Rank Group

DELIVERING THE FUTURE

ANNUAL REPORT AND FINANCIAL STATEMENTS 2016

Contents

For more information visit
rank.com

Our purpose

During the financial year the Group introduced a purpose statement alongside Group-wide values.

Rank's purpose: To bring excitement and entertainment to the customers and communities we serve.

Rank's values

Service

We start with the customer. We do everything in our power to deliver special service every time.

Teamwork

We pull together across brands, channels and locations to perform at our very best.

Ambition

We challenge the way we do things and explore new ways to excite and entertain our customers and outshine the competition.

Responsibility

We understand our responsibility to all in our communities. We act with the highest integrity and honesty in everything we do.

Solutions

We act positively to get to the heart of problems quickly and find ways to solve them.

In today's fast paced, interconnected world, people exchange ideas, share moments and act at the pace of thought – through more devices and channels than we ever imagined. They demand more for less and they want what they want, when they want it and how they want it. And if you can't give it to them, someone else will. The challenges of an always-on world are not unique to any business, and certainly not for any operators in our industry. But what is unique about Rank is our platform and strategy to deliver the future.

At Rank, our purpose is to excite and entertain, and we aim to do that better every day. It's about innovating with technology and services, investing in our people and our products, offering a truly multi-channel experience to our customers.

IT IS ABOUT DELIVERING THE

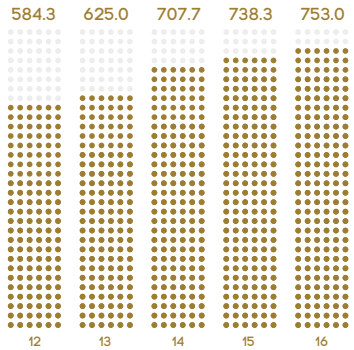
FUTURE

A YEAR OF STRONG RESULTS

The charts illustrate the Group's performance for the 12 month period to 30 June over the last five years.

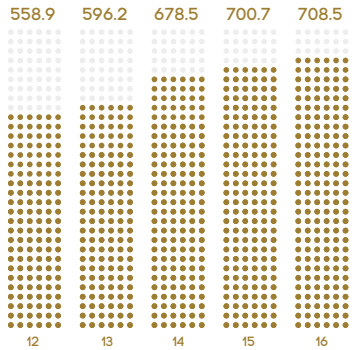
REVENUE[1]

£753.0M



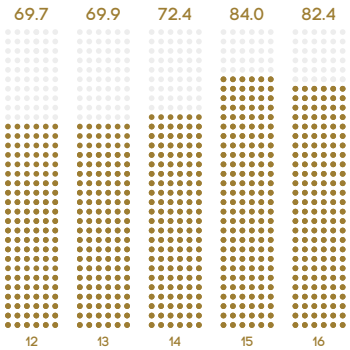
STATUTORY REVENUE

£708.5M



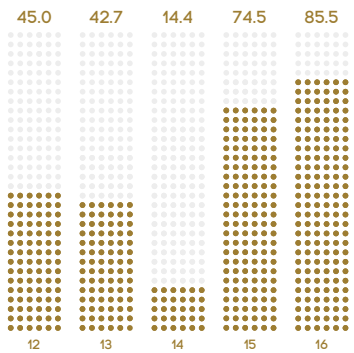
OPERATING PROFIT[2]

£82.4M



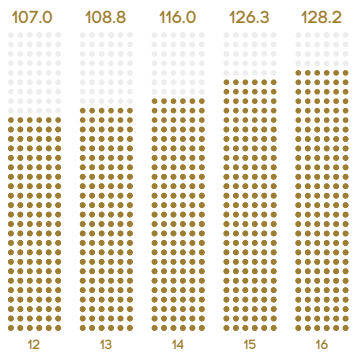
PROFIT BEFORE TAX AFTER EXCEPTIONALS

£85.5M



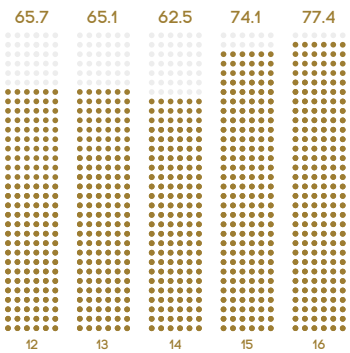
EBITDA[3]

£128.2M



ADJUSTED PROFIT BEFORE TAX[4]

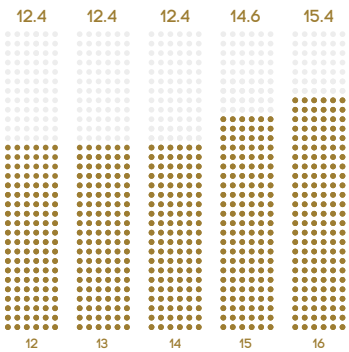
£77.4M



1 Before adjustments for customer incentives.
2 Before exceptionals.
3 Group EBITDA is Group operating profit before exceptional items, depreciation and amortisation. EBITDA is reconciled in note 19.
4 Adjusted profit before taxation is calculated by adjusting profit from continuing operations before taxation to exclude exceptional items, the unwinding of the discount on disposal provisions and other financial gains and losses.

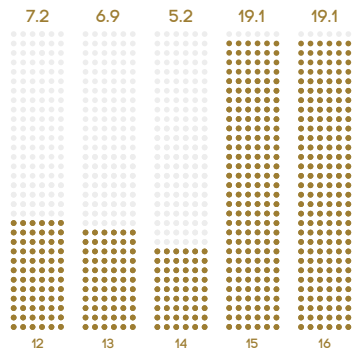
ADJUSTED EARNINGS PER SHARE[5]

15.4p



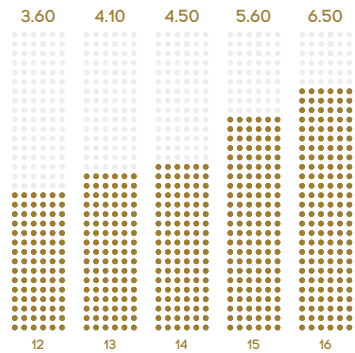
BASIC EARNINGS PER SHARE

19.1p



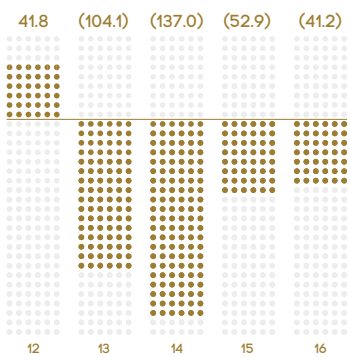
DIVIDEND PER SHARE

6.50p



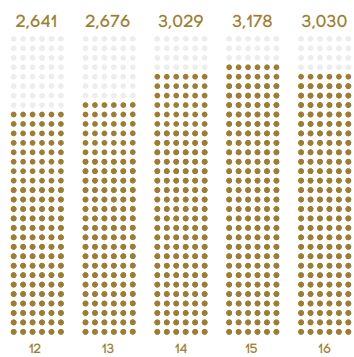
NET (DEBT)/CASH

(41.2)M



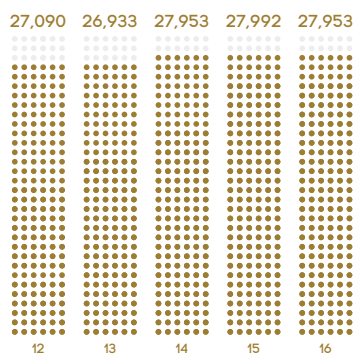
CUSTOMERS[6,7]

3,030k



CUSTOMER VISITS[6]

27,953k



5 Adjusted earnings per share is calculated by adjusting profit attributable to equity shareholders to exclude discontinued operations, exceptional items, other financial gains or losses, unwinding of the discount on disposal provisions and the related tax effects.
6 Unaudited.
7 Following the introduction of 'full' and 'partial' open door policies in Grosvenor Casinos' venues, the total Group customer numbers only include registered venues' customer numbers for Grosvenor Casinos.

Our results make reference to 'adjusted' results alongside our statutory results, which we believe will be more useful to readers since we manage our business using adjusted measures. The directors believe that exceptional items and adjustments impair visibility of the underlying performance of the Group's businesses and, accordingly, these are excluded from our non-GAAP measures of revenue, profit before tax, EBITDA, operating profit and adjusted EPS, which we use in internal management reports.

DELIVERING THROUGH OUR BRANDS

Rank is a gaming-focused leisure and entertainment group serving over three million customers.

Grosvenor Casinos

The UK's largest multi-channel casino operator. The brand offers a range of popular casino table games, including roulette, blackjack, baccarat and poker as well as electronic roulette and slot machine games. The brand's digital channel offers many popular games, including its very popular live casino.

Venues: Largest operator (by venue) in Great Britain; 56 licensed casinos in Great Britain and two in Belgium.

Digital: Rapidly growing business which continues to gain scale.

2015/16 summary:

- Relaunch of Luton casino under the 2005 Act casino licence and refurbishment of The Park Tower casino in London
- Closure of one casino as part of estate rationalisation
- £10.8m investment into electronic roulette and slot gaming machines
- Venues' operating profit impacted by higher operating costs
- Strong digital growth; revenue up 37%

	2015/16	2014/15
Contribution to Group revenue	438.6m	423.4m
Operating profit	66.2m	66.5m
Customers	1,611,000	1,817,000

More information
Operating review – Casinos 26

Mecca

Rank's multi-channel community-based gaming brand for the British market. The brand's digital channel offers a selection of games from bingo to a wide range of slots games. The venues also offer great-value food, drink and live entertainment.

Venues: Second largest operator (by venue) in Great Britain; 87 licensed bingo venues.

Digital: One of the leading online bingo operators in the UK.

2015/16 summary:

- Strong growth in venues' operating profit, up 14%
- Closure of three venues in the year, of which two were under-performing
- Disappointing digital performance driven by highly competitive market and platform migration issues
- Continued reduction in the rate of decline of retail customer visits, down 1% on a like-for-like[1] basis
- Recent investment in server-based games and Mecca Max units has driven revenue growth

	2015/16	2014/15
Contribution to Group revenue	287.7m	289.6m
Operating profit	41.5m	43.0m
Customers	1,187,000	1,141,000

More information
Operating review – Bingo 28

Enracha

Rank's community-based gaming business for the Spanish market. Nine venues in Catalonia, Madrid, Andalucía and Galicia, offering a range of popular community games like bingo as well as electronic roulette and slot machine games, sports betting and great-value food, drink and live entertainment.

Venues: Fourth largest bingo operator in Spain; nine licensed bingo venues.

Digital: In June 2016 Enracha soft-launched its digital business, enracha.es, with a full launch planned for H1 2016/17.

2015/16 summary:

- Continental freehold in Barcelona acquired for £2.4m
- Growth across both revenue and operating profit
- Soft launch of enracha.es in June 2016

	2015/16	2014/15
Contribution to Group revenue	26.7m	25.3m
Operating profit	3.6m	2.6m
Customers	274,000	269,000

More information
Operating review – Enracha 29

1 Like-for-like excludes the effect of club openings, closures, relocations, and discontinued operations.

A STRONG PORTFOLIO

For more information visit
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Group revenue by territory

94%

Great Britain

Great Britain is Rank's largest market, generating approximately 94% of Group revenue. The Group has a total of 143 venues in Great Britain and its online bingo and casino operations are licensed out of Alderney and the UK.

4%

Spain

Enracha is the fourth largest bingo operator in Spain with nine community gaming-based entertainment venues in Catalonia, Madrid, Andalucía and Galicia. Enracha launched its online casino business in the year, which is licensed out of Spain.

2%

Belgium

Belgium is a small established gaming market. Rank operates two casino venues through concessions in Middelkerke and Blankenberge. The Belgium venues also have two digital licences which are rented out to third-party operators.

Adult population

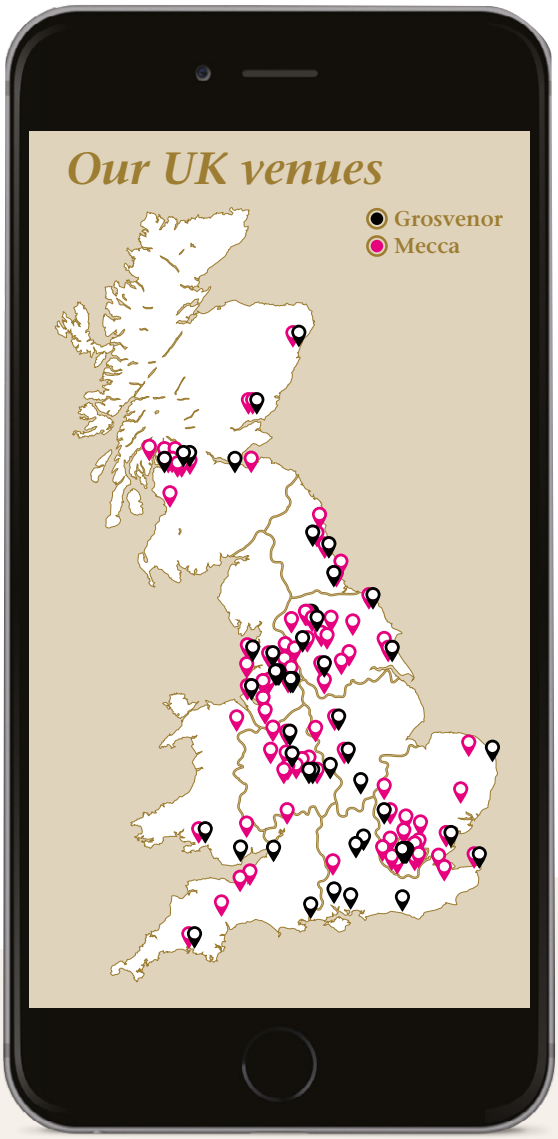
Great Britain	50.8m
Spain	37.8m
Belgium	9.1m

Size of gambling market

Great Britain	£12.6bn
Spain	€8.1bn
Belgium	€1.5bn

Gambling spend per adult

Great Britain	£248
Spain	€214
Belgium	€165



DELIVERING LONG-TERM SUSTAINABLE GROWTH

Dear shareholder

Rank's strategy is to achieve long-term sustainable growth for the Group through the following five strategic pillars:

1. create a compelling multi-channel offer
2. build a strong digital capability
3. continue to develop our venues
4. invest in our brands and marketing
5. use technology to drive operating efficiency and improve our customer experience

The Group continues to make good progress towards its strategic objectives with 2015/16 being a year of investment for future growth. More detail on progress made in 2015/16 is outlined on pages 15 to 25.

Financial performance

The Group had a solid year with Group revenue growth of 2%. Group operating profit grew by 4%, after adjusting by £4.8m to reflect the additional five months of Remote Gaming Duty (RGD) incurred in the year.

Our digital brands continued to grow revenue strongly, up 11%; however our venues suffered from a particularly weak Q4 resulting in disappointing revenue growth of 1%.

Adjusted earnings per share was up 5% in the year to 15.40 pence.

"Rank remains in a strong financial position, possesses market-leading brands and has a clear strategy for long-term growth."

More information

Operating responsibly	*37*
Governance	*47*

National Living Wage

Recognising the contribution of our employees, the Group decided to award all employees, irrespective of age, the new National Living Wage. Grosvenor Casinos implemented the increase from January 2016, three months earlier than required, with Mecca from 1 April 2016.

The introduction of the National Living Wage resulted in £1.4m of additional operating costs for the year, excluding mitigating actions. In both Mecca and Grosvenor Casinos, mitigating actions have been implemented and will continue to be worked through during 2016/17 in preparation for the next increase which comes into effect from April 2017.

Taxation

From 1 December 2014, RGD at 15% was applied to all online gambling revenues generated by customers in the UK. The incremental cost to the Group in 2015/16 was £4.8m.

Management team changes

At the end of 2015/16, Mark Jones left the Group after serving seven years, initially as managing director of Mecca and latterly as managing director of Grosvenor Casinos. I would like to take this opportunity to thank Mark for his tremendous contribution to Rank over the seven years. A search is underway to select a new managing director for Grosvenor Casinos.

Board changes

On 1 September 2015, Susan Hooper was appointed to the Rank board as a non-executive director. Susan serves on the remuneration and nominations committees.

On 30 November 2015, Tim Scoble, non-executive director, stood down from the Rank board. Tim's other commitments had grown substantially in the months preceding and hence he concluded he must relinquish some of his responsibilities. I would like to thank Tim for his invaluable contribution whilst on the Rank board.

On 1 March 2016, Steven Esom was appointed to the Rank board as a non-executive director. Steven was also appointed chair of Rank's remuneration committee and serves on its audit and nominations committees.

Dividend

The board targets a progressive and sustainable dividend. This dividend policy reflects the strong cash flow characteristics and long-term earnings potential of the Group, whilst allowing it to retain sufficient capital to fund ongoing operating requirements, investment and balance sheet management. The board is pleased to recommend a final dividend of 4.70 pence per share to be paid on 20 October 2016 to shareholders on the register at 9 September 2016. This will take the full-year dividend to 6.50 pence per share, a 16% increase on last year. The Group's dividend cover has as a result reduced to 2.4 times from 2.6 times in the prior year.

Finally, the board and I would like to thank all of the Group's 10,700 employees for their continued passion and dedication in exciting and entertaining our customers.

Current trading and outlook

Trading in the short seven-week period to 14 August 2016 has been positive and in line with management's expectations.

Rank is predominantly a UK-facing business with limited exposure to non-sterling costs and earnings. The UK's decision to leave the European Union is expected to have little or no direct impact on Rank's performance. Any likely impact would however be driven by the macro-economic impact of lower UK growth rates or loss of consumer confidence and spending power.

Rank remains in a strong financial position, possesses market-leading brands and has a clear strategy for long-term growth.

Ian Burke
Chairman
22 August 2016

CREATING VALUE FOR OUR CUSTOMERS

How we create value

Our aim is to be the UK's leading multi-channel gaming operator, creating value for our shareholders by having strong brands which meet customers' needs and delivering operational excellence in venues and digital channels.

Pages 15 to 25 outline our five strategic pillars that will deliver our aim.

Inputs

Financial capital
We have a strong balance sheet supported by strong cash generation.

Human
We employ 10,700 talented and dedicated individuals who have a desire to create the best experience for our three million customers.

Strong brands
We own a number of well-known brands with a strong affinity amongst certain customer segments.

Social
We are valued by the communities we operate in, providing fun and exciting experiences for our three million customers. Rank's supplier relationships form part of our strategic plans and are a key component of delivering a quality product and service to our customers.

Our multi-channel offer

How we run our business

The Rank Group is a well-established gaming operator which operates across multiple channels. Our business model shows how the different parts of the Group work together and create value.

Key performance indicators
Our KPIs outlined on pages 16 to 25 are embedded within our business and provide insight into our progress against our strategic roadmap.

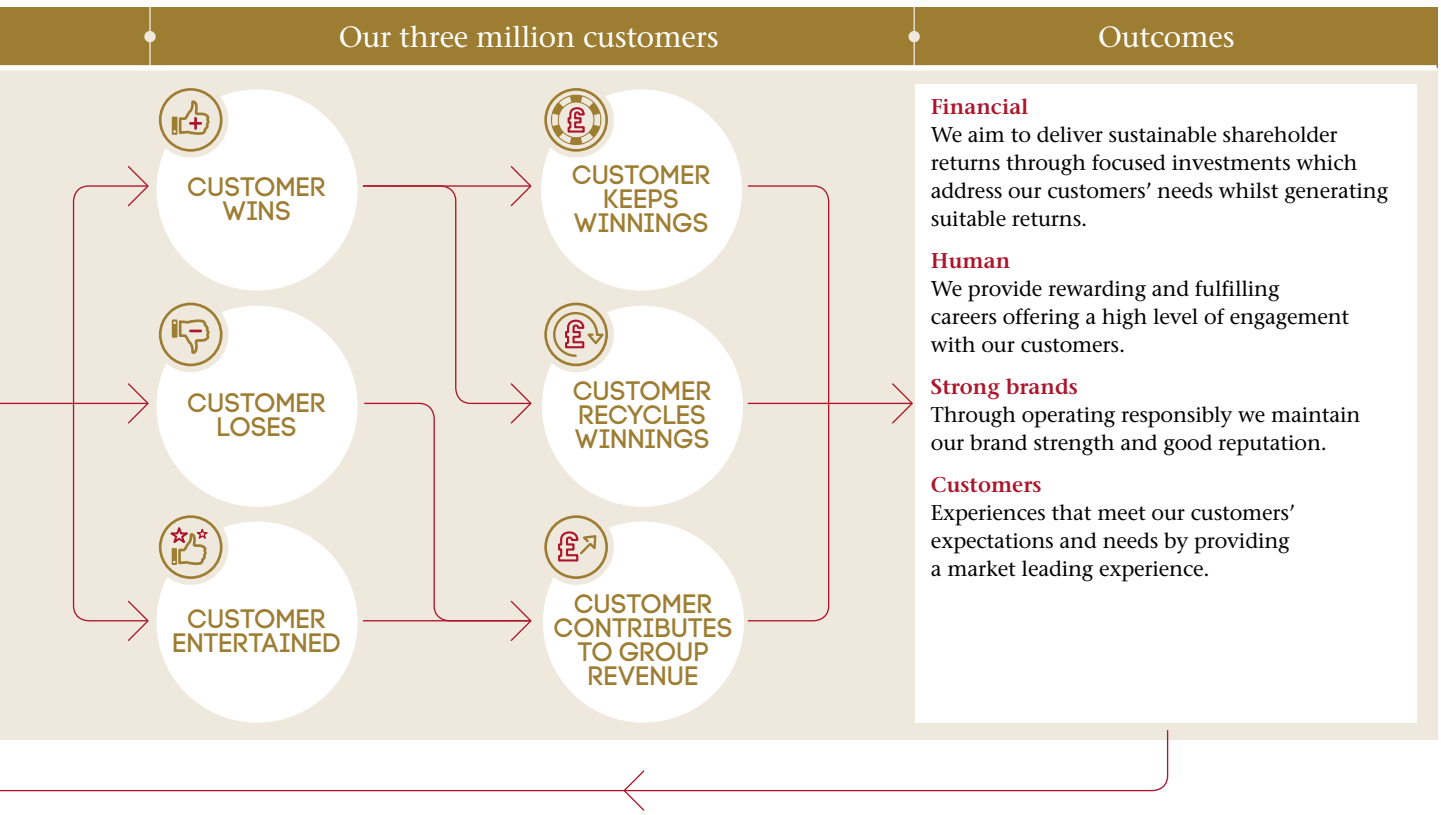
More information
Key performance indicators 16-25

Risk management
Our approach to risk is fundamental to how we operate.

More information
Risk management 32

Our key differentiators – our multi-channel offer

In the markets where we operate, Rank is one of the few gaming companies in a position to offer customers a genuine multi-channel gaming proposition. We have a number of key assets, which includes a portfolio of more than 150 venues, our membership systems and rewards programmes and the high levels of engagement that our team members enjoy with our customers.



Operating responsibly
We understand that our success as a business is dependent upon society's view of our role in the communities we serve.

More information
Operating responsibly 37

Corporate governance
The board is committed to ensuring that our activities are well managed and that rigorous and transparent procedures allow this to happen.

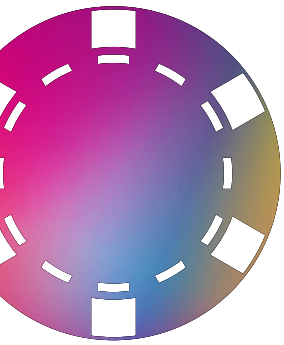
More information
Corporate governance 47

DELIVERING THE FUTURE

In the spotlight

Q&A

Henry Birch answers some of the key questions raised by shareholders during the course of the year and addresses some of the important issues facing the Group.



How do you gauge the overall progress and performance of the business over the last year?

Overall I am satisfied with what we have achieved in the last year, but there are areas, both in terms of progress and performance, where I recognise we need to do better.

We set out at the beginning of the year to do a huge amount, and put in place the building blocks to transform our business. Some of this I would view as 'catch-up' – upgrading servers, putting decent wi-fi into our clubs, renovating some of our clubs that were long overdue. But much of it has been about giving us a genuine platform for growth: such as putting in place a modern digital platform, putting in place a vastly improved (retail) casino management system and investing in a new generation of electronic product across Grosvenor and Mecca. Additionally, we have invested in people: improving our digital and marketing expertise and creating a new data science and analytics team. So however you look at it we have delivered a lot over the last year in terms of those building blocks of growth.

Our Mecca venues' business has seen an impressive last 12 months and is now on an entirely different footing. After many years of decline on the back of the

"We have spent the year putting in place the building blocks to transform our business, whilst maintaining financial performance and delivering for our shareholders and customers."

More information

Our strategy	*15*
Operating review	*26*

smoking ban and an economic recession, we are now in like-for-like revenue growth and have grown overall customer numbers for a second consecutive year. It is a testament to every single member of the Mecca team that not only have they achieved this, but their ambition for the future remains unbounded. Likewise our Grosvenor digital business has continued its stellar trajectory of the last few years with 37% revenue growth year on year, and shows few signs of slowing down.

Our Grosvenor venues' business had three solid quarters, but had a disappointing Q4. Much of this was a result of gaming margin – with some of our higher staking customers winning – but we also felt a consumer softness that much of the leisure and hospitality sectors also witnessed. (Mecca also had lower relative admissions in Q4 than the other three quarters). Identifying the underlying causes of a seeming lack of consumer confidence, or time and money spent elsewhere, is difficult to pin down, but the good news is that admissions and staking levels seem to have returned to normal levels for the start of this financial year.

Mecca digital had a frustrating year, with early growth which increasingly flat-lined as we prepared for platform migration and was then impacted by platform stability issues once we moved to our new Bede Gaming platform. On top of this we implemented a number of social responsibility measures and tools. Whilst we are wholly supportive of these measures, they impacted our Mecca digital revenues. Even though we are disappointed by the performance of Mecca digital, there is a lot that we are doing and will do this year – from product to people to marketing – which we are confident will have a significant positive impact on the business.

What has been the experience of the new digital platform?

We migrated both Mecca's and Grosvenor's digital businesses onto the Bede Gaming platform at the very end of February. This platform migration was achieved within our timetable and budget.

Our previous platform, which was a legacy from the days when we owned Blue Square, had not received sufficient investment and had fallen substantially behind the market norm in terms of functionality, particularly with respect to bonusing and player management capabilities. We determined that it did not make sense trying to retro-fit a platform that had been built with sports in mind and at a time before the explosion of mobile gambling. We therefore conducted a thorough review of what new platform alternatives were available. At the heart of our decision making was the desire to be able to leverage our retail assets, which meant having clear control over our own platform development roadmap, and a desire to have a proposition that did not look and feel like many of our other competitors who had opted to work with the same supplier. In choosing to work with Bede Gaming, we felt we could achieve both these objectives and underlined what we felt could be a clear competitive advantage by making a small investment in Bede Gaming via a convertible loan.

Since launch, the Grosvenor digital business has benefited substantially from the Bede Gaming platform and has continued to grow rapidly. We have also been able to add a new poker product and a sports betting product very rapidly and smoothly as a result of our new platform. Mecca has had significant stability issues, affecting both short-term revenue performance and our ability to add new functionality. This has been a source of great frustration and Bede Gaming faced financial penalties as a result. Bede Gaming has focused on resolving these issues to our satisfaction, but the net result is that we are behind schedule with our plans for Mecca digital and will have to work all the harder this year. There is a huge amount that we will deliver in the course of this year in terms of new games content and functionality and we have every confidence that we will see our digital business continue to grow.

How has the introduction of social responsibility tools impacted your business?

The first thing to say is that we are wholly supportive of the introduction of social responsibility tools and are committed to being a responsible gambling operator. In March of this year, all digital operators licensed in the UK were required to introduce a number of customer tools on their digital services to help counter excessive or problem gambling. These included: automatic self-exclusion from a website; 'time-out' functionality whereby a customer can elect to take a forced break from a gambling service; and 'reality checks', whereby a customer can receive an automated reminder of how long they have been gambling. At the end of 2015, prior to the introduction of these tools, we had undertaken a review of our higher spending customers across all brands and channels to ensure that we were comfortable as to their sources of funds. At the heart of this review, which involved putting in place a set of new processes, was a desire to continue to tackle money laundering, prevent the use of the proceeds of crime and reduce problem gambling.

The combination of these two factors had an impact on the industry and specifically on the performance of our business. Whilst it is extremely difficult to quantify this impact, we believe that a failure to tackle problem gambling as an operator is not only morally wrong, but is also not a sustainable business strategy. In addition to our existing resources, we have recently hired a head of responsible gambling and have implemented a board responsible gambling committee (chaired by Lord Kilmorey), alongside our existing compliance and responsible gambling committee that I chair on a monthly basis. With three million customers coming through our doors and using our digital services every year, we can't guarantee we won't make mistakes and people with gambling problems may access our services, but it won't be through a lack of trying or a lack of commitment.

How has and how will Brexit affect your business?

Other than preoccupying the nation and potentially directly or indirectly keeping customers out of our casinos and bingo clubs in May and June, so far Brexit has had little impact on our business. Beyond any longer term broader economic consequence, we see little negative impact of Brexit. We are predominantly a UK business in terms of revenues (94%) and costs. We may benefit from foreign exchange rates with respect to our Enracha business in Spain and our two casinos in Belgium. Also, if London benefits from attracting more foreign visitors as a result of a weaker pound, then our London casinos may well see some benefit. However, overall there seems to be little direct impact.

What are the areas of focus for the year ahead?

Our focus is predominantly on improving performance and, in particular, ensuring that we see growth in our Mecca digital business and putting the weak Q4 in Grosvenor behind us.

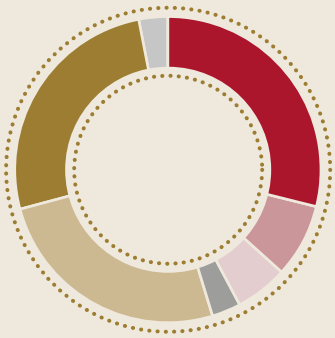
We are continuing to build our business through investment in tools, products and venues. Many of these initiatives will become a reality in this financial year. On the venues side, we will complete significant refurbishments of our Leeds and Nottingham casinos and will launch our new format bingo club. In terms of tools, we will put in place a new data platform with a range of analytical tools; and product-wise, we'll launch our single account and wallet which will allow customers to move seamlessly from one channel to another. There's much more that we are doing that you can read about elsewhere in this report, but at its heart is a focus on driving growth and improving the customer experience with an emphasis on using technology to our advantage where we can. We are excited and optimistic about the year ahead, although we will undoubtedly be busy.

Henry Birch
Chief Executive
22 August 2016

UNDERSTANDING OUR INDUSTRY

Gambling industry in Great Britain

TOTAL GROSS GAMBLING YIELD (GGY)/£M[1]



DIGITAL BETTING, BINGO AND CASINO	3,637
CASINOS – RETAIL	993
BINGO – RETAIL	691
ARCADES – RETAIL	383
BETTING – RETAIL	3,201
NATIONAL LOTTERY	3,293
LARGE SOCIETY LOTTERIES – RETAIL AND DIGITAL	357

Retail casino

In the year to 30 September 2015, the British casino market generated £993 million (£1,154 million in prior year) in gaming revenue, representing around 8% of net consumer expenditure on gaming and betting.[1]

Attendance levels fell in the year to 30 September 2015, down 3%, to 20.4 million.[1]

Average spend per visit also fell, down 11% to £48.68 (includes expenditure on food, drink, entertainment and gaming).[1]

1 Source: Gambling Commission.

Supply

As at 30 June 2016, the number of casino licences operating in Great Britain was 147. All but four of these casinos were licensed 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".

Grosvenor Casinos is the largest operator (by venue) of licensed casinos in Great Britain.

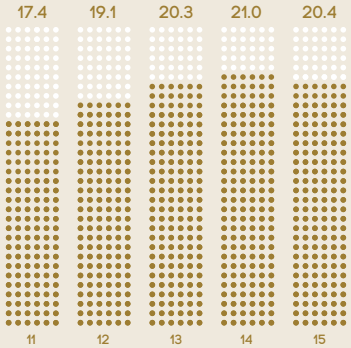
2005 Act casino – market status

During the financial year Grosvenor Casinos relaunched its Luton casino following a £4.3m investment. The investment included extension and refurbishment works to accommodate the awarded 2005 Act casino licence, allowing up to 60 additional slot machines.

In March 2016, Southampton's City Council awarded its large 2005 Act licence to Aspers, which already operates two 2005 Act casinos in Milton Keynes and Stratford London.

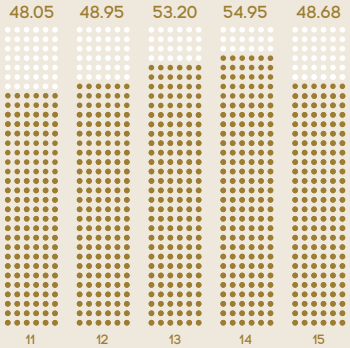
CASINO ATTENDANCE

20.4M



SPEND PER VISIT

£48.68



Casino supply

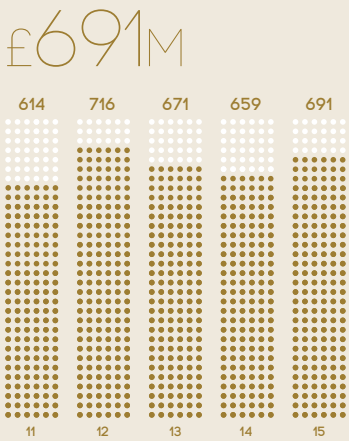
	As at 30 June 2016		As at 30 June 2015	
Operator	Venues	Licences	Venues	Licences
Grosvenor Casinos	56	77[2]	58	77[2]
Genting	41	56	41	56
Caesars Entertainment UK	9	11	9	11
A&S Leisure	6	6	6	6
Double Diamond	6	7	6	7
Aspers/Aspinall's	7[2]	9[2]	7[2]	9[2]
Club 365	3	3	3	3
Clockfair	2	2	2	2
Guoco	1	1	1	2
Others	12	26	11	25
Total	**143**	**198[3]**	144	198[3]

2 Includes 2005 Act casino licences.
3 Of which 147 licences were operating.
Source: National Casino Forum.

Retail bingo

Gaming revenue from British licensed bingo clubs increased by 5% for the year ended 30 September 2015, the first year-on-year increase for three years. The largest percentage of GGY for the bingo sector continues to be provided by mechanised cash bingo.[1]

GROSS GAMBLING YIELD (GGY)/£M[1]



Supply

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

At 30 June 2016, there were an estimated 363 bingo clubs operating in Great Britain, down from 370 a year earlier. Mecca remains the second largest operator of licensed bingo clubs in Great Britain, after Gala.

Operator	**As at 30 June 2016**	As at 30 June 2015
Gala Bingo	**130**	130
Mecca	**87**	90
Top Ten Bingo	**15**	15
Carlton Clubs	**13**	13
Castle	**11**	11
Club 3000	**12**	11
Beacon	**9**	9
Others	**86**	91
Total	**363**	370

Source: Bingo Association.

Digital market

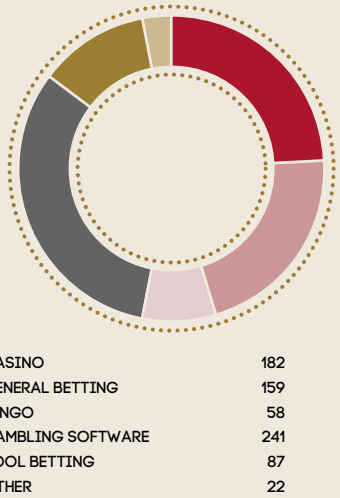
Following the introduction on 1 November 2014 of the Gambling (Licensing and Advertising) Act 2014 the Gambling Commission now licenses all operators that supply remote gaming services to customers physically located in Great Britain.

The Gambling Commission recently reported that as at 30 March 2016 the total number of remote gambling licences was 749.

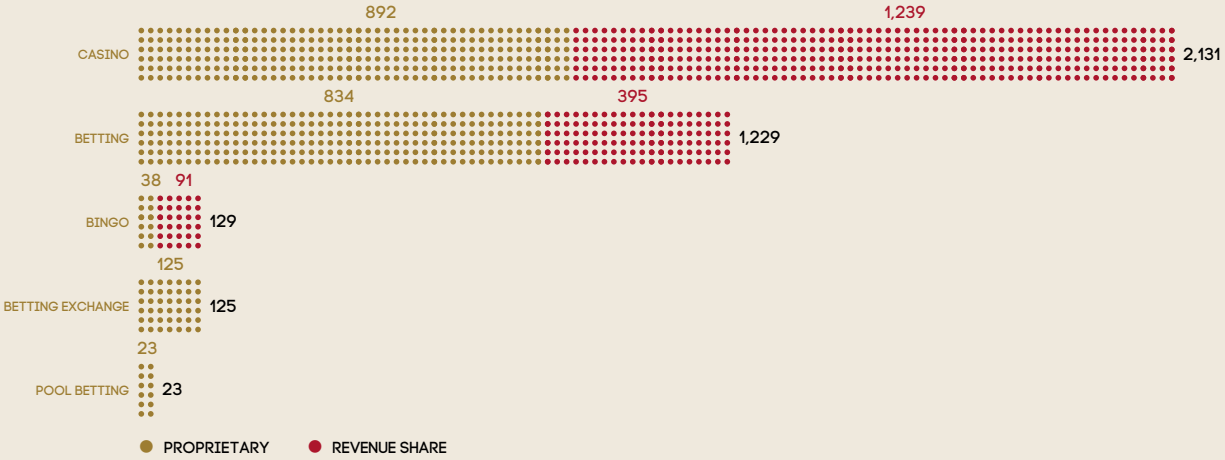
Customer account information

There were 20.2 million active customer accounts in the digital sector (casino, bingo and betting) with 19.9 million new account registrations.

REMOTE ACTIVITY (AS AT MARCH 2016)[1]



DIGITAL GROSS GAMBLING YIELD (GGY)/£M[1]



1 Source: Gambling Commission.

MAKING PROGRESS AGAINST OUR STRATEGY

Our aim is to be the UK's leading multi-channel gaming operator.

Our focus is on building brands with the ability to deliver on our ambition through the channels our customers prefer, whether it be at one of our 154 venues, or through our online and mobile solutions.

There are five components to our strategy.

1. Creating a compelling multi-channel offer
2. Building digital capability
3. Developing our venues
4. Investing in our brands and marketing
5. Using technology to drive efficiency and improve customer experience

Continue reading to learn about our strategic progress through 2016 and our priorities for the year ahead

1 CREATING A COMPELLING MULTI-CHANNEL OFFER

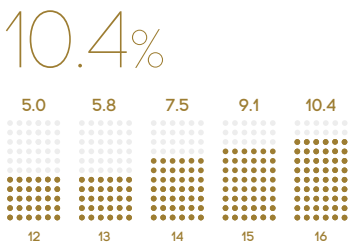
In the markets where we operate, Rank is one of the few gaming companies in a position to provide customers with a genuine multi-channel gaming offer. We have a number of key assets, including a portfolio of 154 venues, our membership-based model with approximately three million members, our loyalty and reward programmes and the high levels of engagement that our team members enjoy with customers.

Activity in 2015/16

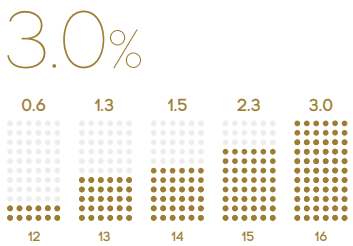
- **Single account and wallet development:** Please refer to the case study on page 17.
- **New Mecca services app launched:** 'My Mecca' was launched in H1 2015/16. The app provides customers with functionality including a club finder tool and details of current promotions at each venue.
- **Development of a new cross-channel (online and retail) bingo brand:** During the year a new bingo brand and proposition were developed. Several locations for new bingo venues have been identified and are currently subject to planning permission. The digital service will launch in H2 2016/17. The new brand will offer a different proposition from traditional retail bingo and is likely to appeal to a different demographic.
- **Mecca digital membership trial:** A digital membership scheme was successfully trialled in Mecca Croydon enabling customers to enter the venue with their membership details provided by an app on their mobile device. Key benefits include an improved customer experience, lower costs via the removal of replacement membership cards, the ability to market to customers in a more cost-effective way via mobile, as well as developing a multi-channel offer.
- **New poker offer launched:** In Q3 2015/16, Grosvenor Casinos launched a new digital poker offer powered by Microgaming.

Key performance indicators

MECCA CROSS-CHANNEL CROSS-OVER



GROSVENOR CASINOS CROSS-CHANNEL CROSS-OVER



Priorities for 2016/17

- **Launch of new bingo brand across both online and retail channels:** The new online brand is scheduled to be launched in H2 2016/17 alongside its retail channel (subject to planning).
- **Launch of single account and wallet:** Please refer to page 17 for more details.

Ed Wilson
product director
View the video in full online at rank.com

MULTI-CHANNEL GAMING

Single account and wallet development

These days, customers expect to be able to have one account and wallet whether they interact with a brand online, on mobile or in a retail environment.

One of our five key strategic pillars is to create a compelling multi-channel offer. To enhance this offer we have been working on a single account and wallet for our brands and plan to start the roll-out during 2016/17.

As part of this project we are looking at each step of the customer journey. Firstly, we want to simplify and unify registration. At the moment, customers have to sign up for each individual channel. Introducing a single sign-up process means that customers will be able to sign up once, either in a club or online, and create a single brand account.

Secondly, we plan to create a single wallet for customers to fund, play and withdraw at gaming touch points in club and online. This will be far more convenient for customers and means they can deposit or withdraw on to a single wallet.

Thirdly, we want to make it easier for customers to enjoy our products. We are planning to develop a system which will make the login across channels much simpler and more convenient. It will also make it a more seamless and instant journey into the digital channel for our retail customers and will help us to increase cross-channel conversion.

Fourthly, by having a single account it will be much easier for customers to manage their relationship with our brands. By logging in online, they will be able to manage their account across all the channels they use with us and will be able to see promotions, deposit and withdraw money or change their login details.

Finally, and a key priority for us, single accounts will enhance player protection and regulatory compliance. Having a single view of all transactions will give the customer greater control of his or her spend across all channels, for example through setting deposit limits. A single view of the customer will also make it easier for Rank to be proactive in spotting trends in a customer's game play and identify potential problem gamblers.

2 BUILDING DIGITAL CAPABILITY

Rank has built strong positions in venue-based gaming which we seek to replicate across our digital channels (online and mobile). In 2015/16, our digital operations generated 13% of Group revenue, whereas digital channels now represent around 39% of Great Britain's gambling market (excluding National Lottery). This presents a significant growth opportunity. We are in the process of enhancing our capability in this area such that we can meet the changing needs of our customers and capture a greater share of the digital market.

Activity in 2015/16

- **Migration to new digital gaming platform:** Please refer to the case study on page 19.
- **Soft launch of Grosvenor Casinos' new digital sports book:** In June 2016, an introductory product for sports book was soft-launched in time for the UEFA Euro 2016 football championships.
- **New content on meccabingo.com and grosvenorcasinos.com:** A key benefit of moving to the Bede Gaming digital platform is the ability to take content from multiple providers and therefore have access to a wider range of content. During the year the Group signed contracts with both Net Entertainment and NYX, as well as a number of other game developers, which will result in over 100 new gaming titles for our digital brands.
- **Launch of enracha.es:** Enracha.es was soft-launched on the new Bede Gaming platform in June 2016.

Priorities for 2016/17

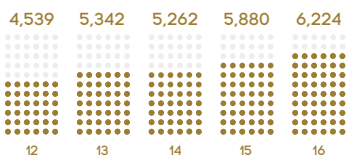
- **Full launch of Grosvenor Casinos digital sports book:** During H1 2016/17, bonus functionality will go live along with an enhanced site.
- **Continued improvements to digital poker offer:** The customer journey will be improved, specifically focusing on alleviating customer friction points (registration, depositing and withdrawing) in addition to launching mobile and instant play products.
- **Improvement to Grosvenor Casinos' digital Live Casino offer:** In July 2016, Grosvenor Casinos' successful live casino product was refreshed following the move of its supplier's studio from Riga, Latvia to a larger facility in Malta.
- **Launch of new digital Mecca VIP site:** A new VIP microsite will be launched alongside a new VIP programme and increased VIP management capabilities.
- **Enracha.es:** The full enracha.es is scheduled to go live in H1 2016/17 offering customers digital bingo, blackjack, roulette and slots.

Colin Cole-Johnson director of digital and cross-channel services
View the video in full online at rank.com

Key performance indicators

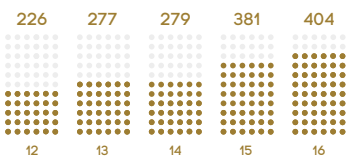
DIGITAL CUSTOMER VISITS

6,224k



DIGITAL CUSTOMER NUMBERS

404k



A PLATFORM FOR A MODERN WORLD

New digital platform

One of the key strategic initiatives which has come to fruition this year has been the move to a new digital platform, provided by Bede Gaming.

The previous digital platform had been around since 2004 and was originally developed for sports betting. As our online business in Mecca and Grosvenor Casinos grew, it became increasingly clear that our current platform was no longer fit for purpose. It was slow and complex and expensive to make changes or add new content. It had very limited bonusing capability and the quality of analytics and customer relationship management (CRM) was not at the level we needed to compete or to support our vision of multi-channel gaming.

Before deciding upon Bede Gaming as our chosen partner, we carried out a rigorous assessment process. Bede Gaming offered us rapid progress, modern technical architecture, and a platform that would differentiate us from our competitors.

The new platform went live at the end of February 2016. Despite some initial teething problems, customers are already seeing the benefits. These include better bonusing, cashier improvements, including PayPal for mobile, and new content for casino, slots, poker and sports. For our Spanish business, Enracha, we have developed a .es platform conforming to the regulations in this market – a first for Bede Gaming and completed in time to support our licensing deadlines.

Key for 2016/17 will be maximising the benefits from our new platform. For example in the first half of the year we are working with Net Entertainment and NYX to broaden our slot game offering and will also be introducing free spin bonus functionality and reverse withdrawal features. Another key focus area will be to work with our suppliers to develop content that is bespoke to Rank.

We will continue to refine the platform and are currently working on the introduction of Monetate – our multi-variant testing solution – along with further website development which will enable us to support additional brands and introduce features such as personalisation and optimisation. The development of our marketing campaign engine will also enable us to support the automation of multiple operational activities including everything from bonusing to VIP alerts.

3 DEVELOPING OUR VENUES

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

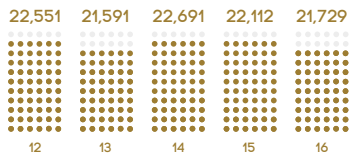
Activity in 2015/16

- **Relaunch of Luton casino under a 2005 Act licence:** In September 2015, Grosvenor Casinos relaunched its Luton casino following a £4.3m expansion and refurbishment. The investment included extension and refurbishment works to accommodate the 2005 Act casino licence, allowing up to 60 additional slot machines.
- **Addition of second casino licences alongside three existing casinos:** Additional licences were located alongside existing casinos in Coventry, Blackpool and Portsmouth.
- **Refurbishment of Grosvenor Casinos' Park Tower casino in London:** £1.2m was spent in the year on the refurbishment and modernisation of The Park Tower casino in London. The last investment at The Park Tower was in 2011 and the refurbishment was critical in protecting its market position.
- **Grosvenor 'sparkles':** A total of 15 casinos received low-cost improvements in the period at a total capital cost of £4.4m under the 'sparkles' programme.
- **Partial open door and full open door trials in Grosvenor Casinos:** During the year some of our UK casinos removed their requirement to register all customers. This is referred to as either Partial Open Door (POD), involving the partial removal of entry requirements, or Full Open Door (FOD), involving full removal of requirements. Neither policy changes our commitments to responsible gambling or customer security. POD was rolled across the entire casino estate in the year with FOD trialled across our casino venues in Glasgow. FOD contributed to an 8% increase in admissions and higher non-gaming spend in the Glasgow venues.
- **Mecca refurbishments:** During the year seven Mecca venues were refurbished at a total cost of £2.3m.

Key performance indicators

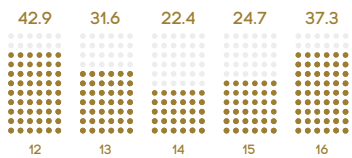
VENUES CUSTOMER VISITS

21,729k



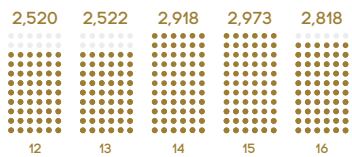
VENUES CAPITAL INVESTMENT

£37.3M



VENUES CUSTOMERS

2,818k



The KPIs above do not exclude the duplication of customers who are customers of more than one brand. 2012/13 and 2011/12 customer data excludes the acquired casinos from Gala Coral.

Priorities for 2016/17

- **Mecca refurbishments:** A further eight venues are scheduled for refurbishment in 2016/17 at a total cost of £2.1m.
- **Addition of second licences alongside existing casinos:** Following the recent planned closure of two casinos (Glasgow Princes and Leeds Arena), four non-trading casino licences are to be located alongside existing casinos in Glasgow and Leeds.
- **Refurbishments of Grosvenor Casinos' venues in Leeds and Nottingham:** A total investment of £6.2m is planned for the refurbishment of two Grosvenor Casinos venues in Leeds and Nottingham. Both casinos were part of the estate acquired from Gala Coral in 2013 and are the last casinos to receive investment post acquisition. Both refurbishments are scheduled to be completed by the end of H1 2016/17.
- **Opening of new-concept bingo venues:** A number of locations have been identified and are currently under planning review. It is envisaged that the first new club will be open in the course of 2016/17.
- **Further roll out of FOD in Grosvenor Casinos:** Subject to licence conditions, FOD will be rolled out across the remainder of the Grosvenor Casinos estate by the end of September 2016.

RELAUNCH

Luton casino

In September 2015, the Luton casino was relaunched following £4.3m of investment to accommodate the awarded 2005 Act licence.

The refurbished casino includes the following:

- 60 slot machines, an increase of 40 with the ability to add a further 20 dependent on customer demand
- 30 gaming tables, an increase of 12 in line with the 2:1 ratio of slot machines to table games as per the 2005 Act licence terms
- 120-seat entertainment area
- VIP gold area containing three gaming tables and four electronic roulette positions
- Dining and lounge areas
- New and improved external smoking terrace
- Enhancements to the external appearance including new signage
- Valet parking service

Following the relaunch, trading has seen an uplift in line with management's expectations.

Sue Fitzsimmons
casino manager, Luton
View the video in full online at rank.com

4 INVESTING IN OUR BRANDS AND MARKETING

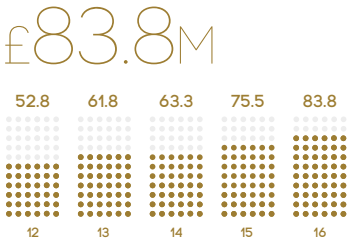
The development of a group of well-defined, relevant and resonant brands is critical for the success of our ambition. Rank possesses a number of well-known brands with strong levels of affinity amongst customers. Continuing to invest in and develop these brands, alongside new ones, is an important part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

Activity in 2015/16

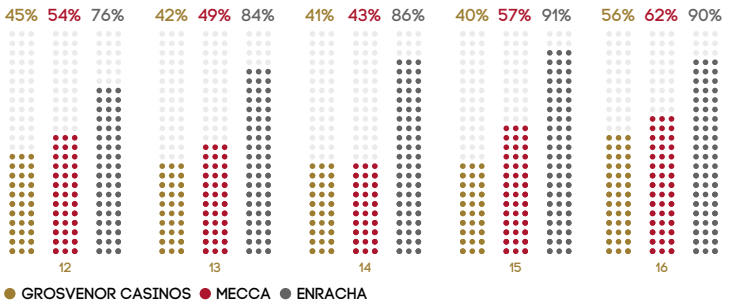
- **Development of the Group's data science and customer relationship management (CRM) teams:** During the year, the Group has significantly enhanced its data science and CRM capabilities. This has included building new teams and putting in place a new data platform and tools. It is expected that these tools will improve customer insight, customer yields and marketing efficiency as well as customer experience.
- **Appointment of new marketing director for Grosvenor Casinos:** During the year a new marketing director, Jo Blundell, was appointed for Grosvenor Casinos. Jo was previously UK marketing director of McDonalds and managing director of the advertising agency TBWA.

Key performance indicators

MARKETING SPEND (INCLUDING CUSTOMER INCENTIVES)



NET PROMOTER SCORE



Priorities for 2016/17

- **Launch of new customer contact centre in Sheffield:** Rank is in the process of moving its contact centre in central London to Sheffield. The current call centre has an expensive cost base and is partially outsourced. The new centre's strategy aims to move it from its current cost centre model to one that directly generates profit through a more proactive relationship with our customers. The new contact centre is due to open in September 2016.
- **Investment into VIP teams across all brands:** Investment will continue through VIP team expansion for both UK brands. Investment will continue to be made into customer verification teams which enable the Group to operate responsibly and in line with customer due diligence and anti-money laundering requirements.
- **Launch of new digital gaming brands:** The Group will continue to look at ways to grow its customer base and revenues through the use of new digital gaming brands, allowing 'cross-sell' from its existing databases.
- **Improve marketing through the use of customer analytics and segmentation:** Through its new data science team, and through segmentation tools, the Group aims to better predict the interactions of customers across all channels.

Jo Blundell sales and marketing director Grosvenor Casinos
View the video in full online at rank.com

THE 'BEST LOVED CASINO EXPERIENCE'

Investing in brands and marketing

Marketing strategy

One of Rank's key five strategic pillars is to improve marketing effectiveness. We have been working hard to create integrated marketing plans with all activity focused on generating revenue and profit, and, ultimately growth.

For Grosvenor Casinos specifically this has been developed into a brand strategy aimed at delivering the 'best loved casino experience' for existing and new customers. This is a tough measure and means that we need to truly understand all our customers in order to excite and entertain them consistently and at every touch point.

We have the opportunity to unite our retail and digital businesses so that our customers can play anytime, anywhere in an environment that suits their needs. Retail provides the solidity, reassurance and trustworthiness of an established bricks and mortar brand; digital adds pace, dynamism and innovation. Together, they create a unique and powerful reason to play with Grosvenor Casinos supported by tangible benefits for our customers, such as the launch of new multi-channel games, a new loyalty programme and new products that enhance our offer, such as sports betting.

We will also be looking for every opportunity to make it easier for our customers to play with us. This includes new customer journeys aimed at uniting leisure and gaming customers, maximising the use of second licences and optimising our mobile and desktop assets.

The sales and marketing strategy will deliver a strong national programme supported by an optimised local framework that builds on success and creates greater affinity for the brand as a whole and at a community level.

Put simply, the focus is on initiatives that will continually excite and entertain our new and existing customers, both in the UK and overseas. We will do this through an integrated sales and marketing plan that shares best practice and learning across retail and digital, products and player levels. This is the Grosvenor Casinos' Plan to Win.

5 USING TECHNOLOGY TO DRIVE EFFICIENCY AND IMPROVE CUSTOMER EXPERIENCE

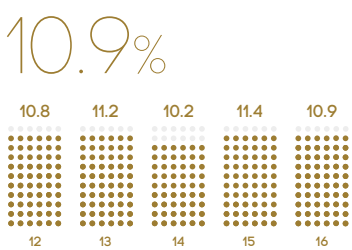
The customer is at the heart of our focus on increasing the use of technology in our business and driving efficiency. Improved customer experience and operating margins can help create a competitive advantage. We have identified a number of opportunities to harness technological developments to offer our customers more engaging experiences and to achieve sustainable growth in operating margins.

Activity in 2015/16

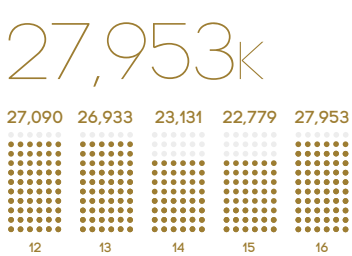
- **Roll-out of a new casino management system, Neon:** At the end of the financial year, a new casino management system, Neon, was rolled out across the entire retail estate. Neon provides the casinos with an improved system to manage customer interactions, the cash desk and loyalty programmes.
- **Launch of progressive jackpot across Grosvenor Casinos:** In January 2016, the 'Ace King Suited' progressive jackpot was launched across the entire estate resulting in increased blackjack handle.
- **Get Set Roulette launched in a further seven casinos:** The roll-out of Get Set Roulette continued in the period. Get Set Roulette offers an enhanced customer experience for electronic roulette with a more consistent rate of play and greater choice of wheels.
- **Labour planning software to reduce employment costs in Grosvenor Casinos:** Labour planning software that had been introduced outside London in the prior year was further rolled out across the London casinos in the year. The software focuses on optimising working hours and is estimated to provide savings of £0.8m in a full year.
- **New slots and electronic roulette machines in Grosvenor Casinos:** A £10.0m investment in new server-based slots and electronic roulette machines was completed, providing customers with a better quality offer and improved features. This investment contributed to a 9% growth in gaming machine revenues in the year.
- **Investment in new cash line systems to accommodate the new £1 coin:** At a total cost of £1.1m the existing Mecca cashline system is being upgraded in preparation for the introduction of the new £1 coin. The investment programme commenced in 2015/16 and will be completed in 2016/17.
- **Introduction of server-based games and Ticket in Ticket out (TiTo) functionality into Mecca's slot machines:** Following the roll-out across 79 clubs in June 2015, Mecca has seen an improved slots performance, up 3% in the year on a like-for-like basis. The TiTo functionality also allows for lower cost promotional activity and improved player tracking.

Key performance indicators

OPERATING PROFIT MARGINS[1]



TOTAL CUSTOMER VISITS



1 Before exceptional items.
2012/13 and 2011/12 data excludes the acquired casinos from Gala Coral and the disposed Blue Square Bet business.

Priorities for 2016/17

- **Full integration of new casino loyalty system with Neon:** Neon's roll-out was successfully completed in July 2016. Neon's functionality for table management and single wallet is scheduled to go live in 2016/17. A new loyalty scheme will be fully integrated into Neon in 2016/17, initially focusing on slots.
- **Additional Mecca Max roll-out:** Following the successful introduction of 5,600 additional Mecca Max units at the start of 2015/16, a further 5,250 units are to be rolled out across the Mecca estate, of which 2,500 will be incremental.
- **Launch of new food and beverage ordering facility on Mecca services app and Mecca Max units:** A third-party food ordering app was trialled in Southend and Croydon with favourable impacts on queuing times and customer reactions. A project is now in place to include food and beverage ordering functionality in the Mecca services app that was launched in 2015/16.
- **Additional new slots and electronic roulette machines in Grosvenor Casinos:** Following the successful performance of recent investments an additional £5.0m will be spent in 2016/17 on new slots and electronic roulette machines.
- **New loyalty scheme for digital bingo:** Following the successful integration of Grosvenor Casinos' loyalty scheme into Neon, a similar but bingo tailored loyalty system will be reviewed and considered for Mecca digital.
- **Further roll-out of Get Set Roulette:** 15 more casinos will receive Get Set Roulette in H1 2016/17.
- **New customer analytics platform for all channels:** A new analytics platform will be launched in 2016/17 where live data will be available on all digital devices, enabling much improved in-venue analysis for club managers.

A SINGLE SOURCE OF TRUTH

Darren Moffett
director of customer operations
View the video in full online at rank.com

Customer operations investment

During the year significant progress and investment have been made across all areas of customer management. Central to this has been the use of market-leading technology to improve the way we analyse customer data, providing us with crucial insight into the way our customers behave and interact with us. We have also created an in-house data science team to ensure we maximise this technology.

All the customer data we hold is now being brought together into a single source of truth in the Rank Analytics Platform (RAP). It also enables us to analyse data in real time and predict what customers may do in the future. All of our retail systems have now been plugged in to the new RAP and we are in the process of integrating our digital systems, including Bede Gaming. We have also segmented the customer database into smaller clusters. This enables us to gain a more granular understanding of customers' needs and behaviours and use this data to improve our marketing effectiveness, influence future business decisions and ensure we are acting responsibly.

Key priorities for 2016/17 include using RAP to further analyse transactional and product data, including electronic slots in both brands and electronic Max units in Mecca. It's vital that we understand the behaviour of customers as individuals so that we can understand how and when they interact with our products as well as identify and address any friction points.

During H1 we will also be introducing a new marketing campaign management solution. This will allow us to analyse customer interaction data and more effectively review the success of our marketing campaigns.

A key change in 2015/16 was the decision to relocate our contact centre from London to Sheffield. Our new customer solutions hub, opening September 2016, will provide our customers with a single contact point for all channels 24 hours a day. We will enhance our customer experience – not just for incoming contacts but also being able to use customer data for targeted outbound activity. For example, we aim to introduce live chat across all digital platforms as well as a customer service app by the end of 2016/17. These changes will also move us away from the current cost centre model to that of generating profit for the brands.

DELIVERING SOLID REVENUE GROWTH

GROSVENOR CASINOS PERFORMANCE REVIEW

Grosvenor Casinos continues to deliver solid growth, with total revenues up 4% in the year with continued strong growth from its digital channel.

Performance review

	2015/16	2014/15	Change
Total revenue[1] (£m)	**438.6**	423.4	4%
Venues	408.1	401.1	2%
Digital	30.5	22.3	37%
Total EBITDA[2] (£m)	**93.3**	91.7	2%
Venues	85.9	87.1	(1)%
Digital	7.4	4.6	61%
Total operating profit[2,3] (£m)	**66.2**	66.5	0%
Venues	60.9	63.4	(4)%
Digital	5.3	3.1	71%
Like-for-like revenue	**4%**		
Venues	3%		
Digital	37%		

1 Before adjustment for customer incentives.
2 Before exceptional items.
3 As per note 2 in the Financial Statements.

Venues' revenue grew by 2% in the year, with good growth up to the end of Q3 offset by disappointing gaming win margins and visits in Q4, which were seen across the industry. Operating profit fell by 4%, due to higher operating costs including player rebates and loyalty scheme costs.

In September 2015, the extension and refurbishment works at Grosvenor's Luton casino were completed at a total capital cost of £4.3m. Since completion trading has seen an uplift, in line with management's expectations.

In August 2015, at the expiry of its lease, the licence from Grosvenor's Osborne Road casino in Portsmouth was moved to operate alongside its larger and more profitable Gunwharf Quays casino, also in Portsmouth.

In July 2016, Grosvenor's Princes casino in Glasgow (an under-performing former Gala casino) was closed and the Group plans to relocate the spare licences alongside the brand's two remaining casinos in Glasgow during 2016/17.

The brand's digital channel continues to grow strongly, with revenues up 37% in the year following a successful migration onto the new digital platform in Q3.

Even with an incremental £1.5m of Remote Gaming Duty (RGD) in the year, digital operating profit grew strongly, up 71%. Following the move to the Bede Gaming platform key improvements were made to the customer registration process which, along with more effective marketing, contributed to a 77% increase in first-time depositors.

More information

Operating review – Mecca	*28*
Operating review – Enracha	*29*

Like-for-like venues' customers were flat in the year, ahead of the wider UK casino market. Spend per visit increased by 3% in the year, driven by the recent investment in new games and product.

Digital customers were down 11% in the year due to the impact of TV advertising in the prior year that generated multiple lower value customers and has not been repeated. Mobile customers grew strongly in the year, up 42%. Spend per visit increased by 9% in the year, driven by improved marketing and the improved offer on the Bede Gaming platform.

Key performance indicators

	2015/16	2014/15	Change
Total customers[4] (000s)	**1,611**	1,817	(11)%
Venues[5,6]	1,557	1,743	(11)%
Digital[5]	101	114	(11)%
Cross-channel customer cross-over[7]	**3.0%**	2.3%	0.7ppt
Total customer visits (000s)	**8,998**	8,900	1%
Venues	8,159	8,233	(1)%
Digital	839	667	26%
Total spend per visit (£)	**48.74**	47.57	2%
Venues	50.02	48.72	3%
Digital	36.35	33.43	9%
Total net promoter score	**56%**	40%	16ppt
Venues	57%	40%	17ppt
Digital	21%	18%	3ppt

4 Cross-over customers included only once.
5 Customers shown on a moving annual total ('MAT') basis.
6 Following the introduction of 'partial' and 'full' open door where some of our casinos removed their requirement to register all customers, the participating casinos are unable to accurately track customer numbers, therefore total brand and venue customers only includes registered customers.
7 Percentage of registered venues customers who are also digital customers.

Venues regional analysis

	Customer visits (000s)		Spend per visit (£)		Revenue (£m)		Operating profit (£m)	
	2015/16	2014/15	**2015/16**	2014/15	**2015/16**	2014/15	**2015/16**	2014/15
London	**1,482**	1,468	**101.42**	101.02	**150.3**	148.3	**31.7**	34.0
Provinces	**6,433**	6,506	**37.88**	36.83	**243.7**	239.6	**27.2**	28.6
Belgium	**244**	259	**57.79**	50.97	**14.1**	13.2	**2.0**	0.8
Total	**8,159**	8,233	**50.02**	48.72	**408.1**	401.1	**60.9**	63.4

Venues regional analysis

The casino estate is split into three key areas – London, Provinces and Belgium. To better illustrate the differences across the estate, the above analysis has been provided.

London visits increased by only 1% impacted by a subdued Q4. Although the provinces witnessed a 1% fall in visits, provincial revenue increased by 2% in the year.

Venues revenue analysis – Great Britain only

£m	2015/16	2014/15	Change
Casino games	**261.6**	263.5	(1)%
Gaming machines	**86.5**	79.4	9%
Card room games	**15.3**	15.7	(3)%
Food & drink/other	**30.6**	29.3	4%
Total	**394.0**	387.9	2%

Recent investments into gaming machines have driven a strong increase in gaming machine revenue in the year, up 9%.

MECCA PERFORMANCE REVIEW

Mecca's like-for-like revenue rose by 2% in the year driven by a 2% increase in both venues and digital. Total revenue was down 1% in the period.

Like-for-like revenue was up 2% in the year driven by a higher spend per visit. Operating profit increased by 14% in the year driven by lower operating costs.

During the year Mecca closed three venues, one of which involved the disposal of a freehold property in Hornchurch which resulted in an exceptional profit of £6.0m.

Digital revenues increased by 2% in the year, with H2 2015/16 being adversely impacted by platform migration issues following the move to the new Bede Gaming platform in Q3 along with the introduction of social responsibility tools. Operating profit fell in the year, down 39%, with the comparable period only impacted by seven months of RGD. The incremental tax cost in the year was £3.3m.

Performance review

	2015/16	2014/15	Change
Total revenue[1] (£m)	**287.7**	289.6	(1)%
Venues	221.5	224.4	(1)%
Digital	66.2	65.2	2%
Total EBITDA[2] (£m)	**56.9**	57.2	(1)%
Venues	45.5	41.6	9%
Digital	11.4	15.6	(27)%
Total operating profit[2,3] (£m)	**41.5**	43.0	(3)%
Venues	32.9	28.9	14%
Digital	8.6	14.1	(39)%
Like-for-like revenue	**2%**		
Venues	2%		
Digital	2%		

1 Before adjustment for customer incentives.
2 Before exceptional items.
3 As per note 2 in the Financial Statements.

Key performance indicators

	2015/16	2014/15	Change	LFL change
Total customers[4] (000s)	**1,187**	1,141	4%	7%
Venues[5]	987	961	3%	5%
Digital[5]	303	267	13%	13%
Cross-channel customer cross-over[6]	**10.4%**	9.1%	1.3ppt	
Total customer visits (000s)	**16,935**	17,248	(2)%	0%
Venues	11,550	12,035	(4)%	(1)%
Digital	5,385	5,213	3%	3%
Total spend per visit (£)	**16.99**	16.79	1%	
Venues	19.18	18.65	3%	
Digital	12.29	12.51	(2)%	
Total net promoter score	**62%**	57%	5ppt	
Venues	69%	62%	7ppt	
Digital	25%	30%	(5)ppt	

4 Cross-over customers included only once.
5 Customers shown on a moving annual total (MAT) basis.
6 Percentage of venues customers who are also digital customers.

Growth in venues' customer numbers continued in the year, up 3%. Like-for-like visits fell by 1% following growth in Q2 and Q3. Investment into product and improvements to the food and beverage offer led to a 3% increase in spend per visit.

The recent roll-out of server-based machine games and investment into new Mecca Max units contributed to like-for-like revenue growth for amusement machines and main stage bingo respectively.

A TV campaign that ran throughout the year contributed to a 13% increase in digital customer numbers. In 2016/17, the focus will move to improving customer retention levels and widening the VIP customer base. A new TV campaign is currently under development and is due to be aired in H1 2016/17.

Venues revenue analysis

£m	2015/16	2014/15	Change	LFL change
Main stage bingo	**31.9**	31.4	2%	5%
Interval games	**89.5**	92.9	(4)%	(1)%
Amusement machines	**73.0**	73.5	(1)%	3%
Food & drink/other	**27.1**	26.6	2%	5%
Total	**221.5**	224.4	(1)%	2%

ENRACHA PERFORMANCE REVIEW

Positive momentum continues in the Group's Spanish operations with both revenue and operating profit growing strongly in the year.

The combination of a stronger Spanish economy and investments into product led to a 7% increase in euro revenues in the year. Euro operating profit was up 38%, driven by revenue growth.

During the year Enracha acquired the freehold of its Continental venue in Barcelona at a capital cost of £2.4m.

Performance review

	2015/16	2014/15	Change
Total revenue (€m)	**35.6**	33.4	7%
Revenue (£m)	**26.7**	25.3	6%
EBITDA[7] (£m)	**5.1**	4.1	24%
Operating profit[7] (€m)	**4.7**	3.4	38%
Operating profit[7,8] (£m)	**3.6**	2.6	38%

7 Before exceptional items.
8 As per note 2 in the Financial Statements.

Key performance indicators

	2015/16	2014/15	Change
Customers[9] (000s)	**274**	269	2%
Customer visits (000s)	**2,020**	1,844	10%
Spend per visit (€)	**17.62**	18.11	(3)%
Spend per visit (£)	**13.22**	13.72	(4)%
Net promoter score	**90%**	91%	(1)ppt

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

Venues revenue analysis

€m	2015/16	2014/15	Change
Bingo	**20.3**	19.1	6%
Amusement machines	**12.7**	11.7	9%
Food & drink/other	**2.6**	2.6	0%
Total	**35.6**	33.4	7%

IMPROVING PERFORMANCE

Clive Jennings
Finance Director

Financial review

Group statutory revenue rose by 1% in the year. Profit for the year from continuing operations increased by 21% to £71.1m as a result of lower interest charges and profits from the sale of two freeholds.

Group revenue for the 12-month period from continuing operations rose by 2% to £753.0m. The Group incurred Remote Gaming Duty for the full 12 months in 2015/16, compared to only seven months in the prior year, at an additional cost of £4.8m.

Net financing charges fell by nearly 40% to £6.2m due to lower debt levels and lower financing costs following the refinancing of Rank's bank facilities in September 2015 (further details can be found on page 122).

Adjusted earnings per share was up 5% at 15.40 pence.

Basic earnings per share from continuing operations was up 20% at 18.20 pence.

Taxation

The Group's effective corporation tax rate on continuing operations was 22.5% (2014/15: 22.9%) based on a tax charge of £17.4m on adjusted profit before taxation. The Group's effective corporation tax rate for 2016/17 is expected to fall within the range of 20% to 22% as a result of the reduction in UK corporation tax rates.

On a statutory unadjusted basis, the Group had an effective tax rate of 12.1% (2014/15: (0.9)%), based on a tax charge of £10.2m and total profit for the year of £84.9m.

The Group had a cash tax rate of 18.3% on adjusted profit, excluding tax paid in relation to legacy issues (2014/15: 15.6%). This adjusted cash tax rate was in line with management's expectations. The Group is expected to have a cash tax rate of 17% to 19% in 2016/17. This is lower than the Group's effective corporation tax rate due to the utilisation of capital allowances and losses in the Group.

The Group had an unusually high total cash tax rate of 31.4% (2014/15: 3.0%) following the payment detailed below.

As highlighted in previous reports, the Group previously participated in a disclosed tax planning scheme. The scheme will be litigated through the courts by another taxpayer as the lead case and could be heard in December 2016 at the earliest. During the year the Group received a request for payment of the amount in dispute (£21.4m) which was paid in the year.

Cash flow

	12 months to 30 June 2016 £m	12 months to 30 June 2015 £m
Continuing operations		
Cash inflow from operations	**116.4**	154.5
Net cash payments in respect of provisions and exceptional items	**(6.2)**	(7.9)
Cash generated from continuing operations	**110.2**	146.6
Capital expenditure	**(52.7)**	(31.9)
Fixed asset disposals	**12.3**	1.5
Disposal of subsidiaries	**(0.2)**	–
Net interest and tax payments	**(12.0)**	(9.7)
Payment of disputed tax	**(21.4)**	–
Dividends paid	**(22.7)**	(18.6)
Convertible loan payment	**(1.1)**	(2.4)
Other (including foreign exchange translation)	**(0.7)**	(1.4)
Cash inflow	**11.7**	84.1
Opening net debt	**(52.9)**	(137.0)
Closing net debt	**(41.2)**	(52.9)

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During the year, the Group successfully concluded a long standing issue in relation to a disposed business in an overseas territory and received a repayment of £4.4m of tax previously overpaid.

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.

Details of exceptional items can be found in note 4. In the year there was an exceptional profit from continuing operations of £9.7m which principally relates to the disposal of two freehold properties and a £3.6m exceptional profit from discontinued operations following the tax refund detailed on page 30.

Financial structure and liquidity

At 30 June 2016, net debt was £41.2m compared to net debt of £52.9m at 30 June 2015. The net debt comprised £80.0m in bank term loans, £10.1m in fixed rate Yankee bonds, £9.0m in finance leases and £3.1m in overdrafts, offset by cash at bank and in hand of £61.0m.

At the start of the financial year the Group's banking facilities comprised two £60.0m bi-lateral term loans and four £20.0m undrawn bi-lateral revolving credit facilities totalling £200.0m. In September 2015, the Group refinanced its bank facilities with £90.0m of revolving credit facilities which expire in September 2020 and £90.0m of term loan facilities which expire in March 2019. The £90.0m of term loan facilities comprises three bi-lateral agreements and in line with the agreed amortisation profile was reduced to £80.0m in January 2016. The £90.0m of revolving credit facilities comprises three bi-lateral agreements.

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

The Group's balance sheet continued to strengthen in the year with leverage falling from 0.4 times to 0.3 times at 30 June 2016.

Capital expenditure

During the year, Rank invested £24.8m into its Grosvenor Casinos' venues. A significant amount of the full year spend was on expansions, refurbishments and gaming machines.

Two major venue projects were completed in the year. In September 2015, the extension and refurbishment of Grosvenor Casinos' Luton venue was completed, at a cost of £3.3m, and in H2 the brand completed the £1.2m refurbishment of The Park Tower casino in London. During the year a decision was made to move a majority of the gaming machine estate from leased to owned; this was completed in the year at a total capital cost of £10.0m. A total of £3.2m was invested into the retail casinos' IT infrastructure, this included a £1.1m roll-out of the new casino management system (Neon) and a £0.5m investment into Get Set Roulette. The balance was principally spent on smaller-scale venue improvements, known as 'sparkles', IT investments and other digital improvements.

Mecca invested £9.1m into its venues in the year. £2.2m was spent on the refurbishment of seven venues in addition to a £1.2m investment into 450 replacement Mecca Max units, battery replacements and development. In preparation for the introduction of the new £1 coin in March 2017, £0.5m was spent on the replacement of cashline coin mechanisms in 39 venues. In line with the rest of the Group, Mecca invested in its IT infrastructure at a capital cost of £1.8m. The balance was spent on general venue improvements.

During the year, Enracha acquired the freehold of its Continental venue in Barcelona at a cost of £2.4m; in purchasing the freehold Enracha has protected the venue's future.

2015/16 was a significant year for investing in our digital businesses for future growth. The key central project in the year was the migration to the new digital gaming platform, at a cost of £6.4m. This was in addition to the £1.1m ongoing development of the Group's single account and wallet and a £1.1m investment in improving the Group's customer data analytic systems.

During 2016/17, we plan to invest between £60m and £70m; an increase on 2015/16 reflecting additional investment in new gaming machines in Grosvenor Casinos and major refurbishments of two casinos in Leeds and Nottingham.

Total capital committed at 30 June 2016 was £1.8m.

Capital expenditure

	12 months to 30 June 2016 £m	12 months to 30 June 2015 £m
Cash:		
Continuing operations		
Grosvenor Casinos	**25.1**	15.9
Mecca	**10.6**	9.5
Enracha	**3.4**	0.9
Central	**13.6**	5.6
Total capital expenditure (venues and digital)	**52.7**	31.9

MANAGING OUR RISK RESPONSIBLY

How we manage risk

Rank operates a comprehensive risk management methodology which is closely integrated into its management structure to provide clear oversight and governance of the risks which are considered to be material to its business, and to maintain continuous surveillance of its operating environment for emerging risks.

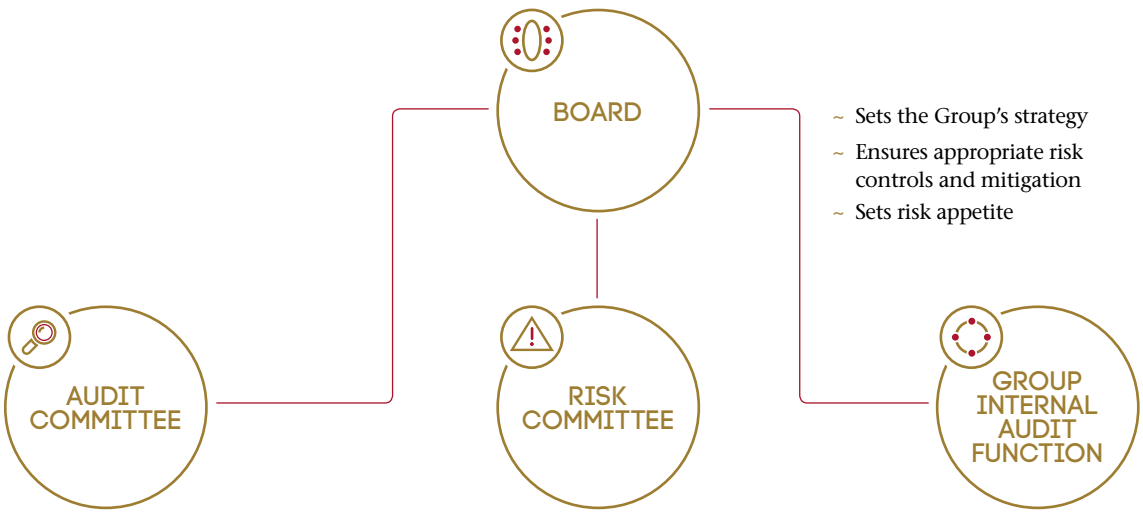
The approach endeavours to ensure that a clear risk appetite is set that balances risks and opportunities to contribute to the achievement of the Group's strategic objectives.

The board has responsibility for the risk framework and for establishing the Group's risk appetite, as well as ensuring that risk controls are built into management's approach to operations. The audit committee holds the responsibility for assessing the effectiveness of the risk management systems which are in place and for undertaking an independent review of the risk mitigation plans which have been designed for material risks.

Rank's risk committee (further information can be found on page 58) meets a minimum of eight times per year with a remit to conduct a thorough review of the risk register and to ensure that management is working effectively to identify and manage risks as they arise and on a continuous basis. Working sessions of the committee are held with departmental and divisional management to ensure that risks are being identified in a timely manner, procedural controls over identified risks are effective, and action plans are put into place for emergent risks. This approach ensures that risk is identified in both a 'top-down' and a 'bottom-up' manner from the various management levels of the organisation to give assurance that risk registers are comprehensive.

Group internal audit works in support of the risk committee to help manage risk identification and conduct independent reviews of both the business's risks and its progress in performing the mitigating action plans agreed for any relevant risks, the status of which are reported to the risk committee at each meeting.

Risk management framework



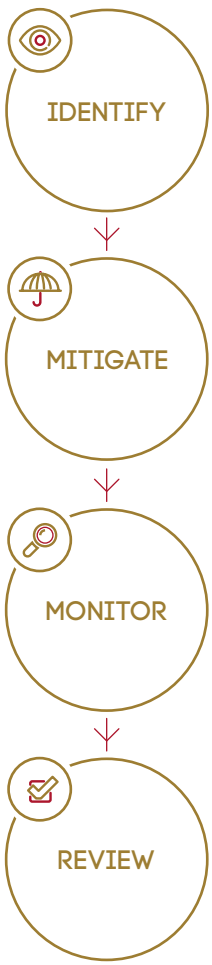
- Sets the Group's strategy
- Ensures appropriate risk controls and mitigation
- Sets risk appetite

- Reviews risk management process
- Reviews action plans to manage significant risks

- Reviews corporate risk register
- Carries out 'deep dive' reviews into specific departments' and support functions' risk registers
- Provides a forum to ensure the adequate and timely progress of risk-mitigation actions

- Carries out a risk-based programme of internal audits
- Maintains corporate risk register
- Assists business and support function departments in development and maintenance of their risk registers

Our risk management process



Key areas of focus during 2015/16

- Anti-money laundering
- Compliance function
- Cyber security
- Digital game, marketing and customer management
- Gaming win volatility
- Human resource management
- Information security management
- IT function
- Current key strategic projects

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 operating review on pages 26-29 and have reviewed the Group's projected compliance with its banking covenants. Based on the Group's cash flow forecasts and operating budgets, the directors believe that the Group will generate sufficient cash to meet its liabilities as they fall due for at least 12 months from the approval of this report and will comply with its banking covenants.

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, the directors make the following statement.

The directors have considered the current position of the Group, its prospects and longer term viability over a period of three years to June 2019. Although longer periods are used when making significant strategic decisions, three years has been used as it is considered the longest period of time over which suitable certainty for key assumptions in the gambling sector can be made.

In making this statement, the directors have performed a robust assessment of the principal risks facing the Group which includes consideration of both financial and non-financial risks that may threaten the business model, future performance, liquidity and solvency of the Group. The principal risks facing The Rank Group Plc and our approach to risk management are set out within our Strategic Report and include consideration of the impact of each risk, the direction of travel and actions taken to mitigate these risks. The risks considered included adverse regulation, adverse changes to rates of tax, adverse gaming win, loss of licences, wage rise inflation and technological risks.

The Group strategic plan is updated annually for a period of three years and takes into account current trading trends, the impacts from capital projects, existing debt facilities, expected changes to the regulatory and competitive environment and expectations for consumer disposable income. In carrying out the assessment the directors have reviewed and challenged key assumptions within the Group's strategic plan. A number of plausible but severe downside risks, including consideration of possible mitigating actions, have been modelled with particular focus on the potential impact to cash flows, net debt headroom and covenant compliance throughout the period of review.

A number of assumptions were included within the assessment, including no material adverse change to:

1. Gaming legislation
2. The taxation of gambling (beyond smaller changes to specific rates)
3. Societal attitudes to gambling
4. Loss of operating licences required to operate gambling

As a result of this assessment the directors have concluded that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over a three-year period.

ADDRESSING OUR RISKS

Regulatory, finance and tax risks

More information
Operating review 26
Tax fact file 43

Risk	Impact	Mitigation
Regulation		
Adverse regulatory changes in legislation continue to represent a significant risk. 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.	◇ *Stable* Regulatory changes could increase the cost of doing business.	Rank actively participates in trade bodies' representations to Government, opposition parties and regulatory bodies, and works to enable stakeholders to understand our business and its positive contribution to the economy and community. We continue to promote the 'Keep it Fun' brand and website to customers and regulators to de-mystify the perception of casinos, promote a safe environment to play and illustrate the Group's position in leading the industry in this field.
Taxation		
Adverse changes in fiscal regulation continue to be a significant risk, including the forthcoming change which makes free bets subject to Remote Gaming Duty.	◇ *Stable* Any increases in the levels of taxation or duties 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.	Rank continues to be a leading participant in its relevant trade organisations and takes an active part in all relevant consultations by Government.

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Tax fact file 43

Operational risk

Risk	Impact	Mitigation
Volatility of gaming win		
Win percentages for gambling activities can vary over a short period of time, although they will stabilise over a longer period. The business is also vulnerable to the potential impact of a small number of customers who can create volatility from the level of their gaming win. Also of significance to the business is a small, highly valuable segment of VIP customers. Win percentages may also be affected by misfeasance or any other problems with the accurate running of the game.	◇ *Stable* Gaming win margin directly impacts profitability.	Across the business gaming limits are actively utilised to manage the risk exposure of the business at all times. VIP customers are actively managed through dedicated customer relationship teams who work to administer both relationships and reward programmes to manage and encourage loyalty. Specialist resources are in place to provide ongoing proactive and reactive detection of operational issues or suspicious behaviour that may interfere with accurate game results.
Loss of licences		
Rank's gaming licences are fundamental to its operation. In the British venues part of the business there is a requirement to hold an operator's licence from the UK Gambling Commission (the body responsible for regulating commercial gambling in Great Britain) in respect of each of the licensed activities undertaken. Additionally, it is necessary to hold premises licences from the relevant local authority in which each venue is situated, one for gambling activities and one for the sale of alcohol. Our UK customer-facing transactional websites also require an operator's licence from the UK Gambling Commission as well as a licence from the Alderney Gambling Control Commission, the body responsible for the regulation of eGambling in the States of Alderney where our remote gambling operations are based. Our operations in Spain and Belgium are also subject to licensing requirements in the jurisdictions and local areas in which they operate.	◇ *Stable* The loss of licences could have an adverse effect on our business and profitability and prevent us from providing gambling services.	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 UK Gambling Commission and the other relevant regulatory bodies in all jurisdictions in which it operates.

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Operating review 26

More information
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Operational risk

Risk	Impact	Mitigation
Business continuity and disaster recovery		
Due to the venues-based nature of much of the business, the Group's significant reliance on technology, and the criticality of staff in serving customers and running the business, serious disruptive events such as building fire, pandemic or serious technology failure may cause an interruption to the ability to operate elements of the business if business continuity and disaster recovery plans failed to operate successfully.	◇ *Stable* If business continuity and disaster recovery plans failed to operate successfully, the business would experience delays in recovering critical revenue-generating activities or operational processes such as financial reporting, causing both financial and reputational damage.	Due to the ongoing and significant amount of corporate and systems change the Group business continuity plan is the subject of ongoing regular review to ensure that it gives coverage to critical departments and premises. IT continuity and disaster recovery plans are in place and likewise regularly updated, including for key suppliers of technology services and support.

Information risk

Information technology and cyber risk		
The Group is highly dependent on complex technology and advanced information systems with many interfaces and a significant number of separate suppliers. For commercial, regulatory and legal reasons Rank holds a considerable amount of information about its customers on these systems. We have a duty to ensure that this data is treated with sensitivity, confidentiality and security in order not to expose our customers to risk. The pace of business change and development means that IT changes such as new software coding, systems enhancements and new software application integrations are undertaken continually and consequently these systems are inherently vulnerable to experiencing malfunctions, failures, or cyber-attacks such as viruses or hacker intrusion. Comprehensive technology resilience and systems protection and detection measures are in place but it is difficult to detect all threats and vulnerabilities in order to prevent all service interruptions and problems.	◇ *Stable* If our prevention measures for technology attacks should fail, our customers' trust may be lost and our reputation may consequently be harmed and customers deterred from using our services, which may in turn have a material adverse effect on our financial performance. Failures in service provision could also render the Group unable to serve customers during such service interruptions, again having an adverse effect on revenue and profit. A breach of data security could also have additional potential consequences depending on the nature of the breach, such as compensatory payments to customers or fines.	Rank has continued to make significant investments in its technology capability, security and resilience in order to deliver a robust operating environment, both working on its owned environment and in close collaboration with key partners. It is recognised that the business environment demands that investments of such time and resources are ongoing so appropriate structures are in place with specialised teams, such as an information security team, playing a pivotal role in technology strategy. Relevant company policies and procedures are in place to guide all activities with data, such as access control and encryption. These are supervised by the director of information security and his team, and regular proactive security reviews are undertaken.

OUR COMMITMENT TO OPERATING RESPONSIBLY

Our purpose is to bring excitement and entertainment to the customers and communities we serve.

We understand our responsibility to all in our communities. We aim to act with the highest integrity and honesty in everything we do.

For more information visit
keepitfun.rank.com

Our areas of focus:

Our customers – Responsible gambling

It's important for our colleagues and customers to be honest and trusting of each other. Above all, we want people to have fun and to play within their means. If we feel anyone is developing a gambling problem, we must make sure we can support them appropriately.

Our employees

Great teamwork is key to our success. We pull together across brands, channels and locations to perform at our very best. If we look after our employees then they in turn will do everything in their power to deliver special service to our customers every time.

Our communities

We are very proud that our businesses are at the heart of their local communities. We want to help to look after those communities, not only because this is where our customers and employees live and work, but because we genuinely believe it is the right thing to do.

Our customers – Responsible gambling

Rank is very much aware that, whilst the principal purpose of our businesses is to provide an exciting and entertaining experience for our customers, there is also a need to protect those few customers who may be most at risk of gambling-related harm. With that in mind, Rank continues to develop its pioneering responsible gambling policy under the award-winning 'Keep it Fun' banner. This is designed to make information about playing responsibly easily accessible to all customers, not just those with the potential to develop problems. Innovative means of communicating information in accessible ways include the use of film clips available on our dedicated www.keepitfun.rank.com website and sent out as social media messaging, along with the display of the Keep it Fun logo and website address on all casino gaming tables.

During the year the Group considered and discussed the Responsible Gambling Strategy Board's evaluation protocol. It was agreed that when Rank looked at any new initiative with responsible gambling at the heart of it, it would use the protocol's discipline and structure and ensure that the evaluation of any such new initiative was in line with the protocol's principles.

Our policies and actions

At Rank, our approach is to seek a more sophisticated understanding of the problem and to use that understanding to tackle gambling-related harm.

- Understand through research and engagement
- Influence customer behaviour through communication
- Provide safeguards and intervene where problems arise
- Support treatment and counselling

Our employees

Rank is made up of over 10,700 enthusiastic and committed individuals, who have a desire to deliver the best experience for our customers.

How it affects our performance and position

Our people bring our brands to life by striving to deliver a market-leading gaming experience. Rank's people are its greatest asset and are the main reason why people choose our brands and stay with us.

We understand that the support and development of our staff is critical if we are to achieve our strategic goals.

Our policies and actions

Training

During 2015/16, we invested £788,000 in delivering 457,000 hours of training to our employees, helping them to develop the skills required to do their jobs.

Career development

Our career development programme is designed to enable our employees to progress within Rank, offering mobility between brand and Group teams, and the opportunity to work within different areas of operation and to participate in cross-Group projects.

During 2015/16, nearly all team members participated in career development training. In addition, 879 of our employees achieved a promotion in the year.

Leadership and engagement

Rank's senior management team has an obligation to the Group's employees to set clear direction and expectations and to provide regular and motivational feedback. Our team member engagement scores tell us how effective we are in meeting this need. In 2015/16, team member engagement increased by 1% to 80%.

Health and safety

Rank's aim is to keep all employees and customers safe at all times. Rank will listen, recognise challenges and continuously improve its approach to health and safety to promote a positive and understood culture which in turn will help eliminate or reduce injuries and ill-health.

Helping our customers keep it fun

All employees should be safe in the expectation that they will remain healthy and be safe in what they do. Rank's facilities will be safely maintained to avoid causing injury to employees and others which will enable them to stay safe and enjoy our clubs at all times.

Rank provides all members of staff with adequate information, training, instruction, supervision and the resources needed to build and sustain a safe place to work.

Rank likes its people to be both passionate and practical about keeping themselves, our customers and our clubs safe. This will be achieved by training and understanding the information found in the Group's safety policies, risk assessments and instructions. This will help prevent accidents, making for a pleasant employee and customer experience.

If employees are unsure about any aspect of their work, feel that the tools are not right or identify a situation that could cause an accident they must cease work and inform their line manager or a member of the health and safety team.

Employees must report accidents and reportable near misses – a near miss is when an accident could have occurred or was narrowly avoided. Rank can then build on its established knowledge to prevent a similar accident re-occurring.

Rank will never be able to reduce risk or achieve the highest standards of health and safety without the active involvement of employees at all levels. From directors and heads of function developing, resourcing and driving risk reduction methods to effective execution, management and feedback of those methods by its people. By listening to all employees and customers and by analysing the accidents, incidents and near misses that occur, Rank's comprehension of risks will evolve as will its approach to help improve health and safety at Rank.

Diversity
Rank is committed to providing equal opportunities for all of its employees. Rank's diversity policy ensures that every employee is treated equally and fairly and that all employees are aware of their responsibility.

The policy confirms that there will be no direct or indirect discrimination in respect of age, disability, religious belief, gender, sexual orientation, race, colour, marital status, political belief and nationality, or any other category defined by law in all aspects of employment including recruitment, promotion, and opportunities for training, pay and benefits.

Please refer to page 52 which outlines the board's diversity policy.

The charts below provide a breakdown of the gender of directors and employees at the end of the financial year.

Disability
Rank is committed to ensuring that people with disabilities are supported and encouraged to apply for employment with the Group and to achieve progress whilst employed. Disabled persons will be treated so that they have an equal opportunity, so far as is justifiable, to be selected, trained and promoted.

In order that people with disabilities may have an equal opportunity of being recruited, the Group strictly applies its equal opportunities and recruitment policies. In particular, Rank takes reasonable steps to ensure that interview arrangements are such that disabled persons may attend without embarrassment or difficulty. It also ensures that any enquiries made about an applicant's health prior to offering a job are limited to establishing whether the applicant will be able to comply with a requirement to undergo an interview or other assessment; whether a duty to make reasonable adjustments is, or will be, imposed on the Group in relation to the applicant in connection with a requirement to undergo an interview or other assessment; whether the applicant will be able to carry out a function that is intrinsic to the work concerned; or for the purpose of monitoring diversity in the range of persons applying to the Group to work. The Group is also committed to making such reasonable adjustments to premises, work practices and equipment as are necessary to enable a disabled person to take up employment with Rank.

Career development opportunities are communicated as appropriate to all employees and those with disabilities are encouraged to apply as detailed in the Group's equal opportunities policy. Both internal and external training opportunities are provided where they are appropriate to employees' current occupations or potential opportunities and to the needs of the business. Where appropriate, outside training providers are required to demonstrate that they are able to accommodate persons with

Gender diversity

BOARD

MALE	7
FEMALE	1

SENIOR MANAGEMENT

MALE	29
FEMALE	13

WHOLE COMPANY

MALE	5,530
FEMALE	5,047

The board consists of company directors, as detailed on pages 48 to 49.

1 Senior management is as defined in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, and includes: i) persons responsible for planning, directing or controlling the activities of the company, or a strategically significant part of the company, other than company directors and ii) any other directors of undertakings included in the consolidated accounts.

a disability before the Group will approve their appointment. The provision of internal courses is relocated as necessary in order to ensure that persons with disabilities may attend, and the human resources department is responsible for making suitable arrangements with regard to the venue or the format in which any supporting course materials are provided.

During performance appraisal meetings in particular, managers are required to pay special attention to the views of disabled employees on career development issues such as access to training/development events and/or opportunities, and are expected to enquire whether there is anything that the Group may reasonably do to help the person develop and use their abilities at work.

Where an employee becomes disabled, whether through accident, illness or injury, every reasonable and practicable consideration will be given to ensuring that they may remain in employment. Any situations involving an employee who becomes disabled require the involvement of human resources, who monitor the employee's disability and provide advice during their ongoing employment. The Group may take a variety of steps to enable continuing employment. All necessary advice and counselling will be provided for the employee concerned by human resources, who will also consult external specialist organisations as appropriate. The Group welcomes suggestions from disabled employees regarding adjustments which could assist with their ability to undertake their role.

Human rights
Given the nature of our business and its geographical spread we have not included information on human rights issues as required by the Companies Act 2006 Regulations 2013.

Our communities

Rank has continued its long history of community involvement and charitable fundraising.

How it affects our performance and position

Our venues are often cited as "community hubs" – particularly our Mecca venues. We challenge all of our teams to consider what they can contribute to the communities that they serve.

Our policies and actions

In February 2014, we launched Rank Cares to support the work of the Carers Trust to help those who help others in need of care. Around one in ten people in Britain today provide unpaid care for another – often a sick or elderly relation. The Carers Trust provides support, advice and relief for those undertaking what is often very physically and emotionally draining work.

The success of the Rank Cares programme continues with us celebrating raising £1m at the end of the 2015 calendar year and £1.25m since its launch in February 2014. We continue to set a fundraising target of £0.4m per year.

Some of the fundraising has come from employees' payroll giving through the Pennies from Heaven scheme where employees donate the pennies from their salary. We currently have 20% of employees signed up, with the pennies alone generating more than £17,000.

We have set ourselves a target of raising £1.3m for the Carers Trust by 31 December 2016.

The programme continues to support carers through a dedicated Rank Cares grant programme which has resulted in a total of 2,361 carers receiving some level of support since launch. Approximately five grant panels are held each year and to date 110 Rank employees have had the opportunity to sit on a panel to help decide where and to whom the money is awarded.

In addition, Rank Cares provides a framework for team members to volunteer their time to help the Carers Trust, often utilising hidden talents to bring relief and happiness to these selfless carers. Since the launch, a total of 6,228 volunteer hours have been completed across the business – 2,450 of them in 2015/16. Mecca and Grosvenor Casino colleagues helped many carers' centres across the UK with activities like pamper days, gardening, baking and other activities.

Having an impact

Paul is 30 and cares for his partner who has ME and struggles to walk. He looks after her on a daily basis, helping her with personal hygiene, administering her medication, preparing food and attending all appointments. He is also the main carer for the couple's two children.

Paul had to give up a job that he loved to look after his family causing him to feel depressed and isolated.

The family's cooker was broken and Paul was finding it hard to provide healthy meals for the family.

Paul applied to the Carers Essentials Fund and was awarded £300 towards the cost of a new cooker, which has relieved a lot of stress and difficulty for Paul and the whole family.

Beyond the Carers Trust, Rank employees continue to raise money for other charities:

- In conjunction with the Bingo Association, Mecca sold merchandise and hosted charity bingo games. A total of £67,436 was raised to benefit Variety, the children's charity
- Numerous staff members have raised money for cancer charities throughout the year
- At Christmas Mecca venues collected gifts for local children's hospitals and hospices

Flying high for Carers Trust

Jody Holland and Trish Whitehead went sky high for Rank Cares, raising £1,240 in their first ever parachute jump. The brave skydiving pair from Mecca Chester also raised awareness for Carers Trust and the work that it does by getting publicity in the local press. Trish even managed a smile for the camera on her way down!

Mecca Scotland – kilt walk

Mecca Chester flying high

The Rank executive committee causing a splash for a charity car wash

Rank and the environment

Our policies and actions – greenhouse gas (GHG) emissions

We have now reduced our carbon footprint for the fifth consecutive year, like-for-like, since 2010. Our carbon footprint, including Belgium and Spain, is now 64,679 tCO_2e, a reduction of 10.6% from 2014/15.

Following the successful implementation of food waste collection across our estate, and in partnership with our waste management company, we have reduced our overall amount of waste by 18% and also improved our landfill diversion, which is now over 96%, thereby comfortably beating our target for the year. Our intention is to continue to reduce our volume of waste and further improve our recycling levels.

Our gas and electricity consumption in the UK has been reduced by 4.7% over the last year.

We have commenced our gas Automated Meter Readers (AMRs) replacement programme and intend to upgrade our energy consumption reporting for gas and electricity upon completion to further assist with our ongoing energy savings.

Our environmental committee continues to review all energy saving opportunities via our opportunities database, with the assistance of our general managers and environmental champions at club level. As well as implementing best practices at our clubs, it includes the review of technological advances such as LED lighting opportunities and HVAC controls and strategies.

Over the next 12 months we will be aiming to achieve another year of like-for-like environmental improvements and energy reductions.

Greenhouse gas emissions

	Year ended 30 June 2016			Year ended 30 June 2015		
	Tonnes of CO_2e[1]	**%**	**Tonnes of CO_2e/£m revenue**	Tonnes of CO_2e[1]	%	Tonnes of CO_2e/£m revenue
Scope 1						
Constitutes gas use (plus gas oil in Belgium), owned transport and fugitive F-gas emissions	**17,001**	**27**		17,833	25	
Scope 2						
Comprises electricity generation	**32,605**	**50**		38,556	53	
Scope3[2]						
Comprises waste, materials use, flights, electricity transmission and distribution	**15,040**	**23**		15,928	22	
Outside of scopes[3]						
Represents the biogenic proportion of petrol and diesel	**34**	**–**		46	–	
Total	**64,680**	**100**	**90.8**	72,363	100	103.3

1 CO_2e is a universal unit of measurement used to indicate the global warming of greenhouse gases expressed in terms of global warming potential of one unit of carbon dioxide.
2 Well-to-tank emissions for fuels (electricity, gas, petrol, diesel and aviation fuel), which would sit within scope 3, are not included in the report.
3 This is categorised as outside scopes rather than scope 3 in line with the Defra 2015 emission factor guidance.

CONTRIBUTING TO SOCIETY

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

Taxation

In the year 2015/16 the Group's businesses generated £249.3m (2014/15: £196.0m) for all tax authorities and local governments in VAT, gaming taxes, income tax, National Insurance contributions and local business rates. Rank has provided employment to 10,700 (2014/15: 11,000) 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:

Tax strategy

Rank operates in a highly regulated and highly taxed industry and aims to ensure that Rank's economic and societal contributions are understood and valued. The Group's tax strategy is regularly reviewed and approved by the board and supported by the use of appropriate advisors.

In recent years, there has been significant negative publicity in relation to perceived anti-avoidance together with a tightening in the position that HMRC takes in relation to what it regards as anti-avoidance. Rank does not intend to enter into aggressive tax avoidance transactions.

During 2015/16 Rank has fully complied with statutory tax obligations and maintained good relationships with tax authorities in all jurisdictions in which it operates. Processes and controls are in place to ensure that taxes are correctly accounted for, tax returns are completed accurately and on time and tax liabilities are paid when they are due.

Tax returns can be subject to query and the Group aims to conclude tax audits as quickly as possible whilst also defending its position robustly with a view to protecting shareholder value but also taking into account the cost of defending audits in relation to the amounts of tax at stake. During the year, the Group successfully concluded a long standing issue in relation to a disposed business in an overseas territory and received a repayment of £4.4m of tax previously overpaid. In the UK, corporate tax filing positions are agreed for years up to and including 2013 with the exception of one outstanding issue relating to 2010. The tax in relation to this issue has been paid and the matter is currently under appeal at First-Tier Tribunal.

TAX CONTRIBUTION BY TERRITORY

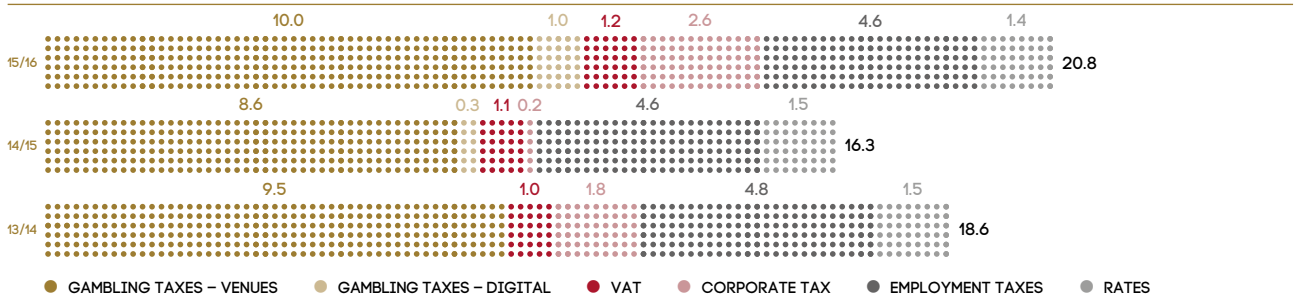
UK	£219.6M
SPAIN	£20.4M
BELGIUM	£7.3M
GIBRALTAR	£2.0M

TAXATION

TAXATION	29.7%
EMPLOYEES (EXCLUDING TAXATION)	23.7%
SUPPLIERS	26.1%
DEPRECIATION/AMORTISATION	6.1%
OTHER	6.3%
SHAREHOLDERS	8.1%

Tax fact file continued

MONTHLY WORLDWIDE CASH TAX CONTRIBUTION



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 in litigation 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 2015/16 was 22.5% (2014/15: 22.9%) based on a tax charge of £17.4m on adjusted profit before taxation. This is in line with the Group's anticipated effective tax rate of 21%-23% for the year. Further details on the taxation charge are provided in note 6.

Cash tax rate

In the year ended 30 June 2016 the Group had an effective cash tax rate of 18.3% on adjusted profit, excluding tax paid in relation to legacy issues (15.6% in the year ended 30 June 2015).

During the year the Group disposed of a number of freehold properties, with £10m profit on disposal being included within exceptional items. No tax arises in connection with these disposals since the Group has capital losses which will offset any gains.

Future tax rates

The effective corporation tax rate for 2016/17 is expected to be 20%-22% reducing in line with the reduction to UK corporation tax rates for future periods but remaining 1%-2% above the UK statutory tax rate as a result of some overseas profits being taxed at higher rates and depreciation of assets that do not qualify for capital allowances.

The Group is expected to have a cash tax rate of approximately 17% to 19% in the year ending 30 June 2017.

Gaming tax changes

Remote gambling became subject to tax on a place of consumption basis from 1 December 2014. Tax at 15% is now payable on any gambling revenue generated from consumers in the UK, which is the overwhelming majority of the Group's digital revenue. In the 2016 Budget it was announced that there would no longer be a deduction for free bets for Remote Gaming Duty purposes with effect from 1 August 2017. The Group anticipates that this could have a net cost of approximately £2m although the business will seek to minimise the impact of this change by looking at alternative ways of acquiring and incentivising customers.

During 2015/16 Rank has submitted a repayment claim to protect its position in relation to gaming duty on free bet vouchers or casino 'chips' provided by the casino to the player free of charge. This follows a judgment at the Upper Tier Tribunal for another casino operator, which stated that these items should not be included in the calculation of Gross Gaming Yield for gaming duty purposes.

Rank considers that the current tax regime for gaming in Great Britain is unduly complex which has resulted in an inconsistent tax treatment for some products offered to customers. For instance, Rank's roulette-based product attracts duty rates that vary from 15% to 50% of Gross Gaming Yield depending on which venues they arise in. Rank is in favour of a simpler regime that encourages sustained growth and investment.

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 25% of revenue. This differs from the taxation of land-based businesses, which although taxed at similar rates (of between 12% to 25%), are taxed on stakes received rather than revenue generated.

Belgium

The Belgium 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%. Rank holds two digital licences that it allows two third-party operators to use in exchange for a revenue share.

VAT claims

The Supreme Court decision in the amusement machines case for October 2002 to September 2005 has not altered Rank's appraisal of its chances of success in its remaining amusement machine claims.

In addition to the amusement machine claims there are a small number of claims outstanding in relation to VAT on bingo for periods which HMRC regards as out of time. Rank is standing behind the litigation of other taxpayers in relation to two of these claims, and is considering entering into litigation at the First-Tier Tribunal in relation to another.

VAT claims

The following amusement machine VAT claims are outstanding:

	VAT (£m)	Status
October 2002 to September 2005	26.4	Found in favour of HMRC at the Supreme Court in July 2015. Remitted back to the First-Tier Tribunal to consider similarities between amusement machines and fixed odds betting terminals. Tribunal hearing expected early 2017.
April 2006 to January 2013	80.4	Rank is stood behind the litigation of another taxpayer. This case is expected to be heard by the First-Tier Tribunal in 2017. Depending on the outcome of that litigation further litigation may be required by Rank. The issue is whether amusement machines were similar to fixed odds betting terminals.

Compound interest

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. The UK High Court (having been referred back from the CJEU) found in favour of the litigant and HMRC appealed the judgment. The Court of Appeal released its judgment in May 2015, in which it agreed with the High Court. A judgment is awaited from the Supreme Court.

Rank has protected its position by submitting a claim for compound interest. It is possible that Rank may be required to take separate litigation even if the litigant is ultimately successful as HMRC considers that the existing judgments are not clear enough or general enough to be applied to other claimants.

Tax fact file continued

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	10%
Interval bingo	10%
meccabingo.com[1]	15%
Grosvenor	
Casino games and poker	15% – £0 to £2,347.5k
(tax on gaming win in a six month period[2])	20% – £2,347.5k to £3,965.5k
	30% – £3,965.5k to £6,799k
	40% – £6,799k to £12,780k
	50% – over £12,780k
Category B1 gaming machines	20%
grosvenorcasinos.com[1]	15%

1 Rank's online business is based offshore (Alderney, Channel Islands) and has been subject to UK Remote Gaming Duty with effect from 1 December 2014.
2 Duty bands are effective from 1 April 2015. Bands will be increased by RPI of 0.98% from 1 April 2016 but this change has not yet been substantively enacted.

Spanish tax regime

	Bingo duty[3]	Remote Gaming Duty	VAT	Licence (annual average)
Bingo tax set by region	12% to 25%	–	–	–
Category B2/3 gaming machines	–	–	–	€3,650
Multi-post electronics	–	–	–	€10,600
enracha.es	–	25%	–	–

3 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		

Henry Birch
Chief Executive
22 August 2016

Clive Jennings
Finance Director
22 August 2016

GOVERNANCE

BOARD OF DIRECTORS









1. Ian Burke
Chairman

Appointment March 2006

Age 60 years old

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 Rank from March 2006 to May 2014, 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.

2. Henry Birch
Chief Executive

Appointment May 2014

Age 47 years old

Experience
Henry has more than 20 years of experience in the betting and gaming sector and in online and broadcast media. From July 2013 to May 2014 he was a non-executive director of the AIM-listed CFD trading platform operator, PLUS 500 PLC. From October 2008 to November 2012 he was the chief executive officer of William Hill Online, the joint venture between William Hill plc and Playtech plc, which managed William Hill's online business. Prior to working at William Hill Online, Henry was the chief executive officer of Leisure & Gaming plc, an AIM-listed company that owned and operated a number of online and retail betting and gaming subsidiaries. Prior to working at Leisure & Gaming plc, Henry was the chief operating officer of Bettingcorp Ltd, an Israeli company focused on the development and operation of online and interactive TV gaming platforms. Prior to working in the gambling industry, he held management roles at Time Warner, Turner Broadcasting and Riffage, an early digital music operator based in Silicon Valley, and started his career working in the House of Commons.

3. Clive Jennings
Finance Director

Appointment July 2011

Age 55 years old

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.

4. Chris Bell
Senior Independent Director

Appointment June 2015

Age 58 years old

Experience
Chris has over 20 years' experience in the betting and gaming industry.

Current roles
Non-executive chairman of two AIM-listed companies: XLMedia PLC and TechFinancials, Inc and a trustee of the Northern Racing College.

Former roles
Joined the Hilton Group in 1991 and became managing director of its Ladbrokes Worldwide business in 1994;

joined the board of Hilton Group Plc in 2000 and, following the disposal of its hotels division, became chief executive when it was re-named Ladbrokes Plc (2006 to 2010). Prior to joining Hilton Group he held a number of senior positions at Allied Lyons for 12 years. He was chairman of The GAME Group plc until March 2012 and non-executive director of Spirit Pub Company plc until June 2015 and senior independent director of Quintain Estates & Development plc until September 2015.

5. Steven Esom
Non-executive Director

Appointment March 2016

Age 55 years old

Experience
Steven has extensive commercial experience gained within a number of consumer-focused multi-site retail businesses.

Current roles
Senior independent director and remuneration committee chairman of the FTSE-250-listed food producer Cranswick plc and non-executive chairman of the British Retail Consortium (trading) and of Advantage Travel Centres.

Former roles
Chairman of The Ice Organisation Ltd (2011 to 2015) and of Bart Spices Holdings Ltd (2010 to 2013); non-executive director of Tyrrell's Investments Ltd (2009-2013), Carphone Warehouse Group plc (2005 to 2009) and of Ocado (2000 to 2003); a 12-year career at Waitrose, the last five years of which were as managing director and a number of senior and non-executive positions within the food sector.

6. Susan Hooper
Non-executive Director

Appointment September 2015

Age 56 years old

Experience
Susan has extensive experience gained within large consumer-facing businesses combined with broad commercial non-executive experience.

Current roles
Non-executive director of Wizz Air Holdings plc; a non-executive director and chairman of the remuneration committee of Affinity Water Programme Finance Limited; and a member of the International Advisory Board of LUISS Business School in Rome.

Former roles
Managing director of British Gas Residential Services, leading the service and repair, central heating installations, electrical services, and Dyno-Rod business units (January to October 2014); chief executive of Acromas Group's travel division, responsible for Saga Holidays, Hotels, Cruises, the AA Travel division and Titan Travel (2009 to 2013); non-executive director of Whitbread PLC (2011 to 2014), First Choice Holidays Limited (2005 to 2007), RSA Insurance Group plc (2001 to 2004), Courtaulds Textiles Limited (1999 to 2000) and senior roles at Royal Caribbean International, Avis Europe, PepsiCo International, McKinsey & Co, and Saatchi & Saatchi.

7. The Rt. Hon. the Earl of Kilmorey, PC
Non-executive Director

Appointment May 2012

Age 74 years old

Experience
Lord Kilmorey has diverse experience in commerce and industry and in Government.

Current roles
Non-executive chairman of Tetra Strategy Limited, a political consultancy, since May 2009; director of Halsbury Holmes Limited since January 2016 and 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 chairman of Rose Petroleum plc (2009-2015), 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).

8. Owen O'Donnell
Non-executive Director

Appointment September 2008

Age 49 years old

Experience
Owen's background is in online businesses including online media and online gaming. He is also a chartered accountant.

Current roles
Non-executive chairman of Find a Player Limited, a start-up sports network business, since November 2015 and non-executive chairman of Brighter World Energy, a start-up energy retail business, since August 2016.

Former roles
Non-executive director of Plumbee Limited (2012 to 2015), Finance director at Ovo Energy (2012 to 2014), 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; director of finance and performance measurement of Pearson plc.

9. Frances Bingham
Company Secretary

Appointment May 2008

Age 51 years old

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.

BOARD COMMITTEES

Audit committee:

Owen O'Donnell (Chairman),

Chris Bell, Steven Esom

Remuneration committee:

Steven Esom (Chairman),

Susan Hooper, Owen O'Donnell

Nominations committee:

Ian Burke (Chairman),

Henry Birch, Chris Bell, Steven Esom, Susan Hooper, Lord Kilmorey, Owen O'Donnell

Finance committee:

Ian Burke (Chairman),

Henry Birch, Clive Jennings

Responsible gambling committee:

Lord Kilmorey (Chairman),

Chris Bell, Henry Birch, Ian Burke

Executive Committee

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 – currently vacant

Mecca
Managing Director – Martin Pugh

Corporate
Chief Executive – Henry Birch

Finance Director – Clive Jennings

Company Secretary – Frances Bingham

Group Director of Digital and Cross-Channel Services – Colin Cole-Johnson

Group Director of Strategy and Corporate Development – Paul Richardson

Chief Information Officer – Keith Woodcock

Human Resources Director – Sue Waldock

CHAIRMAN'S GOVERNANCE INTRODUCTION

Ian Burke
Chairman

Dear shareholder

We are reporting this year against the 2014 version of the UK Corporate Governance Code ("the Code") and related guidance. During the year we were briefly in breach of Code provision C.3.1 (audit committee to consist of at least three independent non-executive directors) and Code provision D.2.1 (remuneration committee to consist of at least three independent non-executive directors) but Rank was in full compliance with the Code before 1 December 2015 and from 1 March 2016.

Appointment of non-executive directors

On 20 August 2015 we announced the appointment of Susan Hooper as a non-executive director with effect from 1 September 2015. Ms Hooper has extensive experience gained within large consumer-facing businesses combined with broad commercial non-executive experience which has further strengthened our board. Ms Hooper serves on Rank's remuneration and nominations committees.

On 25 February 2016 Rank announced the appointment of Steven Esom to the board with effect from 1 March 2016. Mr Esom has held a number of senior and non-executive positions within the food sector. Mr Esom chairs Rank's remuneration committee as well as serving on the board's audit and nominations committee.

Focus in 2015/16

During the year the board has held several discussions about the culture within Rank which have culminated in the launch of new values – STARS (Service, Teamwork, Ambition, Responsibility and Solutions) – which are being launched across Rank. Responsibility is one of our five core values and responsible gambling and anti money laundering have been a continued focus this year.

We aim for the highest standards in keeping with our commitment to upholding the licensing objectives. The audit committee continues to oversee improvements made to Rank's social responsibility and anti money laundering controls following the agreement that Rank reached with the UK Gambling Commission last year. The board also invited members of the Responsible Gambling Strategy Board (the "RGSB") to attend a discussion regarding social responsibility and the current key areas of concern for the RGSB and the industry's response to those concerns.

During the year we formed a board-level responsible gambling committee chaired by Lord Kilmorey. The committee has terms of reference which include:

- reviewing and making recommendations in relation to Rank's strategy and policy so far as gambling regulation and the prevention of gambling-related harm are concerned; and
- keeping under review the effectiveness of Rank's systems for identifying and interacting with customers who are at risk of becoming problem gamblers.

As well as the board-level responsible gambling committee, a separate executive level compliance and responsible gambling committee chaired by our chief executive has been formed, a summary of whose discussions is provided to the board at each of its scheduled meetings.

As part of our commitment to acting responsibly, the board has also kept under review our progress in relation to our two-year health and safety modernisation plan and determined the Group's approach to, and policy regarding, the Modern Slavery Act 2015. We will be publishing the statutory statement required by this Act on our website before the end of the calendar year.

Diversity
The board, supported by the nominations committee, continues to value diversity in its broadest sense when considering non-executive director appointments. In addition to considering gender and ethnicity, the board will look to achieve the appropriate balance of skills, experience and knowledge of the gambling industry as a whole. Whilst we did not achieve the board's target of increasing the proportion of women on the board to 25% by 30 June 2016, this continues to be our aspiration.

Leadership and effectiveness
Following the independent external review of the effectiveness of the board we conducted last year, the focus for this year has been on evaluating and developing individual directors. We have also been focusing on the board's engagement with strategy and the development of leadership.

Relations with shareholders
The board as a whole takes responsibility for ensuring that satisfactory dialogue with shareholders takes place. All shareholders are welcome to attend our annual general meeting which is taking place at 11am on Friday 14 October 2016 in Maidenhead.

Conclusion
I would like to take this opportunity to extend my gratitude to all my board colleagues for their contributions this year. We have had some excellent debates conducted with openness and constructive challenge. I would also like to thank in particular Tim Scoble who resigned during the year, for his contributions during the five and a half years he served on the board.

Ian Burke
Chairman
22 August 2016

Corporate governance statement

Introduction
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 September 2014 (the "Code").

This corporate governance statement covers the following areas:

- structure and role of the board and its committees;
- board effectiveness;
- audit committee;
- nominations committee;
- finance committee; and
- responsible gambling committee.

The directors have assessed the prospects of the company over a three year period. Further details of the viability assessment are provided on page 33.

The report of the remuneration committee is set out separately in the directors' remuneration report on pages 66 to 79.

Compliance with the Code
Save in relation to Code provisions C.3.1 (audit committee to comprise at least three independent non-executive directors) and D.2.1 (remuneration committee to comprise at least three independent non-executive directors) the board confirms that it has complied with the provisions of the Code throughout the year ended 30 June 2016. Please see page 54 for an explanation as to why the board was not in compliance with Code provisions C.3.1 and D.2.1 for the entire year.

This corporate governance statement forms part of the directors' report and accordingly is approved by the board and signed on its behalf by the company secretary. Certain parts of this corporate governance statement have been reviewed by the Company's auditors, Ernst & Young LLP, for compliance with the Code, to the extent required.

In this corporate governance statement the following abbreviations are used:

"FCA" – Financial Conduct Authority

"Guoco" – Guoco Group Limited

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

Structure and role of the board and its committees
The board is collectively responsible for the long-term success of the Company. The board's main responsibilities and the key actions carried out during the year are set out on page 53. The board delegates certain matters to committees and delegates the detailed implementation of matters approved by the board and the day-to-day operational aspects of the business to the executive directors.

Code main principles

Leadership

The role of the board

Board composition

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

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

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

Key board responsibilities

The board is responsible for:

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

Specific responsibilities are delegated to our five board committees – audit, remuneration, nominations, finance and responsible gambling. They report to the board and operate within defined terms of reference, which can be obtained from our website at www.rank.com/en/investors/corporate-governance/our-committees.html or by writing to the company secretary.

The executive directors conduct the Company's business within clearly defined limits delegated by the board and subject to those matters reserved to the board.

Board meetings

Board meetings allow for regular and frank discussion of strategy, trading, financial performance, regulatory affairs, responsible gambling and risk management.

There were ten scheduled meetings during the year.

During the period under review, 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 meetings during the year is recorded in the table below. It shows the number of board meetings attended by each director compared with the number of board meetings that director was eligible to attend.

Board meeting attendance

Name	Board member since	Attendance/ Eligibility to attend	Notes
Chris Bell	June 2015	10/10	
Henry Birch	May 2014	10/10	
Ian Burke	March 2006	10/10	
Steven Esom	March 2016	3/3	Mr Esom joined the board on 1 March 2016.
Susan Hooper	September 2015	8/8	Ms Hooper joined the board on 1 September 2015.
Clive Jennings	July 2011	10/10	
Lord Kilmorey	May 2012	10/10	
Owen O'Donnell	September 2008	10/10	
Tim Scoble	April 2010	5/5	Mr Scoble resigned from the board on 30 November 2015.
Shaa Wasmund	November 2012	2/4	Ms Wasmund was unable to attend two meetings due to unavoidable unforeseen circumstances. Ms Wasmund resigned from the board on 15 October 2015.

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.

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

Division of responsibilities
There is a clear division of responsibilities for the chairman and chief executive.

Chairman
The chairman is charged to:

- manage the business of the board, preside over meetings and seek prompt and appropriate decisions;
- work with the company secretary to ensure directors receive accurate and clear information for the proper execution of their duties;
- oversee effective communication with shareholders;
- keep the Group's progress and development under review;
- ensure the chief executive's Group objectives, policies and strategies are consistent with lasting shareholder value;
- evaluate the board and its committees; and
- ensure the Group's governance is effective and in line with best practice.

Chief executive
The chief executive's role is to:

- manage and promote the Group's long-term profitable development;
- exercise stewardship of intellectual property, human and financial resources and ensure that the relevant policies are implemented;
- plan strategy and prepare objectives and policies for board approval;
- ensure action is taken to achieve strategies, objectives and policies, as approved by the board;
- ensure objectives, policies and strategies are adopted for each Group business, that appropriate budgets are set for them individually, that their performance is monitored, and that guidance is given when needed;
- take responsibility for Group health and safety policies;
- make sure the Group complies with all relevant legislation; and
- lead ongoing communication with employees.

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 June 2015, Chris Bell is available to talk with shareholders who have questions or concerns. Led by the senior independent director, the non-executive directors met and reviewed the chairman's performance without him being present.

The audit committee was without three independent non-executive directors from the resignation of Tim Scoble on 30 November 2015 to the appointment of Steven Esom effective from 1 March 2016. The Company was therefore not in compliance with Code provision C.3.1 for three out of the 12 months of the year under review.

The remuneration committee was without three independent non-executive directors from the resignation of Shaa Wasmund with effect from 15 October 2015 to the appointment of Steven Esom effective from 1 March 2016. The Company was therefore not in compliance with Code provision D.2.1 for four months 17 days out of the 12 months of the year under review.

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, excluding the chairman, is independent:

Name	Independent	Appointed
Chairman		
Ian Burke[1]	n/a	March 2006
Executive		
Henry Birch	no	May 2014
Clive Jennings	no	July 2011
Non-executive		
Chris Bell	yes	June 2015
Steven Esom	yes	March 2016
Susan Hooper	yes	September 2015
Lord Kilmorey	yes	May 2012
Owen O'Donnell	yes	September 2008

1 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. On 6 May 2014 he resigned his role as chief executive and became non-executive chairman with effect from that date.

The principal terms and conditions of appointment for each director are set out on pages 71 to 72 and their interests in Rank shares are detailed on page 77.

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

Commitment
The terms of appointment of non-executive directors are outlined on page 72 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.

Neither Henry Birch nor Clive Jennings currently holds any directorships outside the Rank Group. Executive directors are not permitted to take up non-executive directorships outside the Group.

Development
Induction
During the period under review, two new non-executive directors were appointed to the board. The non-executive directors were given a comprehensive induction programme, which included meetings with senior management and site visits accompanied by the finance directors of the casino and bingo businesses.

Skills and knowledge
All directors are given regular written briefings with regard to matters affecting the Group's businesses, such as 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 chairman.

Information and support
Assisted by the company secretary, the chairman 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
An independent external review of the effectiveness of the board was conducted last year. The review highlighted some areas which the board agreed would be the subject of focus and which the board did address during the year. The non-executive directors met privately to discuss the effectiveness of the board and its committees during the year and agreed that, overall, the board had functioned effectively during the period under review and that its committees continued to discharge their duties in line with their respective terms of reference.

The chairman, together with two non-executive directors, evaluated the performance of the chief executive by means of a questionnaire and meeting. The outcome was discussed and then fed back to the other non-executive directors. The non-executive directors also met privately without the chairman present to review the performance of the chairman.

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.

Steven Esom was appointed to the board since the last annual general meeting and is therefore required to submit himself for election at the forthcoming annual general meeting on 14 October 2016.

The Company complies with the Code's requirement for annual re-election of directors of FTSE 350 companies. Therefore all other directors will submit themselves for re-election at the forthcoming annual general meeting.

Relations with shareholders

Dialogue with shareholders
The board as a whole takes responsibility for ensuring that satisfactory dialogue with shareholders takes place. As at 30 June 2016, 56.16% of our shares were held by our majority shareholder, Guoco, and a further 33.75% were held by 20 institutional shareholders.

Given that Rank is a 56.16% subsidiary of Guoco, the chief executive and other members of Rank's executive management team meet with representatives of Guoco four times a year to discuss business performance and other issues that could impact its financial statements.

We speak with our institutional shareholders and city analysts through a programme of investor relations and regular meetings with principal shareholders conducted by our chief executive, finance director and director of investor relations.

All directors receive reports to keep them in touch with shareholder opinion. During the period under review, a total of 58 meetings with 46 shareholders were attended by one or more of the 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. The chairman and chairmen of the audit and remuneration 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 2016 AGM will be held on 14 October 2016 and the full text of the notice of meeting, together with explanatory notes, is set out in a separate document at: www.rank.com/en/investors/shareholder-centre.html.

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 138 and on our website at www.rank.com/en/investors/shareholder-centre.html).

AUDIT COMMITTEE

Owen O'Donnell
Chairman

Other committee members
Chris Bell, Steven Esom

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 has responsibility for reviewing 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 that a fair, balanced and understandable assessment of the Group's ongoing position and prospects is presented.

Any changes in accounting policies are authorised by the committee, which also reviews the objectivity and effectiveness of our external auditor 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 any 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 auditor, finance director and others.

The committee's terms of reference are available from the Company's website at www.rank.com/en/investors/corporate-governance/terms-of-reference.html, or by writing to the company secretary.

Audit committee membership and meetings

The audit committee was without three independent non-executive directors from the resignation of Tim Scoble on 30 November 2015 to the appointment of Steven Esom with effect from 1 March 2016. During that time, Ian Burke served on the committee. The Company was therefore not in compliance with Code provision C.3.1 for three out of the 12 months of the year under review since Mr Burke is not independent.

The board is satisfied that the committee has recent and relevant financial experience.

A rolling agenda and topical items determine the committee's discussions. The committee met formally four times in the period under review.

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

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

Committee meeting attendance

Name	Committee member since	Attendance/ Eligibility to attend	Notes
Current committee members			
Chris Bell	June 2015	4/4	
Steven Esom	March 2016	1/1	Mr Esom joined the board and the audit committee on 1 March 2016.
Owen O'Donnell	September 2008	4/4	Mr O'Donnell has been committee chairman since 22 April 2014.
Former committee members			
Tim Scoble	October 2013	2/2	

Risk management

Successful execution of the Group's strategy requires a thorough and critical approach to identifying, accepting and mitigating existing and emergent risk, and to that end both the board and the audit committee take an active role in ensuring that a culture of risk-awareness and risk-adjusted decision making are embedded throughout the Group.

The audit committee and the board monitor the effectiveness of the risk management process and regularly review the principal risks and the controls and risk-mitigation actions put in place to manage them.

Whilst responsibility remains with the board, a key part of oversight of the risk management process is executed through the Group's risk committee which comprises the chief executive, finance director, company secretary, chief information officer and director of internal audit. This committee meets a minimum of eight times per year and will also include, by invitation, specialist employees from various departments and functions of the Group to support detailed discussions of specific operational risks. The primary roles of the risk committee are to:

- review the corporate risk register;
- carry out 'deep-dive' reviews into specific departments' and functions' risk registers; and
- provide a forum to ensure the adequate and timely progress of agreed risk-mitigation actions.

The Principal Risks and Uncertainties section on page 34 of the strategic report details the key areas which the risk committee focused on in its reviews during the year.

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.

In accordance with the provision C.2.2 of the UK Corporate Governance Code, revised by the Financial Reporting Council in September 2014 (the "Code"), a period of three years has been adopted for assessing viability for the period under review. The board agreed the proposed processes to support the viability statement and has delegated to the committee responsibility for overseeing this.

During the year the committee reviewed assurance reports relating to compliance with anti money laundering ("AML"), counter terrorist financing ("CTF") and proceeds of crime ("PoC") policies and procedures from the managing directors of Grosvenor and Mecca.

The audit committee has also regularly assessed the progress achieved against management's information security improvement plan.

Internal control framework

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 uncertain events.

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 identifying, evaluating and managing significant risks and to monitoring 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.

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.

Compliance control: across the Group we have teams whose responsibility it is to ensure day-to-day adherence to all legislation to which our operations are subject, including gambling, anti money laundering and health and safety. Senior executives and the internal audit team are responsible for monitoring overall compliance. They report to the audit committee and the board. In light of the findings in the application of the Group's policies and procedures relating to anti money laundering and responsible gambling that were brought to our attention by the UK Gambling Commission during the previous year, the board commissioned an

externally led review of our anti money laundering and responsible gambling controls and a number of compliance controls have been subject to further enhancement and improvement to take account of the recommendations made by the review.

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

At its meetings in the year to 30 June 2016, the audit committee examined the effectiveness of the Group's approach to internal control by reviewing changes to controls made during the year and reviewing the adequacy and progress of action plans to address failings or weaknesses identified in the Group's system of internal control.

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.

Internal audit

The audit committee has responsibility for the internal audit function and the director of internal audit reports directly to the chairman of the audit committee. Our internal audit team provides an objective and regular stream of analysis and opinion on risk management and control. To avoid bias, it is entirely independent of the business operations under audit and maintains strict management of any conflicts of interest arising.

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

The audit committee also agrees the annual audit plan which covers operational, corporate and IT audits, reviews the level and nature of internal audit resource and reviews the audit reports produced by the internal audit team.

The internal audit team seeks 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 controls performance also affect operational management bonuses.

The director of 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 director of internal audit without executive management being present.

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.

Whistleblowing

Rank considers it important to maintain a culture of openness, honesty and opposition to fraud, corruption and unethical business conduct. It is Rank's policy to implement and maintain procedures that promote ethical business conduct and reduce the risk of fraud and other irregularities, enabling early detection, investigation and reporting. To support this, Rank has a fraud and unethical business conduct whistleblowing policy which sets out the ways in which employees can voice their concerns about suspected fraud, corruption or unethical business conduct.

During the latter half of the year, the whistleblowing policy was re-communicated to all employees with new display materials and additional clarifications about the matters for which it should be used.

Financial reporting and significant financial issues

The audit committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. The committee reviews accounting papers prepared by management which provide details of the main financial reporting judgements. The committee also reviews reports by the external auditor on the full year and half year results which highlight any issues with respect to the work undertaken on the full year audit and the half year review.

Significant accounting issues considered by the committee during the year included:

- EBITDA multiples and discount rates applied for impairments;
- impairment review of intangible assets and property, plant and equipment;
- review of provisions, including those in relation to property leases and indirect tax;
- review of ongoing direct tax issues;
- treatment of exceptional items; and
- contingent assets and liabilities.

Audit committee activity in 2015/16

In addition to those items detailed under internal control, risk management and financial reporting and significant financial issues, during the year under review the committee's business has included the following:

- full and half-year results;
- principal judgemental accounting matters affecting the Group;
- the assurance process to allow the board to make a viability statement;
- finance systems strategy;

- external audit plans and reports including auditor observations and recommendations made as a result of controls testing completed in prior year audits;
- recoverability of a convertible loan made to Rank's digital platform provider;
- the migration of Bede Gaming was considered;
- internal audit plans and key reports;
- information security and cyber risk as part of the information security improvement programme;
- external and internal theft and fraud;
- anti money laundering and prevention of crime;
- litigation; and
- whistleblowing and code of conduct reports.

Significant financial judgements

Before recommending the half-year and full-year financial statements to the board for approval, the committee reviewed the following key accounting issues that rely on significant financial judgements.

Exceptional items – the committee reviewed the accounting treatment of exceptional items and are in agreement that the items listed in note 4 are exceptional in size or nature and therefore it is appropriate to disclose these separately.

Impairments – for goodwill and indefinite life assets not subject to amortisation, the Group performs an annual impairment review. In addition, the Group also reviews assets that are subject to amortisation or depreciation for events or changes in circumstances that indicate that the carrying amount of an asset or cash-generating unit may not be recoverable. If a definite life asset has been previously impaired the Group considers whether there has been a change in circumstance or event that may indicate the impairment is no longer required. The Group considers each venue to be a cash-generating unit and therefore the review covers in excess of 150 individual cash-generating units.

The committee reviewed management's impairment review process including, where applicable, the potential indicators of impairment and/or reversal, cash flow projections, sensitivity of assumptions and discount rates used to derive a value in use. This included consideration of the impairment charge of £0.9m in Stockton Grosvenor and the reversal arising in Enracha of £1.4m where performance at the club in Sabadell has seen a sustained performance recovery following the closure of a competitor.

The committee was of the view that the net impairment reversal recognised of £0.5m was appropriate. Further details of the impairment charges and reversals are disclosed in note 4.

The committee also considered the impairment review undertaken in relation to the investment in subsidiary undertakings held by the Company, including the appropriateness of the key inputs into the valuation model. The committee was of the view that the impairment charge of £5.1m was appropriate.

Property lease provisions – at both the half and the full year, the committee considered the Group's approach to property lease provisions, the discount rates applied and management's recommendations, in order to satisfy itself how management came to its best estimate of property lease obligations.

The committee noted that the Group has a number of property leasehold contracts and was of the view that appropriate provision had been made against those property leases where the unavoidable costs exceed the expected economic benefit expected to be derived from the property. Further details of the property lease provision held are disclosed in note 21 and the exceptional adjustments made in the current year are disclosed in note 4.

In addition, the committee was also updated in respect of certain property leasehold contracts where the rights and obligations but not the legal titles have been transferred to third parties such that the Group remains potentially liable in the event of default by the third party. Should default occur then the Group would normally have recourse to one or more guarantor entities. These leasehold contracts include nine remaining property leases, with lease durations of between five months and 97 years and a current annual obligation (net of sub-let income) of approximately £0.8m, that were transferred concurrent to the £211m sale and leaseback in 2006. The committee noted the risk associated with the transfer of such property leasehold contracts but that the Group has not to date been notified of any default, or intention to default, in respect of the transferred leases. Further details of this contingent liability are disclosed in note 31.

Indirect tax provisions – the committee receives and considers an update paper covering the Group's indirect tax issues, including the Group's various VAT claims, at both the half and the full year. The committee noted July's adverse decision of the Supreme Court in favour of HMRC regarding claims for overpaid VAT on certain types of amusement machines between 2002 and 2005 but that a full provision has been made for amounts not yet repaid.

The committee was of the view that management's best estimate of the liability for the issues that remained outstanding was appropriate. Details of the indirect tax liability recognised are disclosed in note 21.

Direct tax – the committee receives and considers an update paper covering the Group's ongoing direct tax issues at both the half and full year. These issues cover both discontinued operations with historic tax audits and continuing operations where tax returns submitted have been, or are likely to be, challenged by the relevant tax authority. The committee noted the successful receipt of £4.4m of overpaid Canadian tax and that this was appropriately disclosed as a contingent asset in the prior year accounts. The committee also noted that the Group made an appropriate payment of £21.4m in respect of an ongoing tax issue which was provided for in the prior period.

The committee was of the view that management's best estimate of the liability for the remaining issues was appropriate. See note 17 for details of the direct tax liability recognised.

Contingent assets and liabilities – the Group, as noted in the areas of significant judgement above, has had to consider the accounting treatment of a number of potential assets and liabilities. This requires management to apply judgement in assessing the probability of occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

The audit committee receives tri-annual updates from management, incorporating legal advice as appropriate, on the accounting treatment for potential assets and liabilities in relation to disclosure or recognition. The committee is of the view that management has appropriately treated such items in the financial statements. Details of the contingent assets and liabilities disclosed are included in notes 30 and 31 respectively.

Principal risks and uncertainties

Details of the Group's principal risks and uncertainties, and the controls in place to mitigate them, can be found on pages 34 to 36 of the strategic report. Additionally, details of the financial risks that the Group faces can be found in note 19 to the financial statements.

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. The results were then reviewed by the committee chairman and discussed with the board. The board agreed that the committee continued to perform effectively.

Assessment of effectiveness of external audit process

Agreement on how best to assess the effectiveness of the external audit process was discussed between the audit committee chairman, the finance director and the company secretary and a proposal agreed. That proposal was put to the other audit committee members for agreement. Part of the effectiveness of the external audit process was assessed by the use of a questionnaire which posed questions in relation to different aspects of the external audit process. Those individuals employed by Rank most actively involved with the day-to-day aspects of the audit provided responses to certain questions asked of them. The views of Rank employees involved with the audit were considered, discussed and summarised and provided to audit committee members for discussion amongst themselves.

In addition to a private meeting between the audit committee chair and the external audit partner, the committee met with the auditor 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 auditor had to make.

During the year, the Audit Quality Review Team of the Financial Reporting Council (the "FRC") reviewed Ernst & Young LLP's audit of the Group's financial statements in respect of the year ended 30 June 2015. The FRC has given us a copy of its confidential report which has been reviewed and discussed by the committee and separately with the external auditor, and the committee is satisfied that the matters raised do not give it concerns over the quality, objectivity or independence of the audit and have been appropriately addressed by Ernst & Young LLP in this year's audit.

Audit tendering

The committee has noted the requirements regarding audit tender and rotation of the audit engagement partner. The Company's external audit was most recently tendered during 2009, resulting in a change of external auditors and the appointment of Ernst & Young LLP at the Company's annual general meeting on 22 April 2010. There was a change of external audit partner following completion of the 31 December 2015 interim review. The committee will continue to give consideration to the timing of the next formal tender in the light of the then prevailing regulatory requirements. The committee does not anticipate that a tender will be undertaken during the 2016/17 financial year. There are no contractual obligations that restrict the choice of external auditors.

Auditor

Having reviewed its performance throughout the period, our conclusion that Ernst & Young LLP's effectiveness is satisfactory enables us to recommend its reappointment for 2016/17.

The auditor, Ernst & Young LLP, is 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 auditor

Our auditor is employed to express an opinion on the financial statements. It reviews the systems of internal financial control and the data contained in the financial statements to the extent necessary to express its opinion.

It discusses with management the reporting of operational results and the financial position of the Group, and presents 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 auditor and each director has taken steps to be aware of all such information and to ensure it is available to the Company's auditor.

Non-audit work

The audit committee oversees the nature and amount of any non-audit work undertaken by the auditor to ensure they remain independent. Consequently, the committee is required to approve in advance all non-audit services above £25,000.

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 in note 3.

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.

Assurance

The internal audit function and the external auditor presented their findings to the committee in November 2015 and in January and June 2016. 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 86.

NOMINATIONS COMMITTEE

Ian Burke
Chairman

Other committee members
Chris Bell, Henry Birch, Steven Esom, Susan Hooper, Lord Kilmorey, Owen O'Donnell

Appointments to the board

The nominations committee is comprised of the chairman, all independent non-executive directors and the chief executive. The formal terms of reference of the nominations committee are available on our website at www.rank.com/en/investors/corporate-governance/terms-of-reference.html, or by written request to the company secretary.

The nominations committee is responsible for identifying relevant talent and nominating all board appointments with due regard for the benefits of diversity on the board, including gender.

During the year under review the committee met formally on three occasions.

The main issues which the committee discussed during the year under review were:

- the search for two independent non-executive directors;
- succession planning;
- chairmanship and membership of board committees;
- board composition; and
- board diversity.

Committee meeting attendance

Name	Committee member since	Attendance/ Eligibility to attend	Notes
Current committee members			
Chris Bell	July 2015	3/3	Mr Bell joined the committee on 1 July 2015.
Henry Birch	July 2014	2/3	Mr Birch was unable to attend one meeting due to unavoidable unforeseen circumstances.
Ian Burke	June 2014	3/3	Mr Burke has been committee chairman since 25 June 2014.
Steven Esom	March 2016	1/1	Mr Esom joined the committee on 1 March 2016.
Susan Hooper	September 2015	2/2	Ms Hooper joined the committee on 1 September 2015.
Lord Kilmorey	February 2014	2/3	Lord Kilmorey was unable to attend one meeting due to unavoidable unforeseen circumstances.
Owen O'Donnell	February 2014	3/3	
Former committee members			
Tim Scoble	September 2011	2/2	
Shaa Wasmund	February 2014	0/2	Ms Wasmund was unable to attend two meetings due to unavoidable unforeseen circumstances.

Board and committee composition
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.

During the period under review, Mr Bell, Mr Esom and Ms Hooper were appointed to the committee; Mr Scoble and Ms Wasmund left the committee following their respective resignations from the board. The composition and chairmanship of our board committees are considered annually and have been considered once during the period under review.

Board diversity
During the period under review, the nominations committee has continued to consider the issue of diversity (including gender diversity) in the context of the board and is mindful of the benefits that diversity brings to the board.

The board's diversity policy is to recruit the best candidate having regard to the skills and experience required, but with a mind to diversity, including gender diversity. The directors have confirmed that they continue to aspire to achieving 25% female representation on Rank's board.

Details of the gender breakdown of directors, senior management and the Group as a whole can be found on page 39 of the strategic report.

Appointment of non-executive directors
Susan Hooper was appointed to the board with effect from 1 September 2015 and Steven Esom with effect from 1 March 2016; both Ms Hooper and Mr Esom were appointed to the board following a search process led by the chairman which was undertaken using an external search agency, Zygos LLP. All board members were invited to meet both Ms Hooper and Mr Esom. Following meetings of the nominations committee Ms Hooper and Mr Esom were recommended to the board for appointment. At its meetings convened on 19 August 2015 and 1 September 2015 the board unanimously resolved to appoint Ms Hooper and Mr Esom respectively to the board. Both Ms Hooper and Mr Esom were appointed for an initial term of three years subject to election at the annual general meeting following their appointment and thereafter subject to re-election at subsequent annual general meetings.

Re-appointment of a non-executive director
The nominations committee considered the re-appointment of Lord Kilmorey as a director. By the time of this year's annual general meeting in October 2016, Lord Kilmorey will have served as an independent director for almost four and a half years. Lord Kilmorey's diverse experience in commerce and industry, and in Government, are attributes which are of significant benefit to the Rank board and therefore, on the recommendation of the nominations committee, the board re-appointed Lord Kilmorey until the conclusion of the Company's 2017 annual general meeting (subject to re-election at the Company's 2016 annual general meeting).

RESPONSIBLE GAMBLING COMMITTEE

Lord Kilmorey
Chairman

Other committee members
Chris Bell, Henry Birch, Ian Burke

The responsible gambling committee was established during the second half of the year in order to assist in the formulation of, and keep under review, the Group's responsible gambling strategy. The specific duties assigned to the committee are:

- To review and make recommendations in relation to Rank's strategy and policy so far as gambling regulation and the prevention of gambling-related harm are concerned;
- To review the results of gambling-related research projects undertaken by Rank or by third parties at the request of Rank or utilising Rank's data;
- To keep under review Rank's policies and systems designed to protect children and other vulnerable persons from being harmed or exploited by gambling;
- To keep under review the effectiveness of Rank's systems for identifying and interacting with customers who are at risk of becoming problem gamblers;
- To review and make recommendations in relation to the resources available within, and to, Rank to ensure that vulnerable or potentially vulnerable persons are identified, monitored and, where appropriate, promptly denied access to Rank's facilities for gambling;
- To review and approve substantive changes to Rank's responsible gambling manuals in all the jurisdictions and channels in which it operates; and
- To review the content of Rank's 'Annual Assurance Statement' (AAS) to the UK Gambling Commission, prior to its submission to the Rank board for approval.

The formal terms of reference of the committee are available on our website at www.rank.com/en/investors/corporate-governance/terms-of-reference.html, or by written request to the company secretary.

The committee has met once formally during the period under review at which it discussed a number of matters, including the National Responsible Gambling Strategy for 2016/17 to 2018/19, which it was wholly supportive of.

In June 2016 the committee members and other members of the board met with members of the Responsible Gambling Strategy Board (the "RGSB") in order to hear first hand the principal concerns of the RGSB. This meeting provided valuable insights and will assist the committee in formulating a Group responsible gambling strategy for recommendation to the board during the course of the coming year.

FINANCE COMMITTEE

Ian Burke
Chairman

Other committee members
Henry Birch, Clive Jennings

The board has established a finance committee which is comprised of the chairman, chief executive and finance director; following Mr Scoble's resignation in November 2015, there is currently not a non-executive director serving on the committee. The committee is authorised to approve capital expenditure and make financing decisions for the Group up to authorised limits. On behalf of the board, the finance committee's role includes setting, monitoring and reporting on:

- operating plans;
- monthly comparison of operating divisions' actual financial performance against budget; and
- year-end forecasts.

The committee's terms of reference are available from the Company's website at www.rank.com/en/investors/corporate-governance/terms-of-reference.html, or by writing to the company secretary.

The committee met on 11 occasions during the year and the issues it discussed included insurance cover and uninsured risks, estate management issues and commercial agreements within its delegated authority.

Committee meeting attendance

Name	Committee member since	Attendance/ Eligibility to attend	Notes
Current committee members			
Henry Birch	May 2014	11/11	
Ian Burke	March 2006	11/11	Mr Burke has been committee chairman since 15 July 2011.
Clive Jennings	July 2011	11/11	
Former committee members			
Tim Scoble	September 2011	4/4	Mr Scoble resigned as a director on 30 November 2015.

REMUNERATION COMMITTEE

Steven Esom
Chairman

Other committee members
Susan Hooper, Owen O'Donnell

Annual Statement

Introduction

On behalf of the board, I have pleasure in presenting Rank's directors' remuneration report for the year ended 30 June 2016. There are two parts to the report:

- The first sets out Rank's executive remuneration strategy and policy which was approved by shareholders on 22 April 2015 (the "Policy Report"); and
- The second describes how the remuneration policy has been implemented during the year ending 30 June 2016 (the "Annual Remuneration Report").

The text of the Policy Report is included for ease of reference only. At the Company's forthcoming annual general meeting on 14 October 2016, shareholders will be invited to approve the Annual Remuneration Report (by way of a non-binding advisory vote).

Performance outcome

The Group has had a mixed performance this year. However, effective estates management and the successful resolution of some long-term tax issues have ensured that Group pre-tax profits after exceptionals increased by 15%.

Committee activity during the year

There were a number of changes to membership of the remuneration committee during the year. Susan Hooper joined the remuneration committee in September 2015 and, following Tim Scoble's resignation from the board in November 2015, I joined the board and became chairman of its remuneration committee on 1 March 2016.

The key focus of the committee during the year has been to monitor the effectiveness of the long-term incentive arrangements for the senior management team which were introduced in 2014/15 following consultation with shareholders. It is important that the remuneration arrangements enable Rank to attract, retain and motivate skilled directors and other senior executives of the highest calibre in order to deliver optimal returns for shareholders which are sustainable.

During the year the committee reviewed the salaries of the executive directors. Their salaries were benchmarked externally. The benchmarking exercise showed that the base salary of the chief executive was significantly behind the market when compared to other gaming operators and as a result the committee took the decision to increase it by 10% with effect from 1 April 2016.

In order to align the timing of Group pay reviews with increases in the National Living Wage, the committee resolved to defer executive pay increases from 1 January 2016 to 1 April 2016.

During the course of this, the third and final year of the performance period of the current long-term incentive plan, the committee will turn its mind to designing a new long-term incentive to be in place at the start of the 2017/18 financial year. In this respect the committee will continue to be mindful of the concerns expressed by shareholders at the time of the consultation undertaken in relation to the 2014/15 plan.

In conclusion, the committee welcomes shareholder feedback on issues related to executive remuneration and I and my fellow committee members will be present at the annual general meeting to answer any questions that shareholders might have.

Steven Esom
Chairman of the remuneration committee
22 August 2016

Policy Report

The policy on remuneration of directors (the "Policy") is set out on the following pages and is provided for information only. A binding resolution was put to, and approved by, shareholders at a general meeting held on 22 April 2015 and this report has only been updated to reflect current director appointments and actual director remuneration for 2015/16 and is not being put to shareholders at the 2016 AGM.

A copy of the approved Remuneration Policy is available at: www.rank.com/en/investors/corporate-governance/terms-of-reference.html.

Remuneration and components

The committee reviews the Company's remuneration philosophy and structure each year to ensure that the remuneration framework remains effective in supporting the Company's strategic objectives and fairly rewards individuals for the contribution that they make to the business, having regard to the size and complexity of the Group's operations and the need to motivate and attract employees of the highest calibre.

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.

Committee's approach to setting pay policy

The committee intends that the base salary and total remuneration of executive directors should be in line with market median. Remuneration is benchmarked against rewards available for equivalent roles in suitable comparator companies, with the aim of paying neither significantly above nor below the median for each element of remuneration at par target performance levels.

The committee also considers general pay and employment conditions of all employees within the Group and is sensitive to these, to prevailing market and economic conditions and to governance trends when assessing the level of salaries and remuneration packages of executive directors and other members of the executive committee.

The total remuneration package links corporate and individual performance with an appropriate balance between short- and long-term elements, and fixed and variable components. The policy is designed to incentivise executives to meet the Company's key objectives, and so a significant proportion of total remuneration is performance related.

The committee considers that the targets set for the different components of performance-related remuneration are both appropriate and sufficiently demanding in the context of the business environment and the challenges facing the Group.

Future policy table

The key components of executive directors' remuneration, as applicable from 22 April 2015, are summarised below:

Component	Purpose and link to business strategy	Mechanics Operation and performance framework
Base salary	To attract and retain skilled, high-calibre individuals to deliver the Group's strategy.	Base salaries are reviewed annually and are appropriately set to reflect: ~ the role's scope, responsibility and accountabilities; ~ market data; ~ general rates of increase across the Group, and ~ the performance and effectiveness of the individual. Any increase will take effect on 1 January of the following year.
Insured and other benefits	Insured and other benefits are offered to executive directors as part of a competitive remuneration package.	Insured benefits comprise private healthcare insurance for executive directors and dependants, life assurance and permanent health insurance. Other benefits comprise a cash car allowance and the fuel cost of all mileage (private and business). The amount of the cash car allowance is reviewed periodically by the committee in the light of market conditions.
Retirement provisions	Rewards sustained contribution and encourages retention.	Executive directors are automatically enrolled in The Rank Group Workplace Pension Scheme (the "Pension Scheme") in accordance with the Company's obligations under the Pensions Act 2008. The Company will contribute into the Pension Scheme at the rate of 10% of the executive director's base salary. If the executive director chooses to opt out of his automatic enrolment in the Pension Scheme he is entitled to receive a cash allowance of an annual amount equivalent to 10% of basic salary.
Annual bonus	Motivates the achievement of annual strategic, financial and personal performance. Rewards individual contribution to the success of the Company.	Rank operates an annual cash bonus scheme in which executive directors participate. Under the scheme an annual bonus pool is created based on the return on shareholder funds over a one-year period. The bonus plan operates on a pool system with sharing rates varying based on performance above a threshold. The mechanics of the plan are set by the committee at the start of the year with payment made after the year end following the committee's assessment of performance relative to targets. The primary performance measure is the return on shareholder funds, as this determines the size of the pool. The allocation of the pool between individuals is at the committee's discretion in light of the achievement of annual financial and strategic goals as well as individual performance. A full description of the performance measures in place and how this determines the bonus pool will be provided in the Annual Remuneration Report. The scheme operates a threshold level of performance below which no bonus is paid. However, the resulting pay-out, as a percentage of salary, will vary year-on-year in line with bonus pool funding.
Long-term incentive plan	The long-term incentive plan is intended to align the interests of the executive directors and shareholders through the creation of shareholder value over the long-term.	The Rank Group Plc 2010 Long-Term Incentive Plan is currently the only long-term equity-based incentive scheme in place for the executive directors and other senior executives. Executive directors may receive contingent share awards which have the ability to vest after a three-year period based on the achievement of specified performance targets. The committee may apply a further holding period to all or part of the award to further align directors' interests with those of shareholders. The committee will determine measures and targets at the beginning of each cycle to ensure continuing alignment with strategy. Performance targets may relate to both financial and non-financial measures linked to the Company's long-term business strategy, including but not limited to: ~ Group EBITDA; ~ Group profit after tax; ~ Group annual active customers; ~ Group digital revenue; ~ Group ROCE; and ~ Strategic objectives of the Group.

	Maximum
	Ordinarily any increases in executive directors' base salaries will be limited to those received by the wider workforce during the year (except for reasons of promotion or salary being determined to be significantly out of line with market median).
The committee retains the discretion to offer relocation assistance in the form of an allowance or otherwise to support the movement of executive talent across the business. If provided, the committee aims to ensure payments are not excessive and support business needs. As such, relocation assistance will be reviewed on a case-by-case basis taking into account factors such as the individual's circumstances and the geographies involved, meaning that there is no prescribed formula for calculating the level or structure of payments.	It is anticipated that the provision of insured and other benefits will not exceed 10% of salary. The committee may exceed this should the cost of the benefits provided change in accordance with market conditions or in the event of the payment of relocation assistance.
The committee retains the discretion to honour all contractual pension arrangements agreed prior to the application of this Policy. Details of such arrangements are disclosed in the Annual Remuneration Report.	For all new appointments the maximum pension contribution (defined contribution or cash supplement) will be 10% of base salary. Legacy arrangements to be honoured (% of salary): FD – 15%.
The measures governing the allocation of the pool to executive directors will be set and disclosed retrospectively on an annual basis, to the extent this is not commercially sensitive. The annual bonus plan is discretionary and the committee reserves the right to adjust payments up or down. Any such adjustment would only be in exceptional circumstances which would be outlined in the relevant year's Annual Remuneration Report. Clawback provisions do not apply to the annual bonus plan. To allow the committee to assess the quality of earnings over the year, and to introduce an element of retention into the scheme, any cash bonuses earned by the executive directors will be subject to a six-month deferral period and will be paid in the December following the 30 June financial year end.	CEO: 100% of base salary FD: 80% of base salary
The following amounts will vest in accordance with performance: There is no threshold level of performance under the plan. Maximum: 100% Other points on the vesting schedule will be determined by the committee when the performance targets are set. At the end of the performance period, the committee will have absolute discretion to determine the extent to which the awards will vest, if at all, on account of underlying company performance. If discretion is applied, the level and reasons for its application will be fully disclosed in the following year's Annual Remuneration Report. Clawback and malus provisions will apply to awards made under the plan.	Normal maximum per annum award levels (% of salary) CEO: 200% FD: 133% An exceptional maximum per annum award level of 400% of salary is also effective under the policy. The committee does not intend to use the exceptional maximum beyond the first year of the policy where, for technical reasons, a higher maximum is required to implement the new long-term incentive plan. In this first year the actual value, at grant, of active awards will not exceed the normal maximum levels specified above. More detail will be available in the Annual Remuneration Report.

Additional notes to the Policy table

Setting of performance measures and targets

The committee reviews and selects performance measures at the beginning of each award cycle under both the annual bonus plan and the long-term incentive plan, being informed by the short- and long-term priorities of the Group at the time. The committee considers the Group's key performance indicators and strategic business plan when selecting measures and calibrating targets. Details of these are included in the annual report each year. Factors that the committee may consider include the benchmark return rate on shareholder funds, strategic plan, the annual budget, analysts' forecasts, economic conditions, individuals' areas of responsibility, the committee's expectations over the relevant period and input from the major shareholder.

Differences in the remuneration policy for executives relative to the broader employee population

The remuneration policy in place for the executive directors is informed by the structure operated for the broader employee population. Pay levels and components vary by organisational level but the broad themes and philosophy remain consistent across the Group:

- salaries are reviewed annually with regard to the same factors as set out in the Policy table for executive directors;
- consistent with executive directors, senior executives together with general and some operational managers of our business units participate in an annual bonus plan with bonus pool funding dependent on profit performance of the Group or brand depending on their level;
- members of the senior management team can be considered for awards under the long-term incentive plan. This is intended to encourage share ownership in the Company and align the management team with the strategic business plan; and
- eligibility for and provision of benefits and allowances varies by level and local market practice. It is standard for senior executives to receive a company car allowance. Pension provision below board level is overall at lower contribution rates, with the majority of Rank's eligible employees now being automatically enrolled into the NEST Workplace Pension Scheme. However, a significant proportion of employees remain in Rank's Stakeholder Pension Plan, where the standard contribution rates are the same as those offered to board-level members.

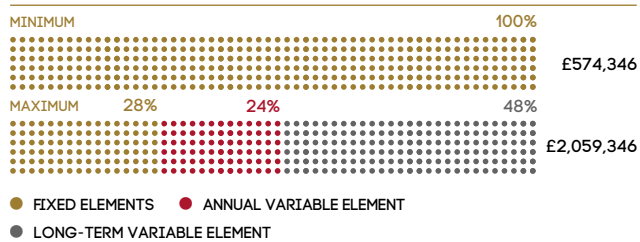
Potential reward opportunities at different levels of performance

The graphs on this page exhibit remuneration policy for existing executive directors and show indicative total remuneration levels under different performance scenarios. The remuneration policy results in a high proportion of total remuneration being dependent on performance, with a majority tied to the long-term performance of the Group.

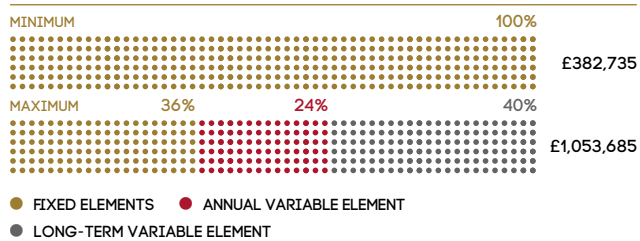
The annual bonus and long-term incentive schemes do not operate an "on-target" award level. Under the bonus scheme awards will depend on bonus pool funding and as such are variable year-on-year. A maximum cap is in place under the scheme. Under the long-term incentive plan, performance is considered against each selected metric independently with committee discretion applied as to the level of overall vesting. Given the structure of incentive arrangements we have not provided an "on-target" scenario in the following charts, rather a minimum and maximum only, which better reflects the operation of the incentive schemes at Rank. The two performance scenarios are calculated as follows:

- Minimum – performance below target which results in no variable remuneration being payable.
- Maximum – 100% of the maximum annual cash bonus and full vesting of the long-term incentive award achieved. Normal maximum awards as described under the policy are presented.

CHIEF EXECUTIVE



FINANCE DIRECTOR



Assumptions

- Fixed elements comprise base salary, pension and benefits. Base salary and pension levels are as at 1 July 2016.
- The annual bonus and long-term incentive schemes do not operate an "on-target" award level. Under the bonus scheme awards will depend on bonus pool funding and as such are variable year-on-year. A maximum cap is in place under the scheme. Under the long-term incentive plan, performance is measured against each selected metric independently with committee discretion applied as to the level of overall vesting. Given the structure of incentive arrangements we have not provided an 'on-target' scenario in the above charts, rather a minimum and maximum only which better reflects the operation of the incentive schemes at Rank.
- The long-term incentive award values depicted in the charts above represent the annualised opportunity to directors under the currently operated remuneration policy. Normal maximum awards as described under the policy are presented.
- No account is made for share price growth or the payment of dividends.
- No element of pay for the chairman or non-executive directors varies with performance and so no separate graphs are included.

Approach to recruitment remuneration
The committee will apply the existing remuneration policy to new executive directors in respect of all components of remuneration. As such, the maximum level of variable remuneration which may be granted is 100% of salary on an annualised basis for the CEO and 80% of salary on an annualised basis for other executive directors.

The committee may also make an additional award of cash or shares on the appointment of a new director in order to compensate for the forfeiture of an award from a previous employer. Such awards would be made on a comparable basis, taking account of performance, the proportion of the performance period remaining and the type of award. The committee will set appropriate performance conditions and vesting would be on the same time horizon as the forfeited award.

For both internal and external appointments, the committee may agree that the Company will meet certain relocation expenses, as set out in the Policy table.

New non-executive directors will be appointed on the same remuneration elements as the existing non-executive directors. It is not intended that variable pay, day rates or benefits in kind be offered.

Approach to termination payments
The Company does not believe in reward for failure. The circumstances of a director's termination (including the director's performance) and an individual's duty to mitigate losses are taken into account in every case. Rank's policy is to stop or reduce compensatory payments to former executive directors to the extent that they receive remuneration from other employment during the compensation period.

Compensatory payments are limited to 12 months' base salary, cash car allowance and defined pension contributions (or salary supplements).

Annual bonus awards will lapse in their entirety in the event an individual is no longer employed or serving their notice period at the time of pay-out.

If the holder of a long-term incentive award ceases, for any reason, to be an executive director or employee of a Rank Group company, that holder's long-term incentive award shall lapse immediately upon them ceasing to be an executive director or employee. However, the committee may in its absolute discretion allow awards to continue until the normal vesting date and be satisfied, subject to the achievement of the relevant performance conditions. In such circumstances, awards vesting will be prorated on a time apportioned basis, unless the committee determines otherwise. Any such discretion in respect of leavers would only be applied by the committee to "good leavers" where it considers that continued participation is justified, for example, by reference to past performance to the date of leaving.

Change of control
In the event of a change of control, the committee has absolute discretion as to whether and on what basis awards should vest under the long-term incentive plan. The committee would normally allow awards to vest upon a change of control subject to satisfaction of performance conditions and reduction on a time apportioned basis.

Executive directors' service agreements
It is the Company's policy that executive directors have rolling service agreements.

The current executive directors' service contracts contain the key terms shown in the table below:

Provision	Detailed terms
Remuneration	~ Base salary, pension and benefits ~ Cash car allowance ~ Private health insurance for director and dependants ~ Life assurance ~ Permanent health insurance ~ Participation in annual bonus plan, subject to plan rules ~ Participation in long-term incentive plan, subject to plan rules ~ 25 days' paid annual leave
Notice period	12 months' notice from both the Company and the director.
Termination payment	Payment in lieu of notice equal to: ~ 12 months' base salary ~ Cash car allowance ~ Pension supplement All of the above would be paid in monthly instalments, subject to an obligation on the part of the director to mitigate his loss such that payments would either reduce, or cease completely, in the event that the director gained new employment.
Restrictive covenants	During employment and for nine months after leaving.

Service agreements outline the components of remuneration paid to the individual director but do not prescribe how remuneration levels may be adjusted from year to year.

The executive directors have served on the board for the periods shown below and have service agreements dated as follows:

Position	Name	Date of contract	Length of board service as at 30 June 2016
Chief executive	Henry Birch	24 April 2014	2 years 2 months
Finance director	Clive Jennings	27 July 2011	4 years 11 months

Chairman
The Company separated the role of chairman and chief executive with effect from 6 May 2014.

The chairman, Ian Burke, has a letter of engagement dated 22 April 2014 which is effective from 6 May 2014 and which replaced his service agreement dated 6 March 2006 in respect of his former role as chief executive. He was initially engaged as non-executive chairman for a period of three years. His appointment is terminable without compensation on three months' notice from either side. The chairman receives a fee of £150,000 per annum which includes his chairmanship of the nominations and finance committees. This fee will be reviewed annually by the committee, with reference to the size and complexity of the role and external market comparisons, in the final quarter of each calendar year with any increase taking effect on 1 April. The chairman is not entitled to any benefits in kind and is not eligible for pension scheme membership, bonus or incentive arrangements.

Non-executive directors' remuneration
The fees for the non-executive directors are generally reviewed and determined by the finance committee in the final quarter of each calendar year to reflect appropriate market conditions.

Non-executive director annual base and additional fees effective 1 April 2016 comprise:

Base non-executive annual fee	£50,000
Audit committee chair	£9,000
Remuneration committee chair	£7,500
Senior independent director	£2,500

The base fee includes membership of the audit, remuneration, nominations and finance committees. Non-executive directors are not entitled to any benefits in kind and are not eligible for pension scheme membership, bonus or incentive arrangements.

The Company reserves the right to review fee levels annually with reference to the size and complexity of the role and external market comparisons. Any increases to fee levels will be effective from 1 January the following year. The aggregate fees will not exceed the maximum permitted by the Company's articles of association, which is currently £500,000.

Non-executive directors have letters of engagement setting out their duties and the time commitment expected. They are appointed for an initial period of three years, after which the appointment is renewable by mutual consent at intervals of not more than three years. In accordance with the Code, all directors offer themselves for annual re-election by shareholders. Details of non-executive directors' appointments, which are terminable without compensation, are set out in the table below:

Non-executive director	Original date of appointment	Date of letter of engagement	Total length of service as at 30 June 2016
Owen O'Donnell	11 September 2008	20 August 2008	7 years 9 months
Lord Kilmorey	1 May 2012	29 March 2012	4 years 2 months
Chris Bell	1 June 2015	5 May 2015	1 year 1 month
Susan Hooper	1 September 2015	11 August 2015	10 months
Steven Esom	1 March 2016	24 February 2016	4 months

Shareholder engagement
The voting results for the 2014/15 Remuneration Report were above 80% and we thank shareholders for their support. The committee is committed to further increasing the support received from all of our shareholders.

However, some concerns remain, particularly regarding the use of a three-year block award. The committee feels strongly that this feature remains fit-for-purpose and will motivate the executive team to deliver value for shareholders over the longer-term. In particular we have received strong support for the plan from our majority shareholder.

We are committed to ongoing engagement with our shareholders and will continually review the remuneration policy to ensure that it remains fit-for-purpose and aligned with shareholder interests.

Statement of consideration of employment conditions elsewhere in the Company

As described in the notes to the Policy table on page 70, the overarching themes of the Policy in place for executive directors are broadly consistent with those applied to the wider employee population. The committee does not use any comparison metrics when reviewing pay in relation to the wider employee population, other than the consideration of the general rates of increase across the Group, nor does it deem it to be appropriate to consult with employees on the remuneration policy for executive directors.

Annual Remuneration Report

The directors' remuneration report has been prepared on behalf of the board by the remuneration committee (the "committee"), under the chairmanship of Steven Esom.

The committee has applied the principles of good governance set out in the Corporate Governance Code and, in preparing this report, has complied with the requirements of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the "Regulations").

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

For this purpose the audited information is:

- Directors' single remuneration figure (page 74);
- Pensions (page 77);
- Long-term incentive awards made during the year (page 76);
- Other payments and obligations (page 77); and
- Directors' shareholdings (page 77).

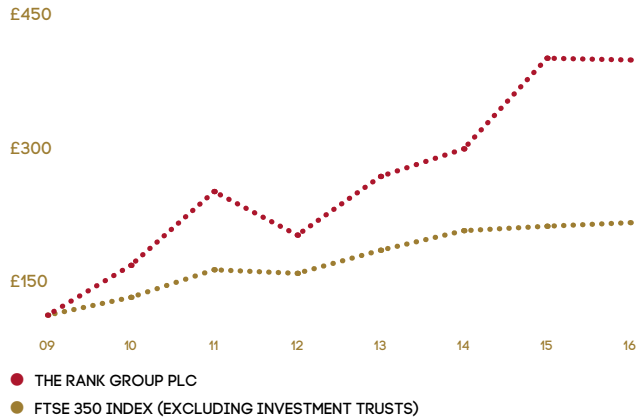
Total shareholder return

The following graph illustrates the Company's total shareholder return ("TSR") performance compared with the FTSE 350 index (excluding investment companies) for the seven years to 30 June 2016. The committee has selected this index as the Company was a constituent of the FTSE 350 for the entirety of this period.

On page 75 is a table showing the single figure of total remuneration for the role of chief executive over the last seven years.

HISTORICAL TSR PERFORMANCE

Growth in the value of a hypothetical £100 holding over seven years. Comparison based on spot values on 30 June each year.



Directors' single remuneration figure

The table below presents a single remuneration figure for each director for the years ended 30 June 2016 and 30 June 2015 in respect of performance during the years ended on those dates:

	Fixed pay (£)				Performance pay (£)			
2015/16	Salary/fees	Taxable benefits[5]	Pension	Sub-total	Cash bonus	LTIP vesting	Sub-total	2015/16 total remuneration (£)
Executive directors								
Henry Birch	461,250	29,846	45,543	536,639	396,000	n/a	396,000	932,639
Clive Jennings	303,750	20,485	44,689	368,924	189,000	n/a	189,000	557,924
Non-executive directors								
Chris Bell	48,500	n/a	n/a	48,500	n/a	n/a	n/a	48,500
Ian Burke	150,000	n/a	n/a	150,000	n/a	n/a	n/a	150,000
Steven Esom[1]	18,542	n/a	n/a	18,542	n/a	n/a	n/a	18,542
Susan Hooper[2]	39,333	n/a	n/a	39,333	n/a	n/a	n/a	39,333
Lord Kilmorey	47,000	n/a	n/a	47,000	n/a	n/a	n/a	47,000
Owen O'Donnell	55,625	n/a	n/a	55,625	n/a	n/a	n/a	55,625
Tim Scoble[3]	22,292	n/a	n/a	22,292	n/a	n/a	n/a	22,292
Shaa Wasmund[4]	13,446	n/a	n/a	13,446	n/a	n/a	n/a	13,446

1 Steven Esom joined the board on 1 March 2016.
2 Susan Hooper joined the board on 1 September 2015.
3 Tim Scoble resigned as a director on 30 November 2015.
4 Shaa Wasmund resigned as a director on 15 October 2015.
5 Taxable benefits comprise car allowance, fuel benefit and life, long-term disability and private medical insurances.

	Fixed pay (£)				Performance pay (£)			
2014/15	Salary/fees	Taxable benefits[2]	Pension	Sub-total	Cash bonus	LTIP vesting	Sub-total	2014/15 total remuneration (£)
Executive directors								
Henry Birch	£450,000	£29,188	£44,422	£523,610	£392,400	n/a	£392,400	£916,010
Clive Jennings	£300,000	£20,622	£44,132	£364,754	£195,000	n/a	£195,000	£559,754
Non-executive directors								
Chris Bell[1]	£4,042	n/a	n/a	£4,042	n/a	n/a	n/a	£4,042
Ian Burke	£150,000	n/a	n/a	£150,000	n/a	n/a	n/a	£150,000
Lord Kilmorey	£43,000	n/a	n/a	£43,000	n/a	n/a	n/a	£43,000
Owen O'Donnell	£51,500	n/a	n/a	£51,500	n/a	n/a	n/a	£51,500
Tim Scoble	£50,500	n/a	n/a	£50,500	n/a	n/a	n/a	£50,500
Shaa Wasmund	£43,000	n/a	n/a	£43,000	n/a	n/a	n/a	£43,000

1 Chris Bell joined the board on 1 June 2015. His fees are paid to his company, Star Tea Limited.
2 Taxable benefits comprise car allowance, fuel benefit and life, long-term disability and private medical insurances.

Non-executive directors receive fees only, details of which are provided on page 72 together with the non-executive chairman's fees. These amounts are within the maximum annual aggregate amount of £500,000 permitted by the Company's articles of association.

The aggregate total annual amount received by all directors during the year ended 30 June 2016 is shown below:

	2015/16	2014/15
Executive directors	£1,,490,563	£1,475,764
Chairman and non-executive directors	£394,738	£342,042
Total	£1,885,301	£1,817,806

Performance pay

The tables below show former and current chief executive total remuneration over the last seven years (in the case of Henry Birch, since his date of appointment on 6 May 2014) and their achieved annual variable and long-term incentive pay awards as a percentage of the plan maximum:

Henry Birch (from 6 May 2014)	Single figure of total remuneration	Annual cash bonus: actual pay out vs. maximum opportunity	LTIP vesting rates against maximum opportunity
2015/16 (12 months)	£932,639	80.00%	0.00%
2014/15 (12 months)	£916,010	87.20%	0.00%
2013/14 (2 months)	£81,850	0.00%	n/a

Ian Burke (until 16 May 2014)	Single figure of total remuneration	Annual cash bonus: actual pay out vs. maximum opportunity	LTIP vesting rates against maximum opportunity
2013/14 (10.5 months)	£663,804	0.00%	0.00%
2012/13 (12 months)	£1,267,489	0.00%	96.25%
2011/12 (18 months)	£3,254,000	40.00%	100.00%
2010 (12 months)	£1,083,000	63.50%	0.00%

1 This included an exceptional discretionary bonus equal to 100% of base salary to reward exceptional efforts on behalf of the then chief executive in creating additional sustainable long-term shareholder value via the transformation of the Company's balance sheet that was paid by three equal instalments in September 2012, April 2013 and December 2013.

Base salary

Base salaries for the executive directors increased during the year with effect from 1 April 2016. Base salaries for executive directors as at 1 July 2016:

- Chief executive – £495,000
- Finance director – £315,000

Annual bonus plan

The annual bonus plan is structured as a pool funded each year as a percentage of modified profit after tax with the sharing rate dependent on performance. Performance is based on the rate of return achieved on opening shareholder funds. Opening shareholder funds is determined by the market value of the Group when the scheme was introduced in July 2012, inflated annually by the difference between continuing profit after tax and exceptionals for the year and dividends paid to shareholders. The target rate of return is set at the beginning of each year by the committee. For 2015/16 the target rate of return was set at 9%, at which point a bonus pool of 2.25% of modified profit after tax is created for the executive directors and other executive committee members. The remuneration committee has the discretion to exclude items reported as discontinued or exceptional. The bonus pool is allocated at the discretion of the committee with regard to individual, corporate and relative performance to peers.

2015/16 annual cash and bonus

The target Group profit after tax in order to trigger creation of a bonus pool for the year was £62.1m, with the target required for maximum bonus entitlement being £125.4m. The Group actually achieved £72.3m which resulted in the creation of a bonus pool of £1.4m for executive directors and other members of the executive committee listed on page 50.

Long-term incentives

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

No awards were made to the executive directors under the LTIP during the year.

Active contingent share awards and targets as at 30 June 2016

The only outstanding contingent share awards made under the LTIP are those with a three-year performance period ending on 30 June 2017, details of which are set out below.

Contingent share awards with a performance period ending on 30 June 2017.

	2014/15 award	
Director	CEO (Henry Birch)	FD (Clive Jennings)
Plan	2010 LTIP	2010 LTIP
Date of grant	22 April 2015	22 April 2015
Number of shares comprised in award	1,373,684	607,895
Market value of award at grant	£2,610,000	£1,155,001
Annualised market value of award at grant	£870,000	£385,000
Annualised percentage of salary at grant	193%	128%
Performance period	1 July 2014 to 30 June 2017	
Earliest vest date for first instalment	1 December 2017 (45%)	
Vest date for second instalment	1 December 2018 (30%)	
Vest date for third instalment	1 December 2019 (25%)	

Award targets for performance period ending 30 June 2017

50% of the award is based on Group and brand financial performance, including:

	Financial year ending 30 June 2017	
	Target for threshold (37.5%) vest	Target for maximum (50%) vest
Group EBITDA	£136.0m	£148.0m
Group profit after tax	£64.0m	£72.0m
Group digital revenue	£106.0m	£121.0m

50% of the award will be based on a balanced scorecard of non-financial and strategic measures linked to the following business objectives:

Business objectives	Non-financial strategic measures, including:
Building Rank's digital capabilities:	~ new digital platform in place during the course of the 2015/16 financial year
Creating a multi-channel offering:	~ single account and wallet functionality by the end of calendar year 2016
Investment in technology to improve efficiency and customer experience:	~ range of product and functionality improvements and developments driving revenue efficiencies and customer experience
Other strategic imperatives:	~ development of bingo clubs in line with commitment to Government

Subject to satisfactory average return on capital employed ("ROCE")

At the end of the performance period, the committee will consider performance delivered in light of the Group's average ROCE within the performance period, with absolute discretion to determine the extent to which the awards will vest, if at all, on account of ROCE performance. In considering ROCE performance, the committee will expect at least a 15% return to have been achieved.

Vesting history

The table below, which is unaudited, sets out the percentage of each long-term incentive award made to executive directors which has vested within the last six years:

Year of award	Maturity date	Performance conditions	Performance indicative vesting percentage	TSR adjusted vesting performance
2007	1 January 2011	Adjusted EPS	58.0%	0.0%
2008	1 January 2011	Adjusted EPS	100.0%	100.0%
2009	1 January 2012	Adjusted EPS	100.0%	100.0%
2010	1 January 2013	Adjusted EPS	96.25%	96.25%
2011	1 January 2014	Adjusted EPS	0.0%	0.0%
2012-13[1]	1 July 2015	Various	n/a	n/a

1 In April 2015 the chief executive and finance director surrendered their contingent share awards, granted in 2012/13. No subsequent payment can therefore be received.

Pensions

Throughout the year ended 30 June 2016, each of Henry Birch and Clive Jennings received a salary supplement equal to, respectively, 10% and 15% of base salary, less the prevailing Lower Earnings Limit (LEL).

Executive director	Amount paid
Henry Birch	£45,543
Clive Jennings	£44,689

Benefits

Executive director	Company car	Other benefits	Total benefits paid
Henry Birch	£20,000	£9,846	£29,846
Clive Jennings	£12,750	£7,735	£20,485

Other payments and obligations

No executive directors left the Company during the year ended 30 June 2016 and therefore no payments for compensation for loss of office were paid to, or receivable by, any director (30 June 2015: £nil). With the exception of a payment to the widow of John Garrett, a former executive director who resigned on 2 February 1998, who received £46,213 (2014/15: £45,343) in respect of an unfunded pension obligation, no payments were made during the year ended 30 June 2016 to any past director of the Company.

External appointments

Executive directors are not permitted to take up non-executive directorships outside the Group.

Share ownership guidelines and directors' interests in shares

Below we set out details of the share ownership guidelines that were in operation until June 2016. In light of the Company's free float position (see page 82), these have been re-suspended until a higher free float position is achieved.

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 intention that such shares be retained throughout their tenure year of service.

Similarly the Group had guidelines for executive shareholdings 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 on 14 December 2011. The suspension was lifted on 2 March 2015 when free float was comfortably in excess of 25%, but were re-suspended again on 22 June 2016 pending a restoration of the Company's free float to a higher level. For further information with regard to the Company's free float positions please refer to page 82.

Directors' shareholdings as at 30 June 2016 and as at 22 August 2016 are set out in the table below:

Name	Ordinary 13⅝p shares as at 30 June 2016 and as at 22 August 2016	Ordinary 13⅝p shares as at 30 June 2015 and as at 19 August 2015
Non-executive directors		
Chris Bell	0	0
Ian Burke	763,556	763,556
Steven Esom	0	n/a
Susan Hooper	0	n/a
Lord Kilmorey	21,100	21,100
Owen O'Donnell	21,224	21,224
Tim Scoble	n/a	0
Shaa Wasmund	n/a	0
Executive directors		
Henry Birch	100,000	100,000
Clive Jennings	62,500	25,000

Dilution limits

The LTIP, being the Company's only equity-based incentive plan, incorporates the current Investment Association guidelines on headroom which provide that overall dilution under all plans should not exceed 10% over a 10-year period in relation to the Company's issued share capital with a further limitation of 5% in any 10-year period for executive plans.

The committee regularly monitors the position and prior to the making of any award considers the effect of potential vesting of awards to ensure that the Company remains within these limits. Any awards which are required to be satisfied by market purchased shares are excluded from the calculations. No treasury shares were held or utilised in the year ended 30 June 2016.

Relative importance of spend on pay

The table below shows the expenditure and percentage change in overall spend on employee remuneration and distributions paid to shareholders through the dividend paid in the year and share buybacks.

	2015/16	2014/15	Percentage change
Overall expenditure on pay	£217.1m	£214.7m	1%
Dividend paid in the year	£22.7m	£18.6m	22%
Share buyback	£nil	£ nil	0%

Statement of change in pay of chief executive compared with other employees

The table below sets out the chief executive's base salary, benefits and annual bonus amounts for the year ended 30 June 2016. We show the average change in gross earnings for all UK employees across the Group.

	Chief executive		All UK employees[1]
	12 months to 30 June 2016	percentage change (2014/15 vs. 2015/16)	percentage change (2014/15 vs. 2015/16)
Salary	£461,250	2.50%	n/a
Benefits	£29,846	2.25%	n/a
Bonus	£396,000	0.92%	n/a
Gross earnings[2]	£887,096	1.78%	0.68%

1 For the avoidance of doubt 'all UK employees' includes the chief executive. Individual compensation elements for the wider employee population are not readily available to compare separately, hence providing gross earnings as our main comparison metric.
2 'Gross earnings' excludes insured benefits and pension payments.

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 chairman, chief executive, company secretary, finance director and human resources director 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/en/investors/corporate-governance/terms-of-reference.html.

Committee membership and meeting attendance

Biographical details of the current members of the committee are set out on page 49. The Group company secretary acts as secretary to the committee. The committee met on three occasions during the year.

Name	Committee member since	Attendance/ Eligibility to attend	Notes
Current committee members			
Steven Esom	March 2016	1/1	Mr Esom joined the committee on 1 March 2016.
Susan Hooper	September 2015	2/2	Ms Hooper joined the committee on 1 September 2015.
Owen O'Donnell	January 2010	3/3	Mr O'Donnell has been committee chairman since 30 November 2015.
Former committee members			
Tim Scoble	September 2011	2/2	
Shaa Wasmund	July 2013	0/1	Ms Wasmund was unable to attend one meeting due to unforeseen circumstances.

Committee activity during the year
Matters discussed by the committee during the year included the following:

- long-term incentive plan;
- institutional shareholder feedback on Annual Remuneration Report;
- remuneration packages for a new member of the executive committee;
- 2016 fixed pay review;
- 2015/16 annual bonus payments;
- 2016/17 annual bonus plan structure and targets; and
- review and approval of Annual Remuneration Report.

Advisers to the committee
The committee has access to external information and research on market data and trends from independent consultants. After a tender process Willis Towers Watson was appointed as external remuneration adviser to the committee. It has been sole adviser to the committee since January 2007. Willis Towers Watson is a member of the Remuneration Consultants' Group, the body which oversees the code of conduct in relation to executive remuneration consulting in the United Kingdom.

The chief executive, the company secretary, the finance director and the human resources director provided assistance to the committee during the year. They attended meetings of the committee, although none of them was involved in any decision relating to his or her own remuneration.

During the year, the committee requested Willis Towers Watson to advise on matters including remuneration of the chairman, non-executive directors, executive directors and other executive committee members. Willis Towers Watson also provided the TSR performance graph for the directors' remuneration report. Willis Towers Watson was paid fees totalling £25,912 for services provided to the committee during the year (fees are based on hours spent). Willis Towers Watson did not provide any other services to the Group during the period under review.

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.

Shareholder vote on 2014/15 directors' remuneration report at 2015 annual general meeting
The table below shows the voting outcome for the 2014/15 directors' remuneration report at the 2015 annual general meeting, both including and excluding the Company's majority shareholder:

	N° of votes 'For' and 'Discretionary'	% of votes cast	N° of votes 'Against'	% of votes cast	Total N° of votes cast	% of total shareholders eligible to vote	N° of votes 'Withheld'[1]
Including majority shareholder	309,286,269	83.32%	61,936,900	16.68%	371,223,169	95.02%	38,591
Excluding majority shareholder	90,166,048	52.35%	61,936,900	36.10%	152,102,948	88.66%	38,591

1 A vote 'withheld' is not a vote in law.

Implementation of policy in 2016/17
For the following financial year it is not anticipated that the remuneration policy outlined on pages 67-71 will change and therefore the committee will manage pay decisions within the set policy.

Salaries will be reviewed with any changes effective 1 April 2017. The executive directors will participate in the annual bonus plan. As in previous years, a pool will be generated based on the principles set out on page 75. It is the view of the committee that the absolute targets, as well as the targets governing individuals' allocations, are commercially sensitive. The profit targets and actual performance will be disclosed in next year's report as they have been this year.

We believe that our policy reflects our strategic goal of creating long-term sustainable value for shareholders. We welcome shareholder feedback on issues related to executive remuneration.

Steven Esom
Chairman of the remuneration committee
22 August 2016

Directors' report

The directors present their report together with the audited consolidated financial statements for the year ended 30 June 2016.

The Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the "2008 Regulations"), the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008, the Financial Reporting Council's UK Corporate Governance Code (September 2014) (the "Code"), the Financial Conduct Authority's (the "FCA") Listing Rules ("LR") and the FCA'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 2016.

The directors' report should be read in conjunction with the strategic report (which incorporates the operating responsibly report).

Strategic report disclosures – Information that the board considers to be of strategic importance which would otherwise need to be disclosed in the directors' report has been included in the strategic report as permitted by Section 414C(11) of the Companies Act 2006. References to where that information can be found are provided in the index below.

Information required in the directors' report	Location in strategic report	Page N°
Business description	Group at a glance	4
Business objectives, strategies and likely future developments	Strategic and key performance indicators	15
Corporate responsibility: employees and community	Operating responsibly	37 to 42
Diversity	Operating responsibly	39
Dividends	Chairman's letter	7
Employment of disabled persons	Operating responsibly	39
Employee engagement	Operating responsibly	38
Going concern and viability statement	Risk Assessment	33
Greenhouse gas emissions	Operating responsibly	42
Principal risks and uncertainties	Principal risks and uncertainties	34
Profits	Financial review	30
Research and development	Strategy and key performance indicators	16

Disclosures required under Listing Rule ("LR") 9.8.4 R

For the purpose of LR 9.8.4C R, details of the existence of the controlling shareholder relationship agreement, required to be disclosed in accordance with LR 9.8.4 R can be found on page 82. There are no other disclosures required under this listing rule.

Directors

The directors who served during the period under review are:

Name	Position	Effective date of change
Ian Burke	Chairman	
Chris Bell	Senior Independent Director	
Henry Birch	Chief Executive	
Clive Jennings	Finance Director	
Steven Esom	Non-executive Director	Appointed 1 March 2016
Susan Hooper	Non-executive Director	Appointed 1 September 2015
Lord Kilmorey	Non-executive Director	
Owen O'Donnell	Non-executive Director	
Tim Scoble	Non-executive Director	Resigned 30 November 2015
Shaa Wasmund	Non-executive Director	Resigned 15 October 2015

Incorporation and registered office

The Rank Group Plc is incorporated in England and Wales under company registration number 03140769. Its registered office is at Statesman House, Stafferton Way, Maidenhead SL6 1AY.

Stock market listing

The ordinary shares of the Company have been listed on the Official List and traded on the main market of the London Stock Exchange for listed securities since 7 October 1996 (Share Code: RNK and ISIN: GB00B1L5QH97). This is classified as a premium listing. The share registrar is Equiniti Limited.

Share capital

The Company's authorised share capital as at 30 June 2016 was £180m (£180m as at 30 June 2015), divided into 1,296,000,000 ordinary shares of 13⅜p 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 (390,683,521 as at 30 June 2015), which were held by 10,684 registered shareholders (11,009 as at 30 June 2015).

Distribution of registered shareholders as at 30 June 2016:

Range	Total N° of regd shareholders	% of holders	Total N° of shares	% of issued share capital
1 – 1,000	8,989	84.14%	1,729,768	0.44%
1,001 – 5,000	1,275	11.93%	2,650,738	0.68%
5,001 – 10,000	143	1.34%	991,829	0.26%
10,001 – 100,000	186	1.74%	5,835,385	1.49%
100,001 – 1,000,000	63	0.59%	22,928,174	5.87%
1,000,001 and above	28	0.26%	356,547,627	91.26%
Totals	10,684	100.00%	390,683,521	100.00%

Significant shareholders

Controlling 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), and which completed on 15 July 2011. As at 30 June 2016 and as at the date of this report, Hong Leong's interest is held as follows:

- 52.03% – Rank Assets Limited, a wholly owned subsidiary of Guoco;
- 4.05% – GuoLine Overseas Limited, Guoco's immediate parent company; and
- 0.08% – Hong Leong Management Co Sdn Bhd, a wholly-owned subsidiary of Hong Leong.

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.

On 10 November 2014 Rank entered into an agreement with Hong Leong and Guoco (together the "Controlling Shareholder") in accordance with the requirements of LR 9.2.2AR(2)(a) (the "Relationship Agreement"). During the period under review Rank has complied with the independence provisions included in the Relationship Agreement and, so far as Rank is aware, the independence provisions included in the Relationship Agreement have been complied with during the period under review by the Controlling Shareholder and its associates. So far as Rank is aware, the procurement obligations included in the Relationship Agreement have been complied with during the period under review by the Controlling Shareholder.

Interests of 3% or more

The following interests 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 in responses to s.793 Companies Act 2006 ("**CA 2006**") notices issued by the Company. We have included below voting rights in respect of both DTRs disclosures and s.793 CA 2006 responses up to and including 31 July 2016.

		As per FCA DTRs disclosures as at 17 August 2016		As per s.793 CA 2006 enquiry responses as at 30 June 2016		As per s.793 CA 2006 enquiry responses as at 31 July 2016	
Date last notified under DTR	Shareholder	% held	Voting rights	% held	Voting rights	% held	Voting rights
28 July 2015	Hong Leong Co. (Malaysia) Berhad	56.09%	219,120,221	56.16%	219,420,221	56.16%	219,420,221
10 Dec 2015	Ameriprise Financial, Inc. and its group companies (Threadneedle Retail Funds – Linked Strategies)	7.65%	29,870,389	8.74%	34,134,633	8.73%	34,097,208
9 March 2012	Prudential plc and subsidiary companies	5.85%	22,878,293	7.24%	28,293,595	7.29%	28,473,673
21 March 2016	Artemis Investment Management	5.15%	20,127,909	5.90%	23,047,323	5.97%	23,039,889

Under Listing Rule 6.1.19 R, shares held by persons who have an interest in 5% or more of a listed company's share capital are not regarded as being in public hands (the "free float"). Under this rule, the shares held by Hong Leong, Ameriprise, Prudential and Artemis are not regarded as being in public hands. The Financial Conduct Authority has agreed to modify LR 6.1.19R to accept a free float of 21% in the case of the Company. This modification is subject to sufficient liquidity being maintained in the market for the Company's 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 2016 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 in 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 term loan and credit facility agreements 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).

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.

By order of the board

Frances Bingham
Company Secretary
22 August 2016

Statement of directors' responsibilities

Annual report and financial statements

The directors are responsible for preparing the annual report (including the directors' report, the strategic 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; and
- 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.

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 Group financial statements 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.

Statement of directors' responsibilities

The annual report and financial statements are the responsibility of, and have been approved by, the directors.

Each of the directors named on pages 48 and 49 confirms that to the best of his/her knowledge:

- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy;
- the financial statements, prepared in accordance with 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 strategic report includes a 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.

On behalf of the Board

Henry Birch
Chief Executive
22 August 2016

Clive Jennings
Finance Director
22 August 2016

FINANCIAL STATEMENTS

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 2016 set out on pages 92 to 136. In our opinion:

- The Rank Group Plc's Group financial statements and Parent Company financial statements ("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 2016 and of the Group profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") 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 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.

What we have audited

We audited the Group and Parent Company financial statements of The Rank Group Plc for the year ended 30 June 2016 which comprise:

Group	Parent Company
Group income statement for the year ended 30 June 2016	Balance sheet as at 30 June 2016
Group statement of comprehensive income for the year ended 30 June 2016	Statement of changes in equity for the year ended 30 June 2016
Group balance sheet as at 30 June 2016	Cash flow statement for the year then ended
Group statement of changes in equity for the year then ended	Related notes 1 to 33 to the financial statements
Group cash flow statement for the year then ended	
Related notes 1 to 33 to the financial statements	

The financial reporting framework that has been applied in the preparation of the Group and Parent Company financial statements is applicable law and IFRS 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.

Overview of our audit approach

Materiality	~ Overall Group materiality of £3.8m which represents 5% of profit before tax adjusted for exceptional operating income.
Audit scope	~ We performed an audit of the complete financial information of six components and audit procedures on specific balances for a further seven components. ~ The 13 reporting components where we performed audit procedures accounted for 98% of the Group's profit before tax adjusted for exceptional operating income and 100% of the Group's revenue. Full scope components accounted for 76% and 92% of these metrics respectively. ~ For the remaining 19 reporting components in the Group we have performed other procedures appropriate to respond to the risk of material misstatement. ~ We have obtained an understanding of the entity-level controls of the Group which assisted us in identifying and assessing risks of material misstatements due to fraud and error, as well as assisting us in determining the most appropriate audit strategy.
Areas of risk	~ Revenue recognition including the risk of management override. ~ Impairment of tangible and intangible assets and adequacy of property lease provisions. ~ Indirect tax risk exposures and claims. ~ Migration of data to the new online gaming platform.
What has changed	~ Direct tax provisions were not classified as a significant risk in the current year due to the Group repaying amounts related to the majority of its legacy income tax matters. ~ Focus on data migration due to the Group replacing its online gaming platform during the current year.

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. This is not a complete list of the risks identified in our audit. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Details of why we identified these issues as areas of focus and our audit procedures are set out in the table on pages 87 to 88. This is not a complete list of all procedures we performed in respect of these areas. The arrows in the table indicate whether we consider the financial statement risk associated with this focus area to have increased, decreased or stayed the same in relation to the financial year ended 30 June 2016.

Changes from the prior year

Our audit approach and assessment of areas of focus changes in response to changes in circumstances affecting The Rank Group Plc's business and impacting the Group financial statements. Since the prior year audit we have made the following changes to our areas of risk:

- The Group settled the majority of their legacy direct tax matters during the prior year. There are fewer open matters and this has therefore been less of a focus area of our audit.
- The Group replaced its online gaming platform during the year. Ensuring that the data was migrated appropriately and that the controls operating over the new gaming platform were operating effectively was a new area of focus in the current year.

Risk	Our response to the risk	What we concluded to the Audit Committee
Revenue recognition *Refer to the Audit Committee Report (page 57); Accounting policies (page 97); and note 2 of the Consolidated Financial Statements (page 104)* Revenue for the year ended 30 June 2016 was £708.5 million. Our assessment is that the vast majority of revenue transactions, for both the venues and digital businesses, are non-complex, with no judgement applied over the amount recorded. We consider there is a potential for management override to achieve revenue targets via topside manual journal entries posted to revenue. Revenue could be inaccurately stated as a result. Our procedures were designed to corroborate our assessment that revenue should be closely aligned to cash banked and identify the manual adjustments that are made to revenue for further testing.	~ We updated our understanding of the revenue processes and tested key financial and IT controls over the recognition and measurement of revenue. ~ We used our computer aided analytics tools to perform a correlation analysis to identify the extent to which revenue was linked to cash (for venues) and customer balances (for digital), then investigated and obtained explanations for those items where this was not the case. ~ Using data extracted from the accounting system, we tested the appropriateness of journal entries impacting revenue, as well as other adjustments made in the preparation of the financial statements. We considered unusual journals such as those posted outside expected hours, or by unexpected individuals and for large or unusual amounts. ~ We verified the recognition and measurement of revenue by tracing a sample of transactions throughout the year to source data to verify the accuracy of reported revenue. ~ For venues, we attended and re-performed cash counts at a sample of casino and bingo venues at year end to verify the appropriate cut-off of revenue. ~ For digital, we reconciled the year end customer balances to the system report, which was tested for completeness and accuracy.	We concluded that revenue recognition and adjustments to revenue are appropriate.
Impairment of tangible and intangible assets and adequacy of property lease provisions *Refer to the Audit Committee Report (page 57); Accounting policies (page 97); and note 12 of the Consolidated Financial Statements (page 116)* At 30 June 2016 the carrying value of tangible and intangible assets was £606.3 million, the majority of which relates to indefinite life intangible assets (primarily casino and other gaming licences) or goodwill. In accordance with IAS 36 Impairment of Assets, management disclosed that in addition to the impairment charge of £0.9 million and impairment reversal of £1.4 million, a reasonably possible change in customer visits, win margins or spend per head could lead to impairments in other Cash Generating Units (CGU) where no impairment is currently recognised. We focus on this area due to the significance of the carrying value of the assets being assessed and due to the level of management judgement required in the assumptions impacting the impairment assessment and the sensitivity of the impairment model. The main assumptions impacting the assessment and sensitivity of the model are future cash flows, growth rates applied to cash flows and discount rates. These assumptions are subjective and subject to management judgement about the future results of the business. In addition, the Group holds a provision of £44.7 million for onerous lease provisions for both unoccupied properties and properties which are trading at a loss. We consider, as with impairment, there is a high level of management judgement required in the assumptions impacting the assessment and the sensitivity of the model. This is primarily the amount of sub-let income and period for which sub-let income can be obtained. We therefore consider there is a higher likelihood that a material misstatement could arise as there is a risk that these provisions may be incorrectly valued.	~ We updated our understanding of management's annual impairment testing process. ~ We ensured that the methodology of the impairment exercise continues to comply with the requirements of IFRS as adopted by the European Union, including evaluating management's assessment of indicators of impairment against indicators of impairment specified within IAS 36. ~ We assessed the forecasts underlying the impairment review and agreed to budgets approved by the Board, reviewing these against actual performance and historic accuracy of forecasting. We also performed sensitivity analysis on earnings multiples and growth rates applied to cash flows to determine the extent of headroom for each CGU. ~ We agreed other key assumptions such as discount rates to supporting evidence and corroborated these to industry averages/trends with the assistance of EY internal experts. ~ We compared the individual CGU projections to historic performance and observable trends and corroborated the reasons for deviations to third party evidence as appropriate. ~ For property lease provisions we understood management's process for identifying onerous leases and ensured the appropriate factors had been considered, including the recoverability of sub-let income, and determined whether appropriate provision had been made. This also included an assessment of whether the appropriate discount rate had been applied. ~ We checked underlying calculations and agreed key inputs to third party evidence including lease agreements.	The net impairment reversal of £0.5 million and onerous lease charge of £1.5 million is appropriately recognised. We highlighted that a reasonably possible change in certain key assumptions underpinning the forecasts for certain CGUs could lead to additional impairment. Sensitivity to changes in certain assumptions have been disclosed within note 12 to the annual report and accounts. We concluded that the property provisions recognised are appropriate.

Risk	Our response to the risk	What we concluded to the Audit Committee
Indirect tax risk exposures and claims *Refer to the Audit Committee Report (page* 57*); Accounting policies (page* 97*); and notes* 30 and 31 *of the Consolidated Financial Statements (pages* 134 *and* 135*)* Indirect tax is a complex area in the betting and gaming industry and the Group has a number of claims and enquiries with HMRC. The Group is required to consider the disclosure in the annual accounts of certain contingent assets and contingent liabilities and the appropriateness of their provisions in respect of these ongoing issues. We focus on this to ensure that all changes to legislation and rates levied have been correctly applied and due to the highly judgemental nature of many of the ongoing claims and disclosure requirements we have identified this as a significant risk for the audit.	~ We reviewed and corroborated the key assumptions made by management in respect of uncertain indirect tax positions ensuring developments in the period have been taken into account and that all possible outcomes have been assessed. ~ We reviewed correspondence received from tax authorities during the period in order to assess the completeness of uncertain tax positions and to corroborate management's position. We have involved our indirect taxation specialists in assessing the implications of correspondence received from tax authorities. ~ We employed tax specialists to assess the technical support for indirect tax submissions and to perform a review for completeness of effected changes in indirect tax legislation to ensure they had been appropriately reflected by the Group. ~ We updated our understanding of the process for preparing the partial exemption calculation and tested the partial exemption calculation using indirect tax specialists.	We conclude that the positions taken by management are appropriate and accurately reflected in the financial results.
Migration of data to the new online gaming platform *Refer to the Audit Committee Report (page* 57*); Accounting policies (page 98) and the Consolidated Financial Statements (page 92).* During the year the Group replaced its online gaming platform. We focused on this area given that failure to migrate the data appropriately could have had an impact on revenue for the digital business.	~ We have tested the migration of data to the new gaming platform and validated that appropriate controls were in place to ensure that access to the new gaming platform and approval of changes within the new platform were appropriate. ~ We tested the migration of data from the legacy gaming platform to the new platform and held discussions with management to understand the IT environment and walked through the key financial processes to understand the impact on the Group's controls over financial reporting. ~ We performed IT audit procedures to assess the IT environment under the new platform, including an assessment of controls over changes made to the system and controls over appropriate access to the system.	We have not identified any control deficiencies or misstatements in the financial statements following the migration of data to the new revenue platform or resulting from the IT environment following the implementation of the new revenue platform.

Our application of materiality

We apply the concept of materiality in planning the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the economic decisions of users of the financial statements. Materiality provides a basis for determining the nature and extent of our procedures.

We determined materiality for the Group to be £3.8 million (2014/15: £3.7 million), which is 5% (2014/15: 5%) of profit before tax adjusted for exceptional operating income. We believe that profit before tax, adjusted for the items described in the table, provides us with a consistent year on year basis for determining materiality and is the most relevant performance measure to the stakeholders of the entity.

Starting basis	Profit before tax for the year ended 30 June 2016	£85.5 million
Exceptional operating income	Profit on disposal of freehold properties (note 4 to the Financial Statements)	(£10.0 million)
Materiality	Profit before tax adjusted for exceptional operating income (basis for materiality)	£75.5 million
	Materiality (5% of £75.5 million)	£3.8 million

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was approximately 50% of our planning materiality (2014/15: 50%), namely £1.9 million (2014/15: £1.9 million). We have set performance

materiality at this percentage to take into account the inherently high risk nature of the industry in which the Group operates. Our objective in adopting this approach was to conclude that undetected audit differences in all accounts did not exceed our planning materiality level.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk assessment at the component. In the current year the range of performance materiality allocated to components was £0.1 million to £1.4 million (2014/15: £0.1 million to £1.4 million).

Reporting threshold

An amount below which identified misstatements are considered to be clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.2 million (2014/15: £0.2 million) which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

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 misstatements, 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 overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Tailoring the scope

We used a risk-based approach for determining our audit strategy, ensuring that our audit teams performed consistent procedures and focused on addressing the risks that are relevant to the business. This approach focused our audit effort towards higher risk areas, such as significant management judgements, and on locations that were considered material based upon size, complexity and risk.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts of the 32 reporting components (2014/15: 32) of the Group we selected 13 components (2014/15: 12) covering the entities registered within the UK, Spain, Alderney and Belgium, which represent the principal business units of the Group.

The Rank Group Plc has centralised processes and the accounting for all but two components, being the components based in Spain and Belgium, is the responsibility of the accounting function based in the UK. The responsibility for the judgemental processes and significant risk areas also resides with Group management. We have tailored our audit response accordingly and thus for all of our areas of risk, including those related to the component in Spain, Alderney and Belgium, audit procedures were undertaken directly by the Group audit team.

Specific testing has been undertaken by one component (2014/15: one) audit team based in Spain on the verification of operational data and other routine processes for the Spanish bingo business. Specific testing for the component based in Belgium has been undertaken by the Group audit team.

For the remaining nineteen components (2014/15: twenty), we performed other procedures, including overall analytical review, review of internal audit reports, testing of consolidation journals and intercompany eliminations and foreign currency translations to respond to any potential risks of material misstatement to the Group financial statements.

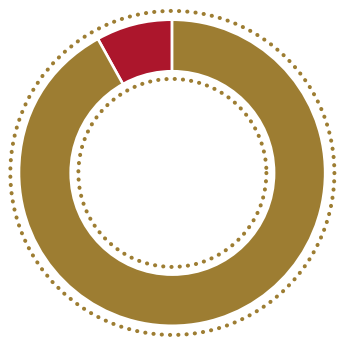
Independent auditor's report continued

A breakdown of the coverage represented by the components compared to key metrics of the Group is provided below:

TOTAL PROFIT BEFORE TAX ADJUSTED FOR EXCEPTIONAL OPERATING INCOME COVERAGE CY/(PY)

FULL SCOPE ENTITIES	76%/(81%)
SPECIFIC SCOPE ENTITIES	22%/(17%)
REVIEW SCOPE ENTITIES	2%/(2%)

TOTAL REVENUE COVERAGE CY/(PY)



FULL SCOPE ENTITIES	92%/(92%)
SPECIFIC SCOPE ENTITIES	8%/(8%)

TOTAL ASSETS COVERAGE CY/(PY)

FULL SCOPE ENTITIES	84%/(89%)
SPECIFIC SCOPE ENTITIES	15%/(11%)
REVIEW SCOPE ENTITIES	1%/(0%)

All work is completed by the group audit team apart from specific scope work at a Spanish component which contributes 6% (2014/15: 4%) to total profit before tax adjusted for exceptional operating income, 3% (2014/15: 3%) to total revenue and 4% (2014/15: 6%) to total assets. This work is undertaken by a separate audit team from EY Spain.

Changes from the prior year

There are no significant changes in the scoping from the prior year.

Integrated team structure

The Senior Statutory Auditor oversaw all planning at the full scope locations including discussion of the potential for material fraud and error, reviewed key working papers, participated in the planning and execution of the responses to the risks, and attended the audit closing meetings.

In relation to the specific scope location in Spain, the Senior Statutory Auditor was also involved in the risk assessment and determining which accounts were in scope and attended the audit closing meeting by conference call, made specific enquiries of local management and reviewed the summary of results reported by the local audit team.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 84, 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.

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.

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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, information in the annual report is: ~ materially inconsistent with the information in the audited financial statements; or ~ apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or ~ is otherwise misleading. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.	We have no exceptions to report.
Companies Act 2006 reporting	We are required to report to you if, in our opinion: ~ adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or ~ the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or ~ certain disclosures of directors' remuneration specified by law are not made; or ~ we have not received all the information and explanations we require for our audit.	We have no exceptions to report.
Listing Rules review requirements	We are required to review: ~ the directors' statement in relation to going concern, set out on page 33, and longer-term viability, set out on page 33; and ~ the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

Statement on the directors' assessment of the principal risks that would threaten the solvency or liquidity of the entity

ISAs (UK and Ireland) reporting	We required to give a statement as to whether we have anything material to add or to draw attention to in relation to: ~ the directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity ~ the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated ~ the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; and ~ the directors' explanation in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Julie Carlyle
Senior statutory auditor
for and on behalf of Ernst & Young LLP,
Statutory Auditor
London

22 August 2016

Group income statement for the year ended 30 June 2016

	Note	Year ended 30 June 2016 Before exceptional items £m	Year ended 30 June 2016 Exceptional items (note 4) £m	Year ended 30 June 2016 Total £m	Year ended 30 June 2015 Before exceptional items £m	Year ended 30 June 2015 Exceptional items (note 4) £m	Year ended 30 June 2015 Total £m
Continuing operations							
Revenue before adjustment for customer incentives	2	753.0	–	753.0	738.3	–	738.3
Customer incentives	2	(44.5)	–	(44.5)	(37.6)	–	(37.6)
Revenue	2	**708.5**	**–**	**708.5**	700.7	–	700.7
Cost of sales		**(391.7)**	**–**	**(391.7)**	(376.6)	–	(376.6)
Gross profit		**316.8**	**–**	**316.8**	324.1	–	324.1
Other operating costs		**(234.4)**	**(0.7)**	**(235.1)**	(240.1)	2.1	(238.0)
Other operating income		**–**	**10.0**	**10.0**	–	–	–
Group operating profit	2,3	**82.4**	**9.3**	**91.7**	84.0	2.1	86.1
Financing:							
– finance costs		**(5.3)**	**–**	**(5.3)**	(10.4)	(1.3)	(11.7)
– finance income		**0.2**	**–**	**0.2**	0.4	–	0.4
– other financial losses		**(1.1)**	**–**	**(1.1)**	(0.3)	–	(0.3)
Total net financing charge	5	**(6.2)**	**–**	**(6.2)**	(10.3)	(1.3)	(11.6)
Profit before taxation		**76.2**	**9.3**	**85.5**	73.7	0.8	74.5
Taxation	6	**(14.8)**	**0.4**	**(14.4)**	(16.8)	1.3	(15.5)
Profit for the year from continuing operations		**61.4**	**9.7**	**71.1**	56.9	2.1	59.0
Discontinued operations	4	**–**	**3.6**	**3.6**	–	15.8	15.8
Profit for the year		**61.4**	**13.3**	**74.7**	56.9	17.9	74.8
Attributable to:							
Equity holders of the parent		**61.4**	**13.3**	**74.7**	56.9	17.9	74.8
Earnings per share attributable to equity shareholders							
– basic	9	**15.7p**	**3.4p**	**19.1p**	14.6p	4.5p	19.1p
– diluted	9	**15.7p**	**3.4p**	**19.1p**	14.6p	4.5p	19.1p
Earnings per share – continuing operations							
– basic	9	**15.7p**	**2.5p**	**18.2p**	14.6p	0.5p	15.1p
– diluted	9	**15.7p**	**2.5p**	**18.2p**	14.6p	0.5p	15.1p
Earnings per share – discontinued operations							
– basic	9	**–**	**0.9p**	**0.9p**	–	4.0p	4.0p
– diluted	9	**–**	**0.9p**	**0.9p**	–	4.0p	4.0p

Details of dividends paid and payable to equity shareholders are disclosed in note 8.

Group statement of comprehensive income for the year ended 30 June 2016

	Note	**Year ended 30 June 2016 £m**	Year ended 30 June 2015 £m
Comprehensive income:			
Profit for the year		**74.7**	74.8
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange adjustments net of tax		**4.5**	(4.7)
Items that will not be reclassified to profit or loss:			
Actuarial loss on retirement benefits net of tax	28	**(0.1)**	(0.4)
Total comprehensive income for the year		**79.1**	69.7
Attributable to:			
Equity holders of the parent		**79.1**	69.7

The tax effect of items of comprehensive income is disclosed in note 6.

Balance sheets at 30 June 2016

	Note	Group As at 30 June 2016 £m	Group As at 30 June 2015 £m	Company As at 30 June 2016 £m	Company As at 30 June 2015 £m
Assets					
Non-current assets					
Intangible assets	10	**404.3**	395.7	**–**	–
Property, plant and equipment	11	**202.0**	203.4	**–**	–
Investments in subsidiaries	13	**–**	–	**1,441.7**	1,445.7
Deferred tax assets	20	**1.3**	2.2	**–**	0.1
Other receivables	15	**6.5**	5.3	**–**	–
		614.1	606.6	**1,441.7**	1,445.8
Current assets					
Inventories	14	**2.9**	2.8	**–**	–
Other receivables	15	**36.2**	29.3	**–**	45.7
Income tax receivable	17	**0.4**	1.7	**–**	–
Cash and short-term deposits	25	**61.0**	89.6	**0.2**	0.2
		100.5	123.4	**0.2**	45.9
Assets held for sale	11	**–**	0.6	**–**	–
Total assets		**714.6**	730.6	**1,441.9**	1,491.7
Liabilities					
Current liabilities					
Trade and other payables	16	**(139.3)**	(147.0)	**(1.8)**	(1.6)
Income tax payable	17	**(11.0)**	(28.0)	**–**	–
Financial liabilities					
– financial guarantees	18	**–**	–	**(1.7)**	(0.3)
– loans and borrowings	18	**(14.4)**	(125.5)	**(864.8)**	(871.5)
Provisions	21	**(9.2)**	(8.9)	**–**	–
		(173.9)	(309.4)	**(868.3)**	(873.4)
Net current liabilities		**(73.4)**	(186.0)	**(868.1)**	(827.5)
Non-current liabilities					
Trade and other payables	16	**(34.7)**	(37.6)	**–**	–
Financial liabilities					
– loans and borrowings	18	**(87.8)**	(17.6)	**–**	–
Deferred tax liabilities	20	**(21.0)**	(23.1)	**(0.1)**	–
Provisions	21	**(40.9)**	(44.7)	**–**	–
Retirement benefit obligations	28	**(3.7)**	(3.8)	**–**	–
		(188.1)	(126.8)	**(0.1)**	–
Total liabilities		**(362.0)**	(436.2)	**(868.4)**	(873.4)
Net assets		**352.6**	294.4	**573.5**	618.3
Capital and reserves attributable to the Company's equity shareholders					
Share capital	22	**54.2**	54.2	**54.2**	54.2
Share premium		**98.4**	98.4	**98.4**	98.4
Capital redemption reserve		**33.4**	33.4	**33.4**	33.4
Exchange translation reserve		**13.5**	9.0	**–**	–
Unrealised profit reserve		**–**	–	**159.8**	159.8
Retained earnings		**153.1**	99.4	**227.7**	272.5
Total shareholders' equity		**352.6**	294.4	**573.5**	618.3

These financial statements were approved by the board on 22 August 2016 and signed on its behalf by:

Henry Birch, Chief Executive

Clive Jennings, Finance Director

Statements of changes in equity for the year ended 30 June 2016

Group	Share capital £m	Share premium £m	Capital redemption reserve £m	Exchange translation reserve £m	Retained earnings (losses) £m	Total £m
At 1 July 2014	54.2	98.4	33.4	13.7	42.6	242.3
Comprehensive income:						
Profit for the year	–	–	–	–	74.8	74.8
Other comprehensive income:						
Exchange adjustments net of tax	–	–	–	(4.7)	–	(4.7)
Actuarial loss on retirement benefits net of tax	–	–	–	–	(0.4)	(0.4)
Total comprehensive (expense) income for the year	–	–	–	(4.7)	74.4	69.7
Transactions with owners:						
Dividends paid to equity holders (see note 8)	–	–	–	–	(18.6)	(18.6)
Credit in respect of employee share schemes including tax	–	–	–	–	1.0	1.0
At 30 June 2015	54.2	98.4	33.4	9.0	99.4	294.4
Comprehensive income:						
Profit for the year	**–**	**–**	**–**	**–**	**74.7**	**74.7**
Other comprehensive income:						
Exchange adjustments net of tax	**–**	**–**	**–**	**4.5**	**–**	**4.5**
Actuarial loss on retirement benefits net of tax	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Total comprehensive income for the year	**–**	**–**	**–**	**4.5**	**74.6**	**79.1**
Transactions with owners:						
Dividends paid to equity holders (see note 8)	**–**	**–**	**–**	**–**	**(22.7)**	**(22.7)**
Credit in respect of employee share schemes including tax	**–**	**–**	**–**	**–**	**1.8**	**1.8**
At 30 June 2016	**54.2**	**98.4**	**33.4**	**13.5**	**153.1**	**352.6**

There were no non-controlling interests in either year.

Company	Share capital £m	Share premium £m	Capital redemption reserve £m	Unrealised profit reserve £m	Retained earnings (losses) £m	Total £m
At 1 July 2014	54.2	98.4	33.4	–	209.6	395.6
Profit and total comprehensive income for the year	–	–	–	159.8	80.5	240.3
Transactions with owners:						
Dividends paid to equity holders (see note 8)	–	–	–	–	(18.6)	(18.6)
Credit in respect of employee share schemes including tax	–	–	–	–	1.0	1.0
At 30 June 2015	54.2	98.4	33.4	159.8	272.5	618.3
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(23.9)**	**(23.9)**
Transactions with owners:						
Dividends paid to equity holders (see note 8)	**–**	**–**	**–**	**–**	**(22.7)**	**(22.7)**
Credit in respect of employee share schemes including tax	**–**	**–**	**–**	**–**	**1.8**	**1.8**
At 30 June 2016	**54.2**	**98.4**	**33.4**	**159.8**	**227.7**	**573.5**

The unrealised profit reserve relates to the Company's investment in subsidiary undertakings.

Statements of cash flow for the year ended 30 June 2016

	Note	Group		Company	
		Year ended 30 June 2016 £m	Year ended 30 June 2015 £m	**Year ended 30 June 2016 £m**	Year ended 30 June 2015 £m
Cash flows from operating activities					
Cash generated from operations	23	**110.2**	146.6	**–**	–
Interest received		**0.1**	0.3	**–**	–
Interest paid		**(5.0)**	(7.8)	**–**	–
Tax paid		**(31.1)**	(2.2)	**–**	–
Discontinued operations		**4.1**	–	**–**	–
Net cash from operating activities		**78.3**	136.9	**–**	–
Cash flows from investing activities					
Disposal of subsidiaries (net of cash disposed)	24	**(0.2)**	(0.1)	**–**	–
Purchase of intangible assets		**(14.5)**	(10.5)	**–**	–
Purchase of property, plant and equipment		**(38.2)**	(21.4)	**–**	–
Proceeds from sale of property, plant and equipment		**12.3**	1.5	**–**	–
Purchase of convertible loan note	15	**(1.1)**	(2.4)	**–**	–
Net cash used in investing activities		**(41.7)**	(32.9)	**–**	–
Cash flows from financing activities					
Dividends paid to equity holders		**(22.7)**	(18.6)	**(22.7)**	(18.6)
Repayment of term loans		**(130.0)**	(20.0)	**–**	–
Drawdown of term loans		**90.0**	–	**–**	–
Repayment of revolving credit facilities		**–**	(20.0)	**–**	–
Repurchase of bonds		**–**	(0.4)	**–**	–
Finance lease principal payments		**(2.8)**	(3.1)	**–**	–
Loan arrangement fees		**(1.5)**	–	**–**	–
Amounts received from subsidiaries		**–**	–	**22.7**	18.6
Net cash used in financing activities		**(67.0)**	(62.1)	**–**	–
Net (decrease) increase in cash, cash equivalents and bank overdrafts		**(30.4)**	41.9	**–**	–
Effect of exchange rate changes		**0.8**	(0.7)	**–**	–
Cash and cash equivalents at start of year		**87.5**	46.3	**0.2**	0.2
Cash and cash equivalents at end of year	25	**57.9**	87.5	**0.2**	0.2

1 General information and accounting policies

General information

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

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, SL6 1AY.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and Company 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 and Company financial statements, the directors have considered the issues impacting the Group during the period as detailed in the strategic report on pages 1 to 46 and have reviewed the Group's projected compliance with its banking covenants detailed in the financial review on page 30. Based on the Group's cash flow forecasts and operating budgets, the directors believe that the Group will generate sufficient cash to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and comply with its banking covenants. Accordingly, the adoption of the going concern basis remains appropriate.

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 or reversal of previously recognised impairment. The Group reviews assets with a definite useful life for events or changes in circumstances that indicate the carrying amount of the asset may not be recoverable. If a definite life asset has been previously impaired the Group considers whether there has been a change in circumstance or events that may indicate the impairment is no longer required. Where either of these indicators are identified a detailed impairment review is performed. Further details of the Group's accounting policy in relation to impairments and impairment reversals are disclosed in note 1.13.

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 goodwill, intangible assets and property, plant and equipment are associated. The recoverable amount is the higher of the fair value less costs of disposal and value in use. Estimates of fair value less costs of disposal are performed internally by experienced senior management supported by knowledge of similar transactions and advice from external experts 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 12.

The Company also tests annually the carrying value of its investments in subsidiaries. The application of this policy requires the use of estimates and judgements in determining the recoverable amount of the subsidiary undertakings. The recoverable amount is determined by applying an appropriate multiple to the earnings of the subsidiaries along with consideration of the underlying net assets.

(b) 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 17.

(c) Provisions

Provisions are recognised in accordance with the policy disclosed in note 1.10. In calculating property lease provisions, estimates are made of the discounted cash flows associated with the property and its associated operations including sub-let income together with estimates of any dilapidation obligations. 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 21.

1 General information and accounting policies continued

(d) 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 30 and of contingent liabilities in note 31.

1.1.4 Changes in accounting policy and disclosures
(a) Standards, amendments to and interpretations of existing standards adopted by the Group
The following amendment to an existing standard is mandatory for the first time for the financial period beginning 1 July 2015:

~ IAS 19 (amended) Employee Benefits

The Group has not been materially impacted by the adoption of this amendment.

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

(b) Standards, amendments to and interpretations of existing standards that are not yet effective
With the exception of IFRS 16 'Leases', which is effective for annual periods starting on or after 1 January 2019, the Group is not expected to be materially impacted by any new standards, amendments or interpretations of existing standards, that have been published and are mandatory for the first time for accounting periods starting after 1 July 2016.

IFRS 16 'Leases' will become mandatory for the Group's reporting period ending 30 June 2020 and it is anticipated that this will have a material impact upon the Group's financial statements. Since the impact is influenced by the Group open lease position, it is not yet possible to reasonably quantify its effects.

The Group does not anticipate a material impact on the results or net assets from any other standards that are in issue but not yet effective.

1.2 Consolidation
The consolidated financial statements comprise the financial statements of the parent and its subsidiaries as at 30 June 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically the Group controls an investee if, and only if, the Group has a) power over the investee, b) exposure, or rights, to variable returns from the investee, and c) ability to use its power to affect those returns. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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.

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-related duties. Revenue for bingo is net of prizes before deduction of gaming-related duties. Revenue for digital products, including interactive games, represents gaming win before deduction of gaming-related duties. The fair value of free bets, promotions and customer bonuses ('customer incentives') are also deducted from all revenue streams.

Although disclosed as revenue, gaming win (other than from poker and bingo) 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 48) 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 1.21 (30 June 2015: 1.41) and the closing US Dollar rate against UK Sterling was 1.35 (30 June 2015: 1.57);

(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 1.33 (year ended 30 June 2015: 1.32) and the average US Dollar rate against UK Sterling in the year was 1.47 (year ended 30 June 2015: 1.57); and

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

A financial asset is derecognised when the rights to receive the cash flows from the asset have expired, 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 neither been 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.

(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.

1 General information and accounting policies continued

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 amortising over the expected length of the guarantee, to the extent that the guarantee is not expected to be called.

1.9 Leases
Leases are tested at inception to determine whether the lease is a finance or operating lease and treated accordingly. 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.

1.10 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 the passage of time is recognised as a finance cost.

1.11 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.

1.12 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.

(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.

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

(c) Property contracts
Property contracts arise on a fair value adjustment in respect of favourable property contracts on acquisitions. Such contracts are amortised over the lease term of the associated property.

(d) 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 five 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).

1.13 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 or where they indicate a previously recognised impairment may no longer be required.

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 of disposal 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 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 of disposal then any remaining impairment is allocated equally amongst all other assets.

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 in the income statement immediately.

1.14 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 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 27.

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 vesting period). 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.

1 General information and accounting policies continued

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, regardless of whether the entity or the employee cancel the award.

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.

(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.

(d) Bonus plans
The Group recognises a liability in respect of the best estimate of bonuses payable where contractually obliged to do so or where a past practice has created a constructive obligation.

1.15 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.

1.16 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.

(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, 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.

1.17 Share capital
Ordinary shares are classified as equity.

1.18 Discontinued operations and held for sale assets
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 of disposal.

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.

1.19 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.

1.20 Exceptional items

The Group separately discloses those items which are required to give a full understanding of the Group's financial performance and aid comparability of the Group's result between periods. Exceptional items are typically those items which, by their size or nature in relation to the Group, are separately disclosed.

Notes to the financial statements continued

2 Segmental reporting

a) Segment information – operating segments

	Year ended 30 June 2016							
	Grosvenor Casinos		Mecca		Enracha			
	Venues £m	Digital £m	Venues £m	Digital £m	Venues £m	Digital £m	Central costs £m	Total £m
Continuing operations								
Revenue before adjustment for customer incentives	408.1	30.5	221.5	66.2	26.7	–	–	753.0
Customer incentives	(15.9)	(4.9)	(10.6)	(13.1)	–	–	–	(44.5)
Statutory revenue	392.2	25.6	210.9	53.1	26.7	–	–	708.5
Operating profit (loss) before exceptional items	60.9	5.3	32.9	8.6	3.8	(0.2)	(28.9)	82.4
Exceptional (loss) profit	(1.1)	–	9.2	–	1.1	–	0.1	9.3
Segment result	59.8	5.3	42.1	8.6	4.9	(0.2)	(28.8)	91.7
Finance costs								(5.3)
Finance income								0.2
Other financial losses								(1.1)
Profit before taxation								85.5
Taxation								(14.4)
Profit for the year from continuing operations								71.1
Other segment items – continuing operations								
Capital expenditure	(24.8)	(0.3)	(9.1)	(1.5)	(3.4)	–	(13.6)	(52.7)
Depreciation and amortisation	(25.0)	(2.1)	(12.6)	(2.8)	(1.5)	–	(1.8)	(45.8)
Impairment charges	(1.1)	–	(0.3)	–	–	–	–	(1.4)
Impairment reversal	–	–	–	–	1.4	–	–	1.4
Net release from provision for property leases	0.6	–	0.7	–	–	–	0.1	1.4
Closure of venues	(0.8)	–	(1.5)	–	(0.3)	–	–	(2.6)
Profit on disposal of freehold buildings	–	–	10.0	–	–	–	–	10.0

	Year ended 30 June 2015							
	Grosvenor Casinos		Mecca		Enracha			
	Venues £m	Digital £m	Venues £m	Digital £m	Venues £m	Digital £m	Central costs £m	Total £m
Continuing operations								
Revenue before adjustment for customer incentives	401.1	22.3	224.4	65.2	25.3	–	–	738.3
Customer incentives	(6.7)	(5.1)	(13.7)	(12.1)	–	–	–	(37.6)
Statutory revenue	394.4	17.2	210.7	53.1	25.3	–	–	700.7
Operating profit (loss) before exceptional items	63.4	3.1	28.9	14.1	3.1	(0.5)	(28.1)	84.0
Exceptional profit	–	–	1.0	–	1.1	–	–	2.1
Segment result	63.4	3.1	29.9	14.1	4.2	(0.5)	(28.1)	86.1
Finance costs								(11.7)
Finance income								0.4
Other financial losses								(0.3)
Profit before taxation								74.5
Taxation								(15.5)
Profit for the year from continuing operations								59.0
Other segment items – continuing operations								
Capital expenditure	(15.0)	(0.9)	(7.6)	(1.9)	(0.9)	–	(5.6)	(31.9)
Depreciation and amortisation	(23.7)	(1.5)	(12.7)	(1.5)	(1.5)	–	(1.4)	(42.3)
Impairment charges	(0.7)	–	(1.0)	–	–	–	–	(1.7)
Impairment reversals	1.1	–	0.4	–	1.6	–	–	3.1
Net release from provision for property leases	(0.5)	–	(0.9)	–	(0.1)	–	–	(1.5)
Closure of venues	–	–	2.1	–	(0.4)	–	–	1.7

The Group reports segmental information on a brand-led basis, which is consistent with the means by which the chief operating decision maker utilises internal reporting within the business. This brand-led structure better enables management to reflect the needs of our customers throughout the various activities of the business. These activities are both venues-based and digital-based casino operations in Grosvenor Casinos, plus venues-based and digital-based bingo operations both in Mecca and our Spanish bingo brand Enracha. Further information about each brand is disclosed on pages 26 (Grosvenor Casinos), 28 (Mecca) and 29 (Enracha).

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.

2 Segmental reporting continued

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

	Year ended 30 June 2016 £m	Year ended 30 June 2015 £m
UK	**667.7**	662.2
Continental Europe	**40.8**	38.5
Total revenue	**708.5**	700.7

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

	As at 30 June 2016 £m	As at 30 June 2015 £m
UK	**573.2**	572.2
Continental Europe	**33.1**	26.9
Segment non-current assets	**606.3**	599.1
Unallocated assets:		
Deferred tax assets	**1.3**	2.2
Financial assets	**6.5**	5.3
Total non-current assets	**614.1**	606.6

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**	
	Note	**Year ended 30 June 2016 £m**	Year ended 30 June 2015 £m	**Year ended 30 June 2016 £m**	Year ended 30 June 2015 £m
From continuing operations		**708.5**	700.7	**71.1**	59.0
From discontinued operations	4	**–**	–	**3.6**	15.8
		708.5	700.7	**74.7**	74.8

d) 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:

	Year ended 30 June 2016							
	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	**139.6**	**3.8**	**53.7**	**6.0**	**11.5**	**0.1**	**18.9**	**233.6**
Taxes and duties	**86.0**	**3.8**	**35.7**	**7.8**	**1.5**	**–**	**1.6**	**136.4**
Direct costs	**14.5**	**7.5**	**21.0**	**15.1**	**2.6**	**–**	**–**	**60.7**
Property costs	**29.4**	**0.2**	**25.6**	**0.4**	**1.7**	**–**	**1.1**	**58.4**
Marketing	**15.6**	**2.3**	**9.9**	**10.5**	**1.0**	**–**	**–**	**39.3**
Depreciation and amortisation	**25.0**	**2.1**	**12.6**	**2.8**	**1.5**	**–**	**1.8**	**45.8**
Other	**21.2**	**0.6**	**19.5**	**1.9**	**3.1**	**0.1**	**5.5**	**51.9**
Total costs on continuing operations before exceptional items	**331.3**	**20.3**	**178.0**	**44.5**	**22.9**	**0.2**	**28.9**	**626.1**
Cost of sales								**391.7**
Operating costs								**234.4**
Total costs on continuing operations before exceptional items								**626.1**

	Year ended 30 June 2015							
	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	138.9	3.2	54.8	6.7	12.3	0.2	17.0	233.1
Taxes and duties	84.6	1.8	35.3	5.0	1.7	–	1.9	130.3
Direct costs	16.9	4.8	22.6	14.4	2.1	0.2	–	61.0
Property costs	30.0	0.2	27.0	0.3	1.6	–	1.0	60.1
Marketing	14.6	2.2	10.5	9.7	0.9	–	–	37.9
Depreciation and amortisation	23.7	1.5	12.7	1.5	1.5	–	1.4	42.3
Other	22.3	0.4	18.9	1.4	2.1	0.1	6.8	52.0
Total costs on continuing operations before exceptional items	331.0	14.1	181.8	39.0	22.2	0.5	28.1	616.7
Cost of sales								376.6
Operating costs								240.1
Total costs on continuing operations before exceptional items								616.7

3 Profit for the year – analysis by nature

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

	Year ended 30 June 2016 £m	Year ended 30 June 2015 £m
Employee benefit expense	**217.1**	214.7
Cost of inventories recognised as expense	**40.4**	39.1
Amortisation of intangibles (including £2.2m (year ended 30 June 2015: £1.2m) within cost of sales)	**8.9**	5.9
Depreciation of property, plant and equipment		
– owned assets (including £32.8m (year ended 30 June 2015: £31.8m) within cost of sales)	**33.9**	33.4
– under finance leases (included within cost of sales)	**3.0**	3.0
Operating lease rentals payable		
– minimum lease payments	**47.0**	48.5
– sub-lease income	**(4.5)**	(5.0)
Loss on disposal of property, plant and equipment	**0.5**	0.3
Loss on disposal of intangible assets	**–**	0.5
Impairment of property, plant and equipment	**0.5**	0.5
Exceptional income (see note 4)	**(9.3)**	(2.1)
Auditor's remuneration for audit services	**0.4**	0.4

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

	Year ended 30 June 2016 £m	Year ended 30 June 2015 £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	**0.1**	0.1
	0.5	0.5

£25,000 (year ended 30 June 2015: £25,000) 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	**Year ended 30 June 2016 £m**	Year ended 30 June 2015 £m
Exceptional items relating to continuing operations			
Impairment charges	10,11,12	**(0.9)**	(1.2)
Impairment reversals	10,11,12	**1.4**	3.1
Net release (charge) from/to provisions for property leases		**1.4**	(1.5)
Closure of venues		**(2.6)**	1.7
Exceptional operating costs		**(0.7)**	2.1
Disposal of freehold buildings		**10.0**	–
Exceptional operating income		**10.0**	–
Finance costs	5	**–**	(1.3)
Taxation	6	**0.4**	1.3
Exceptional items relating to continuing operations		**9.7**	2.1
Exceptional items relating to discontinued operations			
Disposal of subsidiary		**(0.3)**	–
Finance costs	5	**(0.3)**	(0.4)
Taxation	6	**4.2**	16.2
Exceptional items relating to discontinued operations		**3.6**	15.8
Total exceptional items		**13.3**	17.9

Year ended 30 June 2016 exceptional items

Continuing operations

Impairment charges

The Group recognised an impairment charge of £0.9m for a venue within Grosvenor Casinos. Performance at the venue has not been in line with expectations.

Impairment reversal

The Group reversed a previous impairment charge of £1.4m in Enracha. This reflects increased performance at a venue attributed to improvements in the commercial environment.

Net release from provisions for property leases

The Group recognised a net release of £1.4m in relation to provisions for onerous property leases in the year. This includes a £0.7m and £1.0m gain, from successful onerous lease surrenders in Mecca and Grosvenor Casinos respectively, net of a charge from a reduction in the discount rate applied to existing provisions.

Further movements in the property leases provision are explained under closure of venues cost below.

Closure of venues

During the year the Group closed, or committed to close, seven venues of which four were within Mecca and three within Grosvenor Casinos. The charge in the period of £2.6m reflects additional costs of closure due to redundancy, dilapidation and onerous property lease costs at three clubs within Grosvenor Casinos (£0.8m), one club within Mecca (£1.5m) and one previously closed club within Enracha (£0.3m).

Disposal of freehold buildings

During the year Mecca sold two freehold buildings for a net profit, after associated disposal costs of £10.0m.

Discontinued operations

Disposal of subsidiary

The Group disposed of Rank Insurance Limited for a net cost of £0.3m. The business provided insurance services to previously discontinued activities and represents an end of life legacy insurance company. Approximate annual operating costs from the business were £0.1m.

Taxation and finance costs

£3.9m of income has been recognised in respect of discontinued operations in overseas jurisdictions. This comprises £4.4m of exceptional tax credit due to settlement of amounts previously paid across to an overseas tax authority, £0.3m of finance cost for an associated letter of credit and an additional £0.2m charge for a separate tax exposure in another jurisdiction.

The exceptional tax credit of £4.4m less £0.3m of associated finance cost in relation to the letter of credit has been disclosed separately on the cash flow as cash from discontinued operations.

Year ended 30 June 2015 exceptional items

Continuing operations

Impairment charges

The Group recognised impairment charges of £1.2m of which £0.6m related to a Grosvenor Casinos venue and £0.6m to two Mecca venues. Performance at these venues had not been in line with expectations.

Impairment reversals

The Group reversed previous impairment charges of £0.7m in the UK, £0.3m of which related to a Grosvenor Casinos venue and £0.4m of which related to a Mecca venue. The reversal was in respect of venues where changes in the commercial environment had led to improvements in performance.

A further reversal of £0.8m was made in respect of a casino in Belgium which had shown continued improved performance above expectations.

A further reversal of £1.6m was recognised in respect of an Enracha venue which had shown continued improved performance following a competitor closure.

Net charge to provisions for property leases

The Group recognised a net charge of £1.5m in relation to provision for property leases in the year. This included a charge of £1.1m in two Grosvenor Casinos venues and £1.0m in respect of a Mecca venue for unavoidable dilapidations costs and where expected income no longer exceeded the unavoidable costs associated with these sites.

In addition, a reversal of £0.6m was made in respect of a Grosvenor Casinos venue where the provision had been reduced due to expected sublet income.

Further movements in the property lease provision are explained under closure of venues below.

Closure of venues

During the year the Group had closed, or committed to close, 12 venues. Nine of these venues were in Mecca, two were in Grosvenor Casinos and one was in Enracha. The credit in the period included a reduction in the property lease provision required at two of these venues of £2.3m, an increase in the restructuring provision of £0.5m at three venues which were due to close in early 2015/16, and an increase in the property lease provision for dilapidations of £0.7m at a single venue, and other income of £0.6m.

5 Financing

	Year ended 30 June 2016 £m	Year ended 30 June 2015 £m
Continuing operations:		
Finance costs:		
Interest on debt and borrowings[1]	**(3.2)**	(5.7)
Amortisation of issue costs on borrowings	**(0.4)**	(2.5)
Interest payable on finance leases	**(0.7)**	(0.9)
Unwinding of discount in property lease provisions	**(0.9)**	(1.2)
Unwinding of discount in disposal provisions	**(0.1)**	(0.1)
Total finance costs	**(5.3)**	(10.4)
Finance income:		
Interest income on short-term bank deposits[1]	**0.1**	0.2
Interest income on loans[1]	**0.1**	–
Interest income on direct taxation	**–**	0.2
Total finance income	**0.2**	0.4
Other financial losses	**(1.1)**	(0.3)
Total net financing charge for continuing operations before exceptional items	**(6.2)**	(10.3)
Exceptional finance costs	**–**	(1.3)
Total net financing charge for continuing operations	**(6.2)**	(11.6)
Discontinued operations:		
Exceptional finance costs	**(0.3)**	(0.4)
Total net financing charge for discontinued operations	**(0.3)**	(0.4)
Total net financing charge	**(6.5)**	(12.0)

1 Calculated using the effective interest method.

Exceptional finance costs recognised in continuing operations in the prior year are in respect of tax balances provided for.

Exceptional finance costs recognised in discontinued operations in the year of £0.3m (year ended 30 June 2015: £0.4m) relate to the cost of a letter of credit held in respect of taxation balances on disposed entities (see note 30).

Other financial losses include foreign exchange losses on loans and borrowings.

A reconciliation of total net financing charge for continuing operations before exceptional items to adjusted net interest included in adjusted profit is disclosed below:

	Year ended 30 June 2016 £m	Year ended 30 June 2015 £m
Total net financing charge for continuing operations before exceptional items	**(6.2)**	(10.3)
Adjust for:		
Unwinding of discount in disposal provisions	**0.1**	0.1
Other financial losses	**1.1**	0.3
Adjusted net interest payable	**(5.0)**	(9.9)

6 Taxation

	Year ended 30 June 2016			Year ended 30 June 2015		
	Continuing operations £m	**Discontinued operations £m**	**Total £m**	Continuing operations £m	Discontinued operations £m	Total £m
Current income tax						
Current income tax – UK	**(13.6)**	**–**	**(13.6)**	(10.0)	–	(10.0)
Current income tax – overseas	**(2.2)**	**–**	**(2.2)**	(2.7)	–	(2.7)
Current income tax on exceptional items	**0.1**	**–**	**0.1**	1.1	0.1	1.2
Amounts (under) over provided in previous period	**(0.2)**	**–**	**(0.2)**	0.7	–	0.7
Amounts over provided in previous period on exceptional items	**0.3**	**4.2**	**4.5**	0.4	16.1	16.5
Total current income tax (charge) credit	**(15.6)**	**4.2**	**(11.4)**	(10.5)	16.2	5.7
Deferred tax						
Deferred tax – UK	**(1.1)**	**–**	**(1.1)**	(3.7)	–	(3.7)
Deferred tax – overseas	**(0.6)**	**–**	**(0.6)**	(0.1)	–	(0.1)
Restatement of deferred tax due to rate change	**2.3**	**–**	**2.3**	0.2	–	0.2
Deferred tax on exceptional items	**–**	**–**	**–**	(0.2)	–	(0.2)
Amounts over (under) provided in previous period	**0.6**	**–**	**0.6**	(1.2)	–	(1.2)
Total deferred tax credit (charge) (note 20)	**1.2**	**–**	**1.2**	(5.0)	–	(5.0)
Tax (charge) credit in the income statement	**(14.4)**	**4.2**	**(10.2)**	(15.5)	16.2	0.7

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 20.00% (year ended 30 June 2015: 20.75%). The differences are explained below:

	Year ended 30 June 2016 £m	Year ended 30 June 2015 £m
Profit before taxation on continuing operations	**85.5**	74.5
Tax charge calculated at 20.00% on profit before taxation on continuing operations (year ended 30 June 2015: 20.75%)	**(17.1)**	(15.5)
Effects of:		
Expenses not deductible for tax purposes	**(0.1)**	(0.1)
Difference in overseas tax rates	**(0.5)**	(0.1)
Restatement of deferred tax due to rate change	**2.3**	0.2
Adjustments relating to prior periods	**0.7**	(0.1)
Deferred tax recognised	**0.3**	0.1
Tax charge in the income statement on continuing operations	**(14.4)**	(15.5)

Tax on exceptional items – continuing operations

The taxation impacts of continuing exceptional items are disclosed below:

	Year ended 30 June 2016			Year ended 30 June 2015		
	Current income tax £m	**Deferred tax £m**	**Total £m**	Current income tax £m	Deferred tax £m	Total £m
Impairment charges	**–**	**0.2**	**0.2**	–	0.1	0.1
Impairment reversals	**–**	**(0.4)**	**(0.4)**	–	(0.6)	(0.6)
Net (release) charge from/to provisions for property leases	**(0.4)**	**–**	**(0.4)**	0.3	–	0.3
Closure of venues	**0.5**	**0.2**	**0.7**	0.5	0.3	0.8
Exceptional finance costs	**–**	**–**	**–**	0.3	–	0.3
Amounts over provided in respect of previous years	**0.3**	**–**	**0.3**	0.4	–	0.4
Tax credit (charge) on exceptional items – continuing operations	**0.4**	**–**	**0.4**	1.5	(0.2)	1.3

6 Taxation continued

Tax on exceptional items – discontinued operations

The taxation impacts of discontinued exceptional items are disclosed below:

	Year ended 30 June 2016			Year ended 30 June 2015		
	Current income tax £m	**Deferred tax £m**	**Total £m**	Current income tax £m	Deferred tax £m	Total £m
Net credit relating to overseas tax audits	**4.2**	**–**	**4.2**	16.1	–	16.1
Exceptional finance costs	**–**	**–**	**–**	0.1	–	0.1
Tax credit on exceptional items – discontinued operations	**4.2**	**–**	**4.2**	16.2	–	16.2

The £4.2m exceptional tax credit in discontinued operations relating to overseas tax audits consists of a refund of tax paid of £4.4m following the successful resolution of a transfer pricing dispute, offset by a £0.2m charge in relation to a separate audit.

Tax effect of items within other comprehensive income

	Year ended 30 June 2016 £m	Year ended 30 June 2015 £m
Current income tax credit (charge) on exchange movements offset in reserves	**0.6**	(0.4)
Deferred tax credit on actuarial movement on retirement benefits	**–**	0.1
Total tax credit (charge) on items within other comprehensive income	**0.6**	(0.3)

The credit in respect of employee share schemes included within the Statement of changes in equity includes a deferred tax credit of £0.1m (year ended 30 June 2015: £nil).

Factors affecting future taxation

UK corporation tax is calculated at 20.00% (year ended 30 June 2015: 20.75%) of the estimated assessable profit for the period. Taxation for overseas operations is calculated at the local prevailing rates.

On 8 July 2015, the Chancellor of the Exchequer announced the reduction in the main rate of UK corporation tax to 19.0% for the year starting 1 April 2017 and a further 1.0% reduction to 18.0% from 1 April 2020. These changes were substantively enacted in October 2015. The rate reductions will reduce the amount of cash tax payments to be made by the Group.

On 20 June 2014, the Spanish Government announced the reduction in the corporation tax rate in Spain from 30% to 28% for financial years beginning in 2015 and to 25% for financial years beginning in 2016 and onwards. These changes were substantively enacted in November 2014.

7 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 year ended 30 June 2016 for the Company was £23.9m (year ended 30 June 2015: profit of £240.3m). The loss includes an impairment charge of £5.1m (year ended 30 June 2015 impairment reversal of £259.9m) in respect of its investment in subsidiary undertakings. Further details are provided in note 13.

8 Dividends paid to equity holders

	Year ended 30 June 2016 £m	Year ended 30 June 2015 £m
Dividends paid to equity holders		
Final dividend for 2013/14 paid on 22 October 2014 – 3.15p per share	**–**	12.3
Interim dividend for 2014/15 paid on 20 March 2015 – 1.60p per share	**–**	6.3
Final dividend for 2014/15 paid on 21 October 2015 – 4.00p per share	**15.6**	–
Interim dividend for 2015/16 paid on 22 March 2016 – 1.80p per share	**7.1**	–
	22.7	18.6

A final dividend in respect of the year ended 30 June 2016 of 4.70p per share, amounting to a total dividend of £18.4m, is to be recommended at the annual general meeting on 14 October 2016. These financial statements do not reflect this dividend payable.

9 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 year.

	Year ended 30 June 2016			Year ended 30 June 2015		
	Before exceptional items	**Exceptional items**	**Total**	Before exceptional items	Exceptional items	Total
Profit attributable to equity shareholders						
Continuing operations	**£61.4m**	**£9.7m**	**£71.1m**	£56.9m	£2.1m	£59.0m
Discontinued operations	**–**	**£3.6m**	**£3.6m**	–	£15.8m	£15.8m
Total	**£61.4m**	**£13.3m**	**£74.7m**	£56.9m	£17.9m	£74.8m
Weighted average number of ordinary shares in issue	**390.7m**	**390.7m**	**390.7m**	390.7m	390.7m	390.7m
Basic earnings per share						
Continuing operations	**15.7p**	**2.5p**	**18.2p**	14.6p	0.5p	15.1p
Discontinued operations	**–**	**0.9p**	**0.9p**	–	4.0p	4.0p
Total	**15.7p**	**3.4p**	**19.1p**	14.6p	4.5p	19.1p

(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.

There is no difference in the profit used to determine diluted earnings per share from that used to determine basic earnings per share. There is no dilutive impact of share awards on the weighted average number of ordinary shares in issue or on earnings per share.

(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:

	Year ended 30 June 2016 £m	Year ended 30 June 2015 £m
Profit attributable to equity shareholders	**74.7**	74.8
Adjust for:		
Discontinued operations (net of taxation)	**(3.6)**	(15.8)
Exceptional items after tax on continuing operations	**(9.7)**	(2.1)
Other financial losses	**1.1**	0.3
Unwinding of discount in disposal provisions	**0.1**	0.1
Taxation on adjusted items and impact of reduction in tax rate	**(2.6)**	(0.2)
Adjusted net earnings attributable to equity shareholders (£m)	**60.0**	57.1
Adjusted earnings per share (p) – basic	**15.4p**	14.6p
Adjusted earnings per share (p) – diluted	**15.4p**	14.6p

10 Intangible assets

Group	Goodwill £m	Casino and other gaming licences and concessions £m	Property contracts £m	Other £m	Total £m
At 1 July 2014	134.3	276.3	3.7	40.7	455.0
Exchange adjustments	–	(4.8)	–	–	(4.8)
Disposals	–	(3.0)	–	(5.3)	(8.3)
Additions	–	0.6	–	9.9	10.5
At 30 June 2015	134.3	269.1	3.7	45.3	452.4
Exchange adjustments	**–**	**5.7**	**0.1**	**–**	**5.8**
Disposals	**–**	**–**	**–**	**(0.5)**	**(0.5)**
Additions	**–**	**0.1**	**–**	**14.3**	**14.4**
At 30 June 2016	**134.3**	**274.9**	**3.8**	**59.1**	**472.1**
Aggregate amortisation and impairment					
At 1 July 2014	–	36.4	0.4	28.0	64.8
Exchange adjustments	–	(3.6)	–	–	(3.6)
Charge for the year	–	0.8	0.3	4.8	5.9
Impairment reversals	–	(2.6)	–	–	(2.6)
Disposals	–	(3.0)	–	(4.8)	(7.8)
At 30 June 2015	–	28.0	0.7	28.0	56.7
Exchange adjustments	**–**	**4.1**	**–**	**–**	**4.1**
Charge for the year	**–**	**1.0**	**0.3**	**7.6**	**8.9**
Impairment reversal	**–**	**(1.4)**	**–**	**–**	**(1.4)**
Disposals	**–**	**–**	**–**	**(0.5)**	**(0.5)**
At 30 June 2016	**–**	**31.7**	**1.0**	**35.1**	**67.8**
Net book value at 30 June 2014	134.3	239.9	3.3	12.7	390.2
Net book value at 30 June 2015	134.3	241.1	3.0	17.3	395.7
Net book value at 30 June 2016	**134.3**	**243.2**	**2.8**	**24.0**	**404.3**

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 £10.9m (30 June 2015: £7.3m).

Property contracts arise as a fair value adjustment in respect of favourable property contracts on acquisition.

Included in intangible assets are assets in the course of construction of £4.1m (30 June 2015: £3.4m).

Indefinite life intangible assets have been reviewed for impairment as set out in note 12.

11 Property, plant and equipment

Group	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Total £m
Cost			
At 1 July 2014	140.2	495.7	635.9
Exchange adjustments	(1.3)	(6.2)	(7.5)
Additions	1.3	26.5	27.8
Disposals	(4.0)	(19.1)	(23.1)
Transfer to assets held for sale	(0.7)	(1.5)	(2.2)
At 30 June 2015	135.5	495.4	630.9
Exchange adjustments	**1.8**	**8.2**	**10.0**
Additions	**0.9**	**35.0**	**35.9**
Disposals	**(10.4)**	**(10.0)**	**(20.4)**
Write off of assets	**–**	**(0.4)**	**(0.4)**
At 30 June 2016	**127.8**	**528.2**	**656.0**
Accumulated depreciation and impairment			
At 1 July 2014	76.4	342.0	418.4
Exchange adjustments	(0.2)	(5.2)	(5.4)
Charge for the year	4.0	32.4	36.4
Impairment charges	0.2	1.5	1.7
Impairment reversals	(0.4)	(0.1)	(0.5)
Disposals	(2.8)	(18.7)	(21.5)
Transfer to assets held for sale	(0.4)	(1.2)	(1.6)
At 30 June 2015	76.8	350.7	427.5
Exchange adjustments	**0.4**	**6.4**	**6.8**
Charge for the year	**4.1**	**32.8**	**36.9**
Impairment charges	**–**	**1.4**	**1.4**
Disposals	**(9.0)**	**(9.2)**	**(18.2)**
Write off of assets	**–**	**(0.4)**	**(0.4)**
At 30 June 2016	**72.3**	**381.7**	**454.0**
Net book value at 30 June 2014	63.8	153.7	217.5
Net book value at 30 June 2015	58.7	144.7	203.4
Net book value at 30 June 2016	**55.5**	**146.5**	**202.0**

Impairment charges for the year of £1.4m comprise £0.9m which has been recognised in respect of exceptional items relating to continuing operations and £0.5m in respect of operating profit before exceptional items. Impairment charges in the prior year of £1.7m comprised of exceptional items relating to continuing operations of £1.2m and £0.5m in respect of operating profit before exceptional items.

11 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 2016 £m	As at 30 June 2015 £m
Land and buildings	**5.3**	6.1
Fixtures, fittings, plant and machinery	**0.1**	1.6
Net book value at end of period	**5.4**	7.7

There were no additions to finance leases in either year.

Assets under construction

Included in property, plant and equipment are assets in the course of construction of £3.2m (year ended 30 June 2015: £2.4m).

Assets held for sale

	As at 30 June 2016 £m	As at 30 June 2015 £m
Land and buildings	**–**	0.6

There were no assets held for sale as at 30 June 2016.

12 Impairment review

The pre-tax discount rates applied to the different channels of the business are as follows:

Channels	**30 June 2016**	30 June 2015
Grosvenor venues	**10.0%**	10.0%
Mecca venues	**10.0%**	10.0%
Enracha venues	**12.0%**	11.0%
Digital	**12.0%**	11.0%

The discount rate calculation is based on the specific circumstances of the Group and its cash generating units (CGUs) and is derived from its weighted average cost of capital.

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 2016, the Group has goodwill with a carrying value of £134.3m (30 June 2015: £134.3m).

Digital goodwill

£53.4m of goodwill arose on the acquisition of Rank Digital Limited. All of this goodwill is 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 cash flow projections based on the Group's budget for 2016/17, the Group's strategic plan for the following two years and a growth rate of 2.0% (30 June 2015: 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.

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 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 activity	Settled stakes
Failure to respond to technological advances	Settled stakes
Deterioration in economic conditions	Settled stakes
Changes in regulation	Settled stakes, Gaming win margin
Changes in duties	Gaming duty

Based on these key assumptions and resulting projections, the recoverable amount of the CGU exceeds its carrying amount by in excess of £77m. Whilst this represents significant headroom this reflects high growth consistent with industry forecasts and recent market trends. If this was not to be achieved it could adversely impact the carrying value. A decrease of approximately 17% in either settled stakes or gaming win would be required for the recoverable amount to equal the carrying value of the CGU. A rise in gaming duty from 15% to approximately 19% would be required for the recoverable amount to equal the carrying value of the CGU. These calculations assume all other assumptions remain constant and therefore do not reflect any cost saving measures that may be identified should a key assumption be impacted to this magnitude.

Casino goodwill

£80.9m of goodwill arose on the acquisition of 19 casinos from Gala Coral in May 2013. The goodwill arising on the acquisition is considered to benefit all acquired casinos and therefore is tested by combining all of the acquired casino CGUs. The discount rate applied to the casino goodwill is that applied to Grosvenor venues.

The recoverable amount has been determined based on a value in use calculation using cash flow projections of the combined casinos from the Group's budget for 2016/17, the Group's strategic plan for the following two years and a growth rate of 2.0% (30 June 2015: 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 customer visits, spend per visit, casino duty, machine games duty and the discount rate. Customer visits are the number of discrete visits by customers to casinos 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.

The table below outlines the possible changes in key assumptions that could cause the carrying value of goodwill to exceed its recoverable amount. These are:

Key factors	Key assumption impacted
Increased or improved competition	Customer visits
Poor or decreased marketing 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 duties	Casino duty, Machine games duty

Based on these key assumptions and resulting projections, the recoverable amount of the CGU exceeds its carrying amount by £113m. A decrease of approximately 22% in either customer visits or spend per visit would be required for the recoverable amount to equal the carrying value of the CGU. A rise in gaming-related taxes from the current blended rate of 18.5% to 24% across the combined casinos would be required for the recoverable amount to equal the carrying value of the CGU. These calculations assume all other assumptions remain constant and therefore do not reflect any cost saving measures that may be identified should a key assumption be impacted to this magnitude.

ii) Casino licences

The carrying value of indefinite life casino licences as at 30 June 2016 was £231.9m (30 June 2015: £231.9m).

The inherent value of a casino licence is deemed to be an intrinsic part of the value of the operation of a casino as a whole and is therefore not split out from each casino in an impairment review. Each casino has been treated as a separate CGU, and tested for impairment on that basis. The recoverable amount of each casino, including the licence, has been determined based on the higher of fair value less costs of disposal 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 2016/17, the Group's strategic plan for the following two years and a growth rate of 2.0% (30 June 2015: 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 of disposal are performed internally by experienced senior management supported by knowledge of similar transactions or, where applicable, offers received.

12 Impairment review continued

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 customers 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.

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 marketing 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 duties	Casino duty, Machine games duty

As outlined above, each casino licence has been tested for impairment as part of the club as a whole. The level by which the recoverable amount of each CGU exceeds its carrying amount therefore varies at each venue and the impact of changes in key assumptions that would be required for the recoverable amount to equal its carrying amount also varies at each casino. For UK casino licences, the directors do not believe that, with the exception of a prolonged non-operation of a UK casino licence, there are any reasonably foreseeable changes to the key assumptions that would result in a material impairment.

No impairment charges were made during the year against indefinite life casino licences (year ended 30 June 2015: £nil).

The two casino concessions in Belgium are being amortised over their expected useful life. At 30 June 2016 these concessions had a carrying value of £3.8m (30 June 2015: £4.2m). Each of the casino concessions has also been treated as a separate CGU for impairment testing purposes.

iii) Spanish bingo licences

The carrying value of Spanish bingo licences as at 30 June 2016 was £7.4m (30 June 2015: £5.0m).

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 of disposal 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 2016/17, the Group's strategic plan for the following two years and a growth rate of 2.0% (30 June 2015: 2.0%), thereafter.

The key assumptions in the calculation of value in use are customer visits, spend per visit, bingo duty 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 duty is based upon statutory rates enacted at the balance sheet date.

As a result of the impairment review, an impairment reversal of £1.4m (30 June 2015: £1.8m) has been recognised against the value in use of one bingo licence. 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 marketing 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 duties	Bingo duty

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, each one percentage point reduction in expected future cash flow projections would generate an incremental impairment of £0.1m.

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 Casino digital and Mecca digital businesses. Each CGU is assessed for indicators of impairment. The indicator of impairment that resulted in a charge was a sustained deterioration in trading performance. The indicator that resulted in a reversal was a sustained improvement in trading performance.

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 of disposal and value in use. The value in use has been determined using cash flow projections from the Group's budget for 2016/17, the Group's strategic plan for the following two years and a growth rate of 2.0% (30 June 2015: 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 of disposal are performed internally by an experienced surveyor supported by external estate agent advice or, where applicable, offers received. For a limited number of CGUs any failure to achieve the anticipated growth in future performance could result in further impairment charges being made.

c) Impairment recognised during the period

Details of impairment charges and reversals recognised during the current and prior periods are disclosed in note 4, with a segregation of these charges and reversals shown in note 2a.

13 Investments in subsidiaries

Company	**As at 30 June 2016 £m**	As at 30 June 2015 £m
Cost		
At start of year	**1,517.6**	1,516.9
Movements	**1.1**	0.7
At end of year	**1,518.7**	1,517.6
Provision for impairment		
At start of year	**71.9**	331.8
Impairment charge (reversal)	**5.1**	(259.9)
At end of year	**77.0**	71.9
Net book value at end of year	**1,441.7**	1,445.7

The movements in cost relate to the fair value of services recognised by subsidiary undertakings arising from equity-settled share options granted by the Company.

In the current year an impairment charge of £5.1m has been recognised due to a reduction in operating profit in one of the Company's investments in subsidiary undertakings. In the prior year the Company recognised an impairment reversal of £259.9m following a period of sustained improvement in earnings, combined with an increase in net assets, used as a basis for the annual impairment review of the carrying value of the Company's investments in subsidiary undertakings.

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest, is given in note 33.

14 Inventories

	Group	
	As at 30 June 2016 £m	As at 30 June 2015 £m
Raw materials	**0.2**	0.2
Finished goods	**2.7**	2.6
	2.9	2.8

There were no write downs of inventory in either year.

15 Other receivables

	Group		Company	
	As at 30 June 2016 £m	As at 30 June 2015 £m	**As at 30 June 2016 £m**	As at 30 June 2015 £m
Current				
Other receivables	**7.4**	3.2	**–**	–
Less: provisions for impairment of other receivables	**(0.1)**	(0.1)	**–**	–
Other receivables – net	**7.3**	3.1	**–**	–
Prepayments	**28.9**	26.2	**–**	–
Amounts owed by subsidiary undertakings repayable on demand	**–**	–	**–**	45.7
	36.2	29.3	**–**	45.7
Non-current				
Other receivables	**2.9**	2.9	**–**	–
Convertible loan note	**3.6**	2.4	**–**	–
	6.5	5.3	**–**	–

Group

The directors consider that the carrying value of other receivables and convertible loan notes approximate to their fair value.

As at 30 June 2016, other receivables of £nil (30 June 2015: £nil) were past due but not impaired.

The creation and release of provisions 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.

The Group holds a convertible loan note. At 30 June 2016, £3.5m has been paid out of a total of £3.5m payable under the agreement. In addition, £0.1m of interest is outstanding at 30 June 2016. The Group has the option to convert the loan note into 17.5% of the issued share capital of its digital platform provider at any time prior to June 2018. If conversion does not take place then the loan note is repayable in full in January 2019.

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.

The amounts owed by subsidiary undertakings were settled on a non-cash basis in the period.

16 Trade and other payables

	Group		Company	
	As at 30 June 2016 £m	As at 30 June 2015 £m	**As at 30 June 2016 £m**	As at 30 June 2015 £m
Current				
Trade payables	**24.9**	26.0	**–**	–
Social security and other taxation	**31.9**	35.2	**–**	–
Other payables	**82.5**	85.8	**1.8**	1.6
Trade and other payables – current	**139.3**	147.0	**1.8**	1.6
Non-current				
Other payables	**34.7**	37.6	**–**	–
Trade and other payables – non-current	**34.7**	37.6	**–**	–

Other payables includes £2.9m current payables (30 June 2015: £2.9m) and £34.7m non-current payables (30 June 2015: £37.6m) in respect of above market rent property contracts acquired through business combinations.

17 Income tax

	Group	
	As at 30 June 2016 £m	As at 30 June 2015 £m
Income tax receivable	**0.4**	1.7
Income tax payable – Continuing operations	**(9.0)**	(26.2)
Income tax payable – Discontinued operations	**(2.0)**	(1.8)
Income tax payable	**(11.0)**	(28.0)
Net income tax payable	**(10.6)**	(26.3)

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 issues.

During the year, the Group made a payment of £21.4m in respect of an ongoing tax issue which has been challenged by the relevant authority. This amount was included in the income tax payable on continuing operations in the comparative period.

18 Financial assets and liabilities

(a) Interest-bearing loans and borrowings

	Maturity	Group As at 30 June 2016 £m	As at 30 June 2015 £m
Current interest-bearing loans and borrowings			
Bank overdrafts	On demand	**3.1**	2.1
Obligations under finance leases	Various	**1.1**	2.7
Term loans	February 2017	**10.0**	120.0
Other current loans			
Accrued interest	July 2016	**0.5**	0.7
Unamortised facility fees	Various	**(0.3)**	–
Total current interest-bearing loans and borrowings		**14.4**	125.5
Non-current interest-bearing loans and borrowings			
7.125% Yankee bonds	2018	**10.1**	8.6
Term loans	2019	**70.0**	–
Obligations under finance leases	Various	**7.9**	9.1
Other non-current loans			
Unamortised facility fees	Various	**(0.2)**	(0.1)
Total non-current interest-bearing loans and borrowings		**87.8**	17.6
Total interest-bearing loans and borrowings		**102.2**	143.1
Sterling		**92.1**	134.5
US Dollars		**10.1**	8.6
Total interest-bearing loans and borrowings		**102.2**	143.1

Bank overdrafts
Bank overdrafts are for short-term funding and are repayable on demand.

Yankee bonds
Interest on the Yankee bonds is payable half yearly in January and July at a rate of 7.125%.

Term loan facilities
Three and a half year facilities totalling £90.0m were signed on 29 September 2015 and consist of three bi-lateral term loans. Interest is payable on a periodic basis depending on the loan drawn. The facilities carry floating rates of interest which are LIBOR dependant. £10.0m was repaid in the period and the total drawn term loan at 30 June 2016 was £80.0m.

Revolving credit facilities
Five year facilities were signed on 29 September 2015 and consist of three multi-currency revolving credit bi-lateral facilities totalling £90.0m. Interest is payable on a periodic basis depending on the loan drawn. The facilities carry floating rates of interest which are LIBOR dependent. There were no drawings on the multi-currency revolving credit facilities at 30 June 2016 providing the Group with £90.0m undrawn committed facilities.

Covenants
The Group complied with all its covenants during the year.

Company
The Company did not hold any external interest bearing loans or borrowings at 30 June 2016 (30 June 2015: £nil). The Company holds interest bearing loans with other Group companies at 30 June 2016 of £864.8m (30 June 2015: £871.5m).

(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 2016 and 30 June 2015.

	Carrying amount		Fair value	
Group	**As at 30 June 2016 £m**	As at 30 June 2015 £m	**As at 30 June 2016 £m**	As at 30 June 2015 £m
Financial assets:				
Loans and receivables				
Other receivables	**5.4**	3.5	**5.4**	3.5
Convertible loan note	**3.6**	2.4	**3.6**	2.4
Cash and short-term deposits	**61.0**	89.6	**61.0**	89.6
Total	**70.0**	95.5	**70.0**	95.5
Financial liabilities:				
Other financial liabilities				
Interest bearing loans and borrowings				
Obligations under finance leases	**9.0**	11.8	**9.0**	11.8
Floating rate borrowings	**80.0**	120.0	**80.0**	120.0
Fixed rate borrowings	**10.1**	8.6	**11.0**	9.4
Bank overdrafts	**3.1**	2.1	**3.1**	2.1
Other	**0.5**	0.6	**0.5**	0.6
Trade and other payables	**89.3**	92.9	**89.3**	92.9
Property leases	**44.5**	47.6	**44.5**	47.6
Total	**236.5**	283.6	**237.4**	284.4

	Carrying amount		Fair value	
Company	**As at 30 June 2016 £m**	As at 30 June 2015 £m	**As at 30 June 2016 £m**	As at 30 June 2015 £m
Financial assets:				
Loans and receivables				
Other receivables	**–**	45.7	**–**	45.7
Cash and short-term deposits	**0.2**	0.2	**0.2**	0.2
Total	**0.2**	45.9	**0.2**	45.9
Financial liabilities:				
Other financial liabilities				
Trade and other payables	**1.8**	1.6	**1.8**	1.6
Financial guarantee contracts	**1.7**	0.3	**1.7**	0.3
Amounts owed to subsidiary undertakings	**864.8**	871.5	**864.8**	871.5
Total	**868.3**	873.4	**868.3**	873.4

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 to 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.

19 Financial risk management objectives and policies

Financial risk factors

The Group's principal financial liabilities comprise loans and borrowings and 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 positions at 30 June 2016 and 30 June 2015.

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 effect on equity, other than the effect of profit before tax, includes the impact of translation of overseas subsidiaries. The Group's exposure to foreign currency changes for all other currencies is not material.

Increased volatility in exchange rates has resulted in the level of sensitivity being increased to 15% (year ended 30 June 2015: 10%)

	Effect on profit before tax		**Effect on equity**	
	As at 30 June 2016 £m	As at 30 June 2015 £m	**As at 30 June 2016 £m**	As at 30 June 2015 £m
Change in foreign exchange rates:				
+15.0% US$	**1.3**	1.1	**–**	–
-15.0% US$	**(1.8)**	(1.5)	**–**	–
+15.0% euro	**–**	(0.1)	**(4.2)**	(6.0)
-15.0% euro	**–**	(0.1)	**4.2**	6.0
Change in foreign exchange rates:				
+10.0% US$	**0.9**	0.8	**–**	–
-10.0% US$	**(1.1)**	(1.0)	**–**	–
+10.0% euro	**–**	–	**(2.7)**	(4.0)
-10.0% euro	**–**	0.1	**2.7**	4.0

(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 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 2016, 19% of the Group's borrowings were at a fixed rate of interest (30 June 2015: 14%).

(iii) Interest rate sensitivity
The table below 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 2016 £m	As at 30 June 2015 £m
Sterling:		
100 basis point increase	**(0.6)**	(0.8)
200 basis point increase	**(1.2)**	(1.6)

There was no impact on equity in either year as a consequence of loan arrangements.

Due to current low interest rates, any further decline would not have a material impact on income and equity for the year. 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 year.

(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 year 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 'BB' required. The Group predominantly invests with its lending banks when appropriate.

Sales to retail customers are settled in cash or using major credit and debit 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 three times a year. 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 £90.0m (30 June 2015: £80.0m) bank revolving credit facility comprising three bi-lateral bank facilities which expire in September 2020 and the £80.0m (30 June 2015: £120.0m) bank term loan facility comprising three bi-lateral bank facilities which expire in April 2019. 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.

19 Financial risk management objectives and policies continued

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	Greater than 5 years £m	Total £m
At 30 June 2016						
Interest-bearing loans and borrowings[1]	**3.1**	**12.9**	**22.7**	**64.2**	**3.4**	**106.3**
Trade and other payables	**–**	**89.3**	**–**	**–**	**–**	**89.3**
Property leases	**–**	**7.2**	**4.5**	**11.0**	**36.5**	**59.2**
	3.1	**109.4**	**27.2**	**75.2**	**39.9**	**254.8**
At 30 June 2015						
Interest-bearing loans and borrowings[1]	2.1	127.6	1.7	12.3	4.5	148.2
Trade and other payables	–	92.9	–	–	–	92.9
Property leases	–	6.1	5.3	12.3	39.2	62.9
	2.1	226.6	7.0	24.6	43.7	304.0

Interest payments on the interest-bearing loans and borrowings have been projected until the instruments mature.

1 The bank facility interest payments were based on current LIBOR as at the reporting date.

Capital management

The Group's objectives when managing capital are 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 2016 and 30 June 2015 were as follows:

	As at 30 June 2016 £m	As at 30 June 2015 £m
Total loans and borrowings (note 18)	**102.2**	143.1
Less: Cash and short-term deposits	**(61.0)**	(89.6)
Less: Accrued interest	**(0.5)**	(0.7)
Less: Unamortised facility fees	**0.5**	0.1
Net debt	**41.2**	52.9
Continuing operations		
Operating profit before exceptionals	**82.4**	84.0
Add: Depreciation and amortisation	**45.8**	42.3
EBITDA	**128.2**	126.3
Leverage ratio	**0.3**	0.4

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.

Collateral

The Group did not pledge or hold any collateral at 30 June 2016 (30 June 2015: £nil).

Company

The maximum exposure to credit risk at the reporting date is the fair value of its cash and short term deposits of £0.2m (30 June 2015: £0.2m).

The Company does not have any other significant exposure to financial risks.

20 Deferred tax

The analysis of deferred tax included in the financial statements at the end of the year is as follows:

	Group		Company	
	As at 30 June 2016 £m	As at 30 June 2015 £m	**As at 30 June 2016 £m**	As at 30 June 2015 £m
Deferred tax assets:				
Accelerated capital allowances	**12.1**	12.6	**–**	–
Tax losses carried forward	**1.3**	2.2	**–**	–
Business combinations – property lease fair value adjustments	**4.8**	5.1	**–**	–
Other UK temporary differences	**1.0**	1.3	**–**	0.1
Deferred tax assets	**19.2**	21.2	**–**	0.1
Deferred tax liabilities:				
Other overseas temporary differences	**(1.8)**	(1.0)	**–**	–
Business combinations – non-qualifying properties	**(0.6)**	(0.7)	**–**	–
Other UK temporary differences	**–**	–	**(0.1)**	–
Temporary differences on UK casino licences	**(36.5)**	(40.4)	**–**	–
Deferred tax liabilities	**(38.9)**	(42.1)	**(0.1)**	–
Net deferred tax (liability) asset	**(19.7)**	(20.9)	**(0.1)**	0.1

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 £17.9m (30 June 2015: £19.0m) have been offset and disclosed on the balance sheet as follows:

	Group	
	As at 30 June 2016 £m	As at 30 June 2015 £m
Deferred tax assets	**1.3**	2.2
Deferred tax liabilities	**(21.0)**	(23.1)
Net deferred tax liability	**(19.7)**	(20.9)

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 £3.5m (30 June 2015: £2.8m) 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 is as follows:

	Group	
	As at 30 June 2016 £m	As at 30 June 2015 £m
Expiring in 2017	**–**	–
No expiry date	**3.5**	2.8
	3.5	2.8

The Group has UK capital losses carried forward of £784m (30 June 2015: £793m). These losses are available for offset against future UK chargeable gains. No deferred tax asset (30 June 2015: £nil) has been recognised in respect of these capital losses as no further utilisation is currently anticipated.

20 Deferred tax continued

Temporary differences associated with Group investments

There was no deferred tax liability recognised (30 June 2015: £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	
	Year ended 30 June 2016 £m	Year ended 30 June 2015 £m
Deferred tax in the income statement		
Accelerated capital allowances	**(0.5)**	(2.8)
Deferred tax movement on fair valued assets	**0.1**	0.1
Tax losses	**(0.9)**	(0.1)
Business combinations – property lease fair value adjustments	**(0.3)**	(1.9)
Temporary differences on UK casino licences	**3.9**	(0.5)
Other temporary differences	**(1.1)**	0.2
Total deferred tax credit (charge)	**1.2**	(5.0)
Continuing operations	**1.2**	(5.0)
Discontinued operations	**–**	–
Total deferred tax credit (charge)	**1.2**	(5.0)

The deferred tax movement on the balance sheet is as follows:

	Group		Company	
	30 June 2016 £m	30 June 2015 £m	**30 June 2016 £m**	30 June 2015 £m
As at start of year	**(20.9)**	(15.6)	**0.1**	–
Exchange adjustments	**(0.1)**	(0.1)	**–**	–
Disposal of overseas subsidiary	**–**	(0.3)	**–**	–
Deferred tax credit (charge) in the income statement	**1.2**	(5.0)	**(0.2)**	–
Deferred tax credit to other comprehensive income and equity	**0.1**	0.1	**–**	0.1
As at end of year	**(19.7)**	(20.9)	**(0.1)**	0.1

21 Provisions

Group	Property lease provisions £m	Disposal provisions £m	Restructuring provisions £m	Indirect tax provision £m	Total £m
At 1 July 2015	47.6	4.3	0.5	1.2	53.6
Exchange adjustments	–	**0.3**	–	–	**0.3**
Unwinding of discount	**0.9**	**0.1**	–	–	**1.0**
Charge to the income statement – exceptional	**4.5**	**0.3**	–	–	**4.8**
Release to the income statement – exceptional	**(3.0)**	**(0.3)**	**(0.1)**	–	**(3.4)**
Utilised in year	**(5.5)**	**(0.3)**	**(0.4)**	–	**(6.2)**
At 30 June 2016	**44.5**	**4.4**	–	**1.2**	**50.1**
Current	**7.2**	**0.8**	–	**1.2**	**9.2**
Non-current	**37.3**	**3.6**	–	–	**40.9**
Total	**44.5**	**4.4**	–	**1.2**	**50.1**

Provisions have been made based on management's best estimate of the future cash flows, taking into account the risks associated with each obligation.

Property lease provisions

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 22 years (30 June 2015: 22 years). Of the provision totalling £44.5m, it is estimated £21.7m will be utilised over periods ranging from one to five years, £7.8m will be utilised over periods ranging from five to 10 years; and the remaining £15.0m will be utilised over periods in excess of 10 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 comprise the following:

	As at 30 June 2016 £m	As at 30 June 2015 £m
Legacy industrial disease and personal injury claims	**4.0**	3.7
Other	**0.4**	0.6
Total disposal provisions	**4.4**	4.3

Restructuring provisions

The restructuring provision relates to the costs associated with the closure of three Mecca venues early in 2015/16.

Indirect tax provision

The indirect tax provision relates to the Group's VAT claim on amusement machines. The balance of £1.2m represents the directors' best estimate of the outflow likely to arise.

22 Share capital

	As at 30 June 2016		As at 30 June 2015	
	Number m	**Nominal value £m**	Number m	Nominal value £m
Authorised ordinary shares of 13 8/9p each	**1,296.0**	**180.0**	1,296.0	180.0

	As at 30 June 2016		As at 30 June 2015	
	Number m	**Nominal value £m**	Number m	Nominal value £m
As at 30 June 2015 and 30 June 2016 – issued and fully paid	**390.7**	**54.2**	390.7	54.2

23 Cash generated from operations

Reconciliation of operating profit to cash generated from continuing operations:

	Group		Company	
	Year ended 30 June 2016 £m	Year ended 30 June 2015 £m	**Year ended 30 June 2016 £m**	Year ended 30 June 2015 £m
Continuing operations				
Operating profit (loss)	**91.7**	86.1	**(5.7)**	259.5
Exceptional items	**(9.3)**	(2.1)	**5.1**	(259.9)
Operating profit (loss) before exceptional items	**82.4**	84.0	**(0.6)**	(0.4)
Depreciation and amortisation	**45.8**	42.3	**–**	–
Share based payments	**1.9**	1.1	**0.7**	–
Loss on disposal of property, plant and equipment	**0.5**	0.3	**–**	–
Loss on disposal of intangible assets	**–**	0.5	**–**	–
Impairment of property, plant and equipment	**0.5**	0.5	**–**	–
(Increase) decrease in inventories	**(0.1)**	0.3	**–**	–
(Increase) decrease in other receivables	**(5.9)**	1.8	**–**	–
(Decrease) increase in trade and other payables	**(8.7)**	23.7	**(0.1)**	0.4
	116.4	154.5	**–**	–
Cash utilisation of provisions	**(6.2)**	(7.7)	**–**	–
Cash payments in respect of exceptional items	**–**	(0.2)	**–**	–
Cash generated from continuing operations	**110.2**	146.6	**–**	–

24 Cash flows from disposal of subsidiaries

During the year, the Group disposed of an overseas subsidiary which incurred a net cash outflow of £0.2m. This has been disclosed as a discontinued operation as it represents a legacy self insurance company for discontinued businesses, and is part of a plan to exit from such legacy businesses.

At 30 June 2015 £0.1m was recognised for a separate overseas subsidiary disposal.

25 Cash and short-term deposits

	Group	
	As at 30 June 2016 £m	As at 30 June 2015 £m
Cash at bank and on hand	**42.5**	53.0
Short-term deposits	**18.5**	36.6
Total	**61.0**	89.6

The analysis of cash and short-term deposits by currency is as follows:

	Group	
	As at 30 June 2016 £m	As at 30 June 2015 £m
Sterling	**57.3**	85.4
Euro	**3.7**	4.1
Other currencies	**–**	0.1
Total	**61.0**	89.6

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 2016 £m	As at 30 June 2015 £m
Cash at bank and on hand	**42.5**	53.0
Short-term deposits	**18.5**	36.6
	61.0	89.6
Bank overdrafts	**(3.1)**	(2.1)
Total	**57.9**	87.5

Company

At 30 June 2016 the Company had cash and short-term deposits of £0.2m (30 June 2015: £0.2m).

26 Employees and directors

(a) Employee benefit expense for the Group during the year

	Year ended 30 June 2016 £m	Year ended 30 June 2015 £m
Wages and salaries	**192.3**	191.0
Social security costs	**18.3**	18.2
Pension costs	**4.6**	4.4
Share-based payments	**1.9**	1.1
	217.1	214.7

The Company has one employee (year ended 30 June 2015: one employee), remuneration for which is paid by a subsidiary undertaking.

(b) Average monthly number of employees

	Full-time Year ended 30 June 2016	**Part-time Year ended 30 June 2016**	**Total Year ended 30 June 2016**	Full-time Year ended 30 June 2015	Part-time Year ended 30 June 2015	Total Year ended 30 June 2015
Grosvenor Casinos venues	**4,336**	**2,017**	**6,353**	4,239	2,159	6,398
Mecca venues	**710**	**2,520**	**3,230**	747	2,651	3,398
Digital	**128**	**11**	**139**	109	6	115
Enracha	**483**	**44**	**527**	475	44	519
Central	**292**	**26**	**318**	275	16	291
	5,949	**4,618**	**10,567**	5,845	4,876	10,721

(c) Key management compensation

	Year ended 30 June 2016 £m	Year ended 30 June 2015 £m
Salaries and short-term employee benefits (including social security costs)	**5.0**	4.3
Termination benefits	**0.3**	0.3
Post-employment benefits	**0.2**	0.2
Share-based payments	**1.9**	1.0
	7.4	5.8

Included in key management compensation are bonuses of £1.4m in respect of the current year that will be paid in 2016/17 (year ended 30 June 2015: £1.3m).

Key management is defined as the directors of the Group and the management team, details of which are set out on page 48. 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 conditional awards under the Long Term Incentive Plan, are detailed in the remuneration report.

(e) Total emoluments of the directors of The Rank Group Plc

	Year ended 30 June 2016 £m	Year ended 30 June 2015 £m
Salaries, fees and benefits	**2.0**	1.7
Post-employment benefits	**0.1**	0.1
	2.1	1.8

No director accrued benefits under defined benefit pension schemes in either year. No director (year ended 30 June 2015: none) is a member of the Group's defined contribution pension plan at the year end. 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 the remuneration report on page 66.

27 Share-based payments

During the year ended 30 June 2016, the Company operated an equity settled Long-Term Incentive Plan ('LTIP'). Further details of the LTIP are included in the remuneration report on page 66. The LTIP is an equity settled scheme and details of the movements in the number of shares are shown below:

	As at 30 June 2016 £m	As at 30 June 2015 £m
Outstanding at start of the year	**4,856,173**	5,393,769
Granted	**252,970**	4,856,173
Forfeited	**(674,921)**	–
Surrendered	**–**	(5,393,769)
Outstanding at end of the year	**4,434,222**	4,856,173

	As at 30 June 2016 £m	As at 30 June 2015 £m
Weighted average remaining life	**2.2 years**	3.2 years
Weighted average fair value for shares granted during the year	**235p**	164p

The LTIP awards vest in three tranches; 45% in December 2017, 30% in December 2018 and 25% in December 2019. All LTIP awards have £nil exercise price.

The fair value of the LTIP awards granted during the year is based on the market value of the share award at grant date less the expected value of dividends forgone.

To the extent that grants are subject to non-market based performance conditions, the expense recognised is based on expectations of these conditions being met, which are reassessed at each balance sheet date.

The Group recognised a £1.9m charge (year ended 30 June 2015: £1.1m 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. Of the charge in the year, £0.2m (30 June 2015: £0.1m) is in respect of such cash-settled awards. The Group has recorded liabilities at 30 June 2016 of £0.3m (30 June 2015: £0.1m).

28 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 year ended 30 June 2016, the Group contributed a total of £4.3m (year ended 30 June 2015: £4.1m) to the Plan. There were no significant contributions outstanding at the balance sheet date in either year.

Other pension commitment

The Group has an unfunded pension commitment relating to three former executives of the Group. At 30 June 2016, the Group's commitment was £3.7m (30 June 2015: £3.8m). The Group paid £0.2m (year ended 30 June 2015: £0.1m) in pension payments during the year. The actuarial loss arising on the commitment, resulting from the changes in assumptions outlined below in the year, was £0.1m (year ended 30 June 2015: £0.5m) before taxation and £0.1m after taxation (year ended 30 June 2015: £0.4m).

	30 June 2016 % p.a.	30 June 2015 % p.a.
Discount rate	**2.8**	3.7
Pension increases	**2.9**	3.2

The obligation has been calculated using the S1 mortality tables with a 1.5% per annum improvement in life expectancy.

29 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 49 years.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	As at 30 June 2016 £m	As at 30 June 2015 £m
Not later than one year	**48.0**	46.1
After one year but not more than five years	**184.6**	180.1
After five years	**194.0**	233.8
	426.6	460.0

	As at 30 June 2016 £m	As at 30 June 2015 £m
Total future minimum sub-lease payments expected to be received under non-cancellable sub-leases	**19.8**	22.4

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 2016 £m	30 June 2015 £m	**30 June 2016 £m**	30 June 2015 £m
Not later than one year	**1.7**	3.5	**1.1**	2.7
After one year but not more than five years	**6.2**	6.5	**4.5**	4.5
More than five years	**4.8**	6.2	**3.4**	4.6
	12.7	16.2	**9.0**	11.8
Less future finance charges	**(3.7)**	(4.4)		
Present value of minimum lease payments	**9.0**	11.8		

	As at 30 June 2016 £m	As at 30 June 2015 £m
Total future minimum sub-lease payments expected to be received under non-cancellable sub-leases	**0.1**	0.1

Capital commitments

At 30 June 2016, the Group has contracts placed for future capital expenditure of £1.8m (30 June 2015: £2.8m).

30 Contingent assets

Group

Discontinued taxation

In the prior year the Group advised that it could receive a tax refund of between £2.5m and £4.0m in respect of amounts previously paid in relation to a discontinued operation. A refund of £4.4m was received in the period and has been disclosed as an exceptional item within note 4.

31 Contingent liabilities

Group

Property leases

Concurrent to the £211m sale and leaseback in 2006, the Group transferred the rights and obligations but not the legal titles of 44 property leases to a third party. The Group remains potentially liable in the event of default by the third party. Should default occur then the Group would have recourse to two guarantors. It is understood that, of the original 44 leases transferred, nine of these have not expired or been surrendered. These nine leases have durations of between five months and 97 years and a current annual rental obligation (net of sub-let income) of approximately £0.8m.

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

Stamp duty

The Group has received from HMRC a determination in respect of the amount of stamp duty payable on certain transactions undertaken by Gala Casino 1 Limited (now Grosvenor Casinos (GC) Limited) before its acquisition by the Group on 12 May 2013. The Group estimates the maximum possible additional stamp duty that could be due if HMRC are successful to be £7.2m plus interest.

Under the terms of the Sale and Purchase Agreement the vast majority of any liability arising falls upon Gala Coral and the Group has further indemnification in the event of default by Gala Coral.

Company

At 30 June 2016, the Company has made guarantees to subsidiary undertakings of £91.2m (30 June 2015: £129.9m).

32 Related party transactions

Group

Details of compensation of key management are disclosed in note 26.

Entities with significant influence over the Group

Guoco Group Limited (Guoco), a company incorporated in Bermuda, and listed on the Hong Kong stock exchange has a controlling interest in The Rank Group Plc. The ultimate parent undertaking of Guoco is Hong Leong Company (Malaysia) Berhad (Hong Leong) which is incorporated in Malaysia. At 30 June 2016, entities controlled by Hong Leong owned 56.2% of the Company's shares, including 56.1% through Guoco and its wholly-owned subsidiary, Rank Assets Limited, the Company's immediate parent undertaking.

Company

The following transactions with subsidiaries occurred in the year:

	Year ended 30 June 2016 £m	Year ended 30 June 2015 £m
Interest payable to subsidiary undertaking	**(21.1)**	(26.7)

During the year, Rank Group Finance Plc, a subsidiary of the Company, provided additional cash to the Company of £22.7m (year ended 30 June 2015: £18.6m).

33 Subsidiaries

The Company owns directly or indirectly 100% of the ordinary share capital and voting rights of the following companies:

Name	Country of incorporation	Principal activities
Grosvenor Casinos Limited	England and Wales	Casinos
Grosvenor Casinos (GC) Limited	England and Wales	Casinos
The Gaming Group Limited	England and Wales	Casinos
Mecca Bingo Limited	England and Wales	Social and bingo clubs
Luda Bingo Limited	England and Wales	Social and bingo clubs
Wardley Centre Bingo Limited	England and Wales	Social and bingo club
Rank Leisure Limited	England and Wales	Adult gaming centres in Mecca Bingo and Grosvenor Casinos
Rank Digital Limited(1)	England and Wales	Support services to interactive gaming
Rank Group Finance Plc(1)	England and Wales	Funding operations for the Group
Rank Digital Gaming (Alderney) Limited	Alderney	Interactive gaming
Rank Digital Services (Gibraltar) Limited	Gibraltar	Support services to interactive gaming
Rank Malta Operations p.l.c.	Malta	Interactive gaming
Conticin SL	Spain	Social and bingo clubs
Gotfor SA	Spain	Social and bingo clubs
Rank Cataluña SA	Spain	Social and bingo clubs
Rank Centro SA	Spain	Social and bingo clubs
Top Rank Andalucía SA	Spain	Social and bingo clubs
Verdiales SA	Spain	Social and bingo clubs
Blankenberge Casino-Kursaal NV	Belgium	Casino
Middelkerke Casino-Kursaal NV	Belgium	Casino
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(1)	England and Wales	Intermediary holding company
Rank Overseas Holdings Limited	England and Wales	Intermediary holding company
Rank (U.K.) Holdings Limited	England and Wales	Intermediary holding company
Rank Group Holdings Limited	England and Wales	Intermediary holding company
Rank Holding España SA	Spain	Intermediary holding company
Rank Malta Holdings Limited	Malta	Intermediary holding company
Rank EBT (Guernsey) Limited	Guernsey	Employee Benefit Trust
Rank Holdings (Germany) GmbH	Germany	Resolution of historic liabilities
Rank America Inc.	U.S.A.	Resolution of historic liabilities
Rank DMS LLC	U.S.A.	Resolution of historic liabilities
Associated Leisure (Amusement Machines) Limited	England and Wales	Dormant
DGMS Blackburn Holdings Limited	England and Wales	Dormant
Grosvenor Victoria Limited	England and Wales	Dormant
Kingsway Casinos Limited	England and Wales	Dormant
Leisure Holidays Limited	England and Wales	Dormant
Linkco Limited	England and Wales	Dormant
Mecca Casinos Limited	England and Wales	Dormant
MRC Developments Limited	England and Wales	Dormant
Pleasurama Properties Limited	England and Wales	Dormant
Pleasurama Property Investments Limited	England and Wales	Dormant
Rank (DMS) Limited	England and Wales	Dormant
Rank (FF) Limited	England and Wales	Dormant
Rank Holidays Division Limited	England and Wales	Dormant
Rank Hotels (Management) Limited	England and Wales	Dormant
Rank Interactive Development Limited	England and Wales	Dormant
Rank Interactive Gaming Limited	England and Wales	Dormant
Rank Leisure Machine Services Limited	England and Wales	Dormant
Rank Nemo (DGMS) Limited	England and Wales	Dormant
Rank Nemo (DMS) Limited	England and Wales	Dormant
Rank Nemo (DPL) Limited	England and Wales	Dormant
Rank Nemo (HGY) Limited	England and Wales	Dormant
Rank Nemo (RC) Limited	England and Wales	Dormant
The Rank Organisation Limited	England and Wales	Dormant
Rank Overseas Finance Limited	England and Wales	Dormant
Rank Precision Industries Limited	England and Wales	Dormant
Rank Radio International Limited	England and Wales	Dormant
Rank Seasonal Amusements Limited	England and Wales	Dormant
Rank Speciality Catering Limited	England and Wales	Dormant
RO Nominees Limited	England and Wales	Dormant
RPI Overseas Limited	England and Wales	Dormant
Associated Leisure France SARL	France	Dormant
Associated Leisure France Properties SCI	France	Dormant
Kingston Plantation Condominium Management Company	U.S.A.	Dormant
Kingston Plantation Inc.	U.S.A.	Dormant
Rank America (Nevada) Inc.	U.S.A.	Dormant
Rank Development Inc.	U.S.A.	Dormant
Rank DGMS LLC	U.S.A.	Dormant
Rank Leisure USA Inc.	U.S.A.	Dormant
Rank New Jersey Inc.	U.S.A.	Dormant
Rank Orlando II Inc.	U.S.A.	Dormant
Rank TH Inc.	U.S.A.	Dormant

1 Directly held by the Company.

The principal activities are carried out in the country of incorporation as indicated above. All subsidiary undertakings have a 30 June year end.

Five year review

	Year ended 30 June 2016 £m	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m	Year ended 30 June 2012 (unaudited) £m
Continuing operations					
Revenue before adjustment customer incentives	**753.0**	738.3	707.7	625.0	584.3
Customer incentives	**(44.5)**	(37.6)	(29.2)	(28.8)	(25.4)
Revenue	**708.5**	700.7	678.5	596.2	558.9
Operating profit before exceptional items	**82.4**	84.0	72.4	69.9	69.7
Exceptional items credited (charged) against operating profit	**9.3**	2.1	(46.5)	(17.7)	(19.9)
Group operating profit	**91.7**	86.1	25.9	52.2	49.8
Total net financing charge	**(6.2)**	(11.6)	(11.5)	(9.5)	(4.8)
Profit before taxation	**85.5**	74.5	14.4	42.7	45.0
Taxation	**(14.4)**	(15.5)	3.0	(13.8)	(13.6)
Profit after taxation from continuing operations	**71.1**	59.0	17.4	28.9	31.4
Discontinued operations	**3.6**	15.8	2.8	(1.9)	(3.3)
Profit for the year	**74.7**	74.8	20.2	27.0	28.1
Adjusted earnings per share – basic	**15.4p**	14.6p	12.4p	12.4p	12.4p
Basic earnings per ordinary share	**19.1p**	19.1p	5.2p	6.9p	7.2p
Basic earnings per ordinary share before exceptional items	**15.7p**	14.6p	13.5p	10.9p	11.3p
Total ordinary dividend (including proposed) per ordinary share	**6.50p**	5.60p	4.50p	4.10p	3.60p
Group funds employed					
Intangible assets and property, plant and equipment	**606.3**	599.1	607.7	620.3	371.5
Provisions	**(50.1)**	(53.6)	(59.5)	(68.3)	(52.9)
Other net liabilities	**(162.4)**	(198.2)	(168.9)	(206.0)	(132.4)
Total funds employed at year-end	**393.8**	347.3	379.3	346.0	186.2
Financed by					
Ordinary share capital and reserves	**352.6**	294.4	242.3	241.9	228.0
Net debt (cash)	**41.2**	52.9	137.0	104.1	(41.8)
	393.8	347.3	379.3	346.0	186.2
Average number of employees (000s)	**10.6**	10.7	10.9	9.6	9.2

Continuing results for the years ended 30 June 2013 and 30 June 2012 exclude operations discontinued during the year ended 30 June 2013.

Shareholder information

2016/17 financial calendar

9 September 2016	Record date for 2015/16 final dividend
14 October 2016	Annual general meeting and interim management statement
20 October 2016	Payment date for 2015/16 final dividend
26 January 2017	Interim results announcement
18 May 2017	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 0371 384 2098 and from outside the UK +44 121 415 7047).

There is a text phone available on 0371 384 2255 for shareholders with hearing difficulties.

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 they 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/en/investors/shareholder-centre/faqs.html.

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 190.0 pence 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 65.0 pence 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 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: 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: www.fca.org.uk/consumers/scams

Further information on fraud can be found at 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 N° 03140769

Glossary

Financial terminology

EBITDA
Earnings before interest, tax, depreciation, amortisation and exceptional items

Like-for-like
Excludes club openings, closures and relocations, and changes to gaming taxation

Operating margin
Operating profit expressed as a percentage of revenue

Revenue
Income retained by Group after deductions for VAT and players' winnings

KPI terminology

Customer visits
Individual customer visits to bingo clubs and casinos

Customers
Unique customers visiting a bingo club or casino or operating an online account in the 12-month period

Net promoter score
A measure of a customer's propensity to recommend

Online – offline crossover
Percentage of venues' customers who are also digital customers

Spend per visit
Revenue divided by customer visits

Gaming industry terminology

Adult gaming centre
A licensed gaming machines arcade

Alderney Gambling Control Commission
The body responsible for the regulation of eGambling in the states of Alderney

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

Interval games
Automated game of bingo played in a licensed club

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

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

Reverse withdrawal
Once a customer has requested a withdrawal they have until we process the withdrawal to reverse this request – customer benefit is that they are not re-depositing and their funds remain available to them for longer

Ticket in Ticket Out (TiTo)
This is a technology used in modern slot machines whereby the machine prints out a barcoded slip of paper which can then either be redeemed for cash or inserted for play into other TiTo machines

WWW.RANK.COM

In line with our strategy we aim to build our digital capability and are committed to improve the way we communicate with our stakeholders. As a result we've launched a major upgrade of our corporate website.

We've built our website to be fully responsive across multiple devices, and have developed new content across the sections with improved search facilities and more interactive elements, all designed to make the site more engaging and user-friendly.

So for all our latest news and to find out more about Rank, get online!

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Designed and produced by Black Sun Plc

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