues impacting the Group during the period as detailed in the business review above and have reviewed the Group's projected compliance with its banking covenants. Based on the Group's cash flow forecasts and operating budgets, and assuming that trading does not deteriorate considerably from current levels, the directors believe that the Group will generate sufficient cash to meet its requirements for at least 12 months from the date of approval of the interim financial information and comply with all of its banking covenants. Accordingly the adoption of the going concern basis remains appropriate.

Accounting policies

There have been no new or amended standards or interpretations that became effective in the period which have had a material impact upon the values or disclosures in the interim financial information.

Given the fair value of financial instruments is approximate to the carrying amounts no separate note has been included.

Except as described below, the accounting policies applied are consistent with those of the financial statements for the 12 month period ended 30 June 2017, as described in those financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The Group has not early adopted any standard, interpretation or amendment that was issued but is not yet effective.

2 Segment information

	Six months to 31 December 2017 (unaudited)					
	Grosvenor Venues £m	**Mecca Venues £m**	**UK Digital £m**	**Enracha £m**	**Central costs £m**	**Total £m**
Group revenue reported in internal information	**197.2**	**104.1**	**60.6**	**17.7**	**-**	**379.6**
Customer incentives	**(6.9)**	**(5.0)**	**(13.5)**	**-**	**-**	**(25.4)**
Segment revenue	**190.3**	**99.1**	**47.1**	**17.7**	**-**	**354.2**
Operating profit (loss) before exceptional items	**30.1**	**12.7**	**11.4**	**2.6**	**(15.1)**	**41.7**
Exceptional operating (loss) profit	**(6.6)**	**(0.5)**	**0.2**	**-**	**(0.6)**	**(7.5)**
Segment result	**23.5**	**12.2**	**11.6**	**2.6**	**(15.7)**	**34.2**
Finance costs						**(1.7)**
Finance income						**0.2**
Other financial gains						**0.1**
Profit before taxation						**32.8**
Taxation						**(7.7)**
Profit for the period						**25.1**

	Six months to 31 December 2016 (unaudited)					
	Grosvenor Venues £m	Mecca Venues £m	UK Digital £m	Enracha £m	Central costs £m	Total £m
Group revenue reported in internal information	202.0	108.0	52.4	16.2	-	378.6
Customer incentives	(6.9)	(5.9)	(10.5)	-	-	(23.3)
Segment revenue	195.1	102.1	41.9	16.2	-	355.3
Operating profit (loss) before exceptional items	26.1	13.3	7.3	2.9	(13.0)	36.6
Exceptional operating (loss) profit	(4.2)	10.5	(1.4)	(0.2)	(2.9)	1.8
Segment result	21.9	23.8	5.9	2.7	(15.9)	38.4
Finance costs						(2.2)
Finance income						0.1
Other financial losses						(0.9)
Profit before taxation						35.4
Taxation						(7.3)
Profit for the period						28.1

2 Segment information (continued)

To increase transparency, the Group continues to include additional disclosure analysing total costs by type and segment. A reconciliation of total costs, before exceptional items, by type and segment is as follows:

	Six months to 31 December 2017 (unaudited)					
	Grosvenor Venues £m	**Mecca Venues £m**	**UK Digital £m**	**Enracha £m**	**Central costs £m**	**Total £m**
Employment and related costs	**68.4**	**26.8**	**5.2**	**7.4**	**9.1**	**116.9**
Taxes and duties	**40.4**	**16.9**	**6.2**	**1.0**	**0.8**	**65.3**
Direct costs	**9.3**	**10.4**	**14.9**	**2.5**	**-**	**37.1**
Property costs	**16.0**	**14.2**	**0.2**	**0.6**	**0.8**	**31.8**
Marketing	**6.6**	**4.3**	**3.8**	**0.7**	**-**	**15.4**
Depreciation and amortisation	**11.3**	**5.9**	**2.1**	**0.8**	**1.5**	**21.6**
Other	**8.2**	**7.9**	**3.3**	**2.1**	**2.9**	**24.4**
Total costs before exceptional items	**160.2**	**86.4**	**35.7**	**15.1**	**15.1**	**312.5**
Cost of sales						**191.1**
Operating costs						**121.4**
Total costs before exceptional items						**312.5**

	Six months to 31 December 2016 (unaudited)*					
	Grosvenor Venues £m	Mecca Venues £m	UK Digital £m	Enracha £m	Central costs £m	Total £m
Employment and related costs	71.8	28.0	4.9	7.5	9.5	121.7
Taxes and duties	43.3	17.5	4.6	0.9	0.9	67.2
Direct costs	8.5	10.6	13.0	1.4	-	33.5
Property costs	15.3	13.6	0.4	0.7	0.6	30.6
Marketing	7.2	5.2	6.5	0.4	-	19.3
Depreciation and amortisation	12.7	5.9	2.8	0.8	0.9	23.1
Other	10.2	8.0	2.4	1.6	1.1	23.3
Total costs before exceptional items	169.0	88.8	34.6	13.3	13.0	318.7
Cost of sales						193.0
Operating costs						125.7
Total costs before exceptional items						318.7

* The 2016 comparative has been amended to ensure consistency of cost classification in both years

3 Exceptional items

	Six months to 31 December 2017 (unaudited) £m	Six months to 31 December 2016 (unaudited) £m
Exceptional items		
Closure of venues	**-**	(0.3)
Impairment charges	**(4.9)**	(4.7)
Impairment reversals	**-**	0.6
Group restructuring including relocation costs	**(1.6)**	(3.8)
Net (loss) profit from property leases	**(1.0)**	10.7
Aborted acquisition costs	**-**	(0.7)
Exceptional operating (costs) income	**(7.5)**	1.8
Taxation (see note 5)	**1.3**	(1.0)
Total exceptional items	**(6.2)**	0.8

Impairment charges
The Group has recognised an impairment charge of £4.9m for two venues within Grosvenor. Performance at these venues has not been in line with expectations and management do not expect the results to improve in the short term.

Group restructuring including relocation costs
In 2016/17 the Group carried out a detailed review of its entire UK organisational structure designed to improve customer service and simplify operations. This resulted in changes to management and team structures at both club and central levels, the decision to centralise support functions into a new office in Maidenhead and the merging of separately run brand teams in UK digital. Current period costs include residual costs from the restructuring implemented in 2016/17 as well as costs from restructuring the UK corporate office and the implementation of a single UK retail leadership team to cover both Mecca and Grosvenor Casinos. The total cost of this restructuring project was £10.4m, £1.6m of which has been recognised in the current period. The project is now substantially complete and significant costs are not expected to be incurred in H2.

Net (loss) profit from property leases
Despite advanced negotiations to sub-let an onerous property within Grosvenor, the potential tenant decided to not complete the agreement and as a result a £1.0m onerous lease provision has been recognised for the empty property.

4 Financing

	Six months to 31 December 2017 (unaudited) £m	Six months to 31 December 2016 (unaudited) £m
Finance costs:		
Interest on debt and borrowings	**(1.1)**	(1.3)
Amortisation of issue costs on borrowings	**(0.2)**	(0.2)
Interest payable on finance leases	**(0.3)**	(0.3)
Unwinding of the discount in property lease provisions	**(0.1)**	(0.4)
Total finance costs	**(1.7)**	(2.2)
Finance income:		
Interest income on short term bank deposits	**0.2**	0.1
Finance income	**0.2**	0.1
Other financial gains (losses) - including foreign exchange	**0.1**	(0.9)
Total net financing costs	**(1.4)**	(3.0)

	Six months to 31 December 2017 (unaudited) £m	Six months to 31 December 2016 (unaudited) £m
Total net financing costs	**(1.4)**	(3.0)
Adjust for:		
Other financial (gains) losses - including foreign exchange	**(0.1)**	0.9
Interest payable included in adjusted profit	**(1.5)**	(2.1)

5 Taxation

Income tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial period.

	Six months to 31 December 2017 (unaudited) £m	Six months to 31 December 2016 (unaudited) £m
Current income tax		
Current income tax – UK	**(6.6)**	(5.7)
Current income tax – overseas	**(2.0)**	(1.2)
Current income tax charge	**(8.6)**	(6.9)
Current income tax on exceptional items	**0.5**	(1.6)
Amounts over provided in previous years	**(0.4)**	-
Total current income tax charge	**(8.5)**	(8.5)
Deferred tax		
Deferred tax – UK	**(0.6)**	(0.4)
Deferred tax - overseas	**-**	(0.1)
Restatement of deferred tax from 18% to 17%	**-**	1.1
Deferred tax on exceptional items	**0.8**	0.6
Amounts over provided in previous years	**0.6**	-
Total deferred tax credit	**0.8**	1.2
Tax charge in the income statement	**(7.7)**	(7.3)

The tax effect of items within other comprehensive income was as follows:

	Six months to 31 December 2017 (unaudited) £m	Six months to 31 December 2016 (unaudited) £m
Current tax credit on exchange movements offset in reserves	**-**	0.2
Total tax credit on items within other comprehensive income	**-**	0.2

The credit in respect of employee share schemes included within the Statement of Changes in Equity includes a deferred tax credit of £0.1m (six months to 31 December 2016: £nil).

Factors affecting future taxation

On 8 July 2015, the Chancellor of the Exchequer announced the reduction in the main rate of UK corporation tax to 19.0% for the year starting 1 April 2017 and a further 1.0% reduction to 18.0% from 1 April 2020. These changes were substantively enacted in October 2015.

On 16 March 2016, the Chancellor of the Exchequer announced a further 1.0% reduction to the previously announced 18.0% main rate of UK corporation tax to 17.0% from 1 April 2020. This change was substantively enacted in September 2016.

The rate reductions will reduce the amount of cash tax payments to be made by the Group.

A reconciliation of tax on continuing operations to tax included in adjusted profit is described below:

	Six months to 31 December 2017 (unaudited) £m	Six months to 31 December 2016 (unaudited) £m
Tax charge	**(7.7)**	(7.3)
Adjust for:		
Tax on exceptional items	**(1.3)**	1.0
Tax on adjusted items and impact of reduction in tax rate	**-**	(1.3)
Tax charge included in adjusted profit	**(9.0)**	(7.6)

6 Dividends

	Six months to 31 December 2017 (unaudited) £m	Six months to 31 December 2016 (unaudited) £m
Dividends paid to equity holders		
Final dividend for 2016/17 paid on 31 October 2017 - 5.30p per share	**20.7**	-
Final dividend for 2015/16 paid on 20 October 2016 - 4.70p per share	**-**	18.4
Refund on unclaimed dividend		(0.2)
Total	**20.7**	18.2

The Board has declared an interim dividend of 2.15p per ordinary share. The dividend will be paid on 15 March 2018 to shareholders on the register at 16 February 2018. The financial information does not reflect this dividend.

7 Adjusted earnings per share

Adjusted earnings is calculated by adjusting profit attributable to equity shareholders to exclude the impact of reductions in tax rate, exceptional items, other financial gains or losses, unwinding of the discount in disposal provisions and the related tax effects. Adjusted earnings is one of the business performance measures used internally by management to manage the operations of the business. Management believes that the adjusted earnings measure assists in providing a view of the underlying performance of the business.

Adjusted net earnings attributable to equity shareholders is derived as follows:

	Six months to 31 December 2017 (unaudited) £m	Six months to 31 December 2016 (unaudited) £m
Profit attributable to equity shareholders	**25.1**	28.1
Adjust for:		
Exceptional items after tax	**6.2**	(0.8)
Other financial (gains) losses	**(0.1)**	0.9
Taxation on adjusted items and impact of reduction in tax rate	**-**	(1.3)
Adjusted net earnings attributable to equity shareholders	**31.2**	26.9
Weighted average number of ordinary shares in issue	**390.7m**	390.7m
Adjusted earnings per share (p) - basic	**8.0p**	6.9p
Adjusted earnings per share (p) - diluted	**8.0p**	6.9p

8 Provisions

	Property lease provisions £m	Disposal provisions £m	Restructuring provisions £m	Indirect tax provisions £m	Total £m
At 1 July 2017	**24.6**	**4.2**	**3.7**	**1.2**	**33.7**
Unwinding of discount	**0.1**	**-**	**-**	**-**	**0.1**
Charge to the income statement - exceptional	**1.0**	**-**	**1.1**	**-**	**2.1**
Release to the income statement - exceptional	**-**	**-**	**(0.2)**	**-**	**(0.2)**
Utilised in period	**(1.2)**	**-**	**(3.5)**	**-**	**(4.7)**
At 31 December 2017 (unaudited)	**24.5**	**4.2**	**1.1**	**1.2**	**31.0**
Current	**4.7**	**0.4**	**1.1**	**1.2**	**7.4**
Non-current	**19.8**	**3.8**	**-**	**-**	**23.6**
At 31 December 2017 (unaudited)	**24.5**	**4.2**	**1.1**	**1.2**	**31.0**

9 Borrowings to net debt reconciliation

Under IFRS, accrued interest and unamortised facility fees are classified as loans and borrowings. A reconciliation of loans and borrowings disclosed in the balance sheet to the Group's net debt position is provided below:

	At 31 December 2017 (unaudited) £m	At 31 December 2016 (unaudited) £m
Total loans and borrowings	**(94.7)**	(104.5)
Less: accrued interest	**0.4**	0.4
Less: unamortised facility fees	**(0.1)**	(0.4)
	(94.4)	(104.5)
Add: cash and short term deposits	**98.4**	71.5
Net cash (debt)	**4.0**	(33.0)

10 Cash generated from continuing operations

	Six months to 31 December 2017 (unaudited) £m	Six months to 31 December 2016 (unaudited) £m
Operating profit	**34.2**	38.4
Exceptional items	**7.5**	(1.8)
Operating profit before exceptional items	**41.7**	36.6
Depreciation and amortisation	**21.6**	23.1
Increase in inventories	**(0.1)**	(0.2)
(Increase) decrease in other receivables	**(8.3)**	7.8
Increase (decrease) in trade and other payables	**13.5**	(8.4)
Share-based payments expense (credit)	**0.2**	(1.5)
Settlement of share based payments	**(1.7)**	-
Loss on disposal of property, plant and equipment	**0.1**	0.2
Impairment of intangible assets	**0.2**	-
Impairment of property, plant and equipment	**0.1**	0.3
	67.3	57.9
Cash payment in respect of provisions (See note 8)	**(4.7)**	(4.5)
Cash payments in respect of exceptional items	**(0.7)**	(1.6)
Cash generated from operations	**61.9**	51.8

11 Contingent liabilities

Property leases

Concurrent to the £211m sale and leaseback in 2006, the Group transferred the rights and obligations but not the legal titles of 44 property leases to a third party. The Group remains potentially liable in the event of default by the third party. Should default occur then the Group would have recourse to two guarantors. It is understood that, of the original 44 leases transferred, 8 of these have not expired or been surrendered. These 8 leases have durations of between 15 months and 95 years and a current annual rental obligation (net of sub-let income) of approximately £0.8m.

During 2014, the Group became aware of certain information in respect of a change in the financial position of the third party and one of the guarantors. However, the Group has not to date been notified of any default, or intention to default, in respect of the transferred leases.

12 Related party and ultimate parent undertaking

Guoco Group Limited (Guoco), a company incorporated in Bermuda, and listed on the Hong Kong stock exchange has a controlling interest in The Rank Group Plc. The ultimate parent undertaking of Guoco is Hong Leong Company (Malaysia) Berhad (Hong Leong) which is incorporated in Malaysia. At 31 December 2017, entities controlled by Hong Leong owned 56.2% of the Company's shares, including 52.0% through Guoco and its wholly-owned subsidiary, Rank Assets Limited, the Company's immediate parent undertaking.