The Rank Group Plc

Annual Report and Financial Statements 2013

THE RANK GROUP EXPERIENCE

Rank Group

CONTENTS

THE RANK GROUP PRESENTS

The Group has been entertaining Britain since 1937, from its origins in motion pictures to today's gaming based entertainment brands. The Group has remained true to its founding mission to make life better by bringing people together for fun and entertainment. In this the Group applies a moral code, focused on values of fairness and a belief in 'the right thing to do'.

Over the course of more than three-quarters of a century, the Group has thrilled many millions of customers in Britain and around the world. The Group's story is one of iconic brands and talented people with a mission to entertain.

For more information please visit
www.rank.com

enracha MECCA GROSVENOR CASINOS

The Rank Group presents

PERFORMANCE HIGHLIGHTS

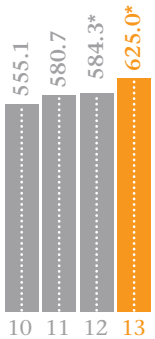
DELIVERING SOLID PERFORMANCE

The charts illustrate the Group's performance for the 12-month periods to 30 June over the last four years. The results are unaudited with the exception of the 12 months to 30 June 2013. Only the results to 30 June 2012 and 2013 have been restated to exclude the disposed Blue Square Bet business.

Statutory reporting periods

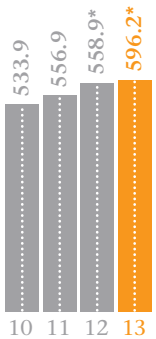
The Group changed its accounting reference date to 30 June in the prior period. The comparable statutory reporting period is therefore the 18 months to 30 June 2012. To aid comparability between periods the following commentary refers to the unaudited 12 month results to 30 June 2012.

Revenue[1] (£m)



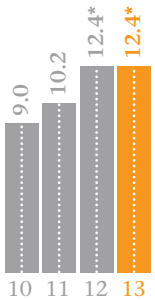
£625.0M

Statutory revenue (£m)



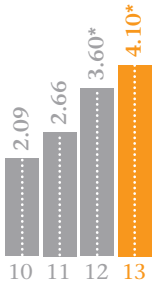
£596.2M

Adjusted earnings per share[5] (p)



12.4P

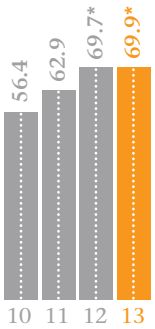
Dividend per share (p)



4.10P

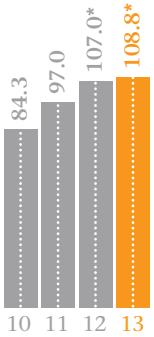
* Excludes Blue Square Bet.
** 2012/13 excludes customers from the acquired casinos and Blue Square Bet.

Operating profit[2] (£m)



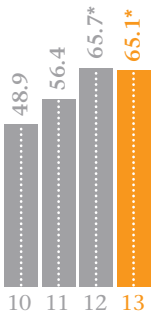
£69.9M

EBITDA[3] (£m)



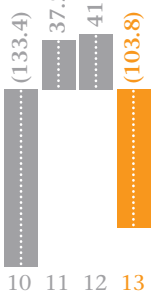
£108.8M

Adjusted profit before tax[4] (£m)



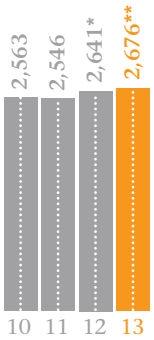
£65.1M

Net (debt)/cash (£m)



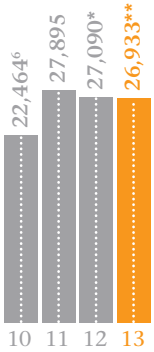
£(103.8)M

Customers (000s)



2,676

Customer visits (000s)



26,933

1 Before adjustment for free bets, promotions and customer bonuses.
2 Before exceptional items.
3 Group EBITDA is Group operating profit before exceptional items, depreciation and amortisation.
4 Adjusted profit before taxation is calculated by adjusting profit from continuing operations before taxation to exclude exceptional items, the unwinding of discount in disposal provisions and other financial gains or losses.
5 Adjusted earnings per share is calculated by adjusting profit attributable to equity shareholders to exclude discontinued operations, exclude discounted operations, exceptional items, other financial gains or losses, unwinding of the discount in disposal provisions and the related tax effects.
6 Excludes digital channels.

OUR BUSINESSES
AT THE HEART OF ENTERTAINMENT

GROSVENOR CASINOS

Grosvenor Casinos serves more than 1 million customers a year through a national portfolio of branded venues as well as via its online and mobile casinos. The brand offers a range of popular casino table games, including roulette, blackjack, baccarat and poker as well as electronic casino and slots games.

Contribution to Group revenue*

£300.3M

Number of licensed casinos

57

Operating profit**

£47.4M

Customers (000s)***

1,306

Key achievements

- Completed the acquisition of 19 casino venues and 3 non-trading licences from the Gala Coral group
- Growth in customers and customer visits
- A new G casino opened in Reading

* Before adjustment for free bets, promotions and customer bonuses.
** Before exceptional items.
*** Excludes customers from the acquired casinos.

MECCA

Mecca is Rank's community-gaming brand for the British market. With over 1 million customers a year and a national portfolio of venues, as well as one of Great Britain's most popular community gaming websites and app. The digital channel offers a range of popular games like bingo and poker as well as a wide range of slot games, and the venues also offer great value food and drink, and live entertainment.

Contribution to Group revenue*

£296.2M

Number of licensed bingo venues

97

Operating profit**

£44.1M

Customers (000s)

1,134

Key achievements

- Sustained revenue growth in meccabingo.com
- 16% growth in digital customers
- 161% growth in mobile revenue

ENRACHA

Enracha is Rank's community-gaming business for the Spanish market. 11 venues serve more than 276,000 customers a year through venues in Catalonia, Madrid, Andalucía and Galicia, offering a range of popular community games like bingo and poker as well as electronic casino and slot games, great value food and drink, and live entertainment.

Contribution to Group revenue*

£28.5M

Number of licensed bingo venues

11

Operating profit**

£0.7M

Customers (000s)

276

Key achievements

- Continued roll-out of the Enracha brand across the Spanish venues
- Increased customer satisfaction

WHERE WE OPERATE
LEADING IN OUR MARKETS

GREAT BRITAIN

Great Britain is the largest of Rank's markets, representing approximately 92% of Group revenue. Grosvenor Casinos and Mecca are headquartered in Maidenhead. Rank has become the largest land-based casino operator in Great Britain with 55 venues and 12 non-trading licences after completing the acquisition of 19 casinos and 3 non-trading licences from Gala Coral in May 2013.

BELGIUM

Belgium is a small but stable and strongly established gambling market. Rank operates 2 casino venues: in Middlekerke and Blankenberge.

SPAIN

Today, Enracha is the fourth largest bingo operator in Spain with 11 community gaming-based entertainment venues in Catalonia, Madrid, Andalucía and Galicia. Enracha is headquartered in Barcelona.

Sources:
1 Office for National Statistics, 2011 census.
2 Indexmundi.com.
3 Indexmundi.com.
4 Gambling Commission, Gambling Data.
5 Direccion General de Ordenacion del Juego.
6 Gambling Compliance & lotto.be.

Group revenue by territory

92%

Size of gambling market[4]

£12BN

Adult population[1]

50.6M

Gambling spend per adult

£237

Group revenue by territory

3%

Size of gambling market[6]

€1BN

Adult population[3]

8.8M

Gambling spend per adult

€114

Group revenue by territory

5%

Size of gambling market[5]

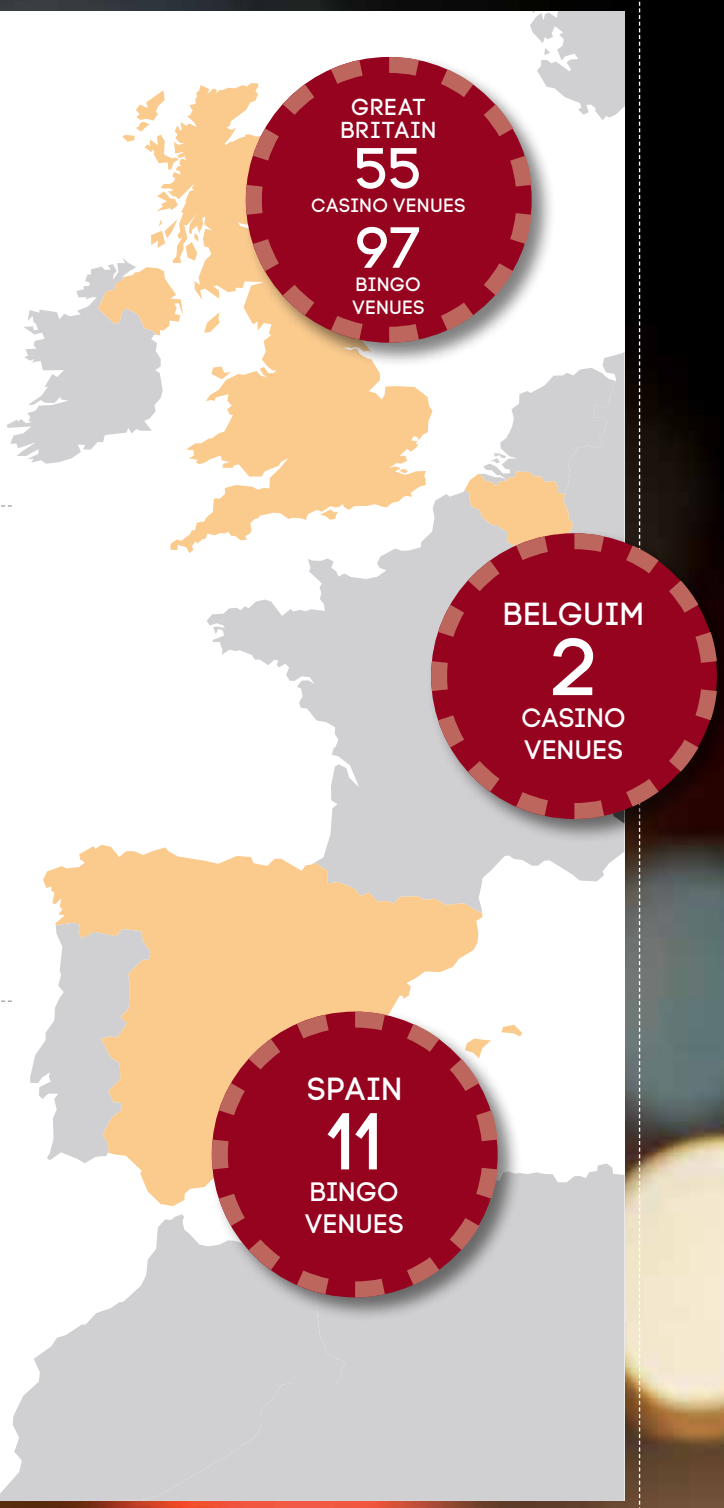
€9BN

Adult population[2]

39.8M

Gambling spend per adult

€226



CHAIRMAN AND CHIEF EXECUTIVE´S REVIEW

DELIVERING ON OUR STRATEGY

Ian Burke
Chairman & chief executive
14 August 2013

OUR BUSINESSES HAVE DELIVERED A SOLID SET OF RESULTS AND WE REMAIN CONFIDENT IN THE GROUP'S LONG-TERM PROSPECTS AND ITS INCREASING FOCUS ON THE GROWTH AREAS OF DIGITAL AND CASINO VENUES

The Group's performance is driven by its established approach of understanding our customer needs, developing well-known and much loved brands, taking responsibility for our actions and playing our part in building vibrant communities. As always our employees are vital to how we achieve this. I would like to take the opportunity on behalf of the Board to thank them all for their efforts.

It has been a busy 12 months for Rank culminating in the successful completion in May of the acquisition of 19 casinos and 3 non-trading licences from Gala Coral Group Limited ("Gala Coral") and the disposal of the loss making Blue Square Bet business.

Despite a tough economic environment and the competitive market in which we operate the Group has delivered a solid set of results. The Board has recommended a final dividend of 2.85 pence per share making total dividends for the 12 months to 30 June 2013 of 4.10 pence per share, an increase of 14% on the previous 12-month period.

Having moved to a brand-based structure at the beginning of the year, the Group has witnessed strong growth from digital media (online and mobile) and our fastest growing channel of distribution was mobile media, which increased revenue by 168% to £13.2m. 30% of our digital customers are now playing with our brands on mobile devices, up 23% from the prior period. This remains a strong area of focus for our team going forward.

I am very proud of the positive contribution the Group makes to life in Britain in a number of areas. Firstly we entertain people, we thrill them, and we make them laugh. In our venues we bring communities together, connecting people and creating shared experiences.

Secondly, we offer exciting careers for people across a range of disciplines, employing more than 11,000 individuals in full-time and part-time roles across Great Britain, Spain and Belgium.

Thirdly, we generate significant economic benefit both at a national level and a local level through the payment of duties, business taxes, rents and rates; the provision of employment; and supporting other British businesses through investment in construction, purchasing through our supply chain and providing 'halo' benefits to neighbouring retailers.

Lastly, our teams play a valuable role in their communities, though volunteering and charitable fund-raising.

As we look forward the Group is committed to three key priorities:

1. Successful integration of the former Gala venues – we will work hard on ensuring the expected benefits from the acquired casinos are achieved. To date we are pleased with the early stages of the integration and we remain confident that we will achieve the planned synergy benefits;
2. Growth in digital – through improved cross-channel working and capital investment we will continue our focus on growing our digital channels; and
3. Retail channel improvements – broadening the appeal of our venues. This is especially vital for our Mecca brand which is facing some tough challenges and there are actions underway to address this.

Summary of financial results

The Group achieved 7% growth in continuing business revenue; with 6% growth in venues and 16% in digital (online and mobile). Like-for-like revenue for the Group grew by 1%. The fastest growing channel of distribution was mobile where revenue increased by 168% to £13.2m, with over 30% of our digital customers in Great Britain playing our games on mobile devices (2011/12: 23%).

Revenue from Grosvenor Casinos increased by 15% to £300.3m driven by a higher than normal win margin in the London venues, the contribution from the acquired casinos and the impact of Machine Games Duty ("MGD"). Consequently operating profit rose by 19% to £47.4m.

Mecca's revenue increased by 1% to £296.2m as a 10% growth in digital revenues was offset by a weaker venues performance, despite the impact of MGD. The digital channel saw growth in customer numbers and visits whereas the venues channel saw a decline. The disappointing venues performance and higher digital software and affiliate costs resulted in total brand profit declining 12% to £44.1m.

Enracha's euro revenue was flat year on year with a 3% increase in euro spend per visit offset by a 3% fall in customer visits. Due to an unfavourable exchange rate, Sterling revenue declined by 2% to £28.5m. Sterling operating profit grew marginally due to cost management across the brand.

Central costs were 10% higher largely due to an increase in employment costs driven by investment in the technology team.

During the year Rank invested £38.2m of capital across the Group. More than 55% of this was deployed in enhancing venues and developing new ones. In addition, we invested £6.9m in extending the reach of our brands through digital channels.

The Group's adjusted net financing charge of £4.8m was higher than the prior period, primarily due to the financing costs associated with the acquisition of the former Gala Casinos.

Adjusted earnings per share was in line with the prior period at 12.4p.

Acquisition of the former Gala Casinos

On 12 May 2013, Rank completed its acquisition of 19 casinos and 3 non-trading licences from Gala Coral. The trading performance of the acquired casinos has been shown within Grosvenor Casinos results for the year and is in line with management's expectations.

Please refer to pages 19 and 24 for the capital expenditure plans and trading performance for the acquired estate. Details of the acquisition accounting can be found in note 25.

Group performance

	Revenue*		Operating profit**	
£m	**2012/13**	2011/12	**2012/13**	2011/12
Grosvenor Casinos	**300.3**	261.5	**47.4**	39.9
Mecca	**296.2**	293.6	**44.1**	49.9
Enracha	**28.5**	29.2	**0.7**	0.1
Central costs			**(22.3)**	(20.2)
Total continuing	**625.0**	584.3	**69.9**	69.7

* Before adjustments for free bets, promotions and customer bonuses.
** Before exceptional items.

Blue Square Bet

On 2 April 2013, Rank sold the assets and trademarks of its loss making Blue Square Bet business for £5.0m.

Blue Square Bet has been disclosed as a discontinued business within these results.

Fiscal and regulatory update

On 1 February 2013, MGD was introduced, replacing the previous system of VAT and Amusement Machine Licence Duty ("AMLD", a fixed fee charged on each gaming machine offered to consumers) on amusement machine income. The impact on the Group's revenue has been an increase of £8.6m in the period. From 1 December 2014, Remote Gaming Duty at 15% is expected to apply to online gambling revenue generated by customers in the UK.

On 15 January 2013, the Government published its response to the Culture, Media and Sports Select Committee report "The Gambling Act 2005: A bet worth taking?". On the proposal to align 1968 Act casinos with the 2005 Act casinos, the Government has stated it wishes to gather more data and understand further the effect the 2005 Act licences have on communities before a decision will be made. The Government has also made reference to the proposal for casino licence portability. It states it will support engagement between the casino industry and local government; however, any agreed approach must not adversely impact competition within the sector and the awarding of 2005 Act licences.

The Select Committee's proposal on reducing the rate of bingo tax from 20% to 15% has not been accepted by the Government. However, they have stated that they will continue to engage actively with the bingo industry as part of the Budget process.

The triennial review of stakes and prizes by the Government was also released on 15 January 2013 and is subject to consultation. The Government outlined its preferred options and those specifically relevant to the Group are:

- increase in B1 stake from £2 to £5 with a maximum prize of up to £15,000; and
- maximum Category C stake of £1 with an increase in maximum prize from £70 to £100.

On 15 April 2013, the Group published 'Game Plan – A candid exposition of Rank's approach to regulatory and fiscal reform' ("Game Plan"). The purpose of Game Plan is to identify a different approach to gaming policy and the relationship between industry and government. As such, the report contains three specific recommendations:

- bringing bingo taxation in line with other forms of gaming and betting by setting the rate at 15%;
- permitting local authorities to choose whether or not to license casinos by allowing casino operators to transfer an existing casino licence into their jurisdiction; and
- allowing licensed casinos greater ability to meet customer demand for gaming machines.

In the report, which has been sent to more than 150 Members of Parliament as well as other interested parties, we state that Rank and its peers have the potential to "contribute a great deal more to life in Britain through job creation and economic development, revenue generation for Government, our work in communities and our capacity to bring people together for shared experiences" but that greater support from the Government is required.

A copy of the publication can be found at http://www.rank.com/downloads/gameplan_vol1_april_2013.pdf

VAT claims

On 5 October 2012, Rank received confirmation that the Group's amusement machine claim was to be remitted back to the First-tier Tribunal to consider the question of similarity between certain types of amusement machines. This remission has not altered Rank's appraisal of its chances of success in this matter. This claim relates to the £30.8m (VAT of £26.4m plus interest of £4.4m) overpayment on amusement machines already received by the Group. Another point of dispute in relation to the claim was heard at the Court of Appeal in May 2013 and Rank is expecting to receive the Court of Appeal's judgment by the end of October 2013. The First-tier Tribunal date has been held over until this judgment has been received. A successful result in the current amusement machines litigation will strengthen the legal arguments for Rank's additional claims for earlier and later periods which have similar facts and legal principles.

Guoco Group Limited

Since July 2011, Guoco Group Limited ("Guoco Group") has held 74.5% of the shares in the Group. Guoco Group, a member of the Hong Leong Group, is listed on the Hong Kong stock exchange and is an investment holding and investment management company. Guoco Group has four core businesses, namely, Principal Investment; Property Development and Investment; Hospitality and Leisure; and Financial Services. Guoco Group's subsidiaries and investments are principally located in Hong Kong, China, Singapore, Malaysia, Vietnam and the UK. Guoco Group's stated objective is to create long-term sustainable shareholder returns and it has a long and successful history of working with other shareholders towards a common goal. Guoco Group has consistently expressed its support for Rank's strategy since becoming a shareholder in 2007.

Listing Rules

As previously announced, under Listing Rule 6.1.19R, shares held by persons who have an interest in 5% or more of a listed company's share capital are not regarded as being held in public hands (the 'free float'). Under this rule, the shares held by Hong Leong Company (Malaysia), Berhad ("Hong Leong") and Prudential plc and subsidiary companies ("Prudential") may not be regarded as being in public hands, with the result that the number of Rank's shares distributed to the public is below the 25% threshold set out in Listing Rule 6.1.19R.

On 3 July 2013, Guoco Group declared a special interim dividend in specie of approximately 88.84 million Rank shares representing 22.74% of Rank. Rank understands that the distribution in specie is expected to reduce the overall interest of Hong Leong in Rank from approximately 74.5% to approximately 68.6%.

However, due to the fact that Prudential's shares are not regarded as being in public hands, the free float remains below the 25% threshold. The Group remains in discussions with the UKLA and Prudential regarding this.

Board changes

During the year Shaa Wasmund was appointed as a new non-executive director. Shaa's appointment took effect on 1 November 2012. Shaa has a distinguished career advising both start-ups and large corporations and is an international speaker on digital media.

On 31 December 2012, Bill Shannon stood down from the Board having served more than two three-year terms.

On 30 June 2013, Richard Greenhalgh stood down from the Board after serving nine years as a non-executive director; Colin Child took over Richard's role as senior independent director on 1 July 2013.

At the upcoming Annual General Meeting on 17 October 2013, John Warren will be stepping down from the Board after serving more than seven and half years. Colin Child will take over John's role as chair of the audit committee following his departure.

Dividends

The Board is pleased to recommend that a final dividend of 2.85 pence per share be paid on 23 October 2013 to shareholders on the register at 13 September 2013.

Current trading and outlook

Since the beginning of July, Group trading has been adversely impacted by the recent unusually hot weather. This has contributed to a fall in like-for-like Group revenue; however (including the acquired casinos) total Group revenue was up on the same period last year.

Despite this slow start we remain confident in the Group's prospects for the remainder of the year and its longer-term growth strategy.

BUSINESS MODEL

HOW WE CREATE VALUE

We create value through our brand-led business model. The role of our brands is to meet the needs of our customers to consistently high standards across multiple channels of distribution. The Rank Group sets the strategic direction and provides access to the capital needed to fund the ambitions of its brands. It also acts as a locus for cost, revenue and expertise synergies.

OUR BUSINESSES

GROSVENOR

Social, competitive gaming-based entertainment

Distribution channels

- Venues
- Online
- Mobile

MECCA

Social, community gaming-based entertainment

Distribution channels

- Venues
- Online
- Mobile

ENRACHA

Social, community gaming-based entertainment

Distribution channels

- Venues
- Online

STRATEGIC UPDATE

DEVELOPING A STRATEGY FOR GROWTH

1

The systematic use of data and customer feedback to drive service and product improvements

Progress 2012/13

- Group customer visits were marginally down
- Grosvenor brand standard applied across the estate

Priorities 2013/14

- Continue to develop our programme of engagement with our target customers to increase visitation
- Roll out customer satisfaction surveys across the newly acquired casinos

Key risks

- Economic environment

2

Capital investment to extend the reach and broaden the appeal of the leisure experience we deliver

Progress 2012/13

- Opened one new G Casino in Reading (March 2013) and extended our Portsmouth G Casino (December 2012). The Group has also committed to opening a new G Casino in Southend-on-Sea; the casino is expected to open in the first half of 2013/14
- Converted two Mecca venues to Full House format; no further conversions currently committed
- Commenced refurbishment at flagship Victoria casino

Priorities 2013/14

- Open a new G Casino at Southend-on-Sea
- Invest into the newly acquired casino estate from Gala Coral and convert 5 into the G Casino format

Key risks

- Loss of licences
- Economic environment
- Taxation and regulation

3

Multi-channel distribution of our brands

Progress 2012/13

- One club has been converted to the Enracha brand
- Launch of online bingo for Enracha deferred until 2013/14
- Limited review of social gaming carried out; further development currently on hold

Priorities 2013/14

- Develop live digital casino to reflect the Grosvenor Casinos venues table gaming experience
- Deliver a cross-channel rewards programme
- Develop mobile strategy to grow mobile further
- Convert third Enracha club

Key risks

- Loss of licences
- Economic environment
- Taxation and regulation

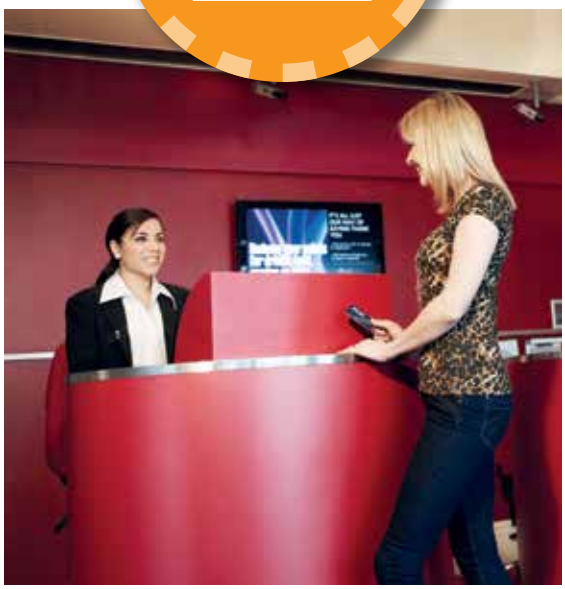
1

STRATEGIC UPDATE

The systematic use of data and customer feedback to drive service and product improvements

The desire to understand more about customer attitudes and behaviours in order to refine our service and products and inspire innovation is the keystone of our approach. Driving this to the heart of our operations through systems development and customer and employee engagement is critical to the achievement of our goals.

Understanding our customers' needs



Customer focus through insight and engagement

During the course of 2012/13, we continued to develop our insight capabilities.

This included:

- Sponsoring research into online gambling with the University of Nevada Las Vegas;
- Working with the University of Salford to better understand our customers' motivations and needs;
- Offsite research into US casino operations via the Group's International Outreach Programme; and
- Quarterly brand awareness and consideration surveys.

Insight into action

What we learn about our customers and potential customers through the insights programme drives our key business decisions. Here are some specific examples:

Key performance indicators

Net promoter score (%)

48%

Measurement:
Through customer feedback

Why it is important:
Guides product and service improvements by measuring the propensity of our customers to recommend our brands to their friends

Performance:
5 percentage point decline from 2011/12 to 2012/13

Insight	Action	Outcome
Mecca venues customers enjoy a wide variety of machines and entry stake levels.	Aided by the removal of Amusement Machine Licence Duty ("AMLD") in February 2013 the Group was able to support an improved mix of content on its server-based gaming terminals.	Customers increased the amount they staked and the number of games played.
Bingo session times hadn't changed since the 1960s and as a result were suitable only for a section of our current Mecca customer base.	Flexible sessions were introduced.	Increased frequency of Mecca's younger customers.
Grosvenor Casinos customers desire more table availability during peak times.	Customer numbers were regularly monitored and when occupancy reached a critical point more tables were opened.	Table availability increased by 5% at peak times leading to increased handle on certain days.
Customers have a growing demand for greater value.	Through the use of more specialist suppliers our casinos have been able to reduce the average price of a main meal by 6%.	Food and drink sales grew faster than visits in the period.
Customers were accessing the internet on their mobile phones in our Mecca venues.	WiFi was installed in 50 of our venues and then through WiFi monitoring we recorded more than 50% of our customers used Android phones.	The Group has now prioritised development of our Android bingo apps in order to improve cross-channel conversion.

Average revenues per customer (£)

£227.77

Measurement:
Total revenue divided by number of customers

Why it is important:
Aids business planning by measuring the annual financial value of our customer relationships

Performance:
6% decline from 2011/12 to 2012/13

Spend per visit (£)

£22.63

Measurement:
Total revenue divided by the total number of customer visits

Why it is important:
Aids business planning by measuring the financial value of each customer visit

Performance:
5% increase from 2011/12 to 2012/13

* Excludes Blue Square Bet and the acquired casinos.

2

STRATEGIC UPDATE

Capital investment to extend the reach and broaden the appeal of the leisure experience we deliver

During 2012/13 we invested £38.2m of capital across the Group. More than 55% of this was deployed in enhancing existing venues and adding new ones to our portfolio. In addition, we continue to develop innovative ways to extend the reach of our brands through digital channels.

The acquisition of 19 casinos and 3 non-trading licences from Gala Coral was a significant and material transaction for the Group. The integration is now a key priority for the Group to ensure the maximum value is obtained for the Group and our shareholders. A more detailed overview of the integration priorities is covered on page 19.

Grosvenor Casinos

The modernisation and expansion of the Grosvenor Casinos estate is the primary component of the Group's growth strategy. Since its launch in 2006, the 'G Casino' format has proven successful in reaching out to a broader base of customers and generating significantly higher levels of profit than traditional provincial casinos.

	Venues	Average visits/week*	Average spend (£)/visit*	Average EBITDA (£'k)/week*
G Casino	21	3,674	31.15	28.6
Traditional provincial casino	12	2,083	32.98	16.5

* Calculated on a like-for-like basis at 30 June 2013 and excludes the acquired casinos.

The Group remains focused on rolling it out across the estate, as well as into new local markets, where appropriate sites are identified.

During 2012/13, we opened a new G Casino in Reading at a capital cost of £6.8m and completed the extension of our Portsmouth G Casino in December 2012. Since year end, we have completed the extension of our G Casino in Manchester. During 2013/14 we plan to open a further G Casino, in Southend-on-Sea, at a capital cost of £6.1m as well as extending our current G Casino in Sheffield. Our flagship casino in London, the Victoria, is also currently undergoing extension works and these are due to be completed in November 2013 at a capital cost of £6.3m.

By the end of August 2013, the Group expects to have completed the acquisition of a non-trading London casino licence from Clermont Leisure (UK) Limited ("Clermont Leisure"), a related party of the Group's major shareholder, for £5.5m.

In addition, the Group has entered into conditional agreements to acquire the four remaining non-trading licences owned by Clermont Leisure for £0.5m and the plans for these, subject to licencing approval, are as follows:

- Bradford – operate alongside the newly acquired Bradford casino;
- Glasgow – operate alongside one of the newly acquired Glasgow casinos;
- Middlesbrough – no immediate plans; and
- Wolverhampton – no immediate plans.

The capital expenditure plan for the 19 acquired casinos is set out on page 19.

At 30 June 2013, we operated 55 casino venues in Great Britain (incorporating 59 licences).

Mecca

During the year, the Group converted its venues in Hartlepool and Knotty Ash to the Full House Destination format at a capital cost of £0.7m each. The Group now has nine Full House Destination clubs but the majority are not delivering the required returns on investment. As a result the Group has suspended all capital investment into further conversions until the Group has successfully identified ways to broaden the appeal of community gaming.

At 30 June 2013, Mecca operated 97 branded venues.

Key performance indicators

Customers (000s)

2,676

Measurement:
Total number of unique customers who have visited our land-based venues at least once and/or transacted online

Why it is important:
Provides a measure of market penetration

Performance:
1% increase from 2011/12 to 2012/13

Customer visits (000s)

26,933

Measurement:
Total number of customer visits to our land-based venues and transactional sessions online

Why it is important:
Aids business planning by measuring the popularity of our brands

Performance:
1% decrease from 2011/12 to 2012/13

Improving the experience in our venues

* Excludes Blue Square Bet and the acquired casinos.

STRATEGIC UPDATE

Multi-channel distribution of our brands

The development of established, trusted brands, distributed to suit customer preference, is a key component of our strategy; and our ability to engage with customers in venue, online or on mobile is an important source of competitive advantage.

At the start of the 2012/13 financial year Rank moved to a brand-based structure to further align itself to the multi-channel brand approach. Single brand teams within Rank are now responsible for all of the brand's distribution channels.

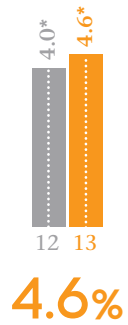
During the course of 2012/13, we achieved 6% growth in revenue from venues and 16% growth from digital media (online and mobile). The fastest growing channel of distribution was mobile media which increased revenue by 168% to £13.2m, with 30% of our digital customers in Great Britain playing with our brands on mobile devices (2011/12: 23%).

Multi-channel progress

	Multi-channel customers (000s)		% of total brand customers	
Brand	**2012/13**	2011/12	**2012/13**	2011/12
Grosvenor Casinos	**17**	8	**1.3%**	0.6%
Mecca	**66**	55	**5.8%**	5.0%

During the year, 4.6% of our customers engaged with our brands both in our venues and through our digital channels. This rate of cross-over represented a 0.6 percentage point increase compared with 2011/12. Cross-over between Mecca's venues and digital channels increased by 0.8 percentage points to 5.8%; while Grosvenor's grew from 0.6% to 1.3%.

Key performance indicator



Measurement:
Through our customer relationship management system

Why it is important:
Cross-channel customers provide more value to the brand

Performance:
0.6% increase from 2011/12 to 2012/13

* Excludes Blue Square Bet and the acquired casinos.

OUR STRATEGY IN ACTION

ACQUIRED CASINOS – INTEGRATION PLAN

Our objective is to achieve the synergy benefits and investment returns from the 19 acquired casinos as set out in our circular of 21 June 2012 within two years of the acquisition.

The key actions required to achieve these benefits include:

- **Infrastructure transition:** The Group has now completed the transition of all the support functions from Gala Coral to Rank. In addition key Rank personnel have completed site visits to all of the acquired casinos to meet our new colleagues and ensure they are engaged in our proposed operational and capital investment plans which are essential to a successful integration.
- **Improvement plans:** These plans cover both operational and capital investment driven improvements.

  Operational improvements: By applying the lessons we have learnt in recent years from our Grosvenor Casinos venues we expect to deliver £2.0m of benefits per annum which should commence realisation later this calendar year. These specifically include:

  - Focus on creating a highly motivated and engaged front line team. This will ensure levels of satisfaction and staff turnover are brought to the level of the rest of the Grosvenor Casinos estate;
  - Move to 24-hour opening where possible;
  - Introducing the Playpoints loyalty scheme across all the venues;
  - Amending table staking limits to meet customer demand;
  - Combining procurement to obtain improved terms; and
  - Introducing club-based sales managers to help grow the customer base.

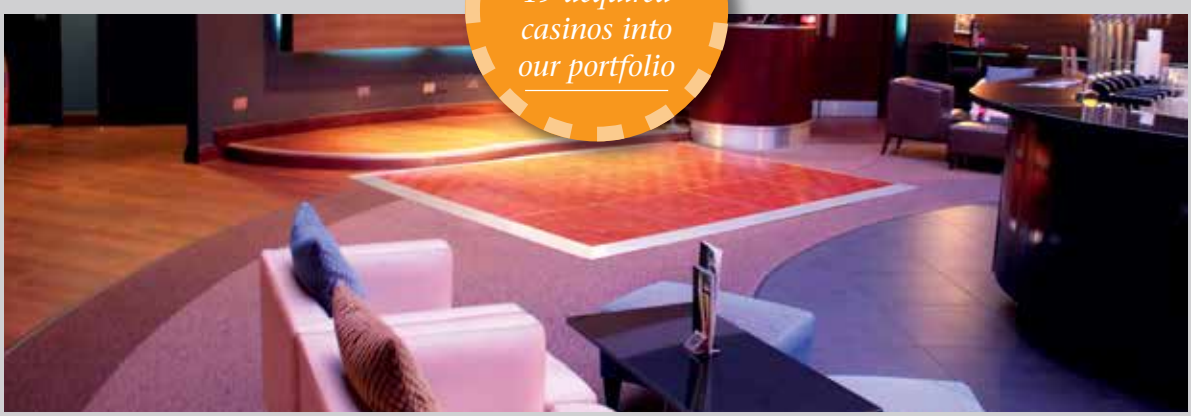
Capital investment improvements: Post acquisition we carried out further reviews of the acquired casinos and have reprioritised some of the capital investment plans. As a result the Group has already approved £10.7m of capital expenditure to improve the gaming product in every casino by increasing the amount of electronic gaming, installing newer slot machines with multi-game options and rolling out Ticket In Ticket Out functionality. The benefits from this investment are expected to commence from September 2013.

A further £9.4m will be committed in 2013/14 to cover the conversion costs of 7 casinos to the G Casino format and other casino refurbishments. The major casino investments will be as follows:

- **2013/14:** G conversions at Leicester, Liverpool, Glasgow Merchant City, Bournemouth and Nottingham, £3.1m; and
- **2013/14:** Refurbishment of the Tottenham Court Road casino in London, £1.4m.

We anticipate the above capital investments will deliver returns in excess of the Group's 20% cash-on-cash return hurdle.

Integrating the 19 acquired casinos into our portfolio



REINVENTING THE NIGHT OUT

Enjoy the fabulous dining facilities

The Grosvenor Casinos brand now serves more than 1.7 million customers* a year across 57 venues and a digital offer – grosvenorcasinos.com – (available online, mobile and on tablet).

The venues offer an all-round gaming and leisure experience complete with licensed bars, restaurants and a live entertainment offer providing the best in live gaming.

Our apps let you play your favourite casino games anywhere, anytime

* Includes customers from the acquired casinos.

Take your Grosvenor experience with you

OPERATING & FINANCIAL REVIEW
CASINOS

INDUSTRY OVERVIEW

Casinos – Great Britain

During 2011/12, casinos generated £935m in gaming revenue, representing around 8% of net consumer expenditure on gaming and betting[1].

Licensed casinos first appeared in Great Britain in 1970, following enactment of the 1968 Gaming Act (the "1968 Act"). Prior to this, many hundreds of informal private members clubs had offered casino style games; some of these clubs had done so since the early nineteenth century.

Until the middle of the last decade, casinos in Great Britain had been subject to a range of regulatory restrictions that inhibited the growth of the sector. With the removal of a number (though not all) of anachronistic regulations as well as substantial investment by leading domestic and international operators, casinos have moved further towards the mainstream of British leisure and entertainment.

Casinos are viewed as being amongst the most responsible venues for gaming to take place. Customers must be at least 18 years of age, most venues have proof of identity as an entry requirement and levels of supervision and social interaction are high.

Attendance levels continue to grow in 2011/12, with the number of visits rising to 19.1 million, up 10% from the previous year with a majority of the growth coming from London[1].

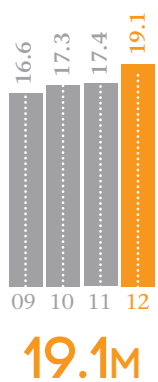
The average cost of a visit to a casino has grown by 2% year on year (includes expenditure on food, drink, entertainment and gaming)[1].

2005 Act casino – status

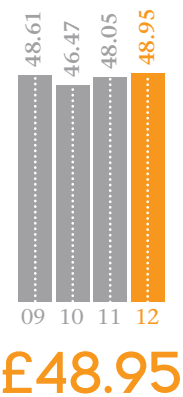
Area	Type	Operator	Status
Great Yarmouth	Large	Pleasure & Leisure Corporation	Licence granted April 2012, opening date uncertain
Kingston upon Hull	Large	Apollo Resorts & Leisure	Licence granted January 2011, opening date uncertain
Leeds	Large	Global Gaming Ventures	Due to open 2016
Middlesborough	Large	Gurney Casino Limited	Licence granted June 2012, opening date uncertain
Milton Keynes	Large	Aspers	Due to open 2013
Newham London	Large	Aspers	Opened December 2011
Solihull	Large	Genting	Due to open 2015
Southampton	Large	Licence competition yet to open, Grosvenor Casinos intends to apply	
Bath	Small	Global Gaming Ventures	Due to open 2015
East Lindsey	Small	Licence competition yet to open	
Luton	Small	Licence competition underway	Applications under review which includes an application from Grosvenor Casinos
Scarborough	Small	Nikolas Shaw	Licence granted January 2012, opening date uncertain
Swansea	Small	No indication licence will be offered	
Torbay	Small	No indication licence will be offered	
Dumfries	Small	No indication licence will be offered	
Wolverhampton	Small	Licence competition underway	Applications under review

[1] Source: Gambling Commission.

Casino attendance (m)



Spend per visit (£)



Of the £935m of casino gaming revenue in the year to 30 September 2012 86% is generated by table games and the remaining 14% by machines[1].

Supply

As of May 2013, the number of casino licences operating in Great Britain was 142. All but one of these casinos were licenced under the 1968 Act, and when the 1968 Act was superseded by the 2005 Gambling Act ("the 2005 Act") the rights of these casinos were 'grandfathered'.

The 2005 Act created two new classifications of casino licences (eight 'large' and eight 'small') which were allocated to 16 local authorities for the purpose of tendering. These 2005 Act casino licences offer advantages over 1968 Act licences, most notably the provision of significantly higher numbers of slot machines and the ability to offer sports betting and (in the case of the eight 'large' casinos) games of bingo.

During 2012/13, there have been no further openings of any awarded 2005 Act casinos. Three 2005 Act licences have been awarded and two local authorities are currently in the process of reviewing applications.

[1] Source: Gambling commission.

With the acquisition of 19 casinos, Grosvenor Casinos is now the largest operator (by venues) of licenced casinos in Great Britain.

	July 2013		July 2012	
Operator	Casino venues	Licences	Casino venues	Licences
Grosvenor Casinos	**55**	**76****	35	47
Genting	**40**	**57***	39	57*
London Clubs	**10**	**11**	10	11
A&S Leisure	**6**	**6**	6	6
Gala	**4**	**7**	25	31
Aspers/Aspinall's	**4***	**8***	5*	8*
Club 36	**3**	**3**	3	3
Clockfair	**2**	**2**	2	2
Guoco	**1**	**1**	1	6
Others	**12**	**27***	12	22*
Total	**137***	**198***	138*	193*

* Includes 2005 Act casino licences.
** Includes the 5 non-trading licences from Guoco.
Source: National Casino Industry Forum.

Casinos – Belgium

Casino gaming has been popular in Belgium since the eighteenth century and the casino at Spa is the oldest operating casino in the world.

At 30 June 2013, there were nine casinos in Belgium, operated by four different companies. According to the most recent data from the Belgium regulator, the Commission des Jeux, the sector generated total revenue of €142m in 2011 – up 12% on the prior year.

Licensed casinos in Belgium:

Operator	June 2013	June 2012
Group Partouche	**4**	4
Grosvenor Casinos	**2**	2
Circus Groupe	**2**	2
Casinos Austria	**1**	1
Total	**9**	9

CASINOS

GROSVENOR CASINOS PERFORMANCE REVIEW

Grosvenor Casinos has recorded another year of revenue and operating profit growth. Total revenue is up 15% with a rise in like-for-like revenue of 5% on 2011/12.

Performance overview

	2012/13	2011/12
Total revenue* (£m)	**300.3**	261.5
Venues – excluding acquired casinos	275.0	255.8
Venues – acquired casinos	15.5	–
Digital	9.8	5.7
Total EBITDA (£m)**	**66.6**	56.3
Venues – excluding acquired casinos	63.7	57.6
Venues – acquired casinos	3.5	–
Digital	(0.6)	(1.3)
Total operating profit (£m)**	**47.4**	39.9
Venues – excluding acquired casinos	46.6	42.8
Venues – acquired casinos	2.9	–
Digital	(2.1)	(2.9)
Like-for-like revenue	**5%**	
Venues – excluding acquired casinos	4%	
Digital	72%	

* Before adjustments for free bets, promotions and customer bonuses.
** Before exceptional items.

Total venues revenue of £290.5m was up 14% in the period due to a strong performance from the London casinos, the impact of MGD and the contribution from newly-acquired casinos. Like-for-like revenue was up 4%. A higher than normal win margin in the London venues contributed to the 16% increase in operating profit.

Digital revenue continues to improve, up 72% in the period to £9.8m. Despite increased digital marketing and royalty costs the operating loss was reduced to £(2.1)m from £(2.9)m in the prior period.

Key performance indicators***

	2012/13	2011/12
Total customers (000s)**	**1,306**	1,269
Venues*	1,288	1,260
Digital*	35	17
Total customer visits (000s)	**6,391**	6,298
Venues	6,052	6,095
Digital	339	203
Total spend per visit (£)	**44.56**	41.52
Venues	45.44	41.97
Digital	28.91	28.08
Total net promoter score	**42%**	45%
Venues	45%	48%
Digital	5%	11%

* Customers shown on a moving annual total ("MAT") basis.
** Cross-over customers included only once.
*** Excludes impact of the 19 acquired casinos.

The brand has grown its customer base across both channels; however, only digital contributed positively to the increase in customer visits. Total venues customer visits fell by 1% due to the adverse impact of competitor openings (most noticeably in London) and a fall in visit frequency offsetting modest growth in the provinces.

Total spend per visit rose in the 12-month period by 7% driven principally by major player activity in the London venues.

During 2011/12, the Group opened venues in Didsbury and Stockton; both of these along with the newly-opened G Casino in Reading (opened March 2013) are performing in line with management's expectations. The G Casino in New Brighton (opened April 2012), however, has underperformed to date and we are implementing actions to improve profitability.

A key focus is to grow the brand's digital channel through product improvements, cross-channel collaboration and brand awareness activities, including TV advertising.

Venues regional analysis*

	Customer visits (000s)		Spend per visit (£)	
	2012/13	2011/12	**2012/13**	2011/12
London	**1,053**	1,118	**100.47**	84.88
Provinces	**4,698**	4,647	**32.87**	31.33
Belgium	**301**	330	**49.17**	46.36
Total	**6,052**	6,095	**45.44**	41.97

	Revenue (£m)		Operating profit (£m)	
	2012/13	2011/12	**2012/13**	2011/12
London	**105.8**	94.9	**26.6**	20.7
Provinces	**154.4**	145.6	**20.0**	22.8
Belgium	**14.8**	15.3	**–**	(0.7)
Total	**275.0**	255.8	**46.6**	42.8

* Excludes impact of the 19 acquired casinos.

Newly-opened G Casinos take on average two to three years to fully mature, and clearly these new openings have a positive impact on provinces revenue, up 6% in the period. However, until they are fully mature they adversely impact operating profit. Increased competition, reduced frequency of customer visits and higher costs have resulted in a provincial operating profit decline of 12%.

Trading at our two Belgian casinos has weakened in the period as customer visits fell. However, improved cost discipline and the first contribution from the Unibet partnership, to exploit our ability to offer online gaming, has eliminated the operating loss from the prior period.

Venues revenue analysis – Great Britain only

£m	**2012/13**	2011/12	Change
Casino games	**182.4**	169.3	8%
Gaming machines	**44.1**	39.4	12%
Card room games	**12.2**	12.0	2%
Food & drink/other	**21.5**	19.8	9%
Total	**260.2**	240.5	8%

All categories of revenue within the venues estate increased during the 12-month period. Gaming machines revenue was distorted by 9% due to the introduction of MGD.

Another year of strong operating performance

MECCA

PUTTING THE CUSTOMER FIRST

Our Full House Destination bingo clubs bring together a wide range of entertainment options

Mecca is Rank's community-gaming brand for the British market with a national portfolio of 97 bingo clubs in Great Britain and a digital offer – meccabingo.com – (available online, mobile and on tablet) serving over 1 million customers a year.

We have a huge range of games on our website – so you can play anywhere, anytime

We continue to invest in new gaming machines

BINGO

INDUSTRY OVERVIEW

Bingo clubs – Great Britain

Licensed bingo clubs first appeared in Great Britain in 1961, following the legalisation of commercial bingo under the 1960 Betting and Gaming Act. The nation's cinemas were among the first to take advantage of the opportunity to provide bingo, playing games between screenings of motion pictures. Rank's first bingo club was opened at the Odeon Cinema in London's Hackney Road and to this day a significant proportion of the nation's clubs are still housed in former picture palaces. Despite a decline in the number of clubs and the number of players, bingo remains an important social pastime in Great Britain, particularly for women.

Customers are required to be at least 18 years of age in order to play in a bingo club and club membership is common even though it is no longer required by law.

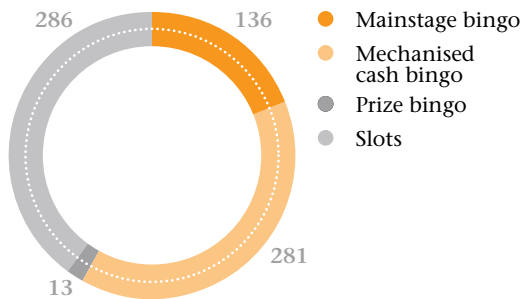
Supply
The number of bingo clubs continues to decline with an estimated 74 clubs closing in the year.

At 30 June 2013, there were an estimated 394 bingo clubs operating in Great Britain[2], down from 468 a year earlier. Mecca remains the second largest operator of licensed bingo clubs in Great Britain, after Gala.

Operator	June 2013	June 2012
Gala Bingo	**138**	143
Mecca	**97**	97
Top Ten Bingo	**17**	22
Carlton Clubs	**13**	14
Others	**129**	192
Total	**394**	468

[1] Source: Gambling Commission.
[2] Bingo Association.

Gaming revenue from licensed bingo clubs in Great Britain 2011/12 (£m)[1]



Licensed bingo clubs gaming revenue (£m)

£716M

Licensed bingo clubs

394

MECCA
PERFORMANCE REVIEW

Mecca's revenue performance in 2012/13 has increased marginally, up 1%. Digital continues to deliver good revenue growth, however, this has been offset by the disappointing venues performance.

Performance overview

	2012/13	2011/12
Total revenue* (£m)	**296.2**	293.6
Venues	234.9	237.8
Digital	61.3	55.8
Total EBITDA (£m)**	**60.2**	67.3
Venues	37.6	44.0
Digital	22.6	23.3
Total operating profit (£m)**	**44.1**	49.9
Venues	23.0	28.3
Digital	21.1	21.6
Like-for-like revenue	**(1)%**	
Venues	(3)%	
Digital	10%	

* Before adjustments for free bets, promotions and customer bonuses.
** Before exceptional items.

Venues revenue of £234.9m was down 1% and 3% on a like-for-like basis. The decline in revenue, which was driven by a reduction in the frequency of customer visits, contributed to operating profit falling by 19% to £23.0m. Operating profit also benefited from a £1.7m Scottish rates rebate.

Digital revenue of £61.3m was up by 10% as digital customers continued to grow as a result of increased marketing and customer acquisition activity. However, operating profit fell by 2% as a result of higher marketing and software royalty costs.

The growth in venues customers came from the under-35 age group, which grew by 6% in the period. Digital spend per visit declined as more customers migrated to the mobile platform where the variety of games on offer is currently limited and consequently dwell time is shorter.

Hartlepool and Knotty Ash were converted during the period to the Full House Destination format at a capital cost of £0.7m each and since their conversions the revenues have outperformed the rest of the unconverted estate. However, the Full House Destination estate as a whole has been disappointing and the capital invested has not improved the public's perception of bingo sufficiently to address the general decline in admissions. Due to inadequate return on investment from these conversions the Group will not be committing to any further at this present time; the Group does though remain committed to finding new ways to develop the venues experience across the entire estate.

Key performance indicators

	2012/13	2011/12
Total customers (000s)**	**1,134**	1,109
Venues*	958	955
Digital*	242	209
Total customer visits (000s)	**18,562**	18,743
Venues	13,559	14,407
Digital	5,003	4,336
Total spend per visit (£)	**15.96**	15.66
Venues	17.32	16.51
Digital	12.25	12.87
Total net promoter score	**49%**	54%
Venues	53%	59%
Digital	29%	27%

* Customers shown on a MAT basis.
** Cross-over customers included only once.

Venues revenue analysis

£m	2012/13	2011/12	Change
Main stage bingo	**39.1**	41.5	(6)%
Interval games	**100.0**	104.9	(5)%
Amusement machines	**68.9**	65.2	6%
Food & drink/other	**26.9**	26.2	3%
Total	**234.9**	237.8	(1)%

Revenue from our food and drink operations grew by 3% to £26.9m as a result of menu improvements. Gaming revenues declined but at a lower rate than the decline in visits.

The introduction of MGD in the period has impacted amusement machine revenue. On a like-for-like basis there was a 2% fall.

enracha

APPEALING TO A NEW GENERATION

We have exciting venues offering great experiences

Enracha is Rank's community-gaming business for the Spanish market. 11 clubs serve more than 276,000 customers a year through venues in Catalonia, Madrid, Andalucía and Galicia.

We have a huge range of games online so you can play anywhere

Come for fun and entertainment

BINGO

ENRACHA PERFORMANCE REVIEW

Our Spanish brand, Enracha has stabilised despite operating in tough economic conditions.

Performance overview

	2012/13	2011/12
Revenue (€m)	**34.5**	34.5
Revenue (£m)	**28.5**	29.2
EBITDA* (£m)	**3.1**	2.5
Operating profit* (£m)	**0.7**	0.1

* Before exceptional items.

Euro revenue was flat during the year with a 3% increase in euro spend per visit offset by a reduction in customer visits. In Sterling, revenue was down 2% due to the unfavourable exchange rate. An improved Sterling operating profit was generated in the period due to a reduction in costs.

Key performance indicators

	2012/13	2011/12
Customers (000s)*	**276**	305
Customer visits (000s)	**1,980**	2,049
Spend per visit (€)	**17.42**	16.84
Spend per visit (£)	**14.39**	14.25
Net promoter score	**84%**	76%

* Customers shown on a MAT basis.

During the period bingo tax in our Catalonian clubs was reduced from 25% to 15% and a similar reduction is subsequently being considered by other regions in Spain. The regulation of online slots is expected to be introduced before the end of the current calendar year.

Venues revenue analysis

€m	2012/13	2011/12	Change
Bingo	**20.2**	20.2	0%
Amusement machines	**11.3**	11.0	3%
Food & drink/other	**3.0**	3.3	(9)%
Total	**34.5**	34.5	0%

We are delivering stable performance

THE BIGGER PICTURE – OUR CONTRIBUTION TO SOCIETY

At Rank we recognise that the ability of our brands to generate value from society is directly linked to their ability to add value to society.

From our origins in motion pictures to today's gaming entertainment business, we have remained true to our founding mission to make life better by bringing people together for fun and entertainment. We believe that if we do this to the best of our ability, we will be rewarded with opportunities to grow.

Every day our teams strive to improve the quality of life in the communities they serve. In this section, we highlight a number of these areas.

OPERATING RESPONSIBLY

OUR CUSTOMERS – THRILLS AND ENTERTAINMENT

We entertain people, we thrill them, we make them laugh. In our venues and our digital channels, we bring communities together, connecting people and creating shared experiences. Our aim at all times is to 'keep it fun', so that we impact lives in positive rather than negative ways.

OUR PEOPLE – THRILLS AND FULFILMENT

We offer exciting careers for people across a range of disciplines, employing more than 11,000 individuals in full-time and part-time roles across Great Britain, Spain and Belgium.

OUR COMMUNITIES – BUILDING FOR BETTER

We generate significant economic benefit both at a national level and at a local level through the payment of duties, business taxes, rents and rates; the provision of employment; and supporting other businesses through investment in construction, purchasing through our supply chain and providing 'halo' benefits to neighbouring retailers.

OUR COMMUNITIES – SHOWING WE CARE

Our teams play valuable roles within their communities through volunteering and charitable fund-raising.

OUR CUSTOMERS – THRILLS AND ENTERTAINMENT

Our aim is to create enjoyable experiences and happy memories by bringing customers together to share in entertaining, thrilling and memorable experiences. This is the cornerstone of Rank's strategy.

During the year, our brands entertained 2.7m customers from the age of 18. Our venues were open for 364 days of the year (some for 24 hours a day) in order to serve our customers. During this period, we brought communities together to celebrate a range of cultural occasions, including the Olympic Games, Golden Week, Halloween, Christmas, New Year's Eve, Burn's Night, St Patrick's Day, St David's Day, Easter and Chinese New Year.

We have much yet to learn about how our brands can best meet customer needs. In essence, they provide a means for people to come together (i.e. for socialisation) with a common purpose (principally but not exclusively the games) that engage their mental faculties and create opportunities to find escape from everyday life. In these respects, the needs that we serve are similar to those of Rank's first customers – the movie-goers of the 1930s.

We continue to conduct research into customer needs in order to create more enjoyable experiences and to expand the ways in which we can thrill and delight them.

KEEPING IT FUN

In common with the majority of retailers, we accept that excessive or uncontrolled consumption of our services may give rise to or exacerbate social concerns. When this arises, it is a problem for us as a business as well as for society.

The biggest issue in tackling problem gambling is that we must first gain a deeper understanding of what is chiefly a psychological or sociological (rather than physiological) condition. We welcome engagement with those who are genuinely concerned about problem gambling and who are willing to come together to address the issue in a collaborative, balanced and evidence-based fashion. Neither sensationalism nor denial has a place in such an approach.

In this spirit of honest enquiry we commenced a research programme with the University of Salford and the Responsible Gambling Trust to examine problem gambling behaviour; and we have signalled our willingness to participate in the Responsible Gambling Trust's study of Category B gaming machines. In addition, we continue to engage with our peer companies, trade associations, games suppliers, regulatory bodies, problem gambling charities and academic institutions to help further our understanding of this critical area.

Our approach has already led to a major overhaul of our responsible gambling customer education programme. We engaged the help of the British Columbia Lottery Corporation's award-winning GameSense team to help us understand how to make customers more receptive to responsible play communications. Our intention is to make responsible gambling messages more accessible and to make it easier for those with problems to seek help through de-stigmatisation of the subject.

During the year, we expanded our employee training programme. In addition to the 4,913 hours of core responsible gambling training, we engaged the services of the specialist counselling firm, Level Ground, to help our online customer service and marketing teams identify signs of problem gambling in women.

Hours of responsible gambling training undertaken

4,913

Financial contributions to Responsible Gambling Trust (£)

£309,000

Breaches of self-exclusions

104

Reported incidences of underage gambling

10

Source: Management data

OUR PEOPLE – WHERE EVERYONE COUNTS

Our ability to thrill and delight our customers depends upon the quality of our people, their skills and their motivation to succeed. We pride ourselves that Rank is a place 'where everyone counts' and we recognise that the reputation of our brands is the personal responsibility of each one of our 11,000 team members.

During 2012/13, we invested £200.5m in our teams, mainly through recruitment, training, salaries and benefits. This represented 38% of our total costs and 34% of Group revenue – figures that reflect the critical importance of people in our business.

Team turnover dropped by 3 percentage points to 24% as we built upon our programme of gaining insight into employee motivations through initiatives to simplify work and support our customer-facing teams. Employee engagement, which is a key lead indicator, remained above 70%.

Across the Group, we offer a wide range of employment opportunities with a choice of part-time and full-time roles in customer service and business support. Through our equal opportunities policies, we are creating more diverse and more vibrant teams, united by a desire to thrill and to bring enjoyment to our customers.

AN ORGANISATION THAT NEGLECTS THE HUMAN SIDE WILL SOON FIND THAT THE HUMAN SIDE WILL NEGLECT THEM

Lord Rank
Company founder

Thrilling careers

We help our people to pursue their goals through a structured development programme, designed for different career stages and different development needs.

Mentoring

Rank's mentoring programme, which provided career guidance to 50 of our team members in the year was recognised in May 2012 with the International Standard of Mentoring Programme's highest accolade – the Gold Award.

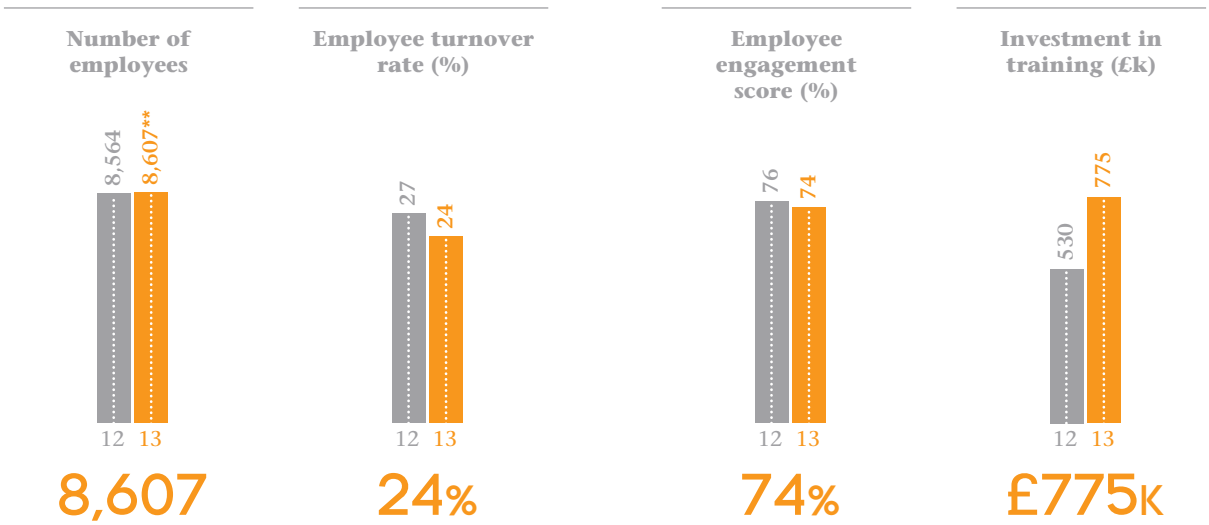
Vocational qualifications

As an Institute of Leadership and Management approved centre, we are able to provide our team members with accredited qualifications through internally delivered schemes.

The Rank Academy

The Rank Academy provides training for the next generation of general managers within our brands. During the year, 16 aspiring managers graduated from the course and a further 21 were enrolled.

WHERE EVERYONE COUNTS – IN NUMBERS*



Source: Management data.
* Great Britain only.
** With the acquisition of 19 casinos, the total number of team members employed has risen to 11,000.

Leaders in Leisure

Working with Birmingham City University, we have developed a Post Graduate Diploma in Leisure Leadership and Strategy, aimed principally at those in venue management positions. During the year, 19 of our team members graduated from the course and a further 19 enrolled and two graduates continued their studies to achieve Masters degrees.

Executive self-development

Our association with Henley Business School and the University of Reading gives executives the opportunity to gain insight into other leading organisations and to build their own capabilities. During the year, 30 of our team members attended courses at Henley Business School.

Rank Masters Programme

Working with the Institute of Work-based Learning, we offer senior managers the opportunity to study for a Masters degree in their chosen professions. During the year, four team members graduated from this course.

Rank Leadership Programme

Working with Cranfield University's School of Management, we have developed a development programme for our most senior managers in the Group. During the year, 22 of our team completed the course, bringing the total to 60 over the last four years.

UK Challenge

For the fourth successive year, a Rank team participated in the Intelligent Sport UK Challenge. The event, which pits our high potential people against peers from other companies, is designed to bring out latent abilities in problem-solving, strategic thinking, team work and leadership.

International Outreach

For the second successive year, Rank selected a team from across its brands to travel overseas in order to learn from the experiences of peers in other markets. In October 2012, the team visited Connecticut, New York, Pennsylvania and New Jersey to understand more about the US casino market.

OUR COMMUNITIES – SHOWING WE CARE

While the core focus for our brands is to bring joy to our customers in our venues, on our websites and through our mobile applications, we also find ways to make a difference in the wider community. Every year, we enable thousands of our team members to help out in their communities through charitable fund-raising and volunteering.

During 2012/13, our brand teams raised more than £280,000 for charity. The main recipient of this was Marie Curie Cancer Care, which has been Rank's chosen charity since 2010 but we also supported a number of others, including the Dame Kelly Holmes Legacy Trust. Over the years that Rank has been associated with Marie Curie Cancer Care, we have raised more than £1,000,000 for the charity – funding more than 50,000 hours of care for cancer patients and their families from Marie Curie's tireless nurses.

Spurred on by the generosity of our customers and the support of many of our business suppliers, our teams engaged in a wide range of fund-raising activities, which have included:

- Team members from Mecca clubs in Chadwell Heath and Dagenham raised £1,150 for Marie Curie Cancer Care by braving the rapids of the Olympic white water rafting course in London;
- The seventh annual Rank City Poker Classic raised more than £3,200 for Marie Curie Cancer Care by pitting against one another the best Texas Hold 'Em players from across London's Square Mile;
- Team Rank was awarded the fund-raiser of the year award at the Intelligent Sport UK Challenge by raising almost £11,000 for the Dame Kelly Holmes Legacy Trust; and
- 94 Mecca employees took part in the Great North Run for Marie Curie Cancer Care raising £50,000.

Rank Cares

During 2014, Rank will launch Rank Cares – a fund-raising and volunteering programme designed to allow every team member in the company to do their bit for the local community. The focus for the programme will be to provide support and escape for carers – those who devote large parts of their own lives to caring for others.

Rank and the environment

During 2012/13, we made further improvements to the way that our business activities interacted with the natural environment.

We achieved our target to reduce our Carbon Footprint by 12,000 tonnes by December 2012. This was achieved by the introduction of higher efficiency lighting, new environmental controls, improved landfill diversion and a programme of staff engagement.

In the CRC league table we came 77th and in the Hotel, Hospitality and Leisure sector we came a creditable 5th.

A new target has been set to reduce our like-for-like gas and electricity consumption by 10% and increase the level of landfill diverted to 85% by the end of June 2015.

OUR COMMUNITIES – BUILDING FOR BETTER

During 2012/13, we made a number of important contributions to the economic and social fabrics of the communities where we operate:

- By investing capital in adding new venues or enhancing existing venues;
- By generating income through the tax system for investment at a national and local level; and
- By supporting employment – both directly and indirectly.

Investment in our communities

During the year, we invested £21.9m in adding new venues to communities or enhancing the quality of existing ones. This investment has a number of important community benefits:

- It raises the level of amenity available;
- It provides employment during the construction phase;
- It often attracts additional investment from neighbouring businesses; and
- It attracts income into a community (including the tourism benefits from our London casinos) which benefits other retailers.

Supporting employment in our communities

During the year, we employed 8,607 team members* across Great Britain. We recognise that employment is not simply critical for the economy and standards of living but also that it serves a fundamental human need. In addition to the income received, employment offers the opportunity to find contentment through engagement in fulfilling and meaningful tasks.

Contributing through the tax system

During the year, we generated £207.8m in taxes, duties and rates in Great Britain, Spain and Belgium (see tax fact file, page 43). This represented 39% of our total costs and 35% of our revenue. These funds will have been put to work at both national and local levels to improve standards of living and quality of life.

* With the acquisition of 19 casinos, the total number of team members employed has risen to 11,000.

FINANCIAL REVIEW

CONTINUING TO DELIVER RESULTS

Clive Jennings
Finance director

THE INCREASE IN GROUP REVENUES REFLECTS GOOD GROWTH FROM GROSVENOR CASINOS AND MECCA'S DIGITAL CHANNEL

Key results from continuing operations

Group revenue for the 12 months ended 30 June 2013 from continuing operations rose by 7% to £625.0m while Group operating profit before exceptionals of £69.9m was marginally above the prior period.

The growth in Group revenues reflects good growth from Grosvenor Casinos (including the contribution to venues from the first seven weeks of trading from the 19 acquired casinos) and Mecca's digital channel, meccabingo.com, as well as the impact of MGD from 1 February 2013 (which effectively grosses up revenue but has no material impact on overall profitability). As a result of increased costs in casino venues and higher costs in both the Mecca channels this revenue growth has not translated through to operating profit.

Adjusted net interest payable for the 12 months was above the prior period due to the additional facilities used to fund the acquisition of the 19 casinos from Gala Coral.

Adjusted earnings per share was flat year on year at 12.4p.

Acquisition of the former Gala casinos

On 12 May 2013, the Group acquired Gala Casino 1 Limited (now Grosvenor Casinos (GC) Limited) from Gala Coral for a base consideration of £179.0m, subject to certain completion adjustments. The acquisition comprised 19 operating casinos and 3 non-trading licences and was financed by new three year bank term loans totalling £140.0m plus existing cash held by the Group.

The acquisition has been accounted for in accordance with IFRS3 (Business Combinations). Due to the proximity of the acquisition to the Group's year end, provisional fair values have been attributed to the assets and liabilities acquired based on the latest available completion accounts. This has resulted in the recognition of casino licences of £155.8m and goodwill of £78.5m. The final calculation of fair values will be completed within 12 months of the acquisition. Further details are provided in note 25.

Between completion on 12 May 2013 and the year end the acquisition generated revenues of £15.5m and an operating profit of £2.9m. The costs of acquisition and integration have been expensed (apart from the debt arrangement costs) as an exceptional item as set out in note 4.

Discontinued operations – Blue Square Bet disposal

On 10 January 2013, the Group announced it was carrying out a strategic review of its loss-making Blue Square Bet business. Following completion of this review, the Group completed the sale of the brand's assets to Betfair Group Plc for £5.0m on 2 April 2013.

The business has therefore been disclosed as a discontinued activity and the loss on sale along with associated closure and re-organisation costs have been booked as exceptional items (see note 4).

Exceptional items

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

In addition to the costs associated with the acquistion of the former Gala casinos and the disposal of Blue Square Bet noted above, the Group recognised various items relating to indirect and direct taxation matters as well as impairment and onerous lease adjustments associated with our venues businesses.

Full details of exceptional items are provided in note 4.

Taxation

The Group's effective corporation tax rate on continuing operations was 25.5% (2012/11: 26.3%) based on a tax charge of £16.6m on adjusted profit before taxation and exceptionals of £65.1m. The Group's effective corporation tax rate for 2013/14 is expected to fall within the range of 24% to 26% as a result of the reduction of UK corporation tax rates.

The Group had an effective cash tax rate of 14.8% on adjusted profit. The Group is expected to have a cash tax rate of 17.5% to 20% in 2013/14, excluding any tax payable on the resolution of a number of legacy issues. This is lower than the Group's effective corporation tax rate due to the availability of brought forward losses in Spain and capital allowances in the UK.

Cash flow

	12 months to 30 June 2013 £m	12 months to 30 June 2012 (unaudited and restated) £m	18 months to 30 June 2012 (audited and restated) £m
Continuing operations			
Cash inflow from operations	**117.7**	111.1	157.2
Capital expenditure	**(38.2)**	(48.8)	(70.7)
Fixed asset disposals	**2.0**	0.2	0.8
Operating cash inflow	**81.5**	62.5	87.3
Discounted operations	**(9.1)**	(3.4)	(4.7)
Net acquisitions and disposals	**(175.9)**	(0.1)	(0.2)
Net cash (payments)/receipts in respect of provisions and exceptional items	**(14.0)**	(12.8)	64.9
	(117.5)	46.2	147.3
Net interest and tax (payments)/receipts	**(12.8)**	(35.6)	44.9
Net dividends paid	**(14.6)**	(8.2)	(14.7)
New finance leases	**(0.8)**	(0.7)	(9.2)
Other (including foreign exchange translation)	**0.1**	2.9	(3.1)
Cash (outflow)/inflow	**(145.6)**	4.6	165.2
Opening net cash/(debt)	**41.8**	37.2	(123.4)
Closing net (debt)/cash	**(103.8)**	41.8	41.8

Financial structure and liquidity

At the end of June 2013, net debt was £103.8m compared with net cash of £41.8m at the end of June 2012. The net debt comprised £140.0m in bank term loans in respect of the acquisition of the former Gala casinos, £9.4m in fixed rate Yankee bonds, £16.3m in finance leases and £3.4m in overdrafts offset by cash at bank and in hand of £65.3m.

The Group's banking facilities comprise two £70.0m bilateral term loans and four £20.0m bilateral revolving credit facilities with its relationship banks totalling £220.0m. These facilities require the maintenance of a minimum ratio of earnings before interest, tax, depreciation and amortisation ("**EBITDA**") to net interest payable; a minimum ratio of EBITDA plus operating lease charges to net interest payable plus operating lease charges and a maximum ratio of net debt to EBITDA, tested quarterly and biannually depending on the facility. The Group has complied with its banking covenants.

The Group currently has fully drawn the term loans but has no drawings on its revolving credit facilities.

Capital expenditure

	12 months to 30 June 2013 £m	12 months to 30 June 2012 (unaudited and restated) £m	18 months to 30 June 2012 (audited and restated) £m
Cash:			
Continuing operations			
Grosvenor Casinos	**21.0**	26.9	35.6
Mecca	**9.6**	12.5	19.7
Enracha	**1.4**	3.6	6.0
Central	**6.2**	5.8	9.4
	38.2	48.8	70.7
Discontinued operations	**1.1**	0.8	0.8
	39.3	49.6	71.5
Finance leases:			
Grosvenor Casinos	**0.5**	–	8.2
Mecca	**0.3**	0.7	1.0
	0.8	0.7	9.2
Total capital expenditure	**40.1**	50.3	80.7

Grosvenor Casinos spent £6.8m on the new G Casino at Reading, £2.4m on extending its Portsmouth G Casino, £4.1m on new gaming machines and £1.1m on IT upgrades. Expansion of the Manchester G Casino was completed in July 2013 at a total cost of £1.1m, whereas the Victoria casino expansion works are on-going with £1.0m spent in the current year, and a further £0.5m was spent purchasing a non-trading casino licence in Sheffield. The balance of the expenditure was on minor capital works.

Capital expenditure for Mecca was reduced in light of the disappointing trading performance, with £0.7m spent on each of the Hartlepool and Knotty Ash Full House Destination conversions, and the balance on minor capital works, refurbishments and IT.

Blue Square Bet spent £1.1m on UK website development prior to the commencement of the strategic review. Enracha spent £1.4m, with £0.7m on the conversion of the Universal club in Madrid and the balance on other minor capital works.

Capital expenditure approved at 30 June 2013 included £10.7m for new gaming equipment at the 19 acquired casinos, £6.1m for the new G casino in Southend-on-Sea, £2.7m for the expansion at the Group's flagship Victoria casino and £0.2m for the expansion of the G Casino in Manchester. Mecca had no material commitments at the year end.

Following the year end the Group committed £6.0m to purchase five casino licences from Clermont Leisure. The transaction included a London casino licence and the purchase price was independently verified by a third party on an arm's length basis.

The Group anticipates that 2013/14 capital investment will be approximately £65.0m and includes £18.0m for the acquired casinos and £12.0m expanding our existing casino venues business (including the approved capital detailed above). The Group continues to maintain strict control over committing expenditure to capital projects, with expenditure phased and dependent on operating performance, allowing for quick reductions in the overall level of capital expenditure if required.

Please refer to page 56 for the principal risks and uncertainties.

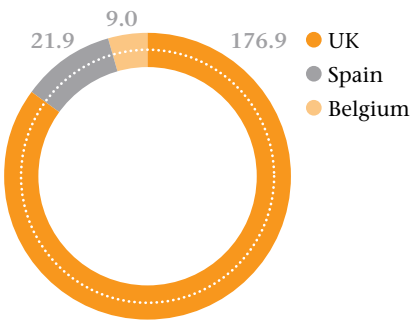
Going concern

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 those projected levels, the directors believe that the Group will generate sufficient cash to meet its requirements for at least the next 12 months and comply with its banking covenants. Accordingly the adoption of the going concern basis remains appropriate.

TAX FACT FILE

Rank remains committed to contributing to the communities and economies where it is established; this includes paying tax.

Tax contribution by territory (£m)

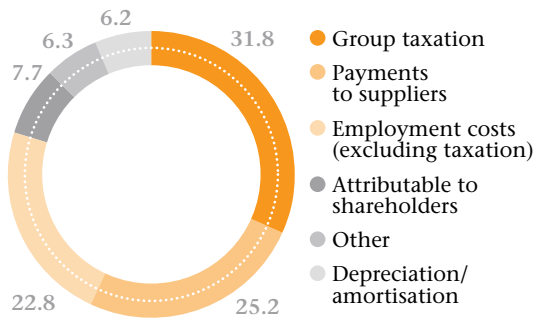


Taxation

In the year 2012/13 the Group's businesses have generated £176.9m (18 month period 2011/12: £265.3m) for the UK Exchequer and local government in VAT, gaming taxes, income tax, National Insurance contributions and local business rates. Rank has provided employment to more than 9,500 (2011/12: 8,500) people across the Group. The broader impact of Rank's operations, including taxes paid by supplier companies, is harder to quantify but no less significant.

Taxation represents a significant proportion of the Group's total outgoings as can be seen from the chart below:

Taxation (%)



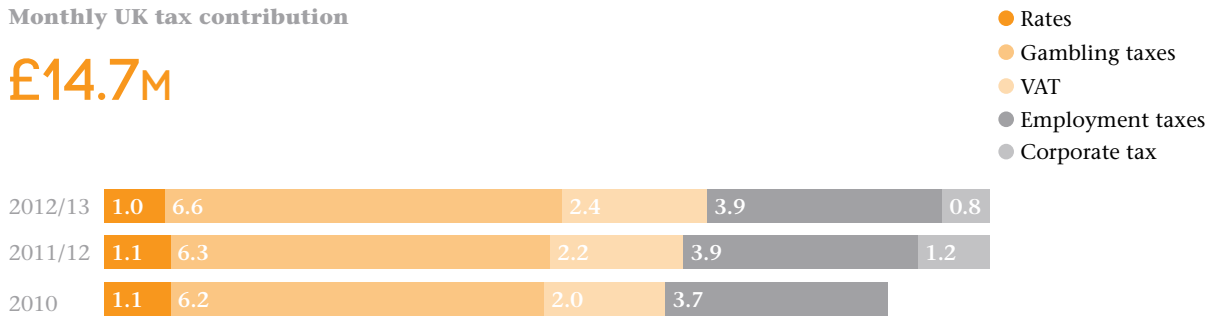
Tax strategy

Rank's tax strategy is aligned with Rank's group strategic objectives of responsible operation and constructive political engagement.

Rank operates in a highly regulated and highly taxed industry and aims to engage effectively with governments to ensure that Rank's economic and societal contributions are understood and valued. This is achieved by responding to consultations which may have a material impact upon the business, actively pursuing opportunities to meet with government officials and discuss the tax environment applicable to Rank's operating companies, expressing considered opinions to government and industry on the current tax environment and how it may be improved and actively participating in forums designed to comment on and inform government policy on taxation.

Monthly UK tax contribution

£14.7M



Rank aims to resolve a number of historic tax issues in the UK and abroad by working co-operatively with the relevant tax authorities. The Group's objective is to conclude tax audits as quickly as possible whilst also defending our position robustly with a view to protecting shareholder value and taking into account the cost of defending audits in relation to the amounts of tax at stake. Rank is satisfied that it has made adequate provision for any payments that are likely to become due in relation to unresolved tax issues based on the current information and advice available.

The Group's tax strategy is regularly reviewed and approved by the Board and supported by the use of appropriate advisors. Where disputes arise over the interpretation and application of tax legislation, the Group will seek to resolve any differences by discussing the merits of its position with the relevant tax authority. In the event that agreement cannot be reached, Rank will consider litigation provided that the grounds of appeal stand a good chance of success and that there is sufficient tax at stake to warrant the cost of litigation.

Effective tax rate

The Group's effective corporation tax rate in 2012/13 was 25.5% (2011/12: 26.3%) based on a tax charge of £16.6m on adjusted profit before taxation and a tax credit on exceptionals of £2.7m. This is in line with the Group's anticipated effective tax rate. The effective corporation tax rate for 2014 and future periods is expected to be 24%-26% reducing in line with the reduction in UK corporation tax rates but remaining 2%-3% above the UK statutory tax rate as a result of overseas profits being taxed at higher rates and depreciation of assets that do not qualify for capital allowances. Further details on the taxation charge are provided in note 7.

Cash tax rate

In the 12 months to 30 June 2013 the Group had an effective cash tax rate of 14.8% on adjusted profit reflecting the utilisation of capital allowances and losses in the group (7.8% in the 18-month period to 30 June 2012). The Group is expected to have a cash tax rate of approximately 17.5% to 20% in the 12 months ended 30 June 2014, excluding any tax payable on the resolution of a number of legacy issues.

Gaming tax reform

Rank's position

Since 2010 Rank has urged the Government to create a single system of taxation at a single rate on the grounds that this proposal delivers on three key policy objectives.

Fairness
By removing arbitrary distinctions in the taxation of the same gaming products and thus ending state aid for online gaming operators;

Responsibility
By creating a tax regime which allows adults to gamble in safe, licensed premises without penalising the operators of such premises; and

Sustainability
By encouraging all operators to make a fair contribution to the UK economy and by stimulating job creation in the UK, through increased investment.

More details of Rank's position are detailed in our paper 'Responsible Taxation: Fairness, Responsibility and Sustainability' which is available at www.rank.com.

In April 2013 Rank published 'Game Plan – A candid exposition of Rank's approach to regulatory and fiscal reform' (also available at www.rank.com). Game Plan considers the positive contribution that Rank makes to life in Britain today as well as considering how Rank can make a greater contribution in the future with a little support from our government.

Rank considers that the current tax regime for gaming in Great Britain is unduly complex which has resulted in volatility in the past. The Group's ability to invest and to create employment is inhibited by the uncertainty this causes. Rank is in favour of a simpler regime that encourages sustained growth and investment.

In Game Plan[1] Rank calls for a reduction in the rate of bingo duty from 20% to 15%, which would bring Bingo Duty into line with the majority of betting and gaming taxes in Britain. Rank questions the wisdom of a policy which appears to favour offshore based operations at the expense of UK-based companies and UK-based jobs. Rank would like to engage with government to discuss ways in which it could commit to pass on to the consumer the benefits of any duty reduction, exploring the possibility of committing to investment and job creation under a 15% rate of Bingo Duty.

Rank recognises the difficulty for government to provide tax reductions in the current economic climate. However, the introduction of Remote Gaming Duty on a point of consumption basis from December 2014, with its additional forecast duty of £270m per year, provides the perfect opportunity.

A reduction in the rate of Bingo Duty from 20% to 15% was recommended by The Culture, Media and Sport Select Committee in its report 'The Gambling Act 2005: A bet worth taking?'. The report sets out the findings of its inquiry into the effectiveness of the Gambling Act and makes a series of recommendations which 'support liberalisation of rules and delegation of decisions'. The report says:

"We recognise that the bingo sector remains highly taxed in comparison with other sectors despite its status as one of the softest forms of gambling. In principle, we believe that bingo should be taxed in line with other forms of gambling at 15%."

In Budget 2012, the UK Government announced a change in the basis of the UK's tax system so that, from 1 December 2014, tax becomes due on any gambling revenue generated from consumers in the UK. The rate of tax has not yet been announced but it is expected to be at least 15%.

Spain

In 2011, the Spanish government invited online operators to apply for remote gaming licences and introduced tax changes which levied gaming duty on a place of consumption basis. Remote Gaming Duty was introduced at a rate of 20% of revenue. This differs from the taxation of land-based businesses, which although taxed at similar rates (of between 15% to 25%), are taxed on stakes received rather than revenue generated.

Belgium

The Belgian government introduced a taxation and licensing framework for online gaming companies in 2011. Companies may only apply for an online gaming licence in Belgium if they already hold a land-based gaming licence and are subject to Remote Gaming Duty at a rate of 11%.

VAT claims

Since 2006, Rank has invested significant resource in pursuing litigation to reclaim overpaid VAT. In all, Rank has received £284.2 million of VAT and interest relating to this litigation. Following five rulings in Rank's favour from the UK courts, Rank's case was referred to the Court of Justice of the European Union (ECJ). The decision of the ECJ was published on 10 November 2011. The decision led HM Revenue & Customs to concede the bingo element of Rank's claims. However, the element of Rank's claim relating to amusement machines (totalling £30.8m) has been referred back to the UK courts. Rank's case was heard at the Court of Appeal in May 2013 and Rank expects a decision by the end of October 2013. Depending on the outcome of the Court of Appeal decision, it is possible that certain other points in relation to the case will need to be considered further by the First-tier Tribunal.

Rank has submitted several further claims pursuant to the principle of fiscal neutrality, pertaining (in the main) to VAT overpaid on amusement machine income. Rank has estimated that these claims total more than £275 million including interest. The delay in the conclusion

[1] Fees for advisory services for engaging with Government, Parliament and the media in the period £0.1m.

of Rank's current case, in particular the referral back to the UK courts, has delayed the settlement of these additional claims. Rank considers that the outcome of the Court of Appeal should determine some of the claims included within the £275m (in particular the amusement machine claim for the period 31 January 1976 to 30 September 1996).

However, it is also possible that further litigation will be required in connection with part of these claims. These delays have not altered Rank's appraisal of its chances of success in this matter.

VAT claims summary

	Payment received	Litigation concluded	VAT and interest claimed/paid £m
Amusement machine	Yes	No	30.8
Additional VAT claims, simple interest	No	No	275.0

At present, HMRC accepts that taxpayers are entitled to receive interest on repayments caused by HMRC's error. Such interest is calculated on a simple basis. However, there is ongoing litigation that such interest should be calculated on a compound basis. Rank has protected its position with regard to such claims as other tax payers are bringing litigation on this point.

Details of the claims are also set out in note 31 ('Contingent assets') and note 32 ('Contingent liabilities'). The Group believes that it has a reasonable chance of success with each claim.

UK tax regime

	Gaming duty/Gross profits tax
Mecca	
Category B3 gaming machines*	20%
Category C gaming machines*	20%
Category D gaming machines*	5%
Main stage bingo	20%
Interval bingo	20%
meccabingo.com**	15%
Grosvenor	
Casino games and poker (tax on gaming win in a six-month period)	15% – £0 to £2,242.5k
	20% – £2,242.5k to £3,788.5k
	30% – £3,788.5k to £6,496k
	40% – £6,496k to £12,210.5k
	50% – over £12,210.5k
Category B1 gaming machines*	20%
grosvenorcasinos.com**	15%

* In Budget 2012 it was announced that, from 1 February 2013, gaming machines would no longer be subject to VAT and AMLD but rather subject to a gross profits tax, machine games duty.

** Rank's online business is based offshore (Alderney, Channel Islands) and is not subject to this taxation at present. However, HM Treasury has proposed a change to the betting and gaming tax regime which would bring this income into the UK tax net with effect from 1 December 2014.

Spanish tax regime

	Bingo duty*	Remote Gaming Duty	VAT	Licence (annual average)
Bingo tax set by region	15% to 25%	–	–	–
Category B2/3 gaming machines	–	–	–	€3,650
Multi-post electronics	–	–	–	€10,600
enracha.es	–	20%		

* Calculated as a percentage of stake.

Belgian tax regime

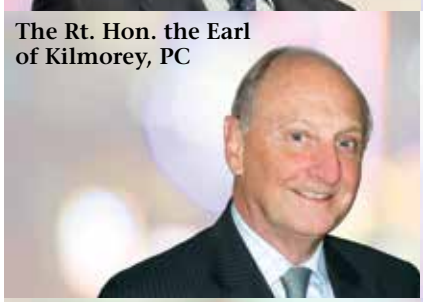
	Gaming duty	VAT	Licence (annual)
Table games	33% – €0 to €865k	–	–
	44% – over €865k		
Electronic roulette / amusement machines	20% – €0 to €1,200k	–	–
	25% – €1,200k to €2,450k		
	30% – €2,450k to €3,700k		
	35% – €3,700k to €6,150k		
	40% – €6,150k to €8,650k		
	45% – €8,650k to €12,350k		
	50% – over €12,350k		

BOARD OF DIRECTORS


Ian Burke


Clive Jennings


Colin Child


The Rt. Hon. the Earl of Kilmorey, PC


Owen O'Donnell


Tim Scoble


John Warren


Shaa Wasmund


Frances Bingham

Ian Burke
Chairman and chief executive

Appointment: March 2006

Age: 57

Experience: Ian has spent the majority of his career in the leisure industry, initially in bingo clubs, then hotels and health and fitness clubs. He was chief executive of the Holmes Place Group from July 2003 to February 2006, chief executive of Thistle Hotels plc from May 1998 to May 2003 and held various roles with Bass plc from February 1990 to April 1998, including managing director of Gala Clubs and managing director of Holiday Inns.

Clive Jennings
Finance director

Appointment: July 2011

Age: 52

Experience: Clive was previously Rank's group financial controller prior to which he was the financial controller of Rank's gaming division. He held senior finance positions in a number of other companies prior to joining Rank in July 2000. He is a chartered accountant.

Colin Child
Senior independent director

Appointment: January 2012

Age: 55

Experience: Colin has a wealth of experience gained within large multi-national businesses operating in a wide range of sectors, including casino gaming. He is also a chartered accountant.
Current roles: group finance director of De La Rue plc, the commercial security printer and papermaker, since June 2010.
Former roles: group finance director of DTZ Holdings plc (2007 to 2009), Stanley Leisure plc (2004 to 2007), Fitness First Plc (2001 to 2003) and National Express Group PLC (1993 to 1999).

The Rt. Hon. the Earl of Kilmorey, PC

Non-executive director

Appointment: May 2012

Age: 71

Experience: Lord Kilmorey has diverse experience in commerce and industry and in Government.
Current roles: non-executive chairman of VANE Minerals plc since July 2009 and of Tetra Strategy Limited, a political consultancy, since May 2009; director of Smarta Enterprises Limited, the UK's largest online resource for small businesses, since October 2008; and non-executive director of NEC Europe Ltd, a leading internet services and systems solutions provider, since October 1997.
Former roles: non-executive director of Avon Rubber p.l.c. (2007 to 2013, including five years as chairman); a director of various Dyson group companies (1995 to 2012, including four years as deputy chairman); chairman of Biocompatibles International plc (2000 to 2006) and of The Heart Hospital Limited (1998 to 2001); director of GEC plc (1995 to 1997); Minister of Trade (1992 to 1995); and Northern Ireland Minister (1985 to 1992).

Owen O'Donnell

Non-executive director

Appointment: September 2008

Age: 46

Experience: Owen's background is in online businesses including online media and online gaming. He is also a chartered accountant.
Current roles: finance director at OVO Energy since July 2012, and non-executive director of Plumbee Limited, a social and mobile casino games business, since May 2012.
Former roles: non-executive chairman of fanduel.com, the online fantasy sports site, (2009 to 2011); chief financial officer of Joost, King.com, Betfair and of FT.com; and director of finance and performance measurement of Pearson plc.

Tim Scoble

Non-executive director

Appointment: April 2010

Age: 56

Experience: Tim is an experienced leisure operator, with particular expertise in developing consumer brands and service delivery. He is a chartered accountant and chairs Rank's remuneration committee.
Current roles: European hotel advisor to Apollo Management International LLP and chairman of QHotels Holdings Limited.
Former roles: UK chief executive of Guoman Hotels (formerly Thistle Hotels) (2006 to 2012); chief executive of GuocoLeisure Limited, a Singapore listed company controlled by Guoco Group Limited (2009 to 2011); managing director of Moat House Hotels (2001 to 2003); and chief executive of Little Chef and a director of Travelodge (2003 to 2005).

John Warren

Non-executive director

Appointment: January 2006

Age: 60

Experience: John has more than 30 years' experience in finance roles in consumer goods companies. He is a chartered accountant and chairs Rank's audit committee.
Current roles: non-executive director of Spectris plc since March 2006 and its senior independent director since November 2010; non-executive director of Bovis Homes Group PLC since March 2006, Welsh Water since May 2012, 4imprint Group plc since June 2012, and Greencore Group plc since January 2013.
Former roles: chairman of Uniq plc (2007 to 2011); non-executive director of BPP Holdings plc (2006 to 2009), Arla Foods UK PLC (2006 to 2007), RAC plc (2003 to 2005) and Rexam PLC (1994 to 2003); group finance director of WH Smith PLC (2000 to 2005); and various roles at United Biscuits (Holdings) Plc, including group finance director, (1981 to 2000).

Shaa Wasmund

Non-executive director

Appointment: November 2012

Age: 41

Experience: Shaa has had a distinguished digital career advising both start-ups and large corporations. She is an international speaker on the topic of digital media.
Current roles: director of Smarta Enterprises Limited which owns Smarta.com, the UK's largest independent online resource for small businesses, and Smarta Business Builder, business software as a service for small and medium-sized enterprises, which she founded in July 2008.

Frances Bingham

Company secretary

Appointment: May 2008

Age: 48

Experience: For eight years Frances was company secretary and legal director of the multi-national health and fitness group, Holmes Place Group, and prior to that she was a solicitor in private practice.

MANAGEMENT TEAM

Board committees

Audit:
John Warren (chairman), Colin Child, Owen O'Donnell

Remuneration:
Tim Scoble (chairman), Owen O'Donnell,
John Warren, Shaa Wasmund

Nominations:
Colin Child (chairman), Tim Scoble, John Warren

Finance:
Ian Burke (chairman), Colin Child,
Clive Jennings, Tim Scoble

Management team

Our executive committee is not a board committee. It is responsible for day-to-day trading and is accountable to the chief executive for promoting and developing a profitable, long-term business.

Grosvenor Casinos
Managing director – Phil Urban

Mecca
Managing director – Mark Jones

Enracha
Managing director – Jorge Ibáñez

Corporate

Chairman and chief executive – Ian Burke

Finance
Finance director – Clive Jennings

Legal, compliance and security
Company secretary – Frances Bingham

Technology
Chief information officer – Keith Woodcock
(from September 2013)

People
Human resources director – Sue Waldock

Strategy
Strategy director – Dan Waugh

Governance statement

The board is committed to ensuring that the Group is well managed and that rigorous and transparent procedures allow this to happen.

The principal governance rules applying to UK companies listed on the London Stock Exchange are contained in The UK Corporate Governance Code, revised by the Financial Reporting Council in June 2010 (the "Code"). This report also includes the information that is required by the Financial Conduct Authority's Disclosure Rules and Transparency Rules ("DTR") to be contained in the Company's annual report.

Save in relation to Code provision A.2.1 (roles of chairman and chief executive not to be exercised by the same individual), the board confirms that it has complied with the provisions of the Code throughout the year ended 30 June 2013. Please see page 52 for an explanation as to why the board has not complied with Code provision A.2.1.

This statement explains how we have applied the principles of the Code, our governance policies and practices and how we run the business for the benefit of shareholders.

In this statement the following abbreviations are used:

"FCA" – Financial Conduct Authority

"Guoco" – Guoco Group Limited

"Hong Leong" – Hong Leong Company (Malaysia) Berhad

Code main principles

Leadership

The role of the board

Board composition

As at the date of this report, the board consists of:

- a senior independent director;
- five further independent non-executive directors; and
- two executive directors – the executive chairman and chief executive and the finance director.

The names and biographies of all directors are published on pages 48 and 49.

Key board responsibilities

The board is responsible for:

- Group strategy, objectives and policies;
- general and long-term progress of the Group within the political, economic, environmental and social setting of the day;
- financial performance, annual budgets and business plans;
- major capital expenditure, acquisitions and divestments;
- annual and half-year financial results and interim management statements;
- board committees and their terms of reference;
- internal controls and risk management;
- responsible gambling and ethical behaviour;
- sound governance, health and safety, and environmental policies;
- board and company secretary appointments;
- senior management structure, remuneration and succession; and
- investor relations.

Specific responsibilities are delegated to our four board committees – audit, remuneration, nominations and finance. They report to the board and operate within defined terms of reference, which can be obtained from our website at www.rank.com/governance/index.jsp or by writing to the company secretary.

Board meetings

Board meetings allow for regular and frank discussion on strategy, trading, financial performance and risk management.

There were 10 scheduled meetings during the year and a further nine meetings to discuss specific issues. One meeting during the year was devoted entirely to strategy.

During the year, the board's committees also met regularly to discharge their duties.

In exceptional circumstances when a director is unable to attend a meeting, their comments on briefing papers are given in advance to the relevant chairman.

The directors' attendance at board and committee meetings during the year is recorded in the table overleaf. It shows the number of meetings attended by each director compared with the number of meetings that director was eligible to attend.

Board meeting attendance

	Full board	Audit committee	Remuneration committee	Nominations committee	Finance committee
Current directors					
Ian Burke	19/19	n/a	n/a	2/2	9/9
Colin Child	17/19	3/3	n/a	n/a	8/9
Clive Jennings	19/19	n/a	n/a	n/a	9/9
Richard Kilmorey	15/19	n/a	n/a	n/a	n/a
Owen O'Donnell	19/19	3/3	8/8	n/a	n/a
Tim Scoble	19/19	n/a	8/8	2/2	9/9
John Warren	17/19	3/3	7/8	1/2	n/a
Shaa Wasmund[1]	10/13	n/a	n/a	n/a	n/a
Former directors					
Richard Greenhalgh[2]	19/19	n/a	8/8	2/2	n/a
Bill Shannon[3]	8/8	1/3	2/2	1/2	n/a

Notes
1 Ms Wasmund was appointed to the board on 1 November 2012.
2 Mr Greenhalgh retired from the board with effect from 30 June 2013.
3 Mr Shannon retired from the board with effect from 31 December 2012.

Insurance and indemnity
The Company has arranged insurance cover and indemnifies directors in respect of legal action against them to the extent permitted by law. Neither applies in situations where a director has acted fraudulently or dishonestly.

Conflicts of interest
The directors have a statutory duty to avoid conflicts of interest. In accordance with our articles of association, we have adopted a policy and procedure for managing and, if appropriate, authorising actual or potential conflicts of interest.

Directors are required to disclose any other new appointments before agreeing to take them on, so that any conflicts of interest can be identified and addressed.

During the period under review, two non-executive directors took on positions with external organisations and no conflicts of interest in relation thereto have been identified.

The board also assesses conflicts of interest before making any new appointments.

Division of responsibilities
Since 15 July 2011 the Company's chief executive has also assumed the role of executive chairman.

Following the conclusion of Guoco's general offer for Rank which resulted in it having a 74.5% interest in the Company, the Company retained its listing on the London Stock Exchange.

Given the Guoco holding, the board was of the view that it was important for there to be a clear line of communication between the Company and its majority shareholder and that this would be for the benefit of all shareholders. The board was of the view that this would be best achieved by combining the role of chairman and chief executive.

The board agreed that it would keep under regular review the impact and wider implications of one individual assuming the combined chair and chief executive role.

Consequent upon Mr Burke continuing to assume the combined chair and chief executive role:

- the finance committee* (which, amongst other things, sets, monitors and reports on operating plans, comparison of our brands' actual financial performance against budget and year-end forecasts) continues to comprise two non-executive directors in addition to the chief executive and finance director;
- Mr Burke has stepped down from the nominations committee;
- agendas for board meetings continue to be agreed with the senior independent director; and
- the senior independent director continues to take the lead role in terms of board and committee evaluations.

* The finance committee's terms of reference are available from the Company's website at www.rank.com/downloads/terms_of_reference/tor_finance_committee.pdf, or by writing to the company secretary.

During summer 2012 the senior independent director met a number of the Company's largest institutional shareholders to discuss executive remuneration. At each such meeting those shareholders were invited to express any concerns that they had with regard to Mr Burke assuming the combined role for the time being, and no specific concerns were raised.

Mr Burke has confirmed to the board that undertaking the combined role does not place an undue burden on him. The non-executive directors reviewed the combined position again in June 2013 including the impact of having a combined role on succession planning and remain satisfied that despite the fact that Mr Burke undertakes the combined role of chairman and chief executive, he does not enjoy unfettered powers of decision.

The Company's four largest institutional shareholders have all been offered meetings with the newly-appointed senior independent director.

The board continues to be of the view that Mr Burke is successfully undertaking his primary duty as chairman in leading the board and ensuring its effectiveness in all aspects of its role, and as chief executive in directing and promoting the profitable operation and development of the Group consistent with the primary objective of creating long-term shareholder value.

The board will continue to keep the position under regular review.

Non-executive directors

The directors are satisfied that there are proper procedures in place to ensure that:

- they are receiving accurate and clear information for the proper execution of their duties;
- the Group's objectives, policies and strategies are consistent with enhancing shareholder value;
- they are able to keep the Group's progress and development under review;
- they have an opportunity to challenge constructively, and help develop, proposals on strategy;
- there are effective communications with all shareholders; and
- the Group's governance is effective.

Senior independent director

As senior independent director since 1 July 2013, Colin Child is available to talk with shareholders who have questions or concerns. Led by the former senior independent director, the non-executive directors met and reviewed the chairman and chief executive's performance without him being present.

Effectiveness

The composition of the board

Size and structure

The nominations committee keeps the board's size and structure under review. The nominations committee is of the view that the board is well balanced, providing a collective competence to suit the Group's developing needs and an appropriate blend of executive and non-executive skill. We believe that all our directors are suitably qualified to help steer and challenge Group strategy.

More than half of our board is independent:

Name	Independent	Appointed
Executive		
Ian Burke*	×	March 2006
Clive Jennings	×	July 2011
Non-executive		
Colin Child**	✓	January 2012
Richard Kilmorey	✓	May 2012
Owen O'Donnell	✓	September 2008
Tim Scoble***	✓	April 2010
John Warren	✓	January 2006
Shaa Wasmund	✓	November 2012

* Ian Burke was originally appointed to the board on 6 March 2006. He resigned from the board on 28 June 2011 and was reappointed on 3 July 2011. On 15 July 2011 he became executive chairman.

** Colin Child assumed the role of the senior independent director on 1 July 2013.

*** Until 30 April 2012, Tim Scoble was not independent – he was an appointee of Guoco, a parent company of Rank's largest shareholder, which currently owns 291,046,540 ordinary shares in the Company, representing 74.5% of voting rights. Tim Scoble has been independent since 30 April 2012 when he ceased to be an appointee of Guoco.

The principal terms and conditions of appointment for each director are set out on pages 67 to 70 and their interests in Rank shares are detailed on page 73.

Board diversity

During the period under review, the nominations committee has continued to consider the issue of diversity in the context of the board and is mindful of the benefits that diversity brings to the board. The board is committed to further improving its gender diversity and to ensuring that all appointments are made regardless of gender.

Committees

The composition and chairmanship of our board committees are considered annually and have been considered twice during the period under review.

Appointments to the board

Nominations committee

The formal terms of reference of the nominations committee are available on our website at www.rank.com/downloads/terms_of_reference/tor_nominations_committee.pdf, or by written request to the company secretary.

The nominations committee is responsible for identifying relevant talent and nominating all board appointments.

During the period under review the committee met formally on two occasions. The main issues which it discussed were:

- board composition;
- board diversity;
- succession planning;
- appointment of additional non-executive directors; and
- chairmanship and membership of board committees.

Terms of appointment

The agreed terms and conditions for non-executive directors comply with the Code and are available for inspection at the Company's registered office.

Appointment of additional non-executive director

In anticipation of the retirement of Bill Shannon, the committee initiated a search for a replacement independent non-executive director. The committee was particularly interested in identifying an individual with expertise in digital media. One candidate with the requisite background, Shaa Wasmund, was recommended to the chairman and he, another committee member and another board member interviewed Ms. Wasmund, following which she was recommended for appointment to the board and duly appointed with effect from 1 November 2012.

Re-appointment of non-executive directors

On 22 April 2013 Tim Scoble had served three years on the board, initially as a representative of Guoco. With effect from 30 April 2012, Mr Scoble ceased to be a representative of Guoco. Mr Scoble and the board consider Mr Scoble to be independent with effect from that date. Given that Mr Scoble's experience as a leisure operator, with particular expertise in developing consumer brands and service delivery, continued to be beneficial for Rank, the board has agreed that Mr Scoble should remain as a director for at least one year following his re-election at the 2013 annual general meeting.

Commitment

The terms of appointment of non-executive directors are outlined on page 67 of the directors' remuneration report. All non-executive directors are required to disclose their other significant commitments both before appointment and following subsequent changes so that the board can satisfy itself that each of the directors has sufficient time to allocate to the Company to discharge their responsibilities effectively.

Executive directors are permitted to accept one external appointment in a non-executive capacity and to retain any fees received, provided there are no conflicts either of interests or time. This is in recognition of the fact that such appointments can broaden the knowledge and experience of executive directors to the benefit of Rank.

Neither Ian Burke nor Clive Jennings currently holds any directorships outside the Rank Group. Ian Burke currently serves as a visiting professor at the Centre for Management Studies at Birmingham City University. There is no set time commitment for this role, which is unpaid.

Development

Induction

During the period under review, one non-executive director was appointed to the board. The non-executive director was given a comprehensive induction programme, which included briefings on the Group's trading environment, site visits and meetings with senior management and the external auditor.

Skills and knowledge

All directors are given quarterly written briefings with regard to matters affecting the Group's businesses, such as the gambling market, the competitive landscape, technological developments and the political and regulatory environment. Additionally, at the board's request, the Group's auditor keeps the board abreast of key impact items such as political and regulatory initiatives with regard to narrative reporting, executive remuneration, going concern and the role of the audit committee.

Directors are invited to identify to the company secretary or human resources director any desired skills and knowledge enhancements that they require so that appropriate training can be arranged.

Additionally, once a year, the directors have an opportunity to review and agree their respective training and development needs during their one-on-one meetings with the executive chairman.

Information and support

Assisted by the company secretary, the chairman and chief executive is responsible for ensuring that directors receive accurate and timely information on all relevant matters.

The directors receive a monthly report of current and forecast trading results and treasury positions, as well as updates on shareholder views.

A rolling programme of items sets the agenda for board discussion. This is regularly reviewed and updated to cover topical issues and developments.

Comprehensive briefing papers on substantive agenda items are circulated at least five working days before meetings where possible. These contain detailed background information, thus freeing time for informed debate.

We operate an open-door policy between the board and the management team. Members of the management team also make regular board presentations to ensure a flow of operational information reaches the directors in a timely way.

All directors have access to the advice and services of the company secretary and, if required, may take independent advice and/or professional development at the Company's expense.

Evaluation
To monitor overall board performance, we use off-the-record questionnaires between the chairman and each director to evaluate individuals, the committees and the board as a whole.

The chairman conducted individual interviews with each board member to discuss their contributions during the year. The then senior independent director conducted an individual interview with the chairman and finance director to review their individual performances in the period under review.

The non-executive directors, led by the then senior independent director, held their meeting to appraise the chairman and chief executive's performance and effectiveness in June 2013.

The board reviewed and discussed anonymised responses to the board and committee evaluation questionnaires. The board agreed that, overall, the board functioned effectively during the period under review and that its committees continued to discharge their duties in line with their respective terms of reference.

Re-election
All new directors must stand for election at the first annual general meeting after their appointment and, thereafter, at intervals of no more than three years. Non-executive directors are engaged for an initial period of three years and must stand for election and re-appointment in the same way. Rank's articles of association require one third of serving directors to retire annually.

Shaa Wasmund was appointed to the board since the last annual general meeting and is therefore required to submit herself for election at the forthcoming annual general meeting on 17 October 2013.

On the recommendation of the nominations committee, at a meeting of the board held in December 2011, it was agreed that the Company would comply with the Code's requirement for annual re-election of directors of FTSE 350 companies.

Therefore all other directors will also submit themselves for re-election at the forthcoming annual general meeting with the exception of John Warren. Mr Warren will be retiring from the board with effect from the conclusion of the forthcoming annual general meeting.

Accountability

Risk management and internal control

Risk management

As part of its risk oversight role, the board satisfies itself that the necessary steps are taken to foster a culture of risk-adjusted decision-making throughout the Group. The board strives to ensure that risk management is an integral component of the Group's corporate strategy, culture and value generation process. The board's view is that risk management should be neither an impediment to the conduct of business nor a mere supplement to the Group's overall compliance programme.

The risk management process is reviewed by the audit committee on behalf of the board and monitored regularly by the chief executive, supported by the company secretary.

The Company's risk management reporting provides knowledge of current and emerging risks, trends and opportunities that may colour strategic decisions. Rank communicates with regulators, Government, non-governmental organisations and other bodies that have opinions about Rank's business, its future and effects.

Compliance with the Bribery Act 2010 and HM Treasury Financial Sanctions forms part of the general risks and internal controls reported to the board. Our audit committee also reviews management's bi-annual reports on anti money laundering, internal and external fraud, whistleblowing, code of conduct and inadvertent breaches of legislation.

An external risk management review of the Group's digital businesses is being undertaken with particular focus on IT security, fraud and payments, customer management and affiliates; and the board will consider the conclusions and any recommendations of that review later this calendar year.

At its meeting in May 2013, the board considered and discussed its appetite for risk. Given that Rank operates in an industry which is subject to government intervention, there would be a tendency towards a lower risk appetite than in some other businesses.

Principal risks and uncertainties
We outline below, not listed in any order of materiality, what we are doing to address our principal risks.

Level of Rank shares in public hands
Under Listing Rule 6.1.19R, shares held by persons who have an interest in 5% or more of a listed company's share capital are not regarded as being held in public hands (the "free float"). Under this rule, the shares held by Hong Leong and Prudential plc and subsidiary companies ("Prudential") may not be regarded as being in public hands, with the result that the number of Rank's shares distributed to the public is below the 25% threshold set out in Listing Rule 6.1.19R. Under Listing Rule 6.1.20R, the FCA may modify Listing Rule 6.1.19R to accept a percentage below 25% if it considers that the market will operate properly with a lower percentage. Under Listing Rule 5.2.1R, the FCA has the power to cancel the listing of securities if it is satisfied that there are special circumstances that preclude normal regular dealings in them. Additionally two of the Group's credit facility agreements are currently dependent on the Company remaining listed on a European stock exchange. To address the free float issue, on 3 July 2013 Guoco announced that it had declared a special interim dividend in specie of approximately 88.84 million Rank shares representing 22.74% of Rank (the "Distribution"). Rank understands that the Distribution is expected to reduce the overall interest of Hong Leong from 74.5% to 68.6%. However, due to the fact that Prudential's shares are not regarded as being in public hands, the free float remains below the 25% threshold. The Company remains in discussions with the UKLA and Prudential regarding this.

Integration of Grosvenor and Gala casinos
As reported on page 40, Rank completed its acquisition of 19 Gala casinos on 12 May 2013. Although the integration of Grosvenor and Gala casinos was carefully planned over many months prior to completion and three months have elapsed since completion, Rank may still face unforeseen difficulties with the integration of the operations and personnel of Gala Casinos into that of Grosvenor's existing businesses including:

- difficulties in integrating the financial, technological and management standards, processes, procedures and controls of the two businesses;
- difficulties in managing the increased scope, geographic diversity and complexity of an enlarged group of casinos;
- unforeseen additional capital expenditure requirements;
- failure to mitigate contingent and/or assumed liabilities; and
- the unexpected loss of key personnel and customers.

If Rank fails to integrate the Gala and Grosvenor casino businesses successfully, this may require more time and additional resources than originally anticipated or divert management attention which could have a negative impact on the results of the Group's operations.

Rank's project integration team continues to work so as to minimise the integration risks.

Online gaming platform
The Group is in the course of planning to replace its online gaming platform, which is of significant strategic importance to the Group. This will be the single largest IT project that it has undertaken in recent years. The key risks for this project include failure to select the optimum supplier, failure to specify correctly the Group's requirements with the result that the platform is not fit for purpose; failure to define clearly the governance structure for the project; failure to deliver the project on time and on budget; failure to manage adequately the transition from the existing platform; and failure to provide for an appropriate exit strategy.

The project is still in the planning process, with the governance structure in the course of being agreed and roles and responsibilities allocated. The Group will engage external specialist advice and assistance where required in order to ensure that the project is successful.

IT security
The Group is highly dependent on technology and advanced information systems and these systems may fail or be vulnerable to hacker intrusion, malicious viruses and other cyber crime attacks which may cause systems failure and business disruption. Whilst we employ prevention measures, such attacks are by their nature technologically sophisticated and may be difficult or impossible to detect and defend. If our prevention measures should fail or be circumvented, our reputation may be harmed and current or potential customers may be deterred from using our services, which in turn could have a material adverse effect on our financial performance.

We have policies and procedures in place to safeguard our customer data and to respond swiftly to breaches and attempted breaches of the Group's IT systems. Systems' penetration testing is carried out regularly and our IT policies and procedures are regularly reviewed in the light of developments. We continue to increase our IT security resource as our brands grow online and as we deploy more technology into our clubs. During the year we have recruited a head of information security who is in the process of building an enhanced team. We have also appointed a chief information officer who will be starting

with the Group in September 2013. We have also bolstered our technological capability during the year with the appointment of a director of technical operations and our internal audit capabilities by the appointment of a head of corporate and systems audit.

Taxation and regulation

Adverse change (fiscal and regulatory) in legislation continues to be one of our biggest risks.

Changes in political and social attitudes to gambling in our key markets and negative publicity surrounding the gambling industry could influence regulators' perception of gambling and could lead to increased gambling regulation. This could have an adverse effect on our business and profitability and prevent us from providing gambling services.

We are subject to gambling taxation and levies in Great Britain and the other countries in which we operate. Any increases in the levels of taxation or levies to which we are subject, or the implementation of any new taxes or levies to which we will be subject, could have a material adverse effect on our business, financial condition and results of operations. For further information please see our tax fact file on page 43.

We participate actively in trade bodies' presentations to Government and opposition parties. As we have done in previous years, during the period under review, we have arranged key stakeholder familiarisation visits to some of our sites in order that stakeholders can have an opportunity to see our businesses in operation. This enables stakeholders to gain a better understanding of the positive effect of our business activities, including the provision of a safe environment within which adults can enjoy gambling, the creation of employment and the generation of revenues for the Exchequer.

An explanation of Rank's approach to regulatory and fiscal reform can be found at www.rank.com/downloads/gameplan_vol1_april_2013.pdf or by written request to the company secretary.

External events

Customers may be prevented or deterred from accessing our clubs due to factors such as extreme weather, illness or disease epidemics, terrorist threats, strikes and public transport system failures. Whilst these matters are outside our direct sphere of influence, we continue to work hard to better prepare ourselves for such eventualities, particularly in terms of co-ordinating with our interactive businesses and making sure that employees can get to work.

Loss of licences

Rank's gaming licences are fundamental to its operation and therefore the loss of them would be catastrophic for Rank. This fact has fostered a heavily compliant culture within Rank. Rank has a dedicated compliance function that is independent of operations and a separate internal audit function that is independent of both operations and the compliance function. Rank maintains a strong and open relationship with the Gambling Commission, the body responsible for regulating commercial gambling in the United Kingdom. Since entering the online gaming market, Rank has worked hard to build a similarly strong and open relationship with the Alderney Gambling Control Commission, which is responsible for the regulation of eGambling in the States of Alderney where our remote gambling operations are licensed. Our responsible gambling and anti money laundering review committees meet quarterly to review topical issues, trends and statistics and their findings are reported to our audit committee. We also have a director of security who is supported by an experienced security team who have built informal relationships with police forces in the areas in which we operate so that if problems arise there are open channels of communication.

Economic environment

The uncertain economic environment, higher indirect taxation and unemployment could adversely affect our customers' expenditure on leisure activities and we therefore monitor customer spending closely. We are constantly looking to identify ways to improve our offer so that we become our customers' leisure destination of choice. We maintain a programme of active engagement with members of our banking panel.

Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet its liabilities. Cash forecasts identifying liquidity requirements are produced monthly and sensitivity tested. A three-year forecast is produced annually to facilitate planning for future financing needs. Management actively manages the Group's financing requirements and the range of maturities on its debt. The Group also has unutilised revolving credit facilities that help to mitigate liquidity risk.

Further details of the financial risks that the Group faces can be found in note 20 to the financial statements.

Internal control framework

To maintain control and direction over strategic, financial, operational and compliance issues, the board has put in place formally defined lines of responsibility and delegation of authority.

Established procedures are geared to identify, evaluate and manage significant risks and to monitor the Group's businesses and performance.

This framework is reviewed annually and is designed to safeguard shareholders' investments and the Group's assets, while ensuring that proper accounting records are maintained. Senior management is responsible for making sure that controls and procedures are enforced and that the board is informed of any risks and control issues that arise.

Financial control: there is a comprehensive system for reporting financial results to the board, a budgeting process incorporating an approved budget and bi-annual re-forecasts. The chief executive and finance director hold monthly review meetings with brand managing directors and their respective directors of finance.

Financial reporting control: detailed policies and procedures are in place to ensure the accuracy and reliability of financial reporting. A new financial reporting system was installed for the digital channels of our businesses during 2013 which has enhanced our reporting capability.

Strategic control: the board reviews the Group's strategic plans annually and regularly reviews strategic progress.

Operational control: our procedures are laid down in detailed manuals and reinforced by employee training. Each business unit carries out a monthly self-audit to test key controls and report weaknesses to operational management.

Communication control: the executive directors and senior management meet regularly with representatives from the businesses to address financial, human resource, risk management and other control issues.

Our system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and provides reasonable, not absolute, assurance against material misstatement or loss. It controls, rather than eliminates, any human error, deliberate misconduct or unforeseen events.

Internal audit

Our internal audit team provides an objective and continuous stream of data and opinion on risk management and control. To avoid bias, it is entirely independent of the business operations under audit and line management is to the Group's finance director. The audit committee agrees the annual audit plan and reviews audit reports produced by the internal audit team.

The scope of the audit coverage is defined by the audit committee and covers all systems, procedures and activities of all departments and functions in any and all businesses and operations within the Rank Group, including projects, policy developments, financial and non-financial processes.

The internal audit teams seek to determine whether the system of risk management, control and governance processes, as designed and operated by management, is adequate and functioning in such a manner as to ensure that:

- risks are appropriately identified and managed in line with the Company's risk appetite;
- operations are run with sufficient and adequate controls and in an efficient and effective manner;
- significant financial, managerial and operating information is accurate, reliable and timely;
- employee actions are in compliance with policies, standards, procedures, and applicable laws and regulations; and
- relevant laws, rules and regulations are complied with in the operation of the business.

To embed control further, the scores used by internal audit to monitor each business unit's reporting performance also affect operational management bonuses.

The head of operational internal audit makes regular presentations to the audit committee and reporting includes comparative and trend analysis. During the period under review the audit committee had three closed sessions with the head of operational internal audit without executive management being present.

During the year we recruited a head of corporate and systems audit and she has undertaken a detailed review of the Group's risk processes and the role of the internal audit function and presented her findings and recommendations to the audit committee in June. She has also attended a closed session with the audit committee without executive management being present.

Compliance
Compliance affects our reputation, legal position and financial sustainability. The board is responsible for compliance across the Group and for ensuring that all Rank businesses meet local legal and regulatory requirements.

Compliance with the Gambling Act 2005 is fundamental to the survival of Rank's businesses, creating a heavily compliant culture within the Company.

A dedicated compliance and security team of 14 employees monitors day-to-day adherence to the provisions of the Gambling Act 2005 and other regulatory obligations.

Senior executives and the internal audit team are responsible for monitoring overall compliance. They report to the audit committee and the board.

Control culture
The board oversees a culture of strong control and risk management. This is reflected in:

- directors' methods of enforcing control, some of which were established through Rank's historical activities in the USA and the requirement to comply with the Sarbanes-Oxley Act 2002;
- management style and philosophy;
- dedicated teams for compliance and internal audit; and
- Rank's organisational structure and clear lines of accountability, authority and responsibility.

Code of conduct
Rank has an employee code of conduct that sets out our values and principles and guides everyone's behaviour. Adherence to the code is important. It upholds our reputation and relationships, inside and outside the Company.

The audit committee is responsible for monitoring management reports on employee conduct, including our whistleblowing procedures.

Audit committee and auditors
Audit committee membership and meetings
The board has established an audit committee of three independent non-executive directors. A rolling agenda and topical items determine the committee's discussions.

Members of the audit committee are listed on page 50. The board is satisfied that the committee has recent and relevant financial experience.

At the invitation of the audit committee chairman, the chief executive, finance director, company secretary and director of group financial control normally attend committee meetings, as do the external auditors. Other directors are encouraged to attend at least one committee meeting a year at which the auditors are present.

The internal and external auditors meet the committee without executive directors and other employees being present.

The committee met formally three times in the period under review. Its terms of reference are available from the Company's website at www.rank.com/downloads/terms_of_reference/tor_audit_committee.pdf, or by writing to the company secretary.

Role of the audit committee
The audit committee assists the board in reviewing and maintaining internal controls, the management of risk and our compliance with the law and regulation.

It monitors and reviews the effectiveness of the Group's internal audit function.

It also assesses the integrity of all public financial statements before their submission to the board, ensuring we present a fair assessment of the Group's ongoing position and prospects.

Any changes in accounting policies are authorised by the committee, which also reviews the objectivity and effectiveness of our external auditors every year.

The committee oversees the Company's internal code of conduct and monitors our whistleblowing procedures through which employees may, in confidence, raise concerns about possible improprieties in areas of financial reporting, financial control and other ethical matters.

The committee is regularly updated on accounting and legislative changes through briefing papers from the auditors, finance director and others.

Audit committee activity in 2012/13
At its meetings in the year to 30 June 2013 the committee examined the effectiveness of the Group's approach to:

- internal control – by approving a new internal audit charter, by reviewing and approving an audit universe; by approving the 2013/14 internal operational audit plan and a recommended plan and approach for a corporate and systems audit cycle; reviewing internal audit's findings, reviewing the annual and interim financial statements, reviewing the reports of the external auditors and reviewing the effectiveness of the Group's internal audit function;
- assessment of risk – by reviewing evidence of current and emerging risk and the Group's risk management processes;
- action plans to address any failings or weaknesses of internal control; and
- action plans to manage significant risks.

This process has been in place during the period and up to the date of approval of this annual report and financial statements. It has been reviewed by the board and meets the Financial Reporting Council's internal control guidance to directors.

The committee and the board also reviewed the recently published formal guidance to boards with regard to cyber risk that had been prepared by ICSA with the assistance of industry experts from the Department for Business, Innovation and Skills (BIS) and other industry experts on cyber risk.

Audit committee evaluation
The audit committee's performance was assessed by questionnaire to members and other executives who have dealings with the committee in August 2013. The board concluded that the committee continues to function effectively.

Auditors
The auditors, Ernst & Young LLP, are willing to continue in office and a resolution that they be re-appointed at a remuneration to be agreed by the audit committee will be proposed at the forthcoming annual general meeting.

Relations with external auditors
Our auditors are employed to express an opinion on the financial statements. They review the systems of internal financial control and the data contained in the financial statements to the extent necessary to express their opinion.

They discuss with management the reporting of operational results and the financial position of the Group, and present findings to the audit committee.

Information
The directors in office at the date of this report are not aware of any relevant information that has not been made available to the auditors and each director has taken steps to be aware of all such information and to ensure it is available to the Company's auditors.

Non-audit work
The audit committee oversees the nature and amount of any non-audit work undertaken by the auditors to ensure they remain independent. Consequently, the committee is required to approve in advance all non-audit services above a specified value.

When seeking external accountancy advice in relation to non-audit matters, the Group's policy is to invite competitive tenders where appropriate. It is also the Group's policy to balance the need to maintain audit independence with the desirability of taking advice from the leading firm in the area of advice being sought and the desirability of being efficient.

Details of the fees paid to Ernst & Young LLP throughout the period under review can be found on page 94.

Rank has used the services of other accounting firms for non-audit work during the period under review.

Rank is satisfied that the objectivity and independence of the audit partner and the audit engagement team have not been compromised by the fees paid for the non-audit work undertaken by Ernst & Young LLP.

Auditor assessment
In addition to a private meeting between the audit committee chair and the external audit partner, the committee meets with the auditors following each audit committee meeting in a closed session without executive directors to assess the objectivity and accuracy of financial reporting and to hear any other observations that the auditors may have to make.

The committee reviews the external audit process and the auditor's performance at least annually, providing feedback to the auditors from management assessments.

Having reviewed their performance throughout the period, our conclusion that their effectiveness is satisfactory enables us to recommend their reappointment for 2013/14.

Assurance
The internal audit function and the external auditors presented their findings to the committee in August 2012 and in January and June 2013. We confirm that action plans to remedy identified weaknesses in internal control have been in place throughout the period.

Ernst & Young LLP's audit report is published on page 76.

Relations with shareholders

Dialogue with shareholders
The board as a whole takes responsibility for ensuring that satisfactory dialogue with shareholders takes place.

We speak with institutional shareholders and city analysts through a programme of investor relations and regular meetings with principal shareholders.

All directors receive reports to keep them in touch with shareholder opinion. During the period under review, a total of 16 meetings with nine shareholders were attended by one or more of the senior independent director, chief executive and finance director.

Formal briefings on shareholder opinion are circulated to the board after presentation of the Company's interim and annual results.

The principal method of communicating with all our shareholders is via our corporate website, www.rank.com. Information can be provided in paper format but only when shareholders specifically request this.

Constructive use of the annual general meeting
All shareholders are welcome to attend our annual general meeting ("AGM"). Private investors are encouraged to ask questions following a summary business presentation of the Group's results and development plans.

The chairman and chief executive and chairmen of the audit, remuneration and nominations committees are all present.

Shareholders are invited to vote on the formal resolutions contained in the notice of meeting, which is published at least 20 working days beforehand. The business presentation, voting results and a summary of the questions and answers are made available at www.rank.com, or in printed format on request.

Shareholders may also use electronic means to vote – or appoint a proxy to vote on their behalf – at the annual and other general meetings of the Company.

Next AGM
The 2013 AGM will be held on 17 October 2013 and the full text of the notice of meeting, together with explanatory notes, is set out in a separate document at: http://www.rank.com/downloads/agm/nom_2013.pdf.

If you have elected for paper information, this will be enclosed with your hard copy of this annual report. Shareholders wishing to change that election may do so at any time by contacting the Company's registrar (contact details are on page 143 and on our website at www.rank.com/investors/shareholder_faqs.jsp).

Other disclosures

The Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008, the Financial Reporting Council's UK Corporate Governance Code (June 2010) (the "Code"), the Financial Conduct Authority's (the "FCA") Listing Rules and the Financial Conduct Authority's Disclosure Rules and Transparency Rules ("DTR") contain mandatory disclosure requirements in relation to this annual report in respect of the year ended 30 June 2013.

For ease of reference we have provided below details of the pages within this annual report and financial statements where you will find many of the mandatory disclosures, all of which are incorporated by reference and deemed to form part of our directors' report:

Directors
The directors who served during the period under review are:

Name	Position	Effective date of change
Ian Burke	Chairman & chief executive	
Colin Child	Non-executive director*	
Richard Greenhalgh	Senior independent director	Resigned 30 Jun 2013
Clive Jennings	Finance director	
Richard Kilmorey	Non-executive director	
Owen O'Donnell	Non-executive director	
Tim Scoble	Non-executive director	
Bill Shannon	Non-executive director	Resigned 31 Dec 2012
John Warren	Non-executive director	
Shaa Wasmund	Non-executive director	Appointed 01 Nov 2012

* Mr Child was appointed senior independent director with effect from 1 July 2013.

Share capital
The Company's authorised share capital as at 30 June 2013 was £180m, divided into 1,296,000,000 ordinary shares of $13^{8}/_{9}$p each. The ordinary shares are listed on the London Stock Exchange and can be held in certificated or uncertificated form. There were 390,683,521 shares in issue at the period-end (390,613,426 as at 30 June 2012), which were held by 11,552 registered shareholders (12,007 as at 30 June 2012).

During the period under review a total of 70,095 shares were issued to participants in The Rank Group 2005 Share Savings Scheme pursuant to the exercise of options under the five-year issue made in 2007 at an exercise price of 139.00p per share.

Distribution of registered shareholders as at 30 June 2013

Range	Total number of registered shareholders	% of holders	Total number of shares	% of issued share capital
1 – 1,000	9,642	83.47%	1,959,407	0.50%
1,001 – 5,000	1,489	12.89%	3,086,203	0.79%
5,001 – 10,000	165	1.43%	1,181,413	0.30%
10,001 – 100,000	200	1.73%	5,886,889	1.51%
100,001 – 1,000,000	44	0.38%	14,230,691	3.64%
1,000,001 and above	12	0.10%	364,338,918	93.26%
Totals	11,552	100.00%	390,683,521	100.00%

Majority shareholder
Hong Leong Company (Malaysia) Berhad ("Hong Leong"), the ultimate parent company of Guoco Group Limited ("Guoco"), has a controlling interest in Rank consequent upon the general offer made by its Hong Kong listed subsidiary company, Guoco, via its wholly-owned subsidiary, Rank Assets Limited (then known as All Global Investments Limited).

Hong Leong Group is a leading conglomerate based in Malaysia with diversified businesses in banking and financial services, manufacturing and distribution, property development and investments and hospitality and leisure. Further information on the Hong Leong group of companies can be found at www.hongleong.com.

Guoco is an investment holding company. The principal activities of its subsidiaries and associated companies include investment, property development, financial services and hospitality and leisure. Further information on the Guoco group of companies can be found at www.guoco.com.

Significant shareholders

Date last notified under DTR	Shareholder	As per FCA DTRs disclosures		As per s.793 CA 2006 enquiry responses as at 30 June 2013		As per s.793 CA 2006 enquiry responses as at 31 July 2013	
		% held	Voting rights	% held	Voting rights	% held	Voting rights
08 Jan 2012	Hong Leong Co. (Malaysia) Berhad	74.50%	291,046,540	74.50%	291,046,540	74.50%	291,046,540
09 Mar 2012	Prudential plc and subsidiary companies	5.85%	22,878,293	6.80%	26,572,853	6.79%	26,508,509
28 Mar 2012	Ameriprise Financial, Inc. and its group companies (Threadneedle Retail Funds – Linked Strategies)	5.03%	19,640,833	3.80%	14,854,971	3.79%	14,807,211
23 Oct 2009	Aviva plc and subsidiary companies	3.02%	11,805,912	3.53%	13,803,211	3.52%	13,763,383

Interests of 3% or more

The interests shown in the table above, of 3% or more of the total voting rights attached to ordinary shares have been notified to the Company in accordance with the FCA's DTRs. Due to the fact that the DTRs only require notification where the percentage voting rights reach, exceed or fall below 3% and each 1% threshold above 3%, there is a difference between disclosures made pursuant to the DTRs and those disclosed on our website at www.rank.com/investors/major_shareholders.jsp which are based on responses to s.793 Companies Act 2006 ("CA 2006") notices issued by the Company. For ease of reference, we have included in the table above voting rights in respect of both DTRs disclosures and s.793 CA 2006 responses up to and including the date of this report.

Under Listing Rule 6.1.19R, shares held by persons who have an interest in 5% or more of a listed company's share capital are not regarded as being held in public hands (the "free float"). Under this rule, the shares held by Hong Leong and Prudential plc and subsidiary companies ("Prudential") may not be regarded as being in public hands, with the result that the number of Rank's shares distributed to the public is below the 25% threshold set out in Listing Rule 6.1.19R. Under Listing Rule 6.1.20R, the FCA may modify Listing Rule 6.1.19R to accept a percentage below 25% if it considers that the market will operate properly with a lower percentage. Under Listing Rule 5.2.1R, the FCA has the power to cancel the listing of securities if it is satisfied that there are special circumstances that preclude normal regular dealings in them. On 3 July 2013 Guoco announced that it had declared a special interim dividend in specie of approximately 88.84 million Rank shares representing 22.74% of Rank (the "Distribution"). Rank understands that the Distribution is expected to reduce the overall interest of Hong Leong from 74.5% to 68.6%. However, due to the fact that Prudential's shares are not regarded as being in public hands, the free float remains below the 25% threshold. The Company remains in discussions with the UKLA and Prudential regarding this.

Directors' interests in shares

Please see page 73 of the directors' remuneration report for details of the directors' interests in shares.

Rights and restrictions attaching to shares

Voting rights

Each ordinary share carries the right to one vote at general meetings of the Company.

Meeting rights

Registered holders of ordinary shares are entitled to attend and speak at general meetings and to appoint proxies.

Information rights

Holders of ordinary shares are entitled to receive the Company's annual report and financial statements.

Share transfer restrictions

There are no specific restrictions on the transfer of shares contained in the Company's articles of association.

The Company is not aware of any agreements between the holders of Rank shares that may result in restrictions on the transfer of shares or that may result in restrictions on voting rights.

Variation of rights

Subject to applicable legislation, the rights attached to Rank's ordinary shares may be varied with the written consent of the holders of at least three quarters in nominal value of those shares, or by a special resolution passed at a general meeting of the ordinary shareholders.

Directors' powers in relation to shares

Allotment and issue of shares

Subject to the provisions of the CA 2006, and subject to any resolution passed by the Company pursuant to the CA 2006 and other shareholder rights, shares in Rank may be issued with such rights and restrictions as the Company

may by ordinary resolution decide. If there is no such resolution or so far as the Company does not make specific provision, they may be issued as Rank's board of directors may decide. Subject to the Company's articles of association, the CA 2006 and other shareholder rights, unissued shares are at the disposal of the board.

The Company currently has no shareholder authority to allot and grant rights over any proportion of the Company's unissued share capital, nor does it have shareholders' authority to allot and grant rights over ordinary shares without first making a pro rata offer to all existing ordinary shareholders. Neither of these authorities is required for the purpose of allotting shares pursuant to employee share schemes. Since the board has no present intention of allotting shares for any other reason, these shareholder authorities will not be sought at the forthcoming annual general meeting.

Market purchases of own shares
The Company currently has no shareholder authority to make market purchases of its own shares. Shareholder approval will be sought at the 2013 annual general meeting to obtain the standard authority for one year.

Directors' other powers
Subject to legislation, the directors may exercise all the powers permitted by the Company's memorandum and articles of association. A copy of these can be obtained by writing to the company secretary, or from Companies House.

The articles contain provisions to empower the directors on certain specific matters, including:

- appointment of directors, subject to subsequent shareholder approval;
- delegation of powers to a director, secretary or committee of one or more persons;
- the Company's powers to borrow money; and
- the ability of a director to vote on matters in which he has an interest.

Changes to the Company's articles of association can only be made by a resolution passed by a majority of no less than 75% of shareholders.

Change of control
Our principal loan term and credit facility agreements and the facilities agreements for the acquisition of 19 Gala casinos contain provisions that, on a change of control of Rank, immediate repayment can be demanded of all advances and any accrued interest.

The provisions of the Company's share schemes and incentive plans may cause options and awards granted to employees to vest in the event of a takeover.

A change of control may also affect licences to operate, as specified in the provisions of the Gambling Act 2005 and the Alderney eGambling Regulations 2009 (as amended) and the Belgian Games of Chance Act 1999 (as amended).

Critical contractual and other arrangements
We assess and record any risks in our dealings with major suppliers as part of the Group's overall risk management process. Contingency plans are in place to deal with events should key supply arrangements be terminated without due warning.

Our procurement team also reviews the financial health of our main suppliers. We have concluded that, while unexpected termination of any of the Group's major contractors would be disruptive, it would not have a severe adverse effect.

Suppliers – payment policy and practice
Rank's individual businesses and intermediate holding companies agree terms and conditions for business transactions with their respective suppliers. Payments are made to suppliers once they have met these terms and conditions.

At 30 June 2013 the Group had an average of 32 days' purchases owed to trade creditors (30 June 2012: 28).

The Company is the holding company of the Rank group of companies and as such has no trade creditors.

Charitable donations
In the year under review we made, or committed, charitable donations in the UK of £375,000 (2011/12 – 18 months: £507,000), of which the largest was £309,000 (2011/12 – 18 months: £423,000) to Responsible Gambling Trust (the charitable organisation formed following the merger of The GREaT Foundation and the Responsible Gambling Fund).

Further information can be found in the 'Operating Responsibly' section of this report, pages 33 to 39.

Political donations
We made no political donations during the period under review.

It has been Rank's long-standing practice not to make cash payments to political parties and the board intends that this will remain the case. However, the CA 2006 is very broadly drafted and could catch activities such as funding seminars and other functions to which politicians are invited, supporting certain bodies involved in policy review and law reform and matching employees' donations to certain charities. Accordingly, as in previous years, the directors will be seeking shareholders' authority for political donations and political expenditure at the forthcoming annual general meeting in case any of Rank's activities are inadvertently caught by the legislation.

Responsibility statements under the DTR
Each of the directors named on pages 48 and 49 confirms that to the best of their knowledge:

- the financial statements, prepared in accordance with financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- the directors' report (which incorporates the Group operating and financial review) includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the risks and uncertainties that they face.

Directors' responsibility statements
Annual report and financial statements
The directors are responsible for preparing the annual report (including the directors' report, the directors' remuneration report and the corporate governance statement) and the financial statements of the Group and the Company, in accordance with applicable United Kingdom law and regulations. Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law, the directors are required to prepare Group financial statements under IFRSs as adopted by the European Union. As permitted by the Companies Act 2006, the directors have elected to prepare the Company financial statements under IFRSs as adopted by the European Union. Under company law the directors must not approve the Group and Company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the Group and Company financial statements, the directors are required to:

- present fairly the financial position, financial performance and cash flows of the Group and Company;
- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company's financial position and final performance;
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements for both the Company and the Group on the going concern basis, unless it is appropriate to assume that the Group will not continue in business, in which case there should be supporting assumptions or qualifications.

The directors confirm that they have complied with all of the above.

Accounting records
The directors must keep proper accounting records that disclose with reasonable accuracy, at any time, the financial position of the Company and the Group and ensure that the financial statements and the directors' remuneration report comply with the Companies Act 2006 and, for the Group financial statements, Article 4 of the International Accounting Standard (IAS) Regulation.

Safeguarding assets
The directors are also accountable for safeguarding the assets of the Company and the Group and, therefore, for taking reasonable steps to prevent and detect fraud and other irregularities.

Corporate website
The maintenance and integrity of Rank's corporate website, on which this annual report and financial statements are published, is the board's responsibility. We would draw attention to the fact that legislation in the UK on the preparation and publication of financial statements may differ from that in other jurisdictions.

By order of the board

Frances Bingham
Company secretary

14 August 2013

REMUNERATION REPORT
REWARDING PERFORMANCE

Index

Introduction

This remuneration report has been prepared on behalf of the board by the remuneration committee (the "committee"), under the chairmanship of Tim Scoble.

The committee has applied the principles of good governance set out in the Corporate Governance Code and, in preparing this report, has complied with Regulation 11 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the "Regulations") and the United Kingdom Listing Authority listing rules (the "Listing Rules").

Rank's external auditor is required to report to shareholders on the audited information contained in this report and to state whether, in their opinion, it has been prepared in accordance with the Regulations.

A resolution to approve this report will be proposed at the annual general meeting to be held on 17 October 2013. A summary of the directors' total emoluments for the year to 30 June 2013 is set out in Table 1, page 74.

Committee membership

Current committee members	Committee member since
Tim Scoble – committee chairman	14 Sep 2011 (chair from 01 Jul 2013)
John Warren	01 Jan 2006
Owen O'Donnell	15 Jan 2010
Shaa Wasmund	01 Jul 2013
Former committee members who served during the year under review	
Richard Greenhalgh – committee chairman	Retired 30 Jun 2013
Bill Shannon	Retired 31 Dec 2012

Role and remit of the committee

The committee assists the board in setting the remuneration packages for the Company's executive directors and other executive committee members.

The committee has three scheduled meetings a year to discuss a rolling agenda of items and additional meetings are convened as necessary. By invitation, the chief executive, human resources director and company secretary attend and contribute to meetings, but are not present at discussions regarding their own remuneration.

The committee's formal terms of reference are available on Rank's website at www.rank.com/downloads/terms_of_reference/tor_remuneration_committee.pdf, or by written request to the company secretary.

Committee evaluation

The committee's performance during the period under review was assessed via confidential questionnaires with committee members and other individuals who support its work. Results were then reviewed by the committee chairman and discussed with the board.

The board agreed that the committee continued to perform effectively.

Remuneration policy

The performance of Rank is dependent upon the quality of its directors, senior executives and employees and therefore the Group seeks to attract, retain and motivate skilled directors and senior executives of the highest calibre, without paying more than is necessary. In order to attract such individuals the committee needs to ensure that the remuneration packages properly reflect an individual's duties and responsibilities, are appropriate and competitive, sensitive to pay elsewhere within the Group and directly linked to performance.

External advisors to the committee

Towers Watson are the external remuneration advisors appointed by the committee. They attended two out of the committee's eight meetings during the year.

Towers Watson did not provide any other services to the Group during the period under review.

Committee deliberations during 2012/13

During the year there were eight committee meetings, all except one of which were attended by all committee members who were eligible to attend those meetings.

Matters discussed by the committee during the period included the following:

- Composition of performance-based remuneration
- Long-term incentive award – structure and measures
- Remuneration packages for new members of the executive committee
- 2013 fixed pay review
- 2011/12 annual bonus payments
- 2010 LTIP – vesting of 2010 three-year award
- 2013/14 annual bonus plan structure and targets
- Annual review of remuneration policy and practices

Non-executive directors

Terms of appointment

All non-executive directors have letters of appointment with the Company for an initial three-year term, terminable by either party without liability for compensation. Their dates of appointment are as follows:

Name	Date of letter of appointment	Appointment date
John Warren	19 Oct 2005	01 Jan 2006
Owen O'Donnell	20 Aug 2008	11 Sep 2008
Tim Scoble	17 May 2010	22 Apr 2010
Colin Child	20 Dec 2011	01 Jan 2012
Richard Kilmorey	29 Mar 2012	01 May 2012
Shaa Wasmund	26 Sep 2012	01 Nov 2012

Remuneration

Remuneration payable to the non-executive directors consists of fixed fees, which are set at a level to reflect the time and commitment they bring to their respective roles and to attract and retain relevant skills and experience.

The remuneration of non-executive directors is determined by the finance committee and is reviewed annually. Arrangements are in place for any member of the finance committee who is also a non-executive director to excuse himself from any discussions regarding his own fees.

No performance-based fees are paid to the non-executive directors and they are not entitled to participate in any of the Group's incentive plans.

Annual fees payable to non-executive directors are as follows:

- Base non-executive annual fee £40,000
- Audit committee chair £8,500
- Remuneration committee chair £7,500
- Senior independent director £2,500

Base fees paid to non-executive directors were last increased effective 1 January 2011. In December 2012, the executive directors reviewed the level of fees payable to the non-executive directors, in conjunction with advice from Towers Watson. It was determined that there would be no increase to the non-executive directors' base fees nor would there be an increase to the committee chair and senior independent director fees, which have remained static since, respectively, 1 January 2006 and 1 January 2007.

The table below summarises the annual remuneration payable to each current non-executive director with effect from 1 July 2012 or, if later, the date of the individual's appointment, and with effect from 1 July 2013.

Name	Annual base fee	Annual cttee chair fee	Annual SID fee	Total annual fees
Colin Child*	£40,000	–	£2,500	£42,500
Richard Kilmorey	£40,000	–	–	£40,000
Owen O'Donnell	£40,000	–	–	£40,000
Tim Scoble*	£40,000	£7,500	–	£47,500
John Warren	£40,000	£8,500	–	£48,500
Shaa Wasmund	£40,000	–	–	£40,000

* On 1 July 2013, Colin Child became the senior independent director and Tim Scoble became chairman of the remuneration committee.

Fees paid to current and former non-executive directors throughout the year are contained in the audited information section of this report on page 74.

Executive directors

Summary

The table below summarises the executive directors' terms of appointment and annual remuneration as at 1 July 2013. Details of the remuneration paid to the current and former executive directors throughout the year to 30 June 2013 are contained in the audited section of this report starting on page 74.

Name	Ian Burke	Clive Jennings
Current position	Chairman & chief executive	Finance director
Original date of appointment	06 Mar 2006	27 Jul 2011
Notice period	12 months	12 months
Fixed remuneration		
Base salary	£525,300	£300,000
Pension	£183,855 (35% of base salary)	£44,161
Car allowance	£18,500	£12,750
Benefits	£11,076	£8,397
Performance-based remuneration		
Short-term incentives – annual cash bonus	Maximum opportunity of 100% of base salary	Maximum opportunity of 80% of base salary
Long-term incentives	Contingent share award equivalent to 6.0x base salary with a performance period ended 30 June 2015. No further long-term incentive awards will be made during the three-year performance period.	Contingent share award equivalent to 4.0x base salary with a performance period ended 30 June 2015. No further long-term incentive awards will be made during the three-year performance period.

Single remuneration figure for 2012/2013

The table below presents a single remuneration figure for each executive director for the year ended 30 June 2013 in respect of performance during the year ended at that date:

	Fixed pay (£)				Performance pay (£)			
	Salary	Taxable Benefits	Pension	Sub-total	Cash bonus*	2010 LTIP vesting	Sub-total	2012/13 total remuneration (£)
Chief executive	525,300	29,576	183,855	738,731	0	528,758	528,758	1,267,489
Finance director	300,000	21,147	44,161	365,308	0	n/a	0	365,308

* Note – please see page 70 regarding the 2012/13 annual cash bonus scheme.

Potential reward opportunities at different levels of performance

The graphs at the foot of this page exhibit current remuneration policy for executive directors and show indicative total remuneration levels under different performance scenarios. The Company's remuneration policy results in a high portion of total remuneration being dependent on performance with a majority over the longer-term.

The three performance scenarios highlight potential total remuneration under the following assumptions:

- **Minimum** – indicates performance below target which results in no variable remuneration being payable.
- **Target** – indicates that 50% of the maximum annual cash bonus and long-term incentive opportunity is achieved.
- **Maximum** – indicates that 100% of the maximum annual cash bonus is achieved with 100% vesting under the long-term incentive award.

The long-term incentive awards made in 2013 have been annualised over their performance period to provide the annual value delivered to executives. No other awards will be made until after the expiry of the performance period in 2015.

Terms of appointment

Notice

The Company's policy is that executive directors' contractual notice periods should not exceed 12 months. Both the chief executive and finance director have 12-month contractual notice periods.

Severance/compensation payments

Any compensation payment made as a consequence of an executive director leaving the Company is subject to remuneration committee approval, the terms of the contract and the reasons for the termination.

Except where stipulated in a contract, severance payments are usually limited to the payment of un-worked contractual notice, comprising base salary and a cash payment for fixed benefits (including pension contributions).

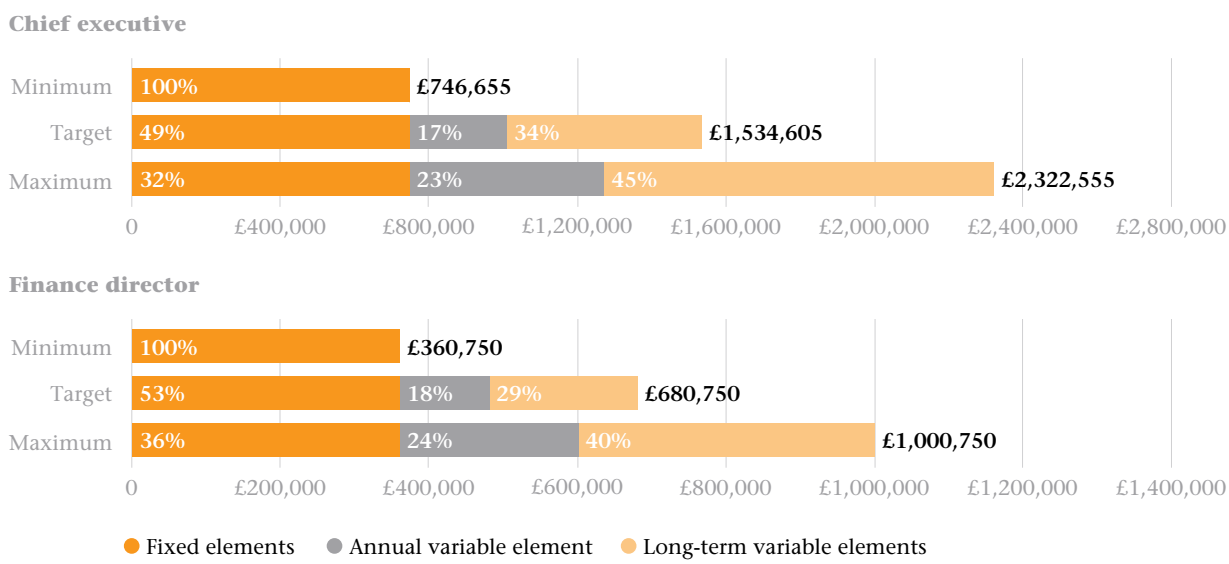
In situations involving breach of the Company's policies and dismissal, either a reduced payment or no payment will be made. Depending on the circumstances, the executive may be entitled to exercise outstanding share options or long-term incentive grants.

Fixed remuneration

Fixed remuneration comprises base salary, pension contributions and other benefits that are defined by market levels.

The objective of fixed remuneration is to provide a base level of remuneration which is competitive in order to attract high calibre individuals and appropriate to the executive directors' skills and responsibilities.

The committee takes advice from its independent remuneration advisors, Towers Watson, with regard to levels of fixed remuneration. These are determined with reference to available market data from comparator groups, taking into account sector, scale and area of operations. When agreeing individual base salaries, the committee



considers comparable salary levels, individual performance, Group performance and across-the-board employee pay trends. Executive directors' remuneration is reviewed annually by the committee.

Base salary
The chief executive's annual base salary is £525,300 and it has not been increased since 1 January 2007. The finance director's annual base salary is £300,000 and it has not increased since 1 July 2012.

In January 2013 a pay review was implemented throughout the Group for colleagues earning below a specified threshold. The exception to this was Grosvenor Casinos where a strong financial performance justified a general review for all employees. In the Group's Spanish and Belgian operations, inflation-based statutory increases were applied.

Pension
The chief executive receives a salary supplement of 35% of base salary in lieu of a Company pension contribution. The finance director is a member of the Company's stakeholder pension plan and receives a company pension contribution of 15% of base salary less the statutory 'lower earnings limit'.

Other benefits
Executive directors' other benefits include a motor vehicle allowance and associated running costs, private medical insurance, permanent health insurance and life cover.

Performance-based remuneration

The performance-based components of executive directors' remuneration seek to align the rewards attainable by executive directors with the achievement of particular annual and longer-term objectives of Rank and the creation of shareholder value over the short and long term.

Short-term incentives
2012/13 annual cash bonus scheme
Rank operates an annual cash bonus scheme in which executive directors participate. This scheme rewards the executive directors for achieving strategic goals and stretching financial targets. The Company's key measure of annual financial performance for the executive directors is Group operating profit after tax and this single measure was used to determine a profit pool for the year to 30 June 2013.

The pool would be available for distribution by way of a cash bonus to the executive directors and other executive committee members at the discretion of the committee to the extent that threshold targets were met or exceeded. Achievement of targets was such that a maximum bonus pool of £450,000 was created for distribution amongst the executive directors and other executive committee members. As at the date of this report, the committee has not yet determined the extent to which the executive directors should participate in this bonus pool, if at all. This will be determined by the committee in September 2013. In the event that the committee determines that either or both of the executive directors should participate in the available bonus pool, payment of any such bonus would not be made until December 2013.

2013/14 annual cash bonus scheme
For the 2013/14 financial year the committee has set a threshold Group profit after tax target and has determined to create a bonus pool for the Group as a whole in which the executive directors participate together with other eligible employees. The amount of the pool that will be available for distribution to employees (including the executive directors) will depend on the extent to which the threshold Group profit after tax target set by the committee is met or exceeded. The committee will have discretion as to the allocation of any bonus pool as far as the executive directors and other executive committee members are concerned, having regard to each individual executive's performance, with the chief executive's and finance director's participation therein being capped at 100% and 80%, respectively, of the chief executive's and finance director's base annual salaries.

'Net Promotor Score' ("NPS") continues to be an important tool in assessing the Group's effectiveness in meeting and exceeding customer expectations. Whilst no element of the 2013/14 annual cash bonus opportunity is being directly linked to achieving specific NPS targets, achievement of NPS targets and non-financial business metrics such as employee turnover and engagement will be factors which the committee will consider when assessing an individual executive's performance for the purposes of determining that individual's participation in the bonus pool.

Any cash bonuses earned by the executive directors in respect of the 2013/14 financial year will be subject to a six-month deferment period and will be paid in December 2014.

Long-term incentives
Overview
The Rank Group Plc 2010 Long-Term Incentive Plan (the "2010 LTIP") is currently the only long-term incentive scheme in place for the executive directors and other senior executives.

Contingent share awards made under the 2010 LTIP have the ability to vest after a given period (typically three years) on achievement of the specified performance targets if the committee is of the view that it is appropriate for an award to vest. In deciding this, the committee considers the Group's total shareholder return ("TSR") performance against the FTSE 350 over the relevant period. The committee believes that such awards are aligned with creating shareholder value over the long term.

The outstanding 2011 awards under the 2010 LTIP have absolute adjusted earnings per share ("EPS") as the primary measure with absolute adjusted EPS targets for both threshold and maximum vesting, pro-rated for performance at intermediate points between threshold and maximum.

In assessing performance against targets, the remuneration and audit committees work to ensure the principles for fair treatment of exceptional items in the performance periods are applied, the principle being that any adjustments make the measure no less stretching for the executives and are linked closely to the creation of shareholder value.

Long-term incentive awards made during the year

Last year the committee reported that it was considering the implementation of a new long-term incentive scheme to replace the 2010 LTIP. The committee, through its chair, consulted its majority shareholder and its four next largest shareholders with regard to their views on performance-related pay, and in particular long-term incentives. The desire of the committee was to use the new long-term incentive to remunerate executives for achieving transformational rather than incremental growth; the idea being that executives would not be rewarded for modest performance but had the potential to earn more for transformational performance.

Following the shareholder consultation, the committee considered carefully the feedback that it had received. Instead of adopting a new scheme to replace the 2010 LTIP, the committee decided to use the existing plan but to apply different performance measures to those applied in previous years, as permitted by the rules of the 2010 LTIP.

Contingent share awards were made to the executive directors, other executive committee members and other key members of the senior management team on 26 June 2013.

The performance measures for the executive directors are EBITDA, profit after tax, annual active customers, revenue from digital operations and the successful outcome of specific strategic goals. The performance measures for other executive committee members and senior managers dedicated to a specific brand are broadly similar but have been tailored to the strategic goals of the individual brand.

The performance targets will be measured against the audited consolidated results of the Company for the financial year ended 30 June 2015 subject to such adjustments as the committee shall in its absolute discretion deem appropriate. To the extent that achievement of a performance target would not ordinarily be readily identifiable from the published audited consolidated financial statements of the Company for the financial year ended 30 June 2015, the auditors of the Company will be requested to include a review of the relevant performance target as part of their year-end audit procedures for the financial year ended 30 June 2015. The performance targets themselves are commercially sensitive and cannot be disclosed. The committee is satisfied that the targets are sufficiently challenging such that, if achieved, transformational growth for the Group will be the outcome with the consequential benefits for all shareholders.

In the event that all the performance targets are met, the awards will vest:

- as to 40% – on 1 September 2015 (or, if later, as soon as practicable following completion of the audit of the Company's consolidated financial statements for the year ended 30 June 2015);
- as to 40% – on 1 September 2016; and
- as to 20% – on 1 September 2017.

In circumstances where not all of the performance targets are met, the committee shall have absolute discretion as to the extent to which an award shall vest, if at all.

As with the previous awards made under the 2010 LTIP, when considering whether it is appropriate for these awards to vest the committee will consider TSR performance against the FTSE 350 over the relevant period.

The award sizes for the chief executive and finance director were, respectively, 6.0x and 4.0x base salary. This reflects the fact that no long-term incentive award was made in the financial year ended 30 June 2012 and no further long-term incentive awards will be made in the financial years ended 30 June 2014 and 30 June 2015. This means that this latest contingent award is what is sometimes referred to as an 'end-to-end' scheme. Multiples of salary for the executive directors applied for previous annual contingent share awards made since 2008 ranged from 0.5x to 1.0x and therefore the committee considers that the multiples of 6.0x and 4.0x for these latest contingent 'end-to-end' share awards are appropriate. This is particularly so given that the committee's aim with these latest awards is to incentivise management to deliver transformational growth for shareholders. The committee was mindful of the reservations of some shareholders with regard to 'end-to-end' schemes but was of the view that it was appropriate to incentivise executives on this basis to deliver superior returns for shareholders.

Contingent share awards vesting during the year
Following the expiry of the performance period of the three-year 2010 LTIP award on 31 December 2012, the committee considered whether or not this award should vest. On the basis of the EPS measure, 96.25% of the award was due to vest. Additionally, given Rank's TSR performance over the period, relative to the FTSE 350, the committee was of the view that it was appropriate for the awards to vest as to 96.25% without further discount on their respective vesting dates (being the third anniversary of their respective grant dates).

As explained on page 63, the Company currently has insufficient shares in public hands as required by the UKLA. Given that all but two award holders were directors of the Company or one of its subsidiary companies and that therefore any holdings by them of shares in the Company would increase the number of shares to be excluded from the calculation of shares considered to be in public hands, the committee resolved that exceptionally the 2010 LTIP awards that were due to vest would need to be satisfied in cash as opposed to shares, as permitted by the rules of the 2010 LTIP. The vesting of the awards was therefore effected by the making of a cash payment equal to the market value of the relevant shares on their respective vesting dates, determined as being the mid-market rate on the dealing day immediately preceding their vesting dates. All cash payments were made subject to statutory deductions in respect of income tax and national insurance. Further information regarding this vesting is contained in the notes to Table 2 in the audited section of this report on page 75.

Directors' shareholdings

Until October 2011, independent non-executive directors were using between 30% and 40% of their base net fees (after tax) to purchase ordinary shares in the Company at quarterly intervals, with the intention that such shares be retained throughout their tenure of service.

Similarly, the Group had guidelines for executive shareholding which were set as a percentage of base salary and in respect of which executives had five years from appointment to build up. These guidelines were as follows:

- Chief executive 150%
- Finance director 100%
- Other executive committee members 50%

Shareholdings of directors of the Company and its subsidiaries are not considered to be in public hands for the purposes of determining the sufficiency of the percentage of shares in public hands (the "free float") in the context of qualification for a listing on the UKLA's premium market. In view of the low level of free float following the completion of Guoco Group Limited's general offer for Rank in July 2011, the non-executive director quarterly share purchase programme and the shareholding guidelines for executive directors and other members of the executive committee who are directors of Rank subsidiary companies were suspended pending a restoration of the Company's free float to a higher level. For further information with regard to the Company's free float position, please see page 63.

Directors' shareholdings

Name	Ordinary 13 8/9p shares as at 30 Jun 2013 and as at 14 Aug 2013	Ordinary 13 8/9p shares as at 01 Jul 2012
Non-executive directors		
Colin Child	0	0
Richard Kilmorey	0	0
Owen O'Donnell	21,224	21,224
Tim Scoble	0	0
John Warren	50,879	50,879
Shaa Wasmund (appointed 01 Nov 2012)	0	n/a
Executive directors		
Ian Burke	763,556	763,556
Clive Jennings	0	0

Active LTIP awards and targets as at 30 June 2013

	2011 award		2012/13 award	
Director	CEO	FD	CEO	FD
Plan	2010 LTIP	2010 LTIP	2010 LTIP	2010 LTIP
Date of grant	11 Mar 2011	04 Aug 2011	26 Jun 2013	26 Jun 2013
Performance period	01 Jan 2011 to 31 Dec 2013	01 Jan 2011 to 31 Dec 2013	01 Jul 2012 to 30 Jun 2015	01 Jul 2012 to 30 Jun 2015
Earliest vest date	11 Mar 2014	04 Aug 2014	Aug 2015 (40% only)	Aug 2015 (40% only)
Award size (multiple of base salary)	0.75x	0.75x	6.0x	4.0x
Threshold vesting %	25%	25%		
Minimum adjusted EPS (threshold vest)	12.0p	12.0p		
Maximum adjusted EPS (100% vest)	14.0p	14.0p		
Mean consensus EPS forecast prior to grant	11.7p	11.7p		

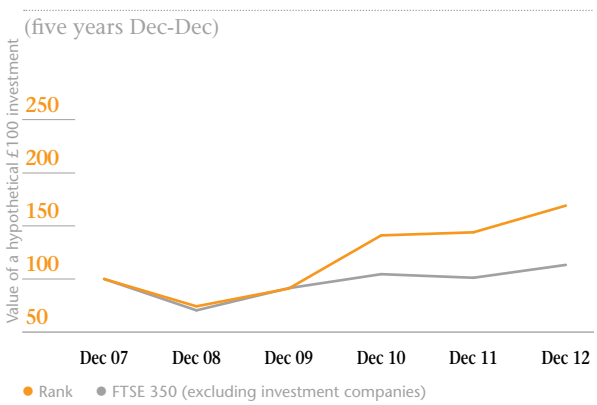
The executive directors' interests in the 2010 LTIP are detailed in Table 2 on page 75.

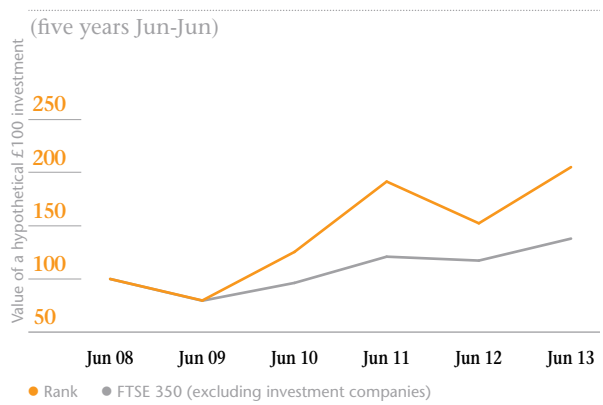
Targets have not been disclosed for the 2012/13 award due to their commercially sensitive nature. The committee will endeavour to disclose targets retrospectively upon vesting should they be deemed suitable for public disclosure.

No executive director has any interest in options over shares in Rank.

Rank's five-year TSR performance

The Company's TSR performance (shown in orange on the charts below) compared with the FTSE 350 index (excluding investment companies) for the five years to 30 June 2013 is shown below. The committee has selected this index as the Company was a constituent of the FTSE 350 for the majority of this period. In addition, the committee feels it also appropriate to provide a view of TSR for the five years to 31 December 2012, allowing for the fact that the performance period of the 2010 LTIP was the three calendar years ended 31 December 2012.





Audited information

Table 1: Directors' remuneration summary

The table below sets out directors' remuneration in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 Schedule 8 Part 3. The table accordingly excludes defined pension contributions of £44,161 made during the period in respect of the finance director. The table also excludes the value of contingent share awards that vested during the period. Further information about these is included in Table 2. Save for the aforesaid exclusions, the detailed emoluments received by the directors for the year to 30 June 2013 are shown below together with the annual rate of base pay from 1 July 2013:

	12-month period 1 July 2012 to 30 June 2013							Total remuneration		
	Base salary/fees £000	Committee chair/SID fees £000	Benefits £000	Expense allowances (including car allowance) £000	Bonuses £000[11]	Salary supplement in lieu of pension £000	Termination benefits	Total 2012/13 £000 (12 months)	Total 2011/12 £000 (18 months)	Annual rate of basic pay from 1 Jul 2013 £000
Current directors										
Executive										
Ian Burke	525	–	11	19	0	184	–	739	1,862	525
Clive Jennings[1]	300	–	8	13	0	–	–	321	556	300
Non-executive										
Colin Child[2]	40	–	–	–	–	–	–	40	20	40
Richard Kilmorey[3]	40	–	–	–	–	–	–	40	7	40
Owen O'Donnell	40	–	–	–	–	–	–	40	60	40
Tim Scoble[4]	40	–	–	–	–	–	–	40	60	40
John Warren	40	9	–	–	–	–	–	49	73	40
Shaa Wasmund[5]	27	–	–	–	–	–	–	27	–	40
Former directors										
Executive										
Paddy Gallagher[6]	–	–	–	–	–	–	–	–	310	–
Non-executive										
Richard Greenhalgh[7]	40	10	–	–	–	–	–	50	75	–
Peter Johnson[8]	–	–	–	–	–	–	–	–	90	–
Bill Shannon[9]	20	–	–	–	–	–	–	20	60	–
Mike Smith[10]	–	–	–	–	–	–	–	–	13	–
Total	**1,112**	**19**	**19**	**32**	**0**	**184**	**–**	**1,366**	**3,186**	**1,065**

1 Clive Jennings joined the board on 27 July 2011.
2 Colin Child joined the board on 1 January 2012.
3 Richard Kilmorey joined the board on 1 May 2012.
4 Until 30 April 2012 Tim Scoble was an appointee of Guoco Group Limited, and his fees were paid to his employer, Guoman Hotels Management (UK) Limited. He became an independent non-executive director with effect from 30 April 2012 from which time his fees have been paid to him personally.
5 Shaa Wasmund joined the board on 1 November 2012.
6 Paddy Gallagher resigned from the Rank board on 28 June 2011 and ceased to be employed by Rank on 6 November 2011.
7 Richard Greenhalgh retired from the board on 30 June 2013.
8 Peter Johnson resigned as chairman of the board, and as a director, with effect from 15 July 2011.
9 Bill Shannon resigned from the board on 31 December 2012.
10 Mike Smith was an appointee of Guoco Group Limited, and his directors' fees were paid to his employer, Clermont Leisure (UK) Limited. He resigned from the board on 30 April 2011.
11 Achievement of targets was such that a bonus pool of £450,000 was created for distribution amongst the executive directors and other eligible employees. As at the date of this report, the committee has not yet determined the extent to which the executive directors should participate in this bonus pool, if at all. This will be determined by the committee in September. In the event that the committee determines that either or both of the executive directors should participate in the available bonus pool, payment of any such bonus would not be made until December 2013.

Notes
In addition to the above, the widow of John Garrett, a former executive director who resigned on 2 February 1998, received £42,855 (2011/12: £60,888) in respect of an unfunded pension obligation.

Table 2: Executive directors' interests in long-term incentive plans

	Plan	Date of award	Market price at award (p)	Market price at vesting (p)	Number at 1 Jul 2012	Number awarded during 2012/13	Number vested during 2012/13	Number lapsed during 2012/13	Number at 30 Jun 2013	Value of contingent share awards that vested during 2012/13	Performance period ended
Ian Burke	2010 LTIP	22 Apr 2010	117.90	164.40	334,160	–	321,629	12,531	–	528,758	Note 1
	2010 LTIP	11 Mar 2011	128.25	–	307,193	–	–	–	307,193	–	31 Dec 2013
	2010 LTIP	26 Jun 2013	155.80	–	–	2,022,978	–	–	2,022,978	–	30 Jun 2015
Clive Jennings	2010 LTIP	04 Aug 2011	138.20	–	124,819	–	–	–	124,819	–	31 Dec 2013
	2010 LTIP	26 Jun 2013	155.80	–	–	770,218	–	–	770,218	–	30 Jun 2015

[1] At its meeting in April 2013, the committee determined that the award would vest as to 96.25%. The vesting of this award was effected by means of a cash payment subject to the usual statutory deductions.

Notes
No variation was made to the terms of any LTIP awards during the year.
The market value of an ordinary share was 153.6p at 30 June 2013. During the year the highest market value of an ordinary share was 177.5p and the lowest was 115.0p.

By order of the board

Frances Bingham
Company secretary
14 August 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE RANK GROUP PLC

We have audited the financial statements of The Rank Group Plc for the year ended 30 June 2013 which comprise the Group income statement, the Group statement of comprehensive income, the Group and Company balance sheets, the Group and Company statements of changes in equity, the Group and Company statements of cash flow and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 65 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2013 and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- The parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- The directors' statement, set out on page 42, in relation to going concern;
- The part of the corporate governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- Certain elements of the report to shareholders by the board on directors' remuneration.

Iain Wilkie (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

1 More London Place, London SE1 2AF

14 August 2013

GROUP INCOME STATEMENT

for the 12 months ended 30 June 2013

	Note	12 months ended 30 June 2013 Before exceptional items £m	Exceptional items (note 4) £m	Total £m	18 months ended 30 June 2012 Before exceptional items (restated) £m	Exceptional items (note 4) £m	Total (restated) £m
Continuing operations							
Revenue before adjustment for free bets, promotions and customer bonuses	2	625.0	–	625.0	870.6	–	870.6
Free bets, promotions and customer bonuses	2	(28.8)	–	(28.8)	(36.4)	–	(36.4)
Revenue	2	**596.2**	**–**	**596.2**	834.2	–	834.2
Cost of sales		**(329.6)**	**–**	**(329.6)**	(457.3)	–	(457.3)
Gross profit		**266.6**	**–**	**266.6**	376.9	–	376.9
Other operating costs		**(196.7)**	**(17.7)**	**(214.4)**	(275.7)	(36.8)	(312.5)
Other operating income		**–**	**–**	**–**	–	84.9	84.9
Group operating profit (loss)	2,3	**69.9**	**(17.7)**	**52.2**	101.2	48.1	149.3
Financing:							
– finance costs		**(5.2)**	**(4.2)**	**(9.4)**	(8.5)	–	(8.5)
– finance income		**0.2**	**–**	**0.2**	0.9	81.0	81.9
– other financial losses		**(0.3)**	**–**	**(0.3)**	(0.4)	–	(0.4)
Total net financing (charge) income	6	**(5.3)**	**(4.2)**	**(9.5)**	(8.0)	81.0	73.0
Profit (loss) before taxation		**64.6**	**(21.9)**	**42.7**	93.2	129.1	222.3
Taxation	7	**(16.5)**	**2.7**	**(13.8)**	(27.3)	(26.5)	(53.8)
Profit (loss) for the period from continuing operations		**48.1**	**(19.2)**	**28.9**	65.9	102.6	168.5
Discontinued operations – (loss) profit	5	**(5.6)**	**3.7**	**(1.9)**	(4.4)	3.4	(1.0)
Profit (loss) for the period		**42.5**	**(15.5)**	**27.0**	61.5	106.0	167.5
Attributable to:							
Equity holders of the parent		**42.5**	**(15.5)**	**27.0**	61.5	106.0	167.5
Earnings (loss) per share attributable to equity shareholders							
– basic	10	**10.9p**	**(4.0)p**	**6.9p**	15.8p	27.2p	43.0p
– diluted	10	**10.9p**	**(4.0)p**	**6.9p**	15.7p	27.2p	42.9p
Earnings (loss) per share – continuing operations							
– basic	10	**12.3p**	**(4.9)p**	**7.4p**	16.9p	26.3p	43.2p
– diluted	10	**12.3p**	**(4.9)p**	**7.4p**	16.8p	26.3p	43.1p
Earnings (loss) per share – discontinued operations							
– basic	10	**(1.4)p**	**0.9p**	**(0.5)p**	(1.1)p	0.9p	(0.2)p
– diluted	10	**(1.4)p**	**0.9p**	**(0.5)p**	(1.1)p	0.9p	(0.2)p

Details of dividends paid and payable to equity shareholders are disclosed in note 9.

Details of the income statement for the 12 months to 30 June 2013 and the 12 months to 30 June 2012 are provided in the unaudited appendix to the financial statements on pages 134 to 142.

The prior period has been restated as a result of the reallocation of Blue Square Bet to discontinued operations (see note 5).

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the 12 months ended 30 June 2013

	Note	**12 months ended 30 June 2013 £m**	18 months ended 30 June 2012 £m
Comprehensive income:			
Profit for the period		**27.0**	167.5
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange adjustments net of tax		**2.7**	(1.1)
		2.7	(1.1)
Items that will not be reclassified to profit or loss:			
Actuarial gain (loss) on retirement benefits net of tax	29	**0.2**	(0.5)
		0.2	(0.5)
Total comprehensive income for the period		**29.9**	165.9
Attributable to:			
Equity holders of the parent		**29.9**	165.9

The tax effect of items of comprehensive income is disclosed in note 7.

BALANCE SHEETS

at 30 June 2013

	Note	Group As at 30 June 2013 £m	Group As at 30 June 2012 £m	Company As at 30 June 2013 £m	Company As at 30 June 2012 £m
Assets					
Non-current assets					
Intangible assets	11	**392.5**	153.7	**–**	–
Property, plant and equipment	12	**232.0**	217.8	**–**	–
Investments in subsidiaries	14	**–**	–	**1,185.4**	1,186.0
Deferred tax assets	21	**2.6**	3.5	**0.2**	0.2
Other receivables	16	**2.9**	3.9	**–**	–
		630.0	378.9	**1,185.6**	1,186.2
Current assets					
Inventories	15	**3.3**	3.1	**–**	–
Other receivables	16	**31.0**	30.7	**42.9**	43.6
Income tax receivable	18	**9.0**	0.1	**–**	–
Cash and short-term deposits	26	**65.3**	72.5	**0.2**	0.1
		108.6	106.4	**43.1**	43.7
Assets held for sale	12	**0.3**	1.9	**–**	–
Total assets		**738.9**	487.2	**1,228.7**	1,229.9
Liabilities					
Current liabilities					
Trade and other payables	17	**(124.8)**	(100.4)	**(796.6)**	(757.9)
Income tax payable	18	**(42.2)**	(31.3)	**–**	–
Financial liabilities					
– financial guarantees	30	**–**	–	**(3.4)**	(0.1)
– loans and borrowings	19	**(7.4)**	(6.3)	**–**	–
Provisions	22	**(19.5)**	(6.8)	**–**	–
		(193.9)	(144.8)	**(800.0)**	(758.0)
Net current liabilities		**(85.3)**	(38.4)	**(756.9)**	(714.3)
Non-current liabilities					
Trade and other payables	17	**(43.8)**	(0.1)	**–**	–
Income tax payable	18	**(21.7)**	(39.1)	**–**	–
Financial liabilities					
– loans and borrowings	19	**(161.1)**	(24.6)	**–**	–
Deferred tax liabilities	21	**(24.6)**	(1.1)	**–**	–
Provisions	22	**(48.8)**	(46.1)	**–**	–
Retirement benefit obligations	29	**(3.1)**	(3.4)	**–**	–
		(303.1)	(114.4)	**–**	–
Total liabilities		**(497.0)**	(259.2)	**(800.0)**	(758.0)
Net assets		**241.9**	228.0	**428.7**	471.9
Capital and reserves attributable to the Company's equity shareholders					
Share capital	23	**54.2**	54.2	**54.2**	54.2
Share premium		**98.4**	98.3	**98.4**	98.3
Capital redemption reserve		**33.4**	33.4	**33.4**	33.4
Exchange translation reserve		**16.1**	13.4	**–**	–
Retained earnings		**39.8**	28.7	**242.7**	286.0
Total shareholders' equity		**241.9**	228.0	**428.7**	471.9

These financial statements were approved by the Board on 14 August 2013 and signed on its behalf by:

Ian Burke,
Chairman and chief executive

Clive Jennings,
Finance director

STATEMENTS OF CHANGES IN EQUITY

for the 12 months ended 30 June 2013

Group	Share capital £m	Share premium £m	Capital redemption reserve £m	Exchange translation reserve £m	Retained earnings (losses) £m	Total £m
At 1 January 2011	54.2	98.2	33.4	14.5	(122.6)	77.7
Comprehensive income:						
Profit for the period	–	–	–	–	167.5	167.5
Other comprehensive income:						
Exchange adjustments net of tax	–	–	–	(1.1)	–	(1.1)
Actuarial loss on retirement benefits net of tax	–	–	–	–	(0.5)	(0.5)
Total comprehensive (expense) income for the period	–	–	–	(1.1)	167.0	165.9
Transactions with owners:						
Shares issued	–	0.1	–	–	–	0.1
Dividends paid to equity holders (see note 9)	–	–	–	–	(14.7)	(14.7)
Purchase of own shares	–	–	–	–	(3.4)	(3.4)
Credit in respect of employee share schemes including tax	–	–	–	–	2.4	2.4
At 30 June 2012	54.2	98.3	33.4	13.4	28.7	228.0
Comprehensive income:						
Profit for the year	**–**	**–**	**–**	**–**	**27.0**	**27.0**
Other comprehensive income:						
Exchange adjustments net of tax	**–**	**–**	**–**	**2.7**	**–**	**2.7**
Actuarial gain on retirement benefits net of tax	**–**	**–**	**–**	**–**	**0.2**	**0.2**
Total comprehensive income for the year	**–**	**–**	**–**	**2.7**	**27.2**	**29.9**
Transactions with owners:						
Shares issued	**–**	**0.1**	**–**	**–**	**–**	**0.1**
Dividends paid to equity holders (see note 9)	**–**	**–**	**–**	**–**	**(14.7)**	**(14.7)**
Refund of unclaimed dividends (see note 9)	**–**	**–**	**–**	**–**	**0.1**	**0.1**
Debit in respect of employee share schemes including tax	**–**	**–**	**–**	**–**	**(1.5)**	**(1.5)**
At 30 June 2013	**54.2**	**98.4**	**33.4**	**16.1**	**39.8**	**241.9**

There were no non-controlling interests in either period.

Company	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings (losses) £m	Total £m
At 1 January 2011	54.2	98.2	33.4	178.6	364.4
Profit and total comprehensive income for the period	–	–	–	123.5	123.5
Transactions with owners:					
Shares issued	–	0.1	–	–	0.1
Dividends paid to equity holders (see note 9)	–	–	–	(14.7)	(14.7)
Purchase of own shares	–	–	–	(3.4)	(3.4)
Credit in respect of employee share schemes including tax	–	–	–	2.0	2.0
At 30 June 2012	54.2	98.3	33.4	286.0	471.9
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(27.2)**	**(27.2)**
Transactions with owners:					
Shares issued	**–**	**0.1**	**–**	**–**	**0.1**
Dividends paid to equity holders (see note 9)	**–**	**–**	**–**	**(14.7)**	**(14.7)**
Refund of unclaimed dividends (see note 9)	**–**	**–**	**–**	**0.1**	**0.1**
Debit in respect of employee share schemes including tax	**–**	**–**	**–**	**(1.5)**	**(1.5)**
At 30 June 2013	**54.2**	**98.4**	**33.4**	**242.7**	**428.7**

STATEMENTS OF CASH FLOW

for the 12 months ended 30 June 2013

	Note	Group		Company	
		12 months ended 30 June 2013 £m	18 months ended 30 June 2012 (restated) £m	**12 months ended 30 June 2013 £m**	18 months ended 30 June 2012 £m
Cash flows from operating activities					
Cash generated from (utilised in) operations	24	**103.7**	222.1	**(0.2)**	(4.7)
Interest received		**0.2**	84.7	**–**	–
Interest paid		**(2.7)**	(5.6)	**–**	–
Tax paid		**(8.5)**	(31.5)	**–**	–
Discontinued operations	5	**(8.0)**	(3.9)	**–**	–
Net cash from (used in) operating activities		**84.7**	265.8	**(0.2)**	(4.7)
Cash flows from investing activities					
Acquisition of subsidiary including deferred consideration (net of cash acquired)	25	**(178.3)**	(0.2)	**–**	–
Purchase of intangible assets		**(6.2)**	(9.7)	**–**	–
Purchase of property, plant and equipment		**(32.0)**	(61.0)	**–**	–
Proceeds from sale of property, plant and equipment		**0.1**	0.8	**–**	–
Proceeds from sale of assets held for sale		**1.9**	–	**–**	–
Disposal of business	5	**2.4**	–	**–**	–
Discontinued operations	5	**(1.1)**	(0.8)	**–**	–
Net cash used in investing activities		**(213.2)**	(70.9)	**–**	–
Cash flows from financing activities					
Dividends paid to equity holders		**(14.7)**	(14.7)	**(14.7)**	(14.7)
Refund of unclaimed dividends		**0.1**	–	**0.1**	–
Purchase of own shares		**–**	(3.4)	**–**	(3.4)
Proceeds from issue of shares		**0.1**	0.1	**0.1**	0.1
Repayment of Sterling borrowings		**–**	(100.0)	**–**	–
Repayment of syndicated facilities		**–**	(68.1)	**–**	–
Proceeds from new term loans (net of fees)		**138.2**	–	**–**	–
Payment of facility arrangement fees		**–**	(2.7)	**–**	–
Finance lease principal payments		**(3.2)**	(3.6)	**–**	–
Amounts received from subsidiaries		**–**	–	**14.8**	22.8
Net cash from (used in) financing activities		**120.5**	(192.4)	**0.3**	4.8
Net (decrease) increase in cash, cash equivalents and bank overdrafts		**(8.0)**	2.5	**0.1**	0.1
Effect of exchange rate changes		**0.3**	(0.4)	**–**	–
Cash and cash equivalents at start of period		**69.6**	67.5	**0.1**	–
Cash and cash equivalents at end of period	26	**61.9**	69.6	**0.2**	0.1

Details of the Group statement of cash flow for the 12 months ended 30 June 2013 and the 12 months ended 30 June 2012 are provided in the unaudited appendix to the financial statements on pages 134 to 142.

NOTES TO THE FINANCIAL STATEMENTS

1 General information and accounting policies

General information

The Rank Group Plc ("the Company") and its subsidiaries (together "the Group") operate gaming and betting services in Great Britain (including the Channel Islands), Spain, Belgium and Malta.

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in England and Wales under registration number 03140769. The address of its registered office is Statesman House, Stafferton Way, Maidenhead, Berkshire, SL6 1AY.

On 21 October 2011, the Company changed its accounting reference date to 30 June by extending the previous accounting period to 18 months to cover the period from 1 January 2011 to 30 June 2012. The current accounting period therefore covers the 12-month period to 30 June 2013 and the comparative period covers the 18-month period to 30 June 2012.

On 2 April 2013, the Group sold the assets and trademarks of its Blue Square Bet business. In accordance with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations' the results of this business have been classified as discontinued in both the current and prior periods. Consequently the results of the prior period have been restated where appropriate.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented.

1.1 Basis of preparation

The consolidated and Company financial statements have been prepared under the historical cost convention.

1.1.1 Statement of compliance

The consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC Interpretations as adopted by the European Union, and the Companies Act 2006 applicable to companies reporting under IFRS.

1.1.2 Going concern

In adopting the going concern basis for preparing the consolidated financial statements, the directors have considered the issues impacting the Group during the period as detailed in the directors' report on pages 2 to 47 and have reviewed the Group's projected compliance with its banking covenants detailed in the finance review on page 42. Based on the Group's cash flow forecasts and operating budgets, and assuming that trading does not deteriorate considerably from these projected levels, the directors believe that the Group will generate sufficient cash to meet its borrowing requirements for at least the next 12 months and comply with its banking covenants.

1.1.3 Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The resulting accounting estimates will, by definition, seldom equal the actual results. The areas involving a higher degree of judgement or complexity, where assumptions and estimates are significant to the consolidated financial statements, are set out below.

(a) Estimated impairment of goodwill, intangible assets and property, plant and equipment

The Group tests annually whether assets that have an indefinite useful life, including goodwill and gaming licences, have suffered any impairment. The Group also reviews assets that are subject to amortisation or depreciation for events or changes in circumstances that indicate the carrying amount of the asset may not be recoverable. Further details of the Group's accounting policy in relation to impairment are disclosed in note 1.14.

The application of the policy requires the use of accounting estimates and judgements in determining the recoverable amount of cash-generating units to which the intangible assets and property, plant and equipment are associated. The recoverable amount is the higher of the fair value less costs to sell and value in use. Estimates of fair value less costs to sell are performed internally by experienced senior management supported by knowledge of similar transactions and advice from external estate agents or, if applicable, offers received. Value in use is calculated using estimated cash flow projections from financial budgets, discounted by selecting an appropriate rate for each cash-generating unit. Further details of the assumptions and estimates are disclosed in note 13.

(b) Classification of casino and other gaming licences as intangible assets with an indefinite life
As disclosed in note 1.13 certain casino and other gaming licences have been classified as intangible assets with an indefinite life. This assumption is based on management's belief that there is no foreseeable limit to the period over which the licences are expected to generate net cash inflows and that each licence holds a value outside the property in which it resides. As a consequence, each licence is reviewed annually for impairment.

(c) Recoverability of deferred tax assets
Deferred tax assets are recognised to the extent that it is probable future taxable profit will be available against which the temporary differences can be utilised. The key area of judgement is therefore an assessment of whether it is probable that there will be suitable taxable profits against which any deferred tax assets can be utilised. Further details of deferred tax assets recognised are disclosed in note 21.

(d) Income taxes
The Group is subject to income taxes in numerous jurisdictions, including jurisdictions of now discontinued operations. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amount recognised, such differences will impact the financial statements in the period such determination is made. Further details of income tax are disclosed in note 18.

(e) Provisions
Provisions are recognised in accordance with the policy disclosed in note 1.11. In calculating onerous property lease provisions, estimates are made of the discounted cash flows associated with the property and its associated operations including sub-let income. Estimates have been made in determining the amount and timing of disposal provisions, including legacy industrial disease and personal injury claims. Estimates have also been made in determining the amount and likelihood of settlement of indirect tax provisions. Further details of provisions made are disclosed in note 22.

(f) Contingent assets and liabilities
Management is required to apply judgement in assessing the probability of the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. This judgement is supported by external advice and precedent case law where appropriate and is continually assessed to ensure that developments are appropriately reflected in the financial statements. Further details of contingent assets are disclosed in note 31 and contingent liabilities are disclosed in note 32.

(g) Acquisition
The Group has made an acquisition during the year. Establishing the fair value of the acquired assets and liabilities, notably the valuation of the casino licences and property contracts, requires a number of estimates and judgements to be made. The main judgements made in valuing the casino licences include using estimated cash flow projections, discounted by selecting an appropriate rate. The main judgement used in valuing property contracts is the estimation of the market value rent at the date of acquisition for each property. The services of a third party firm of professional valuation experts have been used in deriving such valuations. See note 25 for further details.

1.1.4 Changes in accounting policy and disclosures
(a) Standards, amendments to and interpretations of existing standards adopted by the Group
The following new standards, amendments to and interpretations of existing standards are mandatory for the first time for the financial period beginning 1 July 2012.

- IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets (Amendment)
- IAS 1 Presentation of Items of Other Comprehensive Income (Amendment)
- IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

The Group has not been materially impacted by the adoption of any of these standards, amendments or interpretations.

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

1 General information and accounting policies *continued*

(b) Standards, amendments to and interpretations of existing standards that are not yet effective

The following standards, amendments to and interpretations of existing standards have been published and are mandatory for accounting periods starting after 1 July 2012:

- IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS7 – Effective 1 January 2013;
- IFRS 9 Financial Instruments: Classification and Measurement – Effective 1 January 2015;
- IFRS 10 Consolidated Financial Statements – Effective 1 January 2014;
- IFRS 11 Joint Arrangements – Effective 1 January 2014;
- IFRS 12 Disclosure of Interest in Other Entities – Effective 1 January 2014;
- IFRS 13 Fair Value Measurement – Effective 1 January 2013;
- IAS 19 Employee Benefits (Revised) – Effective 1 January 2013;
- IAS 27 Separate Financial Statements – Effective 1 January 2014;
- IAS 28 Investments in Associates and Joint Ventures – Effective 1 January 2013; and
- IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (Amendment) – Effective 1 January 2014.

It is not anticipated that the adoption of the above standards, amendments and interpretations will have a material impact on the Group or Company financial statements in the period of initial application.

1.2 Consolidation

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. All subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies as applied to subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group has no material associates or joint ventures.

1.3 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition costs incurred are expensed and included in administrative expenses within exceptional items.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability are recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income.

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition date fair value of the consideration transferred over the fair value of the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Identifiable intangible assets are recognised separately from goodwill.

If the aggregate of the acquisition date fair value of the consideration transferred is lower than the fair value of the assets, liabilities and contingent liabilities in the business acquired, the difference is recognised in profit and loss.

1.4 Revenue recognition

Revenue consists of the fair value of sales of goods and services net of VAT, rebates and discounts.

(a) Gaming win

Revenue for casinos includes the gaming win before deduction of gaming duty. Revenue for bingo is net of prizes before deduction of gross profits tax. Revenue for digital products, including sports betting and interactive games, represents gaming win. The fair values of free bets, promotions and customer bonuses are also deducted from all revenue streams.

Although disclosed as revenue, gaming win is accounted for and meets the definition of a gain under IAS 39 Financial Instruments: Recognition and Measurement.

(b) Food and beverage

Revenue from food and beverage sales is recognised at the point of sale.

1.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management team (the composition of which is disclosed on page 50) that makes strategic and operational decisions.

1.6 Foreign currency translation

The consolidated financial statements are presented in UK Sterling, which is also the Company's functional currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

(a) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement in finance costs or income.

(b) Group companies

The results and financial position of all the Group companies (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate on the balance sheet date. The closing euro rate against UK Sterling was 1.17 (30 June 2012: 1.24) and the closing US Dollar rate against UK Sterling was 1.53 (30 June 2012: 1.56);

(ii) income and expenses for each income statement are translated at average exchange rates unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions. The average euro rate against UK Sterling was 1.21 (18 months ended 30 June 2012: 1.15) and the average US Dollar rate against UK Sterling in the period was 1.57 (18 months ended 30 June 2012: 1.60); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement, net of hedging, as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1.7 Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available for sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

1 General information and accounting policies *continued*

A financial asset is derecognised when the rights to receive the cash flows from the asset have expired or been transferred, or an obligation to pay the cash flows received to a third party without material delay has been assumed, and either:

- Substantially all the risks and rewards of ownership have been transferred; or
- Substantially all the risks and rewards have been neither retained nor transferred, but control has been transferred.

The Group's financial assets include loans and receivables and cash and cash equivalents.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, when the asset is expected to be realised in the normal operating cycle, otherwise they are classified as non-current assets. Loans and receivables are classified as other receivables in the balance sheet.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(b) Cash and cash equivalents

Cash and short-term deposits in the balance sheet include cash at banks and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the balance sheet.

1.8 Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires.

The Group's financial liabilities include trade and other payables, loans and borrowings (including bank overdrafts), and financial guarantee contracts. Financial liabilities also include onerous contracts, a policy for which is included in note 1.11.

(a) Trade and other payables

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

(b) Loans and borrowings

After initial recognition at fair value, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. The effective interest rate method amortisation is included in finance costs in the income statement.

(c) Financial guarantee contracts (Company only)

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are initially measured at fair value by applying the estimated probability of default to the cash outflow should default occur and subsequently amortised over the expected length of the guarantee.

1.9 Derivative financial instruments and hedging activities

The Group held no derivative financial instruments at either reporting date.

1.10 Leases

Leases are tested at inception to determine whether the lease is a finance or operating lease and treated accordingly. For leases entered into prior to 1 January 2005, inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4. Property leases comprising a lease of land and a lease of buildings within a single contract are split into their two component parts before testing.

(a) Finance leases

Leases of property, plant and equipment which transfer substantially all the risks and rewards of ownership to the Group are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property, plant and equipment or the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest

on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included in loans and borrowings. Finance charges are recognised in the income statement. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

(b) Operating leases

Leases of property, plant and equipment which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Operating lease payments (including any lease incentives or premiums) are recognised as an expense in the income statement on a straight line basis over the lease term.

1.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events if it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the best estimate of the expenditures required to settle the obligation. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognised as a finance cost.

1.12 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and impairment. Such cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on assets using the straight line method to allocate their cost less residual values over their estimated useful lives, as follows:

- freehold and leasehold property — 50 years or lease term if less
- refurbishment of property — 5 to 20 years
- fixtures, fittings, plant and machinery — 3 to 20 years

Land is not depreciated.

Residual values and useful lives are reviewed at each balance sheet date, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

Pre-opening costs are expensed to the income statement as incurred.

1.13 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at amortised cost as at 1 January 2004 plus cost for any acquisition completed after 1 January 2004 less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold, except where goodwill has been previously written off directly to reserves under previous GAAP.

Goodwill is allocated to the relevant cash-generating unit or group of cash-generating units for the purpose of impairment testing. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill arising on acquisitions made before 31 December 1997 has been written off directly to reserves.

(b) Casino and other gaming licences and concessions

The Group capitalises acquired casino and other gaming licences and concessions. Management believes that licences, with the exception of the two casino concessions in Belgium, have indefinite lives as there is no foreseeable limit to the period over which the licences are expected to generate net cash inflows and each licence holds a value outside the property in which it resides. Each licence is reviewed annually for impairment.

In respect of the two casino concessions in Belgium, their carrying value is amortised over the expected useful life of the concessions (nine years).

Any costs in renewing licences or concessions are expensed as incurred.

1 General information and accounting policies *continued*

(c) Other

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their estimated useful lives (three to four years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production and development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets for both externally purchased and internally developed software. Direct costs include specific employee costs for software development.

Computer software development costs recognised as assets are amortised over their estimated useful lives (three to five years).

1.14 Impairment of intangible assets and property, plant and equipment

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The expected cash flows generated by the assets are discounted using appropriate discount rates that reflect the time value of money and risks associated with the groups of assets.

If an impairment loss is recognised, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an exceptional expense in the income statement immediately.

Any impairment is allocated equally across all assets in a cash-generating unit unless there is an indication that a class of assets should be impaired in the first instance or a fair market value exists for one or more assets. Once an asset has been written down to its fair value less costs to sell then any remaining impairment is allocated equally amongst all other assets. Casino licences are generally not impaired as they have an indefinite life and a fair market value in excess of their carrying value.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised within exceptional items in the income statement immediately.

1.15 Employee benefit costs

(a) Pension obligations

The Group operates a defined contribution plan under which the Group pays fixed contributions to a separate entity. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

The Group also has an unfunded pension commitment relating to three former executives of the Group. The amount recognised in the balance sheet in respect of the commitment is the present value of the obligation at the balance sheet date, together with adjustment for actuarial gains or losses. The Group recognises actuarial gains and losses immediately in the statement of comprehensive income. The net cost arising on the commitment is recognised in net finance costs.

(b) Share-based compensation

The cost of equity-settled transactions with employees for awards granted after 7 November 2002 is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model, further details of which are given in note 28.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition,

which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The cost of cash-settled transactions is measured at fair value with the recognition of a corresponding liability. The liability is re-measured to fair value at each reporting date up to and including the settlement date.

When an award is modified from an equity-settled to a cash-settled basis, the total expense recognised comprises the total of the grant date fair value that would have been recognised under the original equity-settled basis, any incremental fair value arising from the modification of the award and any re-measurement of the liability between its fair value at the modification date and the amount finally settled. If the amount of the liability recognised on modification is higher than the amount previously recognised as an increase in equity then the increase in the liability is recognised as a debit to equity.

(c) Share-based compensation – Company

The Company operates share-based payment schemes for employees of the Company and its subsidiaries. The fair value of shares awarded to employees of the Company is recognised as an employee expense with a corresponding increase in equity. The Company also makes awards of its own shares to employees of its subsidiaries and as such recognises an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its subsidiaries' financial statements with the corresponding credit being recognised directly in equity.

When an award is modified from an equity-settled to a cash-settled basis, the Company retains the obligation to settle such awards. Consequently on the recognition of a liability by the parent, the corresponding debit is recognised directly in equity. In the event that subsidiaries of the Company settle the obligation on the parent company's behalf, such a payment is treated as a distribution to the parent.

(d) Bonus plans

The Group recognises a liability in respect of the best estimate of bonuses payable where it is contractually obliged to do so or where a past practice has created a constructive obligation.

1.16 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventory is determined on a 'first-in first-out' basis.

The cost of finished goods comprises goods purchased for resale.

Net realisable value is the estimated selling price in the ordinary course of business. When necessary, provision is made for obsolete and slow-moving inventories.

1.17 Taxation

(a) Current tax

Current tax assets and liabilities for the current and prior periods are measured as the amount expected to be paid or to be recovered from the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date.

Current tax relating to items recognised directly in equity is recognised in equity and not the income statement.

Management evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation at each reporting date and establishes provisions where appropriate.

1 General information and accounting policies *continued*

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if deferred tax arises from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and it is the intention to settle these on a net basis.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

1.18 Share capital

Ordinary shares are classified as equity.

Where any Group company purchases the Company's equity share capital (treasury shares as defined by IAS 32), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

1.19 Discontinued operations and assets held for sale

Operations of the Group are recognised as discontinued operations if the operations have been disposed of or meet the criteria to be classified as held for sale and represent a separate major line of business or geographic area of operations. Operations held for sale are held at the lower of their carrying amount on the dates they are classified as held for sale and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.20 Dividends

Dividends proposed by the board of directors and unpaid at the period end are not recognised in the financial statements until they have been approved by shareholders at the annual general meeting. Interim dividends are recognised when paid.

1.21 Exceptional items

The Group defines exceptional items as those items which, by their size or nature in relation to both the Group or individual segments, are separately disclosed in order to give a full understanding of the Group's financial performance and aid comparability of the Group's results between periods.

2 Segmental reporting

(a) Segment information – operating segments

	12 months ended 30 June 2013							
	Grosvenor Casinos		Mecca		Enracha		Central costs £m	Total £m
	Venues £m	Digital £m	Venues £m	Digital £m	Venues £m	Digital £m		
Continuing operations								
Group revenue reported in internal information	290.5	9.8	234.9	61.3	28.5	–	–	625.0
Free bets, promotions and customer bonuses	(3.7)	(2.2)	(14.2)	(8.7)	–	–	–	(28.8)
Segment revenue	286.8	7.6	220.7	52.6	28.5	–	–	596.2
Operating profit (loss) before shared service allocation and exceptional items	54.5	2.4	28.9	28.1	1.6	(0.5)	(45.1)	69.9
Shared service allocation	(5.0)	(4.5)	(5.9)	(7.0)	–	(0.4)	22.8	–
Operating profit (loss) before exceptional items	49.5	(2.1)	23.0	21.1	1.6	(0.9)	(22.3)	69.9
Exceptional (loss) profit	(15.0)	–	(2.0)	–	0.3	–	(1.0)	(17.7)
Segment result	34.5	(2.1)	21.0	21.1	1.9	(0.9)	(22.3)	52.2
Finance costs								(9.4)
Finance income								0.2
Other financial losses								(0.3)
Profit before taxation								42.7
Taxation								(13.8)
Profit for the period from continuing operations								28.9
Other segment items – continuing operations								
Capital expenditure	(21.1)	(0.4)	(9.1)	(0.8)	(1.4)	–	(6.2)	(39.0)
Depreciation and amortisation	17.7	1.5	14.6	1.5	2.4	–	1.2	38.9
Impairment charge	3.7	–	1.6	–	4.1	–	–	9.4
Impairment reversal	(3.6)	–	(0.7)	–	(4.4)	–	–	(8.7)
Charge from provision for onerous lease	0.1	–	1.1	–	–	–	0.3	1.5
Share-based payment charge	–	–	–	–	–	–	0.2	0.2

2 Segmental reporting *continued*

	18 months ended 30 June 2012 (restated)							
	Grosvenor Casinos		Mecca		Enracha		Central costs	Total
	Venues £m	Digital £m	Venues £m	Digital £m	Venues £m	Digital £m	£m	£m
Continuing operations								
Group revenue reported in internal information	379.2	7.5	359.5	80.3	44.1	–	–	870.6
Free bets, promotions and customer bonuses	(2.5)	(1.6)	(22.1)	(10.2)	–	–	–	(36.4)
Segment revenue	376.7	5.9	337.4	70.1	44.1	–	–	834.2
Operating profit (loss) before shared service allocation and exceptional items	69.7	1.7	52.7	39.4	1.6	(1.9)	(62.0)	101.2
Shared service allocation	(6.7)	(6.3)	(8.2)	(9.3)	–	(0.3)	30.8	–
Operating profit (loss) before exceptional items	63.0	(4.6)	44.5	30.1	1.6	(2.2)	(31.2)	101.2
Exceptional (loss) profit	(7.5)	–	73.9	–	(15.9)	(1.8)	(0.6)	48.1
Segment result	55.5	(4.6)	118.4	30.1	(14.3)	(4.0)	(31.8)	149.3
Finance costs								(8.5)
Finance income								81.9
Other financial losses								(0.4)
Profit before taxation								222.3
Taxation								(53.8)
Profit for the period from continuing operations								168.5
Other segment items – continuing operations								
Capital expenditure	(43.6)	(0.2)	(20.3)	(0.4)	(5.1)	(0.9)	(9.4)	(79.9)
Depreciation and amortisation	21.6	2.3	23.3	2.4	3.7	–	1.6	54.9
Impairment charge	1.5	–	1.3	–	14.7	1.8	–	19.3
Impairment reversal	(0.7)	–	(3.0)	–	–	–	–	(3.7)
Net charge from provision for onerous lease (including change in discount rate)	0.6	–	6.6	–	–	–	1.7	8.9
Share-based payment charge	–	0.1	–	0.2	0.1	–	1.3	1.7

The Group has changed the basis of its segmental reporting from that reported in the financial statements to 30 June 2012. To ensure that the organisation better reflects our customers' needs the Group has changed the way that it manages its business, moving from a channel-led approach to a brand-led approach, with a single member of the executive committee responsible for each of the brands. This means the results of the Group's digital channel (previously reported as 'Rank Interactive') are now reported under the Grosvenor Casinos, Mecca and Enracha brands. Enracha is the new brand for our Spanish operations, previously reported as 'Top Rank Espana'. The results of Blue Square Bet are presented as discontinued operations (see note 5).

The shared service allocation represents those costs incurred centrally but which can be directly attributed to a specific segment.

Assets and liabilities have not been segmented as this information is not provided to the chief operating decision maker on a regular basis.

Capital expenditure comprises expenditure on property, plant and equipment and other intangible assets, including those acquired under finance leases.

(b) Geographical information

The Group operates in two main geographical areas (UK and Continental Europe).

(i) Revenue from external customers by geographical area based on location of customer

	12 months ended 30 June 2013 £m	18 months ended 30 June 2012 (restated) £m
UK	**552.9**	766.5
Continental Europe	**43.3**	67.7
Total revenue	**596.2**	834.2

(ii) Non-current assets by geographical area based on location of assets

	As at 30 June 2013 £m	As at 30 June 2012 £m
UK	**585.1**	334.6
Continental Europe	**42.3**	40.8
Segment non-current assets	**627.4**	375.4
Unallocated assets:		
Deferred tax assets	**2.6**	3.5
Total non-current assets	**630.0**	378.9

With the exception of the UK no individual country contributed more than 10% of consolidated sales or assets.

(c) Total revenue and profit from continuing and discontinued operations

		Revenue		Profit(loss)	
	Note	**12 months ended 30 June 2013 £m**	18 months ended 30 June 2012 (restated) £m	**12 months ended 30 June 2013 £m**	18 months ended 30 June 2012 (restated) £m
From continuing operations		**596.2**	834.2	**28.9**	168.5
From discontinued operations	5	**9.5**	20.7	**(1.9)**	(1.0)
		605.7	854.9	**27.0**	167.5

(d) Total cost analysis by segment

The directors are of the opinion that a cost analysis for the 12 months to 30 June 2013 and the 18 months to 30 June 2012 would not provide meaningful information to the users of the financial statements. However, to increase transparency the Group has provided additional disclosure analysing total costs by type and segment for the 12 months to 30 June 2013 and the 12 months to 30 June 2012 in the unaudited appendix to the financial statements on pages 134 to 142.

3 Profit for the period – analysis by nature

The following items have been charged (credited) in arriving at the profit for the period before financing and taxation from continuing operations:

	Note	**12 months ended 30 June 2013 £m**	18 months ended 30 June 2012 £m
Employee benefit expense		**181.9**	265.1
Cost of inventories recognised as expense		**24.3**	32.9
Amortisation of intangibles (including £1.4m (18 months ended 30 June 2012: £1.2m) within cost of sales)		**4.5**	7.0
Depreciation of property, plant and equipment			
– owned assets (including £29.7m (18 months ended 30 June 2012: £41.3m) within cost of sales)		**31.3**	44.0
– under finance leases (included within cost of sales)		**3.1**	3.9
Operating lease rentals payable			
– minimum lease payments		**43.5**	64.8
– sub-lease income		**(4.0)**	(6.5)
Loss on sale of property, plant and equipment		**0.7**	–
Exceptional operating costs	4	**17.7**	36.8
Exceptional operating income	4	**–**	(84.9)
Auditors' remuneration for audit services		**0.4**	0.4

In the period, the Group's auditor Ernst & Young LLP, including its network firms, earned the following fees:

	12 months ended 30 June 2013 £m	18 months ended 30 June 2012 £m
Audit services		
– Fees payable to the Company's auditor for the parent company and consolidated financial statements	**0.2**	0.2
Other services		
Fees payable to the Company's auditor and its associates for other services:		
– the audit of the Company's subsidiaries pursuant to legislation	**0.2**	0.2
– tax services	**0.2**	0.3
– transaction support services	**0.1**	0.5
– other services	**–**	0.1
	0.7	1.3

£23,000 (18 months ended 30 June 2012: £22,000) of the audit fees related to the parent company.

It is the Group's policy to balance the need to maintain auditor independence with the benefit of taking advice from the leading firm in the area concerned and the desirability of being efficient.

4 Exceptional items

	Note	12 months ended 30 June 2013 £m	18 months ended 30 June 2012 £m
Exceptional items relating to continuing operations			
Impairment charges	11,12,13	**(9.4)**	(19.3)
Impairment reversals	11,12,13	**8.7**	3.7
Net charge from provision for onerous leases	22	**(1.5)**	(8.9)
Bid response costs		**–**	(4.3)
Acquisition and integration costs		**(8.5)**	(5.0)
Restructuring costs		**–**	(3.0)
Charge to provision for indirect taxation		**(6.4)**	–
Charge to accruals for indirect taxation		**(0.6)**	–
Exceptional operating costs		**(17.7)**	(36.8)
VAT refunds net of gross profits tax and associated costs		**–**	84.9
Exceptional operating income		**–**	84.9
Finance income	6	**–**	81.0
Finance costs	6	**(4.2)**	–
Taxation	7	**2.7**	(26.5)
Exceptional items relating to continuing operations		**(19.2)**	102.6
Exceptional items relating to discontinued operations			
Additional profit arising on previously disposed subsidiary undertakings		**–**	2.2
Change in discount rates for disposal provisions		**–**	(0.3)
Charge to provision for indirect taxation		**(5.8)**	–
Disposal of Blue Square Bet and related costs		**(2.0)**	–
Finance income	6	**1.2**	2.7
Finance costs	6	**(0.6)**	–
Taxation	7	**10.9**	(1.2)
Exceptional items relating to discontinued operations		**3.7**	3.4
Total exceptional items		**(15.5)**	106.0

12-month period ended 30 June 2013 exceptional items
Continuing operations

Impairment charges

The Group recognised an impairment charge of £3.4m in the UK of which £1.8m relates to Grosvenor Casinos venues and £1.6m to Mecca venues. The only individually significant charges in Grosvenor Casinos venues are £1.1m in respect of a non-operating licence, to reflect local market conditions, and £0.5m in respect of an E-casino which has not performed in line with expectations. The only individually significant charge in Mecca venues is £0.6m in respect of a club which has not performed in line with expectations.

A further impairment charge of £1.9m has been recognised in respect of a casino in Belgium and £4.1m in respect of two clubs in the Enracha venues business which have not performed in line with expectations.

4 Exceptional items *continued*

Impairment reversals

The Group has reversed previous impairment charges of £1.9m in the UK, of which £1.2m relates to Grosvenor Casinos venues and £0.7m relates to Mecca venues. The reversal in Grosvenor Casinos is in respect of two casinos where changes in the competitive environment have led to improvements in performance. The reversal in Mecca venues is in respect of three clubs which have seen a sustained improvement in performance and an uplift in the freehold value of a further property.

A further reversal of £2.4m has been made in respect of a casino in Belgium, which has shown improved performance following agreement of a third party digital licence agreement. The Enracha venues business has had an impairment reversal of £4.4m following better than expected recovery from the effects of the smoking ban at two venues.

Onerous leases

The Group recognised a charge of £1.5m in relation to provisions for onerous leases during the period. A charge of £1.1m has been made in respect of one Mecca lease where the unavoidable costs exceed the expected income. The remaining charge of £0.4m is in respect of sites where there has been a change in expected sub-let income as a consequence of the financial position of associated tenants.

Acquisition and integration costs

During the period the Group acquired 19 casinos and 3 non-operating licences from Gala Coral Group Limited (see note 25). The Group has expensed the costs of the acquisition and resulting integration incurred during the period of £8.5m. Further details are provided in the table below:

	12 months ended 30 June 2013 £m	18 months ended 30 June 2012 £m
Acquisition costs	**7.4**	5.0
Loss on disposal of Edinburgh non-operating casino licence	**0.4**	–
Integration costs	**0.7**	–
Total	**8.5**	5.0

The disposal of the Edinburgh non-operating licence was required in order to obtain Competition Commission clearance for the acquisition.

Acquisition costs represent professional fees incurred, including the costs of dealing with the Office of Fair Trading and the Competition Commission.

The Group expects to incur further integration costs of approximately £1.5m in the 2013/14 financial year.

Indirect taxation

The Group has recognised a provision of £6.4m and an accrual of £0.6m in relation to a historic indirect taxation issue. The amount represents the directors' best estimate of the cash outflow likely to arise.

Discontinued exceptional items

Indirect taxation

The Group has recognised a provision of £5.8m in relation to a historic indirect taxation issue in the Blue Square Bet business. The amount represents the directors' best estimate of the cash outflow likely to arise.

Disposal of Blue Square Bet and related costs

On 2 April 2013, the Group agreed terms to sell the assets and trademarks of its loss-making Blue Square Bet business for consideration of £5.0m. The Blue Square Bet business operated solely in the digital channel of the highly competitive sports betting market.

The table below provides further details of the net exceptional loss of £2.0m recognised in respect of the disposal and related costs:

	12 months ended 30 June 2013 £m	18 months ended 30 June 2012 £m
Proceeds received	**5.0**	–
Impairment of assets	**(3.6)**	–
Redundancy and restructuring costs	**(2.5)**	–
Onerous contracts	**(0.9)**	–
Exceptional loss	**(2.0)**	–

18-month period ended 30 June 2012-exceptional items

Continuing operations

Impairment charges

Following the introduction of a full smoking ban at the start of the period and the difficult economic conditions in Spain, an impairment charge of £14.7m was recognised.

The Group also recognised an impairment charge of £2.8m in the UK, of which £1.5m related to Grosvenor Casinos venues and £1.3m to Mecca venues. The only individually significant charge of £0.8m was in respect of an E-casino. The club had not performed in line with expectations and closed on 15 February 2012.

The investment in the development of the online Spanish gaming brand was fully impaired by £1.8m as legislation had not developed as anticipated.

Impairment reversals

The Group reversed previous impairment charges of £3.7m, of which £3.0m related to Mecca venues and £0.7m to Grosvenor Casinos venues. The reversal in Mecca was in respect of five venues where performance had seen a sustained improvement following conversion to the Full House concept or competitor closure and the reclassification of one freehold property to held for sale assets at its fair value less costs to sell (see note 12). The reversal in Grosvenor Casinos followed the successful conversion of one casino to the G Casino concept.

Onerous leases

The Group recognised a net charge of £8.9m in relation to provision for onerous leases in the period. This included a charge of £4.8m as a consequence of a reduction in the discount rate used on existing provisions.

The total charge also included £2.2m in respect of unavoidable rental payments resulting from the restructuring activities outlined below.

A further £1.2m was recognised in respect of one Mecca venue where expected income no longer exceeded the unavoidable costs, and the remainder of £1.3m was in respect of sites in which there had been a reduction in expected sub-let income as a consequence of the financial position of the associated tenants.

The Group also released £0.6m in relation to Grosvenor Casinos following the favourable settlement of a number of lease obligations arising from previously closed casinos.

4 Exceptional items *continued*

Bid response costs

During the period, the Group recognised an exceptional cost of £4.3m relating to the professional fees and other related costs for the response to the Guoco Group Limited offer for the shares of the Company (see also note 33).

Transaction costs

On 12 May 2012, the Group announced it had conditionally agreed to acquire Gala Casinos from Gala Coral Group Limited. The Group recognised the costs of the proposed acquisition committed at 30 June 2012 of £5.0m as an exceptional cost.

Restructuring costs

During the period, the Group recognised an exceptional cost of £3.0m relating to the closure of six Mecca venues, three Grosvenor Casinos venues and continued restructuring of Enracha.

VAT refunds net of associated costs

During the period, the Group received £88.1m in overpaid VAT from HMRC, together with associated interest of £81.0m. The repayment covered VAT paid on games of interval and main stage bingo (between 1973 and 1996), main stage bingo (between 2003 and 2004) and on the disposal of the Group's defined benefit pension scheme in 2008. The interval and main stage bingo repayments followed successive rulings in the Group's favour in both the First tier Tribunal and Upper Tribunal (or High Court). HMRC appealed these decisions and as a result the case was referred to the European Court of Justice ("ECJ"). On 10 November 2011, the ECJ released its findings on the Group's VAT case on fiscal neutrality. The Group and HMRC have agreed that the ECJ found in favour of the Group on its bingo claims. The ECJ also ruled on the Group's amusement machines claim relating to a claim for overpaid VAT on amusement machines. The ECJ's decision on the amusement machines claim was not conclusive and was therefore referred back to the UK courts, further details of which are provided in note 32. Further details of the exceptional gain arising on the VAT repayments are disclosed in the table below:

	Main stage bingo 2003 to 2004 £m	Interval and main stage bingo 1973 to 1996 £m	VAT on pensions £m	Total £m
Cash repayment received	7.1	74.8	6.2	88.1
Costs, including contingent fees, irrecoverable VAT and related bonuses	(0.6)	(1.8)	(0.8)	(3.2)
Exceptional gain before financing and taxation	6.5	73.0	5.4	84.9
Finance income	1.4	79.5	0.1	81.0
Taxation	(2.0)	(33.0)	–	(35.0)
Total exceptional gain on VAT refund	5.9	119.5	5.5	130.9

Discontinued exceptional items

Additional net profit arising on previously disposed subsidiary undertakings

During the period, the Group also recognised an exceptional profit of £2.2m, together with associated interest of £2.7m, following the successful outcome of certain VAT claims relating to previously disposed subsidiary undertakings. In addition a charge of £0.3m was recognised in respect of the reduction in discount rate used on provisions connected with previously disposed subsidiary undertakings.

5 Discontinued operations

In accordance with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations', the results of the Blue Square Bet business have been classified as discontinued in both the current and prior periods.

Discontinued operations, other than those disclosed within exceptional items (see note 4), relate to the disposal of the loss making Blue Square Bet business. A breakdown of results of this operation is shown below.

	12 months ended 30 June 2013 £m	18 months ended 30 June 2012 £m
Revenue	**9.5**	20.7
Operating loss	**(7.4)**	(6.2)
Taxation	**1.8**	1.8
Loss after taxation	**(5.6)**	(4.4)
Other information:		
Depreciation and amortisation	**(1.4)**	(2.3)
Capital expenditure	**(1.1)**	(0.8)

Cash flows relating to discontinued operations are as follows:

	12 months ended 30 June 2013 £m	18 months ended 30 June 2012 £m
Operating loss	**(7.4)**	(6.2)
Depreciation and amortisation	**1.4**	2.3
Cash payments in respect of exceptional items	**(2.0)**	–
Cash flows from operating activities	**(8.0)**	(3.9)
Cash flows from investing activities	**(1.1)**	(0.8)
Cash flows from financing activities	**–**	–
	(9.1)	(4.7)

The disposal of the Blue Square Bet business has given rise to the following cash flow reported in investing activities:

	12 months ended 30 June 2013 £m
Gross cash consideration received	**5.0**
Payment to purchaser for customer account balances disposed	**(2.6)**
Disposal of business	**2.4**

6 Financing

	12 months ended 30 June 2013 £m	18 months ended 30 June 2012 £m
Continuing operations:		
Finance costs:		
Interest on debt and borrowings[1]	**(1.9)**	(4.0)
Amortisation of issue costs on borrowings[1]	**(1.1)**	(0.4)
Interest payable on finance leases	**(0.9)**	(1.6)
Unwinding of discount in onerous lease provisions	**(1.1)**	(2.1)
Unwinding of discount in disposal provisions	**(0.2)**	(0.4)
Total finance costs	**(5.2)**	(8.5)
Finance income:		
Interest income on short term bank deposits[1]	**0.2**	0.9
Finance income	**0.2**	0.9
Other financial losses	**(0.3)**	(0.4)
Total net financing charge for continuing operations before exceptional items	**(5.3)**	(8.0)
Exceptional finance income	**–**	81.0
Exceptional finance costs	**(4.2)**	–
Total net financing (charge) income for continuing operations	**(9.5)**	73.0
Discontinued operations:		
Exceptional finance income	**1.2**	2.7
Exceptional finance costs	**(0.6)**	–
Total net finance income for discontinued operations	**0.6**	2.7
Total financing (charge) income	**(8.9)**	75.7

[1] Calculated using the effective interest method.

Exceptional finance costs recognised in continuing operations in the year of £4.2m are in respect of direct and indirect taxation balances provided for.

Exceptional discontinued finance income recognised in the year of £1.2m is in respect of an expected tax refund attributable to discontinued activities.

Exceptional discontinued finance costs recognised in the year of £0.6m are in respect of indirect taxation balances provided for.

Further details of the prior period exceptional finance income are disclosed in note 4.

A reconciliation of total net financing charge to adjusted net interest included in adjusted profit is disclosed below:

	12 months ended 30 June 2013 £m	18 months ended 30 June 2012 £m
Total net financing charge for continuing operations before exceptional items	**(5.3)**	(8.0)
Adjust for:		
Unwinding of discount in disposal provisions	**0.2**	0.4
Other financial losses – including foreign exchange	**0.3**	0.4
Adjusted net interest payable	**(4.8)**	(7.2)

Details of financing for the 12 months to 30 June 2013 and the 12 months to 30 June 2012 are provided in the unaudited appendix to the financial statements on pages 134 to 142.

7 Taxation

	12 months ended 30 June 2013			18 months ended 30 June 2012		
	Continuing operations £m	**Discontinued operations £m**	**Total £m**	Continuing operations (restated) £m	Discontinued operations (restated) £m	Total £m
Current income tax						
Current income tax – UK	**(12.7)**	**1.8**	**(10.9)**	(7.6)	1.8	(5.8)
Current income tax – overseas	**(0.6)**	**–**	**(0.6)**	(0.8)	–	(0.8)
Current income tax (charge) credit	**(13.3)**	**1.8**	**(11.5)**	(8.4)	1.8	(6.6)
Current income tax on exceptional items	**3.1**	**0.4**	**3.5**	(38.5)	(1.1)	(39.6)
Amounts over provided in previous period	**1.3**	**–**	**1.3**	–	–	–
Amounts (under) over provided in previous period on exceptional items	**(0.3)**	**10.7**	**10.4**	7.0	(0.1)	6.9
Total current income tax (charge) credit	**(9.2)**	**12.9**	**3.7**	(39.9)	0.6	(39.3)
Deferred tax						
Deferred tax – UK	**(3.0)**	**–**	**(3.0)**	(18.1)	–	(18.1)
Deferred tax – overseas	**(0.2)**	**–**	**(0.2)**	0.1	–	0.1
Restatement of deferred tax from 24.0% to 23.0%	**–**	**–**	**–**	(1.1)	–	(1.1)
Deferred tax on exceptional items	**(0.1)**	**–**	**(0.1)**	5.0	–	5.0
Amounts (under) over provided in previous period	**(1.3)**	**–**	**(1.3)**	0.2	–	0.2
Amounts (under) provided in previous period on exceptional items	**–**	**(0.2)**	**(0.2)**	–	–	–
Total deferred tax charge (note 21)	**(4.6)**	**(0.2)**	**(4.8)**	(13.9)	–	(13.9)
Tax (charge) credit in the income statement	**(13.8)**	**12.7**	**(1.1)**	(53.8)	0.6	(53.2)

7 Taxation *continued*

The tax on the Group's profit before taxation on continuing operations differs from the standard rate of UK corporation tax in the period of 23.75% (18 months ended 30 June 2012: 26.0%). The differences are explained below:

	12 months ended 30 June 2013 £m	18 months ended 30 June 2012 (restated) £m
Profit before taxation on continuing operations	**42.7**	222.3
Tax charge calculated at 23.75% on profit before taxation on continuing operations (18 months ended 30 June 2012: 26.0%)	**(10.1)**	(57.8)
Effects of:		
Expenses not deductible for tax purposes	**(3.1)**	(2.6)
Difference in overseas tax rates	**–**	0.3
Restatement of deferred tax from 24.0% to 23.0%	**–**	(1.1)
Adjustments relating to prior periods	**(0.3)**	7.2
Deferred tax not recognised in period	**(0.3)**	–
Utilisation of previously unrecognised tax losses	**–**	0.2
Tax charge in the income statement on continuing operations	**(13.8)**	(53.8)

Tax on exceptional items – continuing operations

The taxation impacts of continuing exceptional items are disclosed below:

	12 months ended 30 June 2013			18 months ended 30 June 2012		
	Current income tax £m	**Deferred tax £m**	**Total £m**	Current income tax £m	Deferred tax £m	Total £m
Impairment charges	**–**	**0.7**	**0.7**	–	4.5	4.5
Impairment reversals	**–**	**(0.8)**	**(0.8)**	(0.1)	(0.1)	(0.2)
Net charge from provision for onerous leases	**0.4**	**–**	**0.4**	2.4	–	2.4
Acquisition and integration costs	**0.5**	**–**	**0.5**	–	–	–
Restructuring costs	**–**	**–**	**–**	1.2	0.6	1.8
Charge for indirect taxation	**1.7**	**–**	**1.7**	–	–	–
VAT refund net of gross profits tax and associated costs	**–**	**–**	**–**	(35.0)	–	(35.0)
Exceptional finance costs	**0.6**	**–**	**0.6**	–	–	–
Amounts under provided in respect of previous years	**(0.4)**	**–**	**(0.4)**	–	–	–
Tax credit (charge) on exceptional items – continuing operations	**2.8**	**(0.1)**	**2.7**	(31.5)	5.0	(26.5)

Tax on exceptional items – discontinued operations

The taxation impacts of discontinued exceptional items are disclosed below:

	12 months ended 30 June 2013			18 months ended 30 June 2012		
	Current income tax £m	**Deferred tax £m**	**Total £m**	Current income tax £m	Deferred tax £m	Total £m
Tax refunds arising on previously disposed subsidiary undertakings	**6.6**	**(0.2)**	**6.4**	–	–	–
Provision for indirect taxation	**1.6**	**–**	**1.6**	–	–	–
Disposal of Blue Square Bet and related costs	**1.1**	**–**	**1.1**	–	–	–
Release of provisions relating to overseas tax audits	**2.1**	**–**	**2.1**	–	–	–
VAT refunds	**–**	**–**	**–**	(1.2)	–	(1.2)
Finance income	**(0.3)**	**–**	**(0.3)**	–	–	–
Tax credit (charge) on exceptional items – discontinued operations	**11.1**	**(0.2)**	**10.9**	(1.2)	–	(1.2)

Tax effect of items within other comprehensive income

	12 months ended 30 June 2013 £m	18 months ended 30 June 2012 £m
Current income tax credit on exchange movements offset in reserves	**0.2**	0.6
Deferred tax credit on actuarial movement on retirement benefits	**–**	0.1
Total tax credit on items within other comprehensive income	**0.2**	0.7

The credit in respect of employee share schemes included within the Statement of Changes in Equity includes a deferred tax credit of £0.3m (18 months ended 30 June 2012: £0.2m) and a current tax credit of £0.2m (18 months ended 30 June 2012: £0.7m).

Factors affecting future taxation

UK corporation tax is calculated at 23.75% (18 months ended 30 June 2012: 26%) of the estimated assessable profit for the period. Taxation for overseas operations is calculated at the local prevailing rates.

On 20 March 2013, the Chancellor of the Exchequer announced the reduction in the main rate of UK corporation tax to 21% with effect from 1 April 2014 and a further 1% reduction to 20% from 1 April 2015. These changes were substantively enacted in July 2013.

The rate reductions will reduce the amount of cash tax payments to be made by the Group. Overall the reduction in the corporate tax rate from 23% to 20% is expected to reduce the Group's net UK deferred tax liability by approximately £3.0m.

8 Results attributable to the parent company

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company income statement. The loss for the 12 months ended 30 June 2013 for the Company was £27.2m (18 months ended 30 June 2012: profit of £123.5m). The prior year profit included an impairment reversal of £157.5m in respect of its investment in subsidiary undertakings. Further details are provided in note 14.

9 Dividends paid to equity holders

	12 months ended 30 June 2013 £m	18 months ended 30 June 2012 £m
Final for 2010 paid on 4 May 2011 – 1.66p per share	**–**	6.5
1st Interim for 2011/12 paid on 12 September 2011 – 1.00p per share	**–**	3.9
2nd Interim for 2011/12 paid on 29 March 2012 – 1.10p per share	**–**	4.3
Final for 2011/12 paid on 31 October 2012 – 2.50p per share	**9.8**	–
Interim for 2012/13 paid on 22 March 2013 – 1.25p per share	**4.9**	–
Refund of unclaimed dividends	**(0.1)**	–
	14.6	14.7

A final dividend in respect of the 12 months ended 30 June 2013 of 2.85p per share, amounting to a total dividend of £11.1m, is to be recommended at the annual general meeting on 17 October 2013. These financial statements do not reflect this dividend payable.

10 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period.

	12 months ended 30 June 2013			18 months ended 30 June 2012 (restated)		
	Before exceptional items	**Exceptional items**	**Total**	Before exceptional items	Exceptional items	Total
Profit attributable to equity shareholders						
Continuing operations	**£48.1m**	**£(19.2)m**	**£28.9m**	£65.9m	£102.6m	£168.5m
Discontinued operations	**£(5.6)m**	**£3.7m**	**£(1.9)m**	£(4.4)m	£3.4m	£(1.0)m
Total	**£42.5m**	**£(15.5)m**	**£27.0m**	£61.5m	£106.0m	£167.5m
Weighted average number of ordinary shares in issue	**390.6m**	**390.6m**	**390.6m**	390.3m	390.3m	390.3m
Basic earnings per share						
Continuing operations	**12.3p**	**(4.9)p**	**7.4p**	16.9p	26.3p	43.2p
Discontinued operations	**(1.4)p**	**0.9p**	**(0.5)p**	(1.1)p	0.9p	(0.2)p
Total	**10.9p**	**(4.0)p**	**6.9p**	15.8p	27.2p	43.0p

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. The only category of dilutive potential ordinary shares is share options. For share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming exercise of the share options.

There is no difference in the profit used to determine diluted earnings per share from that used to determine basic earnings per share. The potential dilutive impact of share options on the weighted average number of ordinary shares in issue and diluted earnings per share is shown below.

	12 months ended 30 June 2013			18 months ended 30 June 2012 (restated)		
	Before exceptional items	**Exceptional items**	**Total**	Before exceptional items	Exceptional items	Total
Weighted average number of ordinary shares in issue	**390.6m**	**390.6m**	**390.6m**	390.3m	390.3m	390.3m
Dilutive potential ordinary shares	**–**	**–**	**–**	0.2m	0.2m	0.2m
	390.6m	**390.6m**	**390.6m**	390.5m	390.5m	390.5m
Diluted earnings per share						
Continuing operations	**12.3p**	**(4.9)p**	**7.4p**	16.8p	26.3p	43.1p
Discontinued operations	**(1.4)p**	**0.9p**	**(0.5)p**	(1.1)p	0.9p	(0.2)p
Total	**10.9p**	**(4.0)p**	**6.9p**	15.7p	27.2p	42.9p

(c) Adjusted earnings per share

Adjusted earnings is calculated by adjusting profit attributable to equity shareholders to exclude discontinued operations, 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:

	12 months ended 30 June 2013 £m	18 months ended 30 June 2012 (restated) £m
Profit attributable to equity shareholders	**27.0**	167.5
Adjusted for:		
Discontinued operations (net of taxation)	**1.9**	1.0
Exceptional items after tax on continuing operations	**19.2**	(102.6)
Other financial losses	**0.3**	0.4
Unwinding of discount in disposal provisions	**0.2**	0.4
Taxation on adjusted items and impact of reduction in tax rate	**(0.1)**	1.0
Adjusted net earnings attributable to equity shareholders (£m)	**48.5**	67.7
Adjusted earnings per share (p) – basic	**12.4p**	17.3p
Adjusted earnings per share (p) – diluted	**12.4p**	17.3p

Details of adjusted earnings per share for the 12 months to 30 June 2013 and the 12 months to 30 June 2012 are provided in the unaudited appendix to the financial statements on pages 134 to 142.

11 Intangible assets

Group	Goodwill £m	Casino and other gaming licences and concessions £m	Property contracts £m	Other £m	Total £m
Cost					
At 1 January 2011	53.4	122.7	–	39.4	215.5
Exchange adjustments	–	(2.7)	–	–	(2.7)
Disposals	–	–	–	(0.1)	(0.1)
Additions	–	–	–	10.5	10.5
At 30 June 2012	53.4	120.0	–	49.8	223.2
Acquisition of subsidiary (see note 25)	**78.5**	**155.8**	**3.7**	**–**	**238.0**
Exchange adjustments	**–**	**2.7**	**–**	**–**	**2.7**
Disposals	**–**	**–**	**–**	**(23.4)**	**(23.4)**
Additions	**–**	**0.5**	**–**	**6.7**	**7.2**
At 30 June 2013	**131.9**	**279.0**	**3.7**	**33.1**	**447.7**
Aggregate amortisation and impairment					
At 1 January 2011	–	19.7	–	28.4	48.1
Exchange adjustments	–	(2.2)	–	–	(2.2)
Charge for the year	–	1.1	–	7.7	8.8
Disposals	–	–	–	(0.1)	(0.1)
Impairment charges	–	13.1	–	1.8	14.9
At 30 June 2012	–	31.7	–	37.8	69.5
Exchange adjustments	**–**	**1.8**	**–**	**–**	**1.8**
Charge for the period	**–**	**0.8**	**0.1**	**4.8**	**5.7**
Disposals	**–**	**–**	**–**	**(23.4)**	**(23.4)**
Impairment charges	**–**	**4.9**	**–**	**3.5**	**8.4**
Impairment reversals	**–**	**(6.8)**	**–**	**–**	**(6.8)**
At 30 June 2013	**–**	**32.4**	**0.1**	**22.7**	**55.2**
Net book value at 31 December 2010	53.4	103.0	–	11.0	167.4
Net book value at 30 June 2012	53.4	88.3	–	12.0	153.7
Net book value at 30 June 2013	**131.9**	**246.6**	**3.6**	**10.4**	**392.5**

Other intangible assets comprise other licences, computer software and development technology and customer lists. These include internally-generated computer software and development technology with a net book value of £4.7m (30 June 2012: £3.8m).

Property contracts arise as a fair value adjustment in respect of favourable property contracts on the acquisition of the 19 Gala Casinos.

Indefinite life intangible assets have been reviewed for impairment as set out in note 13.

Impairment charges for the year of £8.4m (18 months ended 30 June 2012: £14.9m) include £4.8m (18 months ended 30 June 2012: £14.9m) in respect of exceptional items relating to continuing operations and £3.6m (18 months ended 30 June 2012: £nil) in respect of exceptional items relating to discontinued operations. The exceptional impairment charge relating to discontinued operations arose on the disposal of the Blue Square Bet business during the year.

12 Property, plant and equipment

Group	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Total £m
Cost			
At 1 January 2011	135.8	392.7	528.5
Exchange adjustments	(0.8)	(3.4)	(4.2)
Additions	3.5	65.7	69.2
Disposals	(3.4)	(15.0)	(18.4)
Transfer to assets held for sale	(3.9)	–	(3.9)
At 30 June 2012	131.2	440.0	571.2
Exchange adjustments	**0.7**	**3.2**	**3.9**
Acquisition of subsidiary (see note 25)	**7.6**	**11.2**	**18.8**
Additions	**2.1**	**30.8**	**32.9**
Disposals	**(0.5)**	**(11.1)**	**(11.6)**
Transfer to assets held for sale	**(2.2)**	**–**	**(2.2)**
At 30 June 2013	**138.9**	**474.1**	**613.0**
Accumulated depreciation and impairment			
At 1 January 2011	72.9	252.6	325.5
Exchange adjustments	(0.1)	(2.2)	(2.3)
Charge for the period	4.8	43.6	48.4
Impairment charge	1.1	3.3	4.4
Impairment reversals	(1.7)	(2.0)	(3.7)
Disposals	(2.8)	(14.1)	(16.9)
Transfer to assets held for sale	(2.0)	–	(2.0)
At 30 June 2012	72.2	281.2	353.4
Exchange adjustments	**0.1**	**2.4**	**2.5**
Charge for the period	**3.4**	**31.3**	**34.7**
Impairment charges	**0.4**	**4.2**	**4.6**
Impairment reversals	**(1.3)**	**(0.6)**	**(1.9)**
Disposals	**–**	**(10.4)**	**(10.4)**
Transfer to assets held for sale	**(1.9)**	**–**	**(1.9)**
At 30 June 2013	**72.9**	**308.1**	**381.0**
Net book value at 31 December 2010	62.9	140.1	203.0
Net book value at 30 June 2012	59.0	158.8	217.8
Net book value at 30 June 2013	**66.0**	**166.0**	**232.0**

Impairment charges for the year of £4.6m (18 months ended 30 June 2012: £4.4m) are in respect of exceptional items relating to continuing operations.

12 Property, plant and equipment *continued*

Finance leases

The net book value of property, plant and equipment held under finance leases was:

	As at 30 June 2013 £m	As at 30 June 2012 £m
Land and buildings	**5.5**	6.1
Fixtures, fittings, plant and machinery	**5.8**	7.5
Net book value at end of period	**11.3**	13.6

There were £0.8m (18 months ended 30 June 2012: £9.2m) of additions under finance leases during the period.

Borrowing costs

There were no qualifying assets in either period and therefore no borrowing costs have been capitalised in either period.

Assets under construction

Included in property, plant and equipment are assets in the course of construction of £1.9m. There were no material assets in the course of construction at 30 June 2012.

Assets held for sale

	As at 30 June 2013 £m	As at 30 June 2012 £m
Land and buildings	**0.3**	1.9

Assets held for sale comprise a single freehold property in respect of a closed venue within Mecca. It is expected that this property will be sold for its carrying value within 12 months of the balance sheet date.

The asset held for sale in the prior period, which comprised a single freehold property in Mecca, was sold during the period at its carrying value. Consequently, no profit or loss arose on this disposal.

13 Impairment review

The pre-tax discount rate applied to all cash flow projections is 10.0% (30 June 2012: 11.0%). The discount rate calculation is based on the specific circumstances of the Group and its cash generating units and is derived from its weighted average cost of capital. Management believes that the discount rate is appropriate for each cash-generating unit (CGU) as they operate in gaming markets with similar risks as set out below. As the Group operates in Great Britain (including the Channel Islands), Spain and Belgium, country risk has been recognised in the cash flow forecasts, rather than adjusting the discount rate.

(a) Impairment review of goodwill and intangible assets with indefinite lives

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. In accordance with IAS 36, goodwill is reviewed annually for impairment. In addition, the Group classifies casino licences (with the exception of its concessions in Belgium) and Spanish bingo licences as intangible assets with an indefinite life.

(i) Goodwill

At 30 June 2013, the Group has goodwill with a carrying value of £131.9m (30 June 2012: £53.4m). £78.5m of this goodwill arose on the acquisition of 19 Gala casinos during the year, further details of which are provided in note 25. Given the proximity of this acquisition to the year end an impairment review has not been carried out on this element of goodwill.

The remaining £53.4m of goodwill arose on the acquisition of Rank Digital Limited (formerly Blue Square Limited), which formed the basis of the Rank Interactive business. In accordance with IAS 36, 'Impairment of Assets', following the change in the basis of segmental reporting the Group no longer considers Rank Interactive to be a CGU. On the date of change in segmental reporting this goodwill was split across the new operating segments (Grosvenor Casinos digital, Mecca digital and Blue Square Bet) on a relative value basis based on future discounted cash flows for each of these operating segments. This resulted in all of the goodwill being allocated to the Mecca digital CGU for the purposes of impairment testing.

In respect of the Mecca digital CGU, the recoverable amount has been determined based on a value in use calculation using 20-year cash flow projections based on the Group's budget for 2013/14, the Group's strategic plan for the following two years and a growth rate of 2.0% thereafter. Both the Group's budget and strategic plan have been approved by the board of directors.

The key assumptions in the calculation of value in use are settled stakes, gaming win margins, gaming duty and the discount rate. Settled stakes represent monies placed by customers for interactive games and are estimated taking into account the product mix and industry developments. Gaming win margins are based on values achieved in the past and amended for any anticipated changes in the budget period. Gaming duty is based upon statutory rates enacted at the balance sheet date. The calculation also assumes that revenue from UK domiciled customers is not subject to UK duty or VAT until the introduction of remote gaming duty on a place of consumption basis in December 2014.

As a result of the impairment testing, the directors do not believe that the carrying value of the goodwill was impaired as the value in use significantly exceeded the carrying value of goodwill. The key factors which impact the calculation of the carrying value include:

Key factors	Key assumption impacted
Increased or improved competition	Settled stakes, Gaming win margin
Poor or decreased marketing	Settled stakes
Failure to respond to technological advances	Settled stakes
Deterioration in economic environment	Settled stakes
Changes in regulation	Settled stakes, Gaming win margin
Changes in taxation	Gaming duty

Changes in settled stakes and gaming win margin impact gaming win and consequently the cash flow projections used to determine the recoverable amount. The directors do not consider that there is a reasonably possible change that would lead to an impairment.

(ii) Casino licences

The carrying value of indefinite life casino licences as at 30 June 2013 was £231.1m (30 June 2012: £76.0m). £155.8m of this value arose on the acquisition of 19 Gala Casinos during the year, further details of which are provided in note 25. Given the proximity of this acquisition to the year end an impairment review has not been carried out on this element of casino licences. The remaining £75.3m of this balance (30 June 2012: £76.0m) related to existing Grosvenor casinos.

The inherent value of casino licences is deemed to be an intrinsic part of the value of the operation of casinos as a whole and is therefore not split out from each Grosvenor casino in an impairment review. Each Grosvenor casino has been treated as a separate CGU, and tested for impairment on that basis. The recoverable amount of each Grosvenor casino, including the licence, has been determined based on the higher of fair value less costs to sell and value in use. The value in use has been determined using cash flow projections, over the length of the associated lease or 50 years for freehold properties, based on the Group's budget for 2013/14, the Group's strategic plan for the following two years and a growth rate of 2.0% (30 June 2012: 2.0%) thereafter. Both the Group's budget and strategic plan have been approved by the board of directors. Estimates of the fair value less costs to sell are performed internally by experienced senior management supported by knowledge of similar transactions or, where applicable, offers received.

The key assumptions in the calculation of value in use are customer visits, spend per visit, casino duty, machine games duty and the discount rate. Customer visits are the number of discrete visits by members to the casino and have been based on historic trends. Spend per visit comprises the average amount of money (net of winnings) spent per visit on gaming tables, machines and food and beverages. This has also been determined by historic trends. Casino duty is levied in bands of between 15% and 50% depending upon the level of gaming win at each casino. The bands and rates have been assumed to remain at current levels without indexation. Machine games duty is levied at rates of 5% or 20% depending upon certain criteria.

13 Impairment review *continued*

The table below outlines the possible changes in key assumptions that could cause the carrying value of individual licences to exceed their recoverable amount. These are:

Key factors	Key assumption impacted
Increased or improved competition	Customer visits
Poor or decreased promotional activity	Customer visits
Failure to respond to technological advances	Customer visits, Spend per visit
Deterioration in economic conditions	Customer visits, Spend per visit
Changes in regulation	Customer visits, Spend per visit
Changes in taxation	Casino duty, Machine games duty

With the exception of a prolonged non-operation of a UK casino licence arising from one or more of the possible changes outlined above, the directors do not believe that there are any reasonably forseeable changes to the key assumptions that would result in a material impairment of a UK casino licence.

The only impairment charge against indefinite life casino licences recognised in the year was £1.1m (18 months ended 30 June 2012: £nil) against a non-trading licence following a review based on current local market conditions.

The two casino concessions in Belgium are being amortised over their expected useful life. At 30 June 2013 these concessions had a carrying value of £5.3m (30 June 2012: £5.2m). Each of the casino concessions has also been treated as a separate CGU for impairment testing purposes. As a result of this review an impairment charge of £1.9m and an impairment reversal of £2.4m have been recognised on individual concessions.

(iii) Spanish bingo licences

The carrying value of Spanish bingo licences as at 30 June 2013 was £10.2m (30 June 2012: £7.1m).

The inherent value of each Spanish bingo licence is deemed to be an intrinsic part of the value of a club as a whole and is not therefore split out from the assets of each individual bingo club in an impairment review. Each individual bingo club has been treated as a separate CGU, and tested for impairment on that basis. The recoverable amount of each Spanish bingo club, including the licence, has been determined based on the higher of fair value less costs to sell and value in use. The value in use calculation has been determined using cash flow projections, over the length of the associated lease or 50 years in the case of freehold properties, based on the Group's budget for 2013/14, the Group's strategic plan for the following two years and a growth rate of 2.0% (30 June 2012: 2.0%) thereafter.

The key assumptions in the calculation of value in use are customer visits, spend per visit, bingo tax and the discount rate. Customer visits are the number of discrete visits to the bingo club and have been based on recent trends. Spend per visit comprises the average amount of money (net of winnings) spent by a member on bingo games, machines and food and beverages. This has been determined by recent trends. Bingo tax is based upon statutory rates enacted at the balance sheet date.

As a result of the impairment review, impairment charges of £1.9m and an impairment reversal of £4.4m have been recognised against the value in use of three bingo licences. However, there are possible changes in the key assumptions that could cause further impairments. These are:

Key factors	Key assumption impacted
Increased or improved competition	Customer visits
Poor or decreased promotional activity	Customer visits
Failure to respond to technological advances	Customer visits, Spend per visit
Deterioration in economic conditions	Customer visits, Spend per visit
Changes in regulation	Customer visits, Spend per visit
Changes in taxation	Bingo tax

As outlined above, each Spanish bingo licence has been tested for impairment as part of the club as a whole. Accordingly, the sensitivity of each licence to future impairments, arising from changes in the key assumptions, varies at each club. For the clubs previously impaired, a one percentage point reduction in expected future EBITDA would generate an incremental impairment of £0.2m.

(b) Impairment review of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are grouped into CGUs which are defined as individual venues for Mecca, Enracha and Grosvenor Casinos and as the Grosvenor Casinos digital and Mecca digital businesses.

The key assumptions and sensitivities in the impairment reviews are the same as outlined above for intangible assets.

The recoverable amount of each CGU, including the licence if applicable, has been determined based on the higher of fair value less costs to sell and value in use. The value in use has been determined using cash flow projections from the Group's budget for 2013/14, the Group's strategic plan for the following two years and a growth rate of 2.0% (2012: 2.0%) thereafter. Both the Group's budget and strategic plan have been approved by the board of directors. Estimates of the fair value less costs to sell are performed internally by an experienced surveyor supported by external estate agent advice or, where applicable, offers received.

(c) Impairment recognised during the period

Details of impairment charges and reversals recognised during the current and prior periods are disclosed in note 4.

14 Investments in subsidiaries

Company	As at 30 June 2013 £m	As at 30 June 2012 £m
Cost		
At start of period	**1,517.8**	1,516.9
Movements	**(0.6)**	0.9
At end of period	**1,517.2**	1,517.8
Provision for impairment		
At start of period	**331.8**	489.3
Reversal of impairment	**–**	(157.5)
At end of period	**331.8**	331.8
Net book value at end of period	**1,185.4**	1,186.0

The movements relate to the fair value of services recognised by subsidiary undertakings arising from equity-settled share options granted by the Company.

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 34.

In the prior period, the Company recognised an impairment reversal of £157.5m following a period of sustained improvement in earnings used as a basis for the annual impairment review of the carrying value of the Company's investments in subsidiary undertakings, together with the exceptional VAT refunds received in the period.

15 Inventories

	Group	
	As at 30 June 2013 £m	As at 30 June 2012 £m
Raw materials	0.3	0.2
Finished goods	3.0	2.9
	3.3	3.1

There were no write downs of inventory in either period.

16 Other receivables

	Group		Company	
	As at 30 June 2013 £m	As at 30 June 2012 £m	**As at 30 June 2013 £m**	As at 30 June 2012 £m
Current				
Other receivables	**5.4**	4.5	**–**	–
Less: provisions for impairment of other receivables	**–**	(0.1)	**–**	–
Other receivables – net	**5.4**	4.4	**–**	–
Prepayments	**25.6**	26.3	**–**	–
Amounts owed by subsidiary undertakings repayable on demand	**–**	–	**42.9**	43.6
	31.0	30.7	**42.9**	43.6
Non-current				
Other receivables	**2.9**	3.9	**–**	–
	2.9	3.9	**–**	–

Group

The carrying values of other receivables are assumed to approximate to their fair values due to their short-term nature.

As at 30 June 2013, other receivables of £0.6m (30 June 2012: £0.5m) were past due but not impaired.

The creation and release of provision for impaired receivables have been included in other operating costs in the income statement. Amounts charged to the provision for impairment are generally written off when there is no expectation of recovering additional cash.

The other classes within receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

Company

The carrying values of amounts due from subsidiary undertakings are assumed to equate to their fair value as all amounts are repayable on demand. The amounts are denominated in UK Sterling and relate to subsidiary undertakings for which there is no history of default.

17 Trade and other payables

	Group		Company	
	As at 30 June 2013 £m	**As at 30 June 2012 £m**	As at 30 June 2013 £m	As at 30 June 2012 £m
Current				
Trade payables	**25.4**	14.2	**–**	–
Social security and other taxation	**33.7**	23.4	**–**	–
Other payables	**65.7**	62.8	**1.6**	1.5
Amounts owed to subsidiary undertakings repayable on demand	**–**	–	**795.0**	756.4
Trade and other payables – current	**124.8**	100.4	**796.6**	757.9
Non-current				
Other payables	**43.8**	0.1	**–**	–
Trade and other payables – non-current	**43.8**	0.1	**–**	–

Other payables includes £2.6m current payables and £43.8m non-current payables in respect of above market property contracts on the acquired Gala Casinos.

18 Income tax

	Group	
	As at 30 June 2013 £m	As at 30 June 2012 £m
Income tax receivable	**9.0**	0.1
Income tax payable – Continuing operations	**(46.0)**	(49.8)
Income tax payable – Discontinued operations	**(17.9)**	(20.6)
Income tax payable	**(63.9)**	(70.4)
Net income tax payable	**(54.9)**	(70.3)

Income tax payable has been analysed between current and non-current as follows:

Current	**(42.2)**	(31.3)
Non-current	**(21.7)**	(39.1)
Total	**(63.9)**	(70.4)

Income tax payable on discontinued operations relates to potential tax liabilities that are attributable to disposed entities with historic tax audits. The liability represents management's current estimate of the payments that will be required to settle the various issues.

Income tax payable included within non-current liabilities relates to ongoing tax issues in continuing operations that may be challenged by the relevant tax authority and ongoing tax exposure in discontinued operations in overseas jurisdictions.

19 Financial assets and liabilities

(a) Interest bearing loans and borrowings

	Maturity	Group As at 30 June 2013 £m	As at 30 June 2012 £m
Current interest-bearing loans and borrowings			
Bank overdrafts	On demand	**3.4**	2.9
Obligations under finance leases	Various	**3.3**	3.0
Other current loans			
Accrued interest	July 2013	**1.3**	0.5
Unamortised facility fees	Various	**(0.6)**	(0.1)
Total current interest-bearing loans and borrowings		**7.4**	6.3
Non-current interest-bearing loans and borrowings			
7.125% Yankee bonds	2018	**9.4**	9.1
Term loans	2016	**140.0**	–
Obligations under finance leases	Various	**13.0**	15.7
Other non-current loans			
Unamortised facility fees	Various	**(1.3)**	(0.2)
Total non-current interest-bearing loans and borrowings		**161.1**	24.6
Total interest-bearing loans and borrowings		**168.5**	30.9
Sterling		**159.1**	21.8
US Dollars		**9.4**	9.1
Total interest-bearing loans and borrowings		**168.5**	30.9

Bank overdrafts
Bank overdrafts are for short-term funding and are repayable on demand.

Revolving credit facilities
Five-year facilities were signed in January 2012 and consist of four £20.0m multi-currency revolving credit bi-lateral facilities totalling £80.0m. Interest is payable on a periodic basis depending on the loan drawn. The facilities carry floating rates of interest which are LIBOR dependent.

No drawings have been made on the facilities during the period.

Term loan facilities
New three-year facilities were signed on 25 April 2013 and consist of two bi-lateral £70.0m term loans totalling £140.0m. These loans were put in place to fund the recent acquisition of Gala Casino 1 Limited from Gala Coral Group Limited. Interest is payable on a periodic basis depending on the loan drawn. The facilities carry floating rates of interest which are LIBOR dependent.

Yankee bonds
Interest on the Yankee bonds is payable half yearly in January and July at a rate of 7.125%.

Covenants
The Group complied with all its covenants during the period.

Company
The Company did not hold any external interest-bearing loans or borrowings at 30 June 2013 (30 June 2012: £nil). The Company holds interest-bearing loans with other Group companies at 30 June 2013 of £795.0m (30 June 2012: £756.4m).

(b) Hedging activities

The Group has not carried out any hedging activities in either period.

(c) Fair values

The table below is a comparison by class of the carrying amounts and fair value of the Group and Company's financial instruments at 30 June 2013 and 30 June 2012.

	Carrying amount		Fair value	
Group	**As at 30 June 2013 £m**	As at 30 June 2012 £m	**As at 30 June 2013 £m**	As at 30 June 2012 £m
Financial assets:				
Loans and receivables				
Other receivables	**0.8**	0.9	**0.8**	0.9
Cash and short-term deposits	**65.3**	72.5	**65.3**	72.5
Total	**66.1**	73.4	**66.1**	73.4
Financial liabilities:				
Other financial liabilities				
Interest-bearing loans and borrowings				
Obligations under finance leases	**16.3**	18.7	**16.3**	18.7
Floating rate borrowings	**140.0**	–	**140.0**	–
Fixed rate borrowings	**9.4**	9.1	**9.1**	9.0
Other	**(0.6)**	0.2	**(0.6)**	0.2
Trade and other payables	**83.8**	77.0	**83.8**	77.0
Bank overdrafts	**3.4**	2.9	**3.4**	2.9
Onerous property leases	**47.0**	46.0	**47.0**	46.0
Lease disposal settlements	**0.8**	1.2	**0.8**	1.2
Total	**300.1**	155.1	**299.8**	155.0

19 Financial assets and liabilities *continued*

	Carrying amount		Fair value	
Company	**As at 30 June 2013 £m**	As at 30 June 2012 £m	**As at 30 June 2013 £m**	As at 30 June 2012 £m
Financial assets:				
Loans and receivables				
Other receivables	**42.9**	43.6	**42.9**	43.6
Cash and short-term deposits	**0.2**	0.1	**0.2**	0.1
Total	**43.1**	43.7	**43.1**	43.7
Financial liabilities:				
Other financial liabilities				
Trade and other payables	**796.6**	757.9	**796.6**	757.9
Financial guarantee contracts	**3.4**	0.1	**3.4**	0.1
Total	**800.0**	758.0	**800.0**	758.0

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, other receivables, bank overdrafts and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments;
- The fair value of fixed rate borrowings is based on price quotations at the reporting date;
- The fair value of floating rate borrowings and obligations under finance leases approximates to their carrying amounts; and
- The fair value of onerous property leases and lease disposal settlements approximate their carrying amount as they are discounted at current rates.

20 Financial risk management objectives and policies

Financial risk factors

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has other receivables, and cash and short-term deposits that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk.

The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's senior management oversees the management of these risks. The finance committee is supported by the Group's senior management that advises on financial risks and the appropriate financial risk governance framework for the Group. The finance committee provides assurance that the Group's financial risk-taking activities are governed by appropriate policies and procedures and the financial risks are identified, measured and managed in accordance with Group policies and Group risk appetite.

The board of directors reviews and agrees policies for managing each of these risks which are summarised below.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Financial instruments affected by market risk include loans and borrowings and deposits.

The sensitivity analyses in the following sections relate to the position at 30 June 2013 and 30 June 2012.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating rates of the debt and the proportion of financial instruments in foreign currencies are all constant.

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

Group policy is not to hedge foreign currency risk.

Foreign currency sensitivity

The following table demonstrates the sensitivity of a possible change in the US Dollar and euro, with all other variables held constant, to the Group's profit before tax and the Group's equity. The Group's exposure to foreign currency changes for all other currencies is not material.

	Effect on profit before tax		Effect on equity	
	As at 30 June 2013 £m	As at 30 June 2012 £m	As at 30 June 2013 £m	As at 30 June 2012 £m
Change in US$ rate:				
+10.0%	**0.9**	0.8	**–**	–
-10.0%	**(1.0)**	(1.0)	**–**	–
Change in euro rate:				
+10.0%	**(0.1)**	–	**(7.5)**	(4.1)
-10.0%	**0.1**	–	**7.5**	4.1

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Historically the Group had managed its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. Due to the current economic climate the Group has exercised its right to operate outside the Group policy of maintaining between 40% and 60% of its borrowings at fixed rates of interest. At 30 June 2013, 15% of the Group's borrowings were at a fixed rate of interest (30 June 2012: 91%).

(iii) Interest rate sensitivity

The following table demonstrates the sensitivity to a possible change in interest rates on income and equity for the year when this movement is applied to the carrying value of loans, borrowings, cash and short-term deposits.

	Effect on profit before tax	
	As at 30 June 2013 £m	As at 30 June 2012 £m
Sterling:		
100 basis point increase	**1.3**	0.3
200 basis point increase	**2.5**	0.7

There was no impact on equity in either period.

20 Financial risk management objectives and policies *continued*

Due to current low interest rates, any further decline would not have a material impact on income and equity for the period. As such, sensitivity to a decrease in interest rates has not been presented.

The Group did not enter into any fixed-to-floating or floating-to-fixed interest rate swaps in either period.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for other receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the finance director, and may be updated throughout the period subject to the approval of the Group's finance committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

The credit worthiness of each counterparty is checked against independent credit ratings on at least a weekly basis, with a minimum rating of 'BBB' required. The Group predominantly invests with its lending banks when appropriate.

Sales to retail customers are settled in cash or using major credit cards and therefore the exposure to credit risk is not considered significant.

No credit limits were exceeded during the reporting period and management does not expect any material losses from non-performance of its counterparties.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet its liabilities. Cash forecasts identifying the liquidity requirements of the Group are produced quarterly. The cash forecasts are sensitivity tested for different scenarios and are reviewed regularly. Forecast financial headroom and debt covenant compliance are reviewed monthly during the month-end process to ensure sufficient financial headroom exists for at least a 12-month period.

Due to the dynamic nature of the underlying businesses, Group treasury aims to maintain flexibility in funding by keeping committed credit lines available. A three-year strategic forecast is prepared annually to facilitate planning for future financing needs. Management actively manages the Group's financing requirements and the range of maturities on its debt.

The Group's core debt facilities are the £80.0m (30 June 2012: £80.0m) bank facility comprising four £20.0m bi-lateral bank facilities which expire in January 2017 and the £140.0m (30 June 2012: £nil) bank facility comprising two £70.0m bi-lateral bank facilities which expire in May 2016. The Group proactively manages its relationships with its lending group.

The funding policy of the Group is to maintain, as far as practicable, a broad portfolio of debt diversified by source and maturity, and to maintain committed facilities sufficient to cover seasonal peak anticipated borrowing requirements.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	On demand £m	Less than 12 months £m	1 to 2 years £m	2 to 5 years £m	> 5 years £m	Total £m
At 30 June 2013						
Interest bearing loans and borrowings*	**3.4**	**8.2**	**8.3**	**159.0**	**4.9**	**183.8**
Trade and other payables	**–**	**83.8**	**–**	**–**	**–**	**83.8**
Onerous property leases	**–**	**4.2**	**3.8**	**10.8**	**45.4**	**64.2**
Lease disposal settlements	**–**	**0.7**	**0.1**	**–**	**–**	**0.8**
	3.4	**96.9**	**12.2**	**169.8**	**50.3**	**332.6**
At 30 June 2012						
Interest bearing loans and borrowings	2.9	4.6	4.5	10.4	17.8	40.2
Trade and other payables	–	77.0	–	–	–	77.0
Onerous property leases	–	4.4	3.6	9.7	46.4	64.1
Lease disposal settlements	–	0.7	0.5	–	–	1.2
	2.9	86.7	8.6	20.1	64.2	182.5

Interest payments on the interest-bearing loans and borrowings have been projected until the instruments mature.
* The bank facility interest payments were based on current LIBOR rates as at 30 June 2013.

Capital management

As a result of the difficult conditions that developed in the global capital markets in recent years, the Group's objectives when managing capital have been to ensure continuing access to existing debt facilities and to manage the borrowing cost of those facilities in order to minimise the Group's interest charge.

Consistent with others in the gaming industry, the Group monitors capital on the basis of leverage ratio. The ratio is calculated as net debt divided by EBITDA. Net debt is calculated as total borrowings (including 'loans and borrowings' as shown in the consolidated balance sheet) less cash and short-term deposits, accrued interest and unamortised facility fees. EBITDA is calculated as operating profit before exceptional items, depreciation and amortisation from continuing operations.

The leverage ratios at 30 June 2013 and 30 June 2012* were as follows:

	As at 30 June 2013 £m	As at 30 June 2012 (restated) £m
Total loans and borrowings (note 19)	**168.5**	30.9
Less: Cash and short-term deposits	**(65.3)**	(72.5)
Less: Accrued interest	**(1.3)**	(0.5)
Less: Unamortised facility fees	**1.9**	0.3
Net debt (cash)	**103.8**	(41.8)
Continuing operations		
Operating profit before exceptionals	**69.9**	69.7
Add: Depreciation and amortisation	**38.9**	37.3
EBITDA	**108.8**	107.0
Leverage ratio	**1.0**	(0.4)

* The leverage ratio at 30 June 2012 is based on unaudited financials for the 12 months to 30 June 2012.

Taking into consideration both the Group's capital investment requirements and the stability of the wider economic environment the Group considers its progressive dividend policy to be appropriate. The board recommends dividends with the intention that the Group achieves a dividend cover of at least three times over the medium term.

20 Financial risk management objectives and policies *continued*

Collateral

The Group did not pledge or hold any collateral at 30 June 2013 (30 June 2012: £nil).

Company

The Company is exposed to credit risk on amounts owed by related undertakings. The performance of all subsidiary undertakings of the Group is monitored at Group level, including frequent projections of future performance to ensure funding to related undertakings provides a suitable return and remains recoverable. Where losses are forecast, actions are taken to mitigate the loss and maximise the recoverability of receivables.

The maximum exposure to credit risk at the reporting date is the fair value of its receivables of £42.9m (30 June 2012: £43.6m).

The Company does not have any other significant exposure to financial risks.

21 Deferred tax

The analysis of deferred tax included in the financial statements at the end of the period is as follows:

	Group		Company	
	As at 30 June 2013 £m	As at 30 June 2012 £m	**As at 30 June 2013 £m**	As at 30 June 2012 £m
Deferred tax assets:				
Accelerated capital allowances	**16.7**	18.4	**–**	–
Tax losses carried forward	**2.6**	3.5	**–**	–
Other UK temporary differences	**–**	–	**0.2**	0.2
Deferred tax assets	**19.3**	21.9	**0.2**	0.2
Deferred tax liabilities:				
Other overseas temporary differences	**(3.0)**	(2.2)	**–**	–
Business combinations – non-qualifying properties	**(1.0)**	(1.0)	**–**	–
Temporary differences on UK licences	**(47.5)**	(18.2)	**–**	–
Other UK temporary differences	**10.2**	1.9	**–**	–
Deferred tax liabilities	**(41.3)**	(19.5)	**–**	–
Net deferred tax (liability) asset	**(22.0)**	2.4	**0.2**	0.2

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and it is the intention to settle the balances on a net basis. Deferred tax assets and liabilities of £16.7m (30 June 2012: £18.4m) have been offset and disclosed on the balance sheet as follows:

	Group	
	As at 30 June 2013 £m	As at 30 June 2012 £m
Deferred tax assets	**2.6**	3.5
Deferred tax liabilities	**(24.6)**	(1.1)
Net deferred tax (liability) asset	**(22.0)**	2.4

The deferred tax assets recognised are recoverable against future taxable profits that the directors consider more likely than not to occur on the basis of management forecasts.

The Group has overseas tax losses of £22.9m (30 June 2012: £20.0m) that are carried forward for offset against suitable future taxable profits. No deferred tax asset has been recognised in respect of these losses as their utilisation is not currently anticipated. The expiry of these losses was as follows:

	Group	
	As at 30 June 2013 £m	As at 30 June 2012 £m
Expiring in 2017	**21.5**	19.1
No expiry date	**1.4**	0.9
	22.9	20.0

The Group has UK capital losses carried forward of £787m (30 June 2012: £790m). These losses are available for offset against future UK chargeable gains. No deferred tax asset (30 June 2012: £nil) has been recognised in respect of these capital losses as no further utilisation is currently anticipated.

Temporary differences associated with Group investments

There was no deferred tax liability recognised (30 June 2012: £nil) for taxes that would be payable on the unremitted earnings of certain subsidiaries. The Group has determined that any unremitted earnings that do not fall within the dividend exemption introduced in the Finance Act 2009 will not be distributed in the foreseeable future and the parent company does not foresee giving such consent at the balance sheet date.

The deferred tax included in the Group income statement is as follows:

	Group	
	12 months ended 30 June 2013 £m	18 months ended 30 June 2012 £m
Deferred tax in the income statement		
Accelerated capital allowances	**(3.4)**	(12.6)
Deferred tax movement on fair valued assets	**–**	0.7
Tax losses	**(0.9)**	(7.4)
Other temporary differences	**(0.5)**	5.4
Total deferred tax charge	**(4.8)**	(13.9)
Continuing operations	**(4.6)**	(13.9)
Discontinued operations	**(0.2)**	–
Total deferred tax charge	**(4.8)**	(13.9)

The deferred tax movement on the balance sheet is as follows:

	Group		Company	
	30 June 2013 £m	30 June 2012 £m	**30 June 2013 £m**	30 June 2012 £m
As at start of period	**2.4**	16.0	**0.2**	0.4
Exchange adjustments	**(0.1)**	–	**–**	–
Acquisition of subsidiary (see note 25)	**(19.8)**	–	**–**	–
Deferred tax charge in the income statement	**(4.8)**	(13.9)	**–**	(0.2)
Deferred tax credit to equity	**0.3**	0.3	**–**	–
As at end of period	**(22.0)**	2.4	**0.2**	0.2

22 Provisions

Group	Onerous leases £m	Disposal provisions £m	Restructuring provisions £m	Indirect tax provisions £m	Dilapidation provisions £m	Total £m
At 1 July 2012	46.0	6.9	–	–	–	52.9
Exchange adjustments	–	0.1	–	–	–	0.1
Unwinding of discount	1.1	0.2	–	–	–	1.3
Charge to the income statement - exceptional	1.5	–	0.7	12.2	0.3	14.7
Utilised in period	(4.3)	(1.3)	–	–	–	(5.6)
Acquisition of subsidiary (note 25)	2.7	–	–	–	2.2	4.9
At 30 June 2013	47.0	5.9	0.7	12.2	2.5	68.3
Current	4.2	1.9	0.7	12.2	0.5	19.5
Non-current	42.8	4.0	–	–	2.0	48.8
Total	47.0	5.9	0.7	12.2	2.5	68.3

Provisions have been based on management's best estimate of the future cash flows, taking into account the risks associated with each obligation.

Onerous leases

The Group is party to a number of leasehold property contracts. Provision has been made against those leases where the property or part of the property is now vacant and the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements. Provision has also been made against leases where impairment testing has indicated that, after recognising an impairment charge, the estimated discounted cash flows derived from the property and its associated operations are insufficient to cover the unavoidable lease costs and the lease is therefore deemed onerous. These leases have a weighted average unexpired life of 25 years (30 June 2012: 26 years). Of the provision totalling £47.0m, £22.1m will be utilised over periods ranging from one to 16 years; and the remaining £24.9m will be utilised over periods from one to in excess of 25 years.

Disposal provisions

Provision has been made for legacy industrial disease and personal injury claims, deferred payments arising from the settlement of property lease obligations and other directly attributable costs arising as a consequence of the sale or closure of the businesses. The timing of any personal injury claims is uncertain and therefore these claims have been included in the maturity analysis based on management's best estimates. The disposal provisions held at 30 June 2013 comprise the following:

	As at 30 June 2013 £m	As at 30 June 2012 £m
Deferred payments arising on lease settlement and related costs	0.8	1.2
Legacy industrial disease and personal injury claims	4.4	4.9
Other	0.7	0.8
Total disposal provisions	5.9	6.9

Restructuring provisions

The restructuring provision includes costs associated with the disposal of the Blue Square Bet business.

Indirect tax provisions

The Group has recognised provisions for a number of historic indirect taxation issues. The amount represents the directors' best estimate of the outflow likely to arise.

Dilapidation provisions

Where the Group has an unavoidable contractual obligation to restore a property to its original condition, the Group provides for the unavoidable costs.

23 Share capital

	As at 30 June 2013 Authorised		As at 30 June 2012 Authorised	
	Number m	**Nominal value £m**	Number m	Nominal value £m
Ordinary shares of 13$^{8/9}$p each	**1,296.0**	**180.0**	1,296.0	180.0

	As at 30 June 2013 Issued and fully paid		As at 30 June 2012 Issued and fully paid	
	Number m	**Nominal value £m**	Number m	Nominal value £m
At start of period	**390.6**	**54.2**	390.5	54.2
Shares issued in period	**0.1**	**–**	0.1	–
At end of period	**390.7**	**54.2**	390.6	54.2

During the period 70,095 ordinary shares were issued under the Save-As-You-Earn share option scheme (18 months ended 30 June 2012: 84,112) for total consideration of £97,432 (18 months ended 30 June 2012: £116,916).

24 Cash generated from operations

Reconciliation of operating profit to cash generated from continuing operations:

	Group		Company	
	12 months ended 30 June 2013 £m	18 months ended 30 June 2012 (restated) £m	**12 months ended 30 June 2013 £m**	18 months ended 30 June 2012 £m
Continuing operations				
Operating profit (loss)	**52.2**	149.3	**(3.1)**	152.8
Exceptional items	**17.7**	(48.1)	**–**	4.0
Operating profit before exceptional items	**69.9**	101.2	**(3.1)**	156.8
Depreciation and amortisation	**38.9**	54.9	**–**	–
Reversal of impairment	**–**	–	**–**	(157.5)
Decrease in inventories	**0.1**	0.3	**–**	–
Decrease (increase) in other receivables	**1.9**	(3.1)	**–**	–
Increase (decrease) in trade and other payables	**7.9**	2.4	**0.1**	(0.7)
Share based payments and other	**(1.0)**	1.5	**2.8**	0.7
	117.7	157.2	**(0.2)**	(0.7)
Cash utilisation of provisions	**(5.6)**	(12.2)	**–**	–
Cash payments in respect of exceptional items	**(8.4)**	(8.3)	**–**	(4.0)
Cash receipts in respect of exceptional items	**–**	85.4	**–**	–
Cash generated from (used in) continuing operations	**103.7**	222.1	**(0.2)**	(4.7)

Details of Group cash generated from operations for the 12 months ended 30 June 2013 and the 12 months ended 30 June 2012 are provided in the unaudited appendix to the financial statements on pages 134 to 142.

25 Acquisition of subsidiary

On 12 May 2013, the Group acquired a 100% interest in Gala Casino 1 Limited (now Grosvenor Casinos (GC) Limited) for a base cash consideration, subject to certain adjustments including working capital at completion, of £179.0m. The acquisition, which includes 19 operating casinos and three non-operating casino licences, provides a significant opportunity for the Group to deliver sustainable value to its shareholders through the development of its successful casino portfolio.

Provisional fair values

The provisional fair values of the assets and liabilities acquired in respect of the acquisition are outlined in the following table.

	Provisional fair value £m
Intangible assets	159.5
Property, plant and equipment	18.8
Inventories	0.2
Other receivables	1.8
Income tax receivable	2.7
Cash and short-term deposits	4.5
Trade and other payables	(58.4)
Deferred tax liability	(19.8)
Provisions	(4.9)
Net assets acquired	**104.4**
Provisional goodwill	78.5
Consideration	**182.9**

The amounts disclosed are provisional due to the proximity of the acquisition to the Group's year-end and the completion account process outlined by the sale and purchase agreement extending beyond the finalisation of these financial statements. The amounts have therefore been based on the latest available draft completion accounts. The initial accounting will be completed within the 12-month measurement period permitted by IFRS 3 Business Combinations.

Other receivables include an immaterial amount of financial assets.

Reconciliation to cash outflow from acquisition of subsidiary including deferred consideration

	£m
Consideration	182.9
Cash and short-term deposits acquired	(4.5)
Consideration outstanding at balance sheet date (based on draft completion accounts)	(0.2)
Deferred consideration paid in respect of prior year acquisitions	0.1
Acquisition of subsidiary including deferred consideration	**178.3**

Goodwill

Goodwill comprises deferred tax liabilities recognised on certain fair value adjustments arising on acquisition and the synergy benefits arising from the exclusion of all central management functions previously associated with the operation of the casinos from the acquisition. The Group expects to be able to operate the acquired casinos with only a small incremental cost increase in its existing casino central management functions. None of the goodwill recognised is expected to be deductible for tax purposes.

Acquisition-related costs

The Group has recognised an exceptional operating expense of £7.8m in the income statement in respect of acquisition-related costs. This includes the additional costs incurred by the Group due to the referral of the acquisition to the Competition Commission and a £0.4m loss associated with the disposal of the Group's non-operating licence in Edinburgh required by the Competition Commission. The amount is in addition to the £5.0m exceptional operating expense recognised in the income statement in the previous reporting period in respect of acquisition-related costs.

The Group has also recognised the £140.0m term loans raised to part-finance the acquisition at their fair value less £1.8m of costs directly attributable to the issue of the debt.

Income statement

The following amounts, representing the results from the date of acquisition to 30 June 2013, have been included in the Group's income statement.

	£m
Revenue before adjustment for free bets, promotions and customer bonuses	15.5
Free bets, promotions and customer bonuses	(0.4)
Revenue	**15.1**
Operating profit before exceptional items	**2.9**
Profit after tax	**2.1**

The following table reconciles the amounts reported in the Group income statement to the amounts that would have been included had the acquisition completed at the beginning of the Group's reporting period.

	Reported £m	Adjustment £m	Pro-forma £m
Revenue before adjustment for free bets, promotions and customer bonuses	625.0	97.3	722.3
Free bets, promotions and customer bonuses	(28.8)	(2.8)	(31.6)
Revenue	**596.2**	**94.5**	**690.7**
Operating profit before exceptional items	**69.9**	**14.5**	**84.4**
Profit after tax	**27.0**	**10.8**	**37.8**

In preparing the pro-forma results certain assumptions and estimates have been made and are therefore not necessarily indicative of the results of the Group that would have occurred had the acquisition actually occurred at the beginning of the reporting period. The information is also not indicative of the future results of the Group.

26 Cash and short-term deposits

	Group	
	As at 30 June 2013 £m	As at 30 June 2012 £m
Cash at bank and on hand	**49.4**	37.3
Short-term deposits	**15.9**	35.2
Total	**65.3**	72.5

The analysis of cash and short-term deposits by currency is as follows:

	Group	
	As at 30 June 2013 £m	As at 30 June 2012 £m
Sterling	**59.2**	67.5
Euro	**5.8**	4.6
Other currencies	**0.3**	0.4
Total	**65.3**	72.5

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

For the purpose of the statements of cash flow, cash and cash equivalents comprise the following:

	Group	
	As at 30 June 2013 £m	As at 30 June 2012 £m
Cash at bank and on hand	**49.4**	37.3
Short-term deposits	**15.9**	35.2
	65.3	72.5
Bank overdrafts	**(3.4)**	(2.9)
	61.9	69.6

Company

At 30 June 2013, the Company had cash and short-term deposits of £0.2m (30 June 2012: £0.1m).

27 Employees and directors

(a) Employee benefit expense for the Group during the period

	12 months ended 30 June 2013 £m	18 months ended 30 June 2012 £m
Wages and salaries	**165.1**	238.7
Social security costs	**17.0**	26.4
Pension costs	**3.6**	3.8
Share-based payments	**0.2**	1.7
	185.9	270.6

Employee benefit expense for the Group includes £4.0m (18 months ended 30 June 2012: £5.5m) in respect of discontinued operations.

The Company has no employees. The directors of the Group are paid by a subsidiary undertaking.

(b) Average monthly number of employees

	12 months ended 30 June 2013	18 months ended 30 June 2012
Grosvenor Casinos venues	**4,698**	4,115
Mecca venues	**3,846**	4,112
Digital	**186**	187
Enracha	**563**	523
Central	**349**	325
	9,642	9,262

(c) Key management compensation

	12 months ended 30 June 2013 £m	18 months ended 30 June 2012 £m
Salaries and short-term employee benefits (including social security costs)	**4.0**	6.6
Termination benefits	**0.2**	–
Post-employment benefits	**0.4**	0.6
Share-based payments	**0.2**	1.7
	4.8	8.9

Included in key management compensation are bonuses of £nil in the respect of the current period that will be paid in 2013/14 (2012/13: £1.6m).

Key management is defined as the directors of the Group and the management team, details of which are set out on page 50. Further details of emoluments received by directors are included in the remuneration report.

(d) Directors' interests

The directors' interests in shares of the Company, including options to purchase ordinary shares under the terms of the Group's Executive Share Option Scheme, and conditional awards under the Long Term Incentive Plans, are detailed in the remuneration report. Details of options to subscribe for ordinary shares of the Company granted to or exercised by directors in the 12 months ended 30 June 2013 are also detailed in the remuneration report.

27 Employees and directors *continued*

(e) Total emoluments of the directors of The Rank Group Plc

	12 months ended 30 June 2013 £m	18 months ended 30 June 2012 £m
Salaries, fees and benefits	**1.2**	2.9
Post-employment benefits	**0.2**	0.3
	1.4	3.2

No director accrued benefits under defined benefit pension schemes in either period. One director (18 months ended 30 June 2012: one) was a member of the Group's defined contribution pension plan. Further details of emoluments received by directors, including the aggregate amount of gains made by directors upon the vesting of conditional share awards, are disclosed in tables 1 and 2 of the remuneration report on pages 74 and 75.

28 Share-based payments

During the 12-month period ended 30 June 2013, the Company operated the Save-As-You-Earn ("SAYE") share option scheme, the Executive Share Option Scheme ("ESOS") and the Long Term Incentive Plans ("LTIP"). All of these schemes are equity settled, other than the 2010 grant under the LTIP which was cash settled during the year. Further details of the LTIP are included in the remuneration report on pages 70 to 72. The SAYE scheme previously offered to all UK employees has now lapsed and all grants under the ESOS have been suspended.

The number and weighted average exercise prices ("WAEP") of, and movements in, each of the share option arrangements during the period are shown below:

	Outstanding 1 July 2012	Granted during 2012/13	Exercised during 2012/13	Expired during 2012/13	Forfeited during 2012/13	Outstanding 30 June 2013	Exercisable 30 June 2013
ESOS							
Number of shares	**11,666**	**–**	**–**	**(11,666)**	**–**	**–**	**–**
WAEP	**270.00p**	**–**	**–**	**270.00p**	**–**	**–**	**–**
SAYE							
Number of shares	**158,559**	**–**	**(70,095)**	**(76,378)**	**(12,086)**	**–**	**–**
WAEP	**139.00p**	**–**	**139.00p**	**139.00p**	**139.00p**	**–**	**–**
LTIP							
Number of shares	**3,128,265**	**6,874,638**	**(1,099,786)**	**(42,849)**	**(311,436)**	**8,548,832**	**–**
WAEP	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**–**

	Outstanding 1 January 2011	Granted during 2011/12	Exercised during 2011/12	Expired during 2011/12	Forfeited during 2011/12	Outstanding 30 June 2012	Exercisable 30 June 2012
ESOS							
Number of shares	273,568	–	–	(261,902)	–	11,666	11,666
WAEP	262.82p	–	–	262.50p	–	270.00p	270.00p
SAYE							
Number of shares	919,612	–	(84,112)	(654,403)	(22,538)	158,559	–
WAEP	148.70p	–	139.00p	152.51p	142.73p	139.00p	–
LTIP							
Number of shares	5,488,703	1,952,826	(3,508,642)	(438,343)	(366,279)	3,128,265	–
WAEP	Nil	Nil	Nil	Nil	Nil	Nil	–

The maximum term of the LTIP options granted is five years.

LTIP awards excercised during the year were cash-settled following a modification of the settlement basis. No incremental fair value was granted on the date of modification. All other options, including LTIP awards in the prior period, were equity-settled. Of the options outstanding at 30 June 2013, 110,386 are to be cash-settled, with all others being equity-settled.

The share options outstanding at the period ends have the following range of exercise prices and expiry dates as follows:

	Outstanding at 30 June 2013			Outstanding at 30 June 2012		
	Exercise prices	**Weighted average remaining contractual life**	**Number of shares under option**	Exercise prices (range)	Weighted average remaining contractual life	Number of shares under option
ESOS	**–**	**–**	**–**	270.00p	0.2 years	11,666
SAYE	**–**	**–**	**–**	139.00p	0.9 years	158,559
LTIP	**Nil**	**3.1 years**	**8,548,832**	Nil	1.4 years	3,128,265

The fair value of LTIP awards granted is calculated using a Monte Carlo simulation which allows for the incorporation of market performance conditions. For grants made subject to an EPS performance condition, the expense recognised is based on expectations of these conditions being met, which are reassessed at each balance sheet date.

There have been no ESOS or SAYE awards granted during either period.

The following table lists the inputs used for the LTIP grants during the periods ended:

	30 June 2013	30 June 2012
Risk free interest rate (%)	**0.75-1.42**	1.65
Dividend yield (%)	**5.10**	2.70
Expected volatility (%)	**33.00**	42.00
Vesting period (years)	**2-4**	3
Weighted average share price (p)	**160.5**	129.30

The expected life of the awards is based on current expectations and is not necessarily indicative. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the award is indicative of future trends, which may not necessarily be the actual outcome.

The number of LTIP awards and the fair value per share of the LTIP awards granted during the period were as follows:

	30 June 2013	30 June 2012
Number	**6,874,638**	1,952,826
Weighted average fair value per share	**103.4p**	79.1p

The Group recognised a £0.2m (18 months ended 30 June 2012: £1.7m) charge in operating profit from accounting for share-based payments and related national insurance in accordance with IFRS 2.

National Insurance contributions are payable in respect of some share-based payments. These contributions are payable on the date of exercise based on the intrinsic value of the share-based payments, and as such are treated as cash-settled awards. The Group has recorded liabilities at 30 June 2013 of £0.1m (30 June 2012: £0.2m). The Group has a further liability of £0.1m (30 June 2012: £nil) in respect of outstanding cash settled share options.

29 Retirement benefits

Defined contribution scheme

The Group operates the Rank Group Stakeholder Pension Plan ("the Plan") which is externally funded and the Plan's assets are held separately from Group assets. During the 12-month period to 30 June 2013, the Group contributed a total of £3.6m (18 months ended 30 June 2012: £3.8m) to the Plan. There were no significant contributions outstanding at the balance sheet date in either period.

Other pension commitment

The Group has an unfunded pension commitment relating to three former executives of the Group. At 30 June 2013, the Group's commitment was £3.1m (30 June 2012: £3.4m). The Group paid £0.1m (18 months to 30 June 2012: £0.2m) in pension payments during the period. The net cost arising on the commitment of £nil (18 months to 30 June 2012: £0.1m) has been recognised in other financial losses in the income statement. The actuarial gain arising on the commitment, resulting from the changes in assumptions outlined below in the period, was £0.2m (18 months to 30 June 2012: loss of £0.6m) before taxation and £0.2m after taxation (18 months to 30 June 2012: loss of £0.5m). The cumulative amount of actuarial losses on the commitment recognised in the statement of comprehensive income before taxation was £0.9m (30 June 2012: £1.1m).

Assumptions used to determine the obligations at:

	30 June 2013 % p.a.	30 June 2012 % p.a.
Discount rate	**4.5**	4.2
Pension increases	**3.0**	2.9

The mortality table used to determine the obligation in both periods was the PA92 (YOB) mc with a 1.5% p.a. minimum improvement.

30 Commitments

Group

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain properties, plant and items of machinery. These leases have durations of from under one year to 52 years.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	As at 30 June 2013 £m	As at 30 June 2012 £m
Not later than one year	**46.5**	38.0
After one year but not more than five years	**186.1**	140.2
After five years	**323.0**	237.5
	555.6	415.7

	As at 30 June 2013 £m	As at 30 June 2012 £m
Total future minimum sub-lease payments expected to be received under non-cancellable sub-leases	**25.1**	26.7

Finance lease commitments – Group as lessee

The minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2013 £m	30 June 2012 £m	**30 June 2013 £m**	30 June 2012 £m
Not later than one year	**4.2**	4.1	**3.3**	3.0
After one year but not more than five years	**10.3**	12.4	**8.1**	9.7
More than five years	**6.6**	8.0	**4.9**	6.0
	21.1	24.5	**16.3**	18.7
Less future finance charges	**(4.8)**	(5.8)		
Present value of minimum lease payments	**16.3**	18.7		

	As at 30 June 2013 £m	As at 30 June 2012 £m
Total future minimum sub-lease payments expected to be received under non-cancellable sub-leases	**0.2**	0.2

Capital commitments

At 30 June 2013, the Group has contracts placed for future capital expenditure, primarily relating to property, plant and equipment, of £4.7m (30 June 2012: £1.5m).

Company

Financial guarantees

The amortised value of financial guarantees issued by the Company is £3.4m (30 June 2012: £0.1m).

31 Contingent assets

Group

The Group has lodged a number of VAT claims that are the subject of on-going litigation but have not yet been paid. These include, but are not limited to, claims submitted pursuant to the House of Lords decision in the Condé Nast/Fleming (Fleming) cases on the applicability of the three-year cap that HMRC introduced to limit VAT reclaims. Fleming claims, which had to be submitted by March 2009, are based on management's best estimates from the information available and the Group expects HMRC to closely review both the Group's right to the amounts claimed and the value of each claim before settlement. In a number of cases, the Fleming claims are subject to the successful outcome of other litigation for the repayment of VAT (including the amusement machines case already received by the Group). The outcome of these cases is not certain and the latest step of the litigation was heard in May 2013. The result of this hearing is expected by the end of October 2013.

The combined value of these claims, including simple interest, is currently estimated to be worth more than £275m.

The Group has not recognised any gain in its financial statements at 30 June 2013 in respect of the above items.

Company

The Company had no contingent assets at either reporting date.

32 Contingent liabilities

Group

(i) Contingent liabilities relating to Fiscal Neutrality Case

In May 2010, Rank received £30.8m (VAT of £26.4m plus interest of £4.4m) relating to a claim for repayment of overpaid VAT on amusement machines. This claim was heard at the European Court of Justice in 2011 but the decision was not conclusive and part of the appeal was referred back to the UK courts. The case was heard at the Upper Tribunal in June 2012 and a number of specific points have been referred back to the First Tier Tribunal for further consideration. The Group agreed with HMRC to delay this hearing until another point of dispute in relation to the claim was heard at the Court of Appeal in May 2013. The result of this hearing is expected by the end of October 2013.

(ii) Other duty and VAT

In previous periods the Group has disclosed contingent liabilities in respect of a limited number of VAT and duty issues. During the period an amount of £12.2m (plus interest) has been provided to cover the directors' best estimate of the expected outflow. However, it remains possible that the ultimate resolution of these issues will vary from the amount provided. The Group's total exposure, including the amount provided, is estimated at approximately £29m (plus interest).

A summary of the various VAT claims is provided in the tax fact file on pages 45 to 46.

Company

At 30 June 2013, the Company has made guarantees to subsidiary undertakings of £10.9m (30 June 2012: £11.2m).

The Company is the representative member of the Rank VAT group, and as such has joint and several liability for the Group VAT contingent liabilities outlined above.

33 Related party transactions

Group

Details of compensation of key management are disclosed in note 27.

Entities with significant influence over the Group

On 7 June 2011, Guoco Group Limited (Guoco), a company incorporated in Bermuda, and listed on the Hong Kong stock exchange, acquired a controlling interest in The Rank Group Plc. At 30 June 2013, Guoco owned 74.5% (30 June 2012: 74.5%) of the Company's shares through a wholly owned subsidiary undertaking, Rank Assets Limited. The ultimate parent undertaking of Guoco is Hong Leong Company (Malaysia) Berhad which is incorporated in Malaysia.

Tim Scoble and Mike Smith were appointed as non-executive directors by shareholders at the Company's annual general meeting on 22 April 2010 as appointees of Guoco. Mike Smith resigned as a director with effect from 30 April 2011 and Tim Scoble became independent on 30 April 2012. During the 12 months ended 30 June 2013, payments of £nil (18 months ended 30 June 2012: £63,333) were made to Guoco-controlled companies in relation to their fees.

During the period The Gaming Group Limited, a wholly owned subsidiary of the Company, entered into an agreement, subject to the satisfaction of certain legal conditions, to purchase five non-operating casino licences from Clermont Leisure (UK) Limited for a maximum total consideration of £6.0m. Clermont Leisure (UK) Limited is an entity subject to common control. The valuation of the licences was carried out by a third party on an arm's length basis. This transaction has not yet completed and consequently there are no transactions or balances reflected in the financial statements in respect of the transaction.

Company

The following transactions with subsidiaries occurred in the period

	12 months ended 30 June 2013 £m	18 months ended 30 June 2012 £m
Interest payable to subsidiary undertaking	**(27.9)**	(39.6)

During the period, Rank Group Finance Plc, a subsidiary of the Company, provided additional cash to the Company of £14.8m (18 months ended 30 June 2012: £22.8m).

34 Principal subsidiaries

The Company owns directly or indirectly 100% of the ordinary share capital and voting rights of the following companies[1]:

Name	Country of incorporation	Principal activities
Mecca Bingo Limited	England and Wales	Social and bingo clubs
Rank Leisure Limited	England and Wales	Adult gaming centres in Mecca Bingo and Grosvenor Casinos
Rank Holding España SA	Spain	Owns the Group's investments in Spain
Grosvenor Casinos Limited	England and Wales	London and provincial casinos
Grosvenor Casinos (GC) Limited	England and Wales	London and provincial casinos
Rank Digital Gaming (Alderney) Limited	Alderney	Interactive gaming
Rank Interactive Development Limited	England and Wales	Support services to interactive gaming
Rank Digital Limited[2]	England and Wales	Support services to interactive gaming
Rank Digital Services (Gibraltar) Limited	Gibraltar	Support services to interactive gaming
Rank Gaming Group Limited	England and Wales	Intermediary holding company
Rank Group Gaming Division Limited	England and Wales	Intermediary holding company and provision of shared services
Rank Leisure Holdings Limited	England and Wales	Intermediary holding company and corporate activities
Rank Nemo (Twenty-Five) Limited[2]	England and Wales	Intermediary holding company
Rank Overseas Holdings Limited	England and Wales	Intermediary holding company
Rank Holdings (Netherlands) BV	Netherlands	Intermediary holding company
The Gaming Group Limited	England and Wales	Intermediary holding company
Rank Group Finance Plc[2]	England and Wales	Funding operations for the Group

[1] The Group comprises a large number of companies and it is not practical to list all companies. The table above therefore includes those companies which the directors consider principally affect the consolidated results or financial position of the Group.
[2] Directly held by the Company.

The principal activities are carried out in the country of incorporation as indicated above. All principal subsidiary undertakings have a 30 June year-end, with the exception of Grosvenor Casinos (GC) Limited which has a year-end of 11 May. The Group expects to change the accounting reference date of Grosvenor Casinos (GC) Limited to 30 June in the next financial year.

UNAUDITED FINANCE STATEMENTS

GROUP INCOME STATEMENT

for the 12 months ended 30 June 2013

	12 months ended 30 June 2013			12 months ended 30 June 2012 (unaudited)		
	Before exceptional items £m	**Exceptional items £m**	**Total £m**	Before exceptional items (restated) £m	Exceptional items £m	Total (restated) £m
Continuing operations						
Revenue before adjustment for free bets, promotions and customer bonuses	625.0	–	625.0	584.3	–	584.3
Free bets, promotions and customer bonuses	(28.8)	–	(28.8)	(25.4)	–	(25.4)
Revenue	**596.2**	**–**	**596.2**	558.9	–	558.9
Cost of sales	**(329.6)**	**–**	**(329.6)**	(304.7)	–	(304.7)
Gross profit	**266.6**	**–**	**266.6**	254.2	–	254.2
Other operating costs	**(196.7)**	**(17.7)**	**(214.4)**	(184.5)	(24.5)	(209.0)
Other operating income	**–**	**–**	**–**	–	4.6	4.6
Group operating profit (loss)	**69.9**	**(17.7)**	**52.2**	69.7	(19.9)	49.8
Financing:						
– finance costs	**(5.2)**	**(4.2)**	**(9.4)**	(4.9)	–	(4.9)
– finance income	**0.2**	**–**	**0.2**	0.6	0.1	0.7
– other financial losses	**(0.3)**	**–**	**(0.3)**	(0.6)	–	(0.6)
Total net financing (charge) income	**(5.3)**	**(4.2)**	**(9.5)**	(4.9)	0.1	(4.8)
Profit (loss) before taxation	**64.6**	**(21.9)**	**42.7**	64.8	(19.8)	45.0
Taxation	**(16.5)**	**2.7**	**(13.8)**	(17.6)	4.0	(13.6)
Profit (loss) for the year from continuing operations	**48.1**	**(19.2)**	**28.9**	47.2	(15.8)	31.4
Discontinued operations – (loss) profit	**(5.6)**	**3.7**	**(1.9)**	(3.1)	(0.2)	(3.3)
Profit (loss) for the year	**42.5**	**(15.5)**	**27.0**	44.1	(16.0)	28.1
Attributable to:						
Equity holders of the parent	**42.5**	**(15.5)**	**27.0**	44.1	(16.0)	28.1
Earnings (loss) per share attributable to equity shareholders						
– basic	**10.9p**	**(4.0)p**	**6.9p**	11.3p	(4.1)p	7.2p
– diluted	**10.9p**	**(4.0)p**	**6.9p**	11.3p	(4.1)p	7.2p
Earnings (loss) per share – continuing operations						
– basic	**12.3p**	**(4.9)p**	**7.4p**	12.1p	(4.0)p	8.1p
– diluted	**12.3p**	**(4.9)p**	**7.4p**	12.1p	(4.0)p	8.1p
Earnings (loss) per share – discontinued operations						
– basic	**(1.4)p**	**0.9p**	**(0.5)p**	(0.8)p	(0.1)p	(0.9)p
– diluted	**(1.4)p**	**0.9p**	**(0.5)p**	(0.8)p	(0.1)p	(0.9)p

STATEMENT OF CASH FLOW

for the 12 months ended 30 June 2013

	12 months ended 30 June 2013 £m	12 months ended 30 June 2012 (unaudited and restated) £m
Cash flows from operating activities		
Cash generated from operations	**103.7**	98.3
Interest received	**0.2**	0.8
Interest paid	**(2.7)**	(2.8)
Tax paid	**(8.5)**	(30.9)
Discontinued operations	**(8.0)**	(2.6)
Net cash from operating activities	**84.7**	62.8
Cash flows from investing activities		
Acquisition of subsidiary including deferred consideration (net of cash acquired)	**(178.3)**	(0.1)
Purchase of intangible assets	**(6.2)**	(6.3)
Purchase of property, plant and equipment	**(32.0)**	(42.5)
Proceeds from sale of property, plant and equipment	**0.1**	0.2
Proceeds from sale assets held for sale	**1.9**	–
Disposal of business	**2.4**	–
Discontinued operations	**(1.1)**	(0.8)
Net cash used in investing activities	**(213.2)**	(49.5)
Cash flows from financing activities		
Dividends paid to equity holders	**(14.7)**	(8.2)
Refund of unclaimed dividends	**0.1**	–
Proceeds from issue of shares	**0.1**	–
Repayment of syndicated facilities	**–**	(54.1)
Proceeds from new term loans (net of fees)	**138.2**	–
Payment of facility arrangement fees	**–**	(2.7)
Finance lease principal payments	**(3.2)**	(2.8)
Net cash from (used in) financing activities	**120.5**	(67.8)
Net decrease in cash, cash equivalents and bank overdrafts	**(8.0)**	(54.5)
Effect of exchange rate changes	**0.3**	(0.8)
Cash and cash equivalents at start of the year	**69.6**	124.9
Cash and cash equivalents at end of the year	**61.9**	69.6

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1 Segmental reporting

	12 months ended 30 June 2013							
	Grosvenor Casinos		Mecca		Enracha			
	Venues £m	Digital £m	Venues £m	Digital £m	Venues £m	Digital £m	Central costs £m	Total £m
Continuing operations								
Group revenue reported in internal information	290.5	9.8	234.9	61.3	28.5	–	–	625.0
Free bets, promotions and customer bonuses	(3.7)	(2.2)	(14.2)	(8.7)	–	–	–	(28.8)
Segment revenue	**286.8**	**7.6**	**220.7**	**52.6**	**28.5**	**–**	**–**	**596.2**
Operating profit (loss) before shared service allocation and exceptional items	**54.5**	**2.4**	**28.9**	**28.1**	**1.6**	**(0.5)**	**(45.1)**	**69.9**
Shared service allocation	**(5.0)**	**(4.5)**	**(5.9)**	**(7.0)**	**–**	**(0.4)**	**22.8**	**–**
Operating profit (loss) before exceptional items	**49.5**	**(2.1)**	**23.0**	**21.1**	**1.6**	**(0.9)**	**(22.3)**	**69.9**
Exceptional (loss) profit	**(15.0)**	**–**	**(2.0)**	**–**	**0.3**	**–**	**(1.0)**	**(17.7)**
Segment result	**34.5**	**(2.1)**	**21.0**	**21.1**	**1.9**	**(0.9)**	**(23.3)**	**52.2**
Finance costs								**(9.4)**
Finance income								**0.2**
Other financial losses								**(0.3)**
Profit before taxation								**42.7**
Taxation								**(13.8)**
Profit for the year from continuing operations								**28.9**

	12 months ended 30 June 2012 (unaudited and restated)							
	Grosvenor Casinos		Mecca		Enracha			
	Venues £m	Digital £m	Venues £m	Digital £m	Venues £m	Digital £m	Central costs £m	Total £m
Continuing operations								
Group revenue reported in internal information	255.8	5.7	237.8	55.8	29.2	–	–	584.3
Free bets, promotions and customer bonuses	(1.9)	(1.2)	(15.2)	(7.1)	–	–	–	(25.4)
Segment revenue	253.9	4.5	222.6	48.7	29.2	–	–	558.9
Operating profit (loss) before shared service allocation and exceptional items	47.2	1.5	33.5	28.2	1.4	(1.0)	(41.1)	69.7
Shared service allocation	(4.4)	(4.4)	(5.2)	(6.6)	–	(0.3)	20.9	–
Operating profit (loss) before exceptional items	42.8	(2.9)	28.3	21.6	1.4	(1.3)	(20.2)	69.7
Exceptional (loss) profit	(6.0)	–	(5.0)	–	(10.8)	(1.8)	3.7	(19.9)
Segment result	36.8	(2.9)	23.3	21.6	(9.4)	(3.1)	(16.5)	49.8
Finance costs								(4.9)
Finance income								0.7
Other financial losses								(0.6)
Profit before taxation								45.0
Taxation								(13.6)
Profit for the year from continuing operations								31.4

1 Segmental reporting *continued*

Total cost analysis by segment

To increase transparency, the Group has decided 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:

	12 months ended 30 June 2013							
	Grosvenor Casinos		Mecca		Enracha			
	Venues £m	Digital £m	Venues £m	Digital £m	Venues £m	Digital £m	Central costs £m	Total £m
Employment and related costs	103.9	2.1	59.3	3.4	13.8	0.2	15.6	198.3
Taxes and duties	63.8	0.3	43.0	1.5	1.9	–	1.6	112.1
Direct costs	10.6	3.3	22.6	14.0	2.8	0.6	–	53.9
Property costs	19.8	0.3	27.0	0.6	2.0	–	0.9	50.6
Marketing	8.9	2.0	11.0	10.0	0.8	–	0.3	33.0
Depreciation and amortisation	17.7	1.5	14.6	1.5	2.4	–	1.2	38.9
Other	12.6	0.2	20.2	0.5	3.2	0.1	2.7	39.5
Total costs before exceptional items	237.3	9.7	197.7	31.5	26.9	0.9	22.3	526.3
Cost of sales								329.6
Other operating costs								196.7
Total costs before exceptional items								526.3

	12 months ended 30 June 2012 (unaudited and restated)							
	Grosvenor Casinos		Mecca		Enracha			
	Venues £m	Digital £m	Venues £m	Digital £m	Venues £m	Digital £m	Central costs £m	Total £m
Employment and related costs	94.9	2.1	59.5	3.4	13.7	0.6	14.0	188.2
Taxes and duties	51.4	0.2	39.1	1.0	1.7	0.1	1.6	95.1
Direct costs	10.3	2.1	21.8	11.8	3.4	0.3	–	49.7
Property costs	17.1	0.2	28.7	0.4	2.0	–	0.9	49.3
Marketing	7.4	0.9	9.9	8.2	0.8	0.2	–	27.4
Depreciation and amortisation	14.8	1.6	15.7	1.7	2.4	–	1.1	37.3
Other	15.2	0.3	19.6	0.6	3.8	0.1	2.6	42.2
Total costs before exceptional items	211.1	7.4	194.3	27.1	27.8	1.3	20.2	489.2
Cost of sales								304.7
Other operating costs								184.5
Total costs before exceptional items								489.2

2 Exceptional items

	12 months ended 30 June 2013 £m	12 months ended 30 June 2012 (unaudited) £m
Exceptional items relating to continuing operations		
Impairment charges	**(9.4)**	(14.9)
Impairment reversals	**8.7**	3.7
Net charge from provision for onerous leases	**(1.5)**	(7.3)
Acquisition and integration costs	**(8.5)**	(5.0)
Restructuring costs	**–**	(1.0)
Charge to provision for indirect taxation	**(6.4)**	–
Charge to accruals for indirect taxation	**(0.6)**	–
Exceptional operating costs	**(17.7)**	(24.5)
VAT refund net of gross profits tax and associated costs	**–**	4.6
Exceptional operating income	**–**	4.6
Finance income	**–**	0.1
Finance costs	**(4.2)**	–
Taxation	**2.7**	4.0
Exceptional items relating to continuing operations	**(19.2)**	(15.8)
Exceptional items relating to discontinued operations		
Change in discount rates for disposal provisions	**–**	(0.3)
Charge to provision for indirect taxation	**(5.8)**	–
Disposal of Blue Square Bet and related costs	**(2.0)**	–
Finance income	**1.2**	–
Finance costs	**(0.6)**	–
Taxation	**10.9**	0.1
Exceptional items relating to discontinued operations	**3.7**	(0.2)
Total exceptional items	**(15.5)**	(16.0)

3 Financing

	12 months ended 30 June 2013 £m	12 months ended 30 June 2012 (unaudited) £m
Continuing operations:		
Finance costs:		
Interest on debt and borrowings	**(1.9)**	(1.9)
Amortisation of issue costs on borrowings	**(1.1)**	(0.2)
Interest payable on finance leases	**(0.9)**	(1.1)
Unwinding of discount in onerous leases provisions	**(1.1)**	(1.4)
Unwinding of discount in disposal provisions	**(0.2)**	(0.3)
Total finance costs	**(5.2)**	(4.9)
Finance income:		
Interest income on short-term bank deposits	**0.2**	0.6
Finance income	**0.2**	0.6
Other financial losses	**(0.3)**	(0.6)
Total net financing charge for continuing operations before exceptional items	**(5.3)**	(4.9)
Exceptional finance income	**–**	0.1
Exceptional finance costs	**(4.2)**	–
Total net financing charge for continuing operations	**(9.5)**	(4.8)
Financing relating to discontinued operations		
Exceptional finance income	**1.2**	–
Exceptional finance costs	**(0.6)**	–
Total net finance income for discontinued operations	**0.6**	–
Total financing charge	**(8.9)**	(4.8)

A reconciliation of total net financing charge to adjusted net interest included in adjusted profit is disclosed below:

	12 months ended 30 June 2013 £m	12 months ended 30 June 2012 (unaudited) £m
Total net financing charge for continuing operations before exceptional items	**(5.3)**	(4.9)
Adjust for:		
Unwinding of discount in disposal provisions	**0.2**	0.3
Other financial losses – including foreign exchange	**0.3**	0.6
Adjusted net interest payable	**(4.8)**	(4.0)

4 Adjusted earnings per share

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

	12 months ended 30 June 2013 £m	12 months ended 30 June 2012 (unaudited and restated) £m
Profit attributable to equity shareholders	**27.0**	28.1
Adjust for:		
Discontinued operations (net of taxation)	**1.9**	3.3
Exceptional items after tax on continuing operations	**19.2**	15.8
Other financial losses	**0.3**	0.6
Unwinding of discount in disposal provisions	**0.2**	0.3
Taxation on adjusted items and impact of reduction in tax rate	**(0.1)**	0.3
Adjusted net earnings attributable to equity shareholders (£m)	**48.5**	48.4
Adjusted earnings per share (p) – basic	**12.4p**	12.4p
Adjusted earnings per share (p) – diluted	**12.4p**	12.4p

5 Cash generated from operations

Reconciliation of operating profit to cash generated from continuing operations:

	12 months ended 30 June 2013 £m	12 months ended 30 June 2012 (unaudited and restated) £m
Continuing operations		
Operating profit	**52.2**	49.8
Exceptional items	**17.7**	19.9
Operating profit before exceptional items	**69.9**	69.7
Depreciation and amortisation	**38.9**	37.3
Decrease (increase) in inventories	**0.1**	(0.1)
Decrease in other receivables	**1.9**	4.6
Increase (decrease) in trade and other payables	**7.9**	(1.4)
Share-based payments and other	**(1.0)**	1.0
	117.7	111.1
Cash utilisation of provisions	**(5.6)**	(9.4)
Cash payments in respect of exceptional items	**(8.4)**	(7.2)
Cash receipts in respect of exceptional items	**–**	3.8
Cash generated from continuing operations	**103.7**	98.3

Five year review

	12 months ended 30 June 2013 £m	12 months ended 30 June 2012 (unaudited and restated) £m	12 months ended 30 June 2011 (unaudited) £m	12 months ended 30 June 2010 (unaudited) £m	12 months ended 30 June 2009 (unaudited) £m
Continuing operations					
Revenue before adjustment for free bets, promotions and customer bonuses	**625.0**	584.3	580.7	555.1	531.2
Free bets, promotions and customer bonuses	**(28.8)**	(25.4)	(23.8)	(21.2)	(18.2)
Revenue	**596.2**	558.9	556.9	533.9	513.0
Operating profit before exceptional items	**69.9**	69.7	62.9	56.4	61.6
Exceptional items (charged) credited against operating profit	**(17.7)**	(19.9)	43.9	38.9	27.2
Group operating profit (loss)	**52.2**	49.8	106.8	95.3	88.8
Total net financing (charge) income	**(9.5)**	(4.8)	74.6	(2.9)	(11.3)
Profit before taxation	**42.7**	45.0	181.4	92.4	77.5
Taxation	**(13.8)**	(13.6)	(45.3)	(25.4)	(22.1)
Profit after taxation from continuing operations	**28.9**	31.4	136.1	67.0	55.4
Discontinued operations	**(1.9)**	(3.3)	6.1	2.4	10.0
Profit for the year	**27.0**	28.1	142.2	69.4	65.4
Adjusted earnings per share – basic	**12.4p**	12.4p	10.2p	9.0p	8.8p
Basic earnings per ordinary share	**6.9p**	7.2p	36.5p	17.9p	16.7p
Basic earnings per ordinary share before exceptional items	**10.9p**	11.3p	9.8p	8.9p	8.1p
Total ordinary dividend (including proposed) per ordinary share	**4.10p**	3.60p	2.66p	2.09p	–
Group funds employed					
Intangible assets and property, plant and equipment	**624.5**	371.5	376.3	367.3	354.1
Provisions	**(68.3)**	(52.9)	(53.0)	(41.2)	(51.6)
Other net liabilities	**(210.5)**	(132.4)	(151.8)	(117.1)	(85.0)
Total funds employed at Period-end	**345.7**	186.2	171.5	209.0	217.5
Financed by					
Ordinary share capital and reserves	**241.9**	228.0	208.7	75.6	9.4
Net debt (cash)	**103.8**	(41.8)	(37.2)	133.4	208.1
	345.7	186.2	171.5	209.0	217.5
Average number of employees (000s)	**9.6**	9.2	9.1	8.6	8.0

Continuing results for the 12 months ended 30 June 2013 and 12 months ended 30 June 2012 exclude operations discontinued during the year ended 30 June 2013.

Continuing results for the 12 months ended 30 June 2011, 30 June 2010 and 30 June 2009 have not been restated to exclude operations discontinued during the year ended 30 June 2013.

Shareholder information

2013/14 financial calendar

13 September 2013	Record date for 2012/13 final dividend
17 October 2013	Annual general meeting and interim management statement
23 October 2013	Payment date for 2012/13 final dividend
31 January 2014	Interim results announcement
15 May 2014	Interim management statement

Registrar

All administrative enquiries relating to shares should, in the first instance, be directed to the Company's registrar (quoting reference number 1235) and clearly state the registered shareholder's name and address. Please write to The Rank Group Plc Registrar, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA (Tel: from the UK 0871 384 2098* and from outside the UK +44 121 415 7047).

There is a text phone available on 0871 384 2255* for shareholders with hearing difficulties. (*Calls cost 8p per minute plus network extras).

Shareview

The Shareview portfolio service from the Company's registrar gives shareholders more control of their Rank shares and other investments including:

- direct access to data held for them on the share register including recent share movements and dividend details;
- a recent valuation of their portfolio; and
- a range of information and practical help for shareholders including how you can elect to receive communications electronically.

It is easy and free to set up a portfolio – shareholders will just need the shareholder reference printed on their proxy form or dividend stationery. Please visit the following website for more details: www.shareview.co.uk.

Payment of dividends

The Company is no longer operating a dividend re-investment plan. Shareholders may find it more convenient to make arrangements to have dividends paid directly to their bank account. The advantages of this are that the dividend is credited to a shareholder's bank account on the payment date, there is no need to present cheques for payment and there is no risk of cheques being lost in the post.

To set up a dividend mandate or to change an existing mandate please contact Equiniti Limited, our registrar, whose contact details are above. Alternatively, shareholders who use Equiniti's Shareview can log on to www.shareview.co.uk and follow the online instructions.

Shareholder information

A wide range of information for shareholders and investors is available in the Investors area of the Rank Group website: www.rank.com.

Frequently asked questions

We have a shareholder 'frequently asked questions' section on our website which provides answers to many questions that shareholders have: http://www.rank.com/investors/shareholder_faqs.jsp

Capital gains tax

For the purpose of calculating UK capital gains tax on a disposal of ordinary shares in the Company held since 31 March 1982 (including shares held in the predecessor company, The Rank Organisation Plc), the price of the Company's ordinary shares at that date was 190p per share. This price should be adjusted for the effects of the rights issue in January 1990, the enhanced share alternative in July 1993, the sub-division and consolidation of shares in March 1994, the enhanced scrip dividend in March 1998, and the 18 for 25 sub-division and share consolidation (aligned with the 65p special dividend payment) which took place in March 2007. More information regarding these adjustments is available on the www.rank.com website.

Shareholder security

We are aware that some of our shareholders have received unsolicited telephone calls concerning their Rank shares. These communications tend to be from overseas-based 'brokers' who offer a premium price for your Rank shares but ask you to make an upfront payment, typically in the form of an insurance bond. We recommend that before paying any money you:

- obtain the name of the person and firm contacting you;
- check the FCA register at http://www.fca.org.uk/register/ to ensure they are authorised;
- use the details on the FCA Register to contact the firm;
- call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the FCA Register or you are told they are out of date; and
- search the FCA's list of unauthorised firms and individuals to avoid doing business with: http://www.fca.org.uk/consumers/protect-yourself/unauthorised-firms/unauthorised-firms-to-avoid

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme ("FSCS") if things go wrong.

Below, please find the link to the FCA's website which gives information on scams and swindles which shareholders may find helpful: http://www.fca.org.uk/consumers/scams

Shareholder information *continued*

Further information on fraud can be found at http://www.actionfraud.org.uk/
Action Fraud's helpline is 0300 123 2040.

We recommend that you report any attempted share frauds to the authorities since providing information with regard to how the fraudsters have contacted and dealt with you will assist the authorities in understanding the fraudsters' way of operating so as to enable them to disrupt and prevent these activities and prosecute them.

ShareGift

Shareholders with a very small number of shares, the value of which may make it uneconomical to sell, may wish to consider donating them to charity through ShareGift, a registered charity administered by The Orr Mackintosh Foundation.

Further information about ShareGift is available at www.sharegift.org or by writing to:

ShareGift
17 Carlton House Terrace
London SW1Y 5AH
Tel: 020 7930 3737

For any other information please contact the following at our registered office:

Frances Bingham, company secretary
Sarah Powell, director of treasury and investor relations

Registered office

The Rank Group Plc, Statesman House,
Stafferton Way, Maidenhead SL6 1AY
Tel: 01628 504 000

The Rank Group Plc
Registered in England and Wales No. 03140769

Glossary

Financial terminology

Revenue
Income retained by Group after deductions for VAT and players' winnings

Like-for-like
Excludes club openings, closures and relocations, and changes to gaming taxation

EBITDA
Earnings before interest, tax, depreciation, amortisation and exceptional items

Operating margin
Operating profit expressed as a percentage of revenue

KPI terminology

Customers
Unique customers visiting a bingo club or casino or operating an online account in the 12-month period

Customer visits
Individual customer visits to bingo clubs and casinos

Spend per visit
Revenue divided by customer visits

Online – offline crossover
Percentage of adults participating in both remote and land-based gaming

Net promoter score
A measure of a customer's propensity to recommend

Gaming industry terminology

Interval games
Automated game of bingo played in a licensed club

Adult gaming centre
A licensed gaming machines arcade

Main stage bingo
Traditional game of bingo played in a licensed club

Pari-mutuel gaming
Gaming where players compete with each other to win prizes. The house may take a fee for organising the game but does not participate actively. Also called 'player-to-player' gaming

Remote gaming and betting
Gambling services offered to customers via the internet and mobile phone

Commission des Jeux
The governing body for the gambling industry in Belgium

Gambling Commission
The governing body for all sectors of gambling in Great Britain, with the exception of the National Lottery and spread betting

GamCare
A charitable organisation that provides counselling and other services to those with gambling-related problems

Responsible Gambling Trust
A charitable organisation that funds treatment, education and research related to problem gambling and which was formed following the merger of The GREaT Foundation and the Responsible Gambling Fund

The Forest Stewardship Council (FSC) is an international network which promotes responsible management of the world's forests. Forest certification is combined with a system of product labelling that allows consumers readily to identify timber-based products from certified forests.

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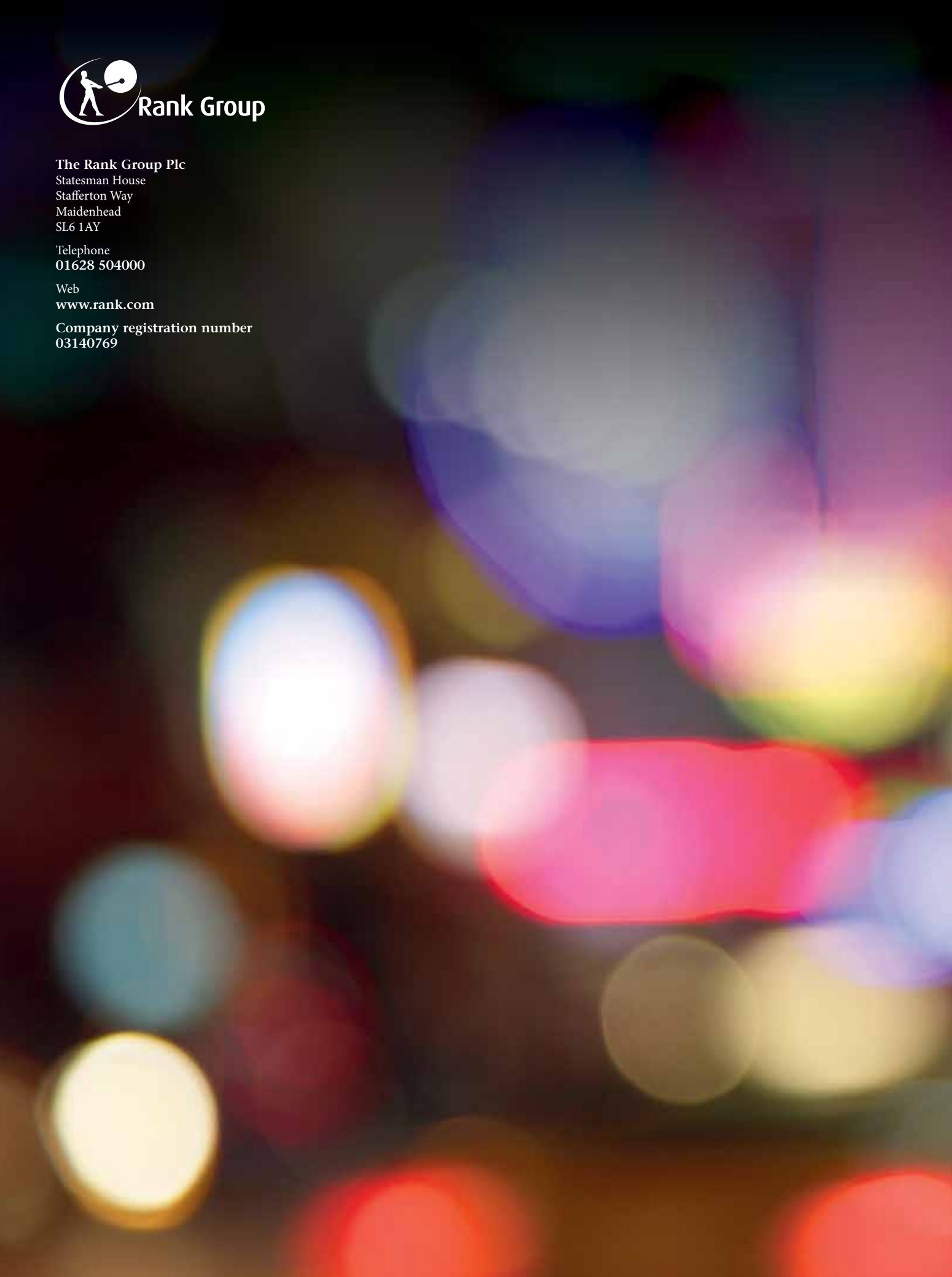

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