News release

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16 August 2018

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

Full year results for the 12 months ended 30 June 2018

Financial highlights

		2017/18	2016/17	Change
Financial KPIs	Group like-for-like revenue	**£738.0m**	**£755.2m**	(2.3)%
	UK digital revenue	**£122.5m**	**£111.5m**	9.9%
	UK digital operating profit	**£20.9m**	**£22.7m**	(7.9)%
	Venues like-for-like revenue	**£618.5m**	**£643.7m**	(3.9)%
	Venues operating profit	**£84.7m**	**£88.7m**	(4.5)%
	Group EBITDA before exceptional items	**£120.0m**	**£128.8m**	(6.8)%
	Group operating profit before exceptional items	**£77.0m**	**£83.5m**	(7.8)%
	Adjusted profit before tax	**£74.3m**	**£79.3m**	(6.3)%
	Adjusted earnings per share	**15.0p**	**16.0p**	(6.3)%
Statutory performance	Statutory revenue	**£691.0m**	**£707.2m**	(2.3)%
	Group operating profit	**£50.1m**	**£84.5m**	(40.7)%
	Profit before taxation	**£46.7m**	**£79.7m**	(41.4)%
	Cash generated from continuing operations	**£102.4m**	**£116.3m**	(12.0)%
	Net debt	**£9.3m**	**£12.4m**	(25.0)%
	Basic earnings per share after exceptional items	**9.2p**	**16.1p**	(42.9)%
	Dividend per share	**7.45p**	**7.30p**	2.1%

Operational highlights

- Group performance in line with the Board's revised expectations
- A challenging year for Grosvenor's casinos hit by low win margin, enhanced due diligence and extreme weather
- Mecca's performance above expectations, as a result of good cost control
- Growth from UK digital continues but with a slowdown in H2
- Enracha's good performance continues
- YoBingo performing strongly and beating acquisition plan

Outlook

- Board has full confidence in the strategic direction of the Group
- New leadership team focused on operational improvements to drive sustained profit growth
- Company-wide transformation programme currently in development phase to identify, validate and prioritise the key initiatives to grow revenue and extract cost savings
- 2018/19 Group financial performance is expected to be in line with the current consensus expectations

John O'Reilly, Chief Executive of The Rank Group Plc said:

"I joined Rank because of its underlying potential. With the backdrop of a disappointing performance in 2017/18, we are now moving quickly to identify the key priorities which will begin to realise the significant underlying potential that I have now seen first-hand since joining the Group in early May."

"We are taking steps to increase our focus on the customer, to accelerate growth in the digital business, to drive cost efficiencies across the business and to strengthen our organisational capabilities. This will be delivered within a transformational programme framework, which will ensure that we deliver a growing Rank Group that is fit for the future."

Ends

Definition of terms:

- Any reference to revenue or like-for-like group revenue is before adjustment for customer incentives;
- EBITDA is operating profit before exceptional items, depreciation and amortisation;
- Adjusted profit before tax is profit from continuing operations before taxation adjusted to exclude exceptional items and other financial gains or losses resulting from foreign exchange gains and losses on loans and borrowings. See Financial Review for reconciliation;
- Adjusted earnings per share is calculated by adjusting profit attributable to equity shareholders to exclude the impact of reductions in tax rate, discontinued operations, exceptional items, other financial gains or losses and the related tax effects as detailed in note 7;
- "2017/18" refers to the audited 12-month period to 30 June 2018 and "2016/17" refers to the audited 12-month period to 30 June 2017;
- Like-for-like measures have been disclosed in this report to show the impact of club openings, closures, and relocations;
- Grosvenor and Mecca venues no longer disclose customer numbers due to the introduction of new door policies, previously referred to as 'full' and 'partial' open door, that means the Group is no longer able to accurately track total customer numbers;
- Prior year like-for-like measures are amended to show an appropriate comparative for the impact of club openings, closures, relocations, and discontinued operations;
- The Group results make reference to "'adjusted" results alongside our statutory results, which we believe will be more useful to readers as we manage our business using these adjusted measures. The directors believe that exceptional items and other adjustments impair visibility of the underlying performance of the Group's business and accordingly, these are excluded from our non-GAAP measurement of revenue, profit before tax, EBITDA, operating profit and adjusted EPS. Adjusted measures are the same as those used for internal reports; and
- Venues includes Grosvenor Venues, Mecca Venues and Enracha.

Enquiries

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Photographs available from www.rank.com

Analyst meeting and webcast details:
Thursday 16 August 2018
There will be an analyst meeting at 9.30am, admittance to which is by invitation only. There will also be a simultaneous webcast of the meeting.

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

Forward-looking statements
This announcement includes "forward-looking statements". These statements contain the words "anticipate", "believe", "intend", "estimate", "expect" and words of similar meaning. All statements, other than statements of historical facts included in this announcement, including, without limitation, those regarding the Group's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Group's products and services) are forward-looking statements that are based on current expectations. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance, achievements or financial position of the Group to be materially different from future results, performance, achievements or financial position expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's operating performance, present and future business strategies, and the environment in which the Group will operate in the future. These forward-looking statements speak only as at the date of this announcement. Subject to the Listing Rules of the Financial Conduct Authority, the Group expressly disclaims any obligation or undertaking, to disseminate any updates or revisions to any forward-looking statements, contained herein to reflect any change in the Group's expectations, with regard thereto or any change in events, conditions or circumstances on which any such statement is based. Past performance cannot be relied upon as a guide to future performance.

Chief executive's review

2017/18 has been a challenging year for the Group driven principally by a disappointing performance from Grosvenor's casinos.

Revenue[1] for Grosvenor Casinos declined by 6.1% in the year. Performance was materially impacted by further enhanced customer due diligence following the published advice of the UK Gambling Commission in September 2017. Consequently, customer visits declined resulting in revenue[1] falling 9.9% in H2 compared to a 2.4% fall in H1. Grosvenor's performance was further hindered by a lower gaming margin from its major players and adverse weather in Q3. Operating profit[2] fell by 6.7% due to lower revenues.

Mecca's revenue[1] fell 2.6% in the year driven by a 7.9% decline in customer visits. Operating profit fell by 4.3%, a lower decline than expected by management as a result of improved cost control across both employment and marketing activities. Mecca's new bingo concepts (Big Bingo Bash, Bonkers Bingo, Student events, Initial Newbie nights and other broader entertainment events) continued to be tested with good results. These concepts are helping drive visits as well as contributing incremental revenue and profit.

The Group's UK digital business grew with revenue[1] up 9.9%. Importantly, a successful 'Meccarena' marketing campaign and ongoing investments into the meccabingo.com offer drove revenue up 10.9%, following two years of low single digit growth rates. Grosvenorcasinos.com grew revenue[1] 8.2% in the year, however the more stringent customer due diligence (highlighted above) impacted H2 performance resulting in revenue[1] declining in H2 following strong growth in H1. Insufficient marketing investment and a temporary system issue, which resulted in some of our more valuable multi-channel customers not being contacted, exacerbated grosvenorcasinos.com's H2 weak performance. Operating profit fell by £1.8m in the year to £20.9m following the introduction of remote gaming duty ('RGD') on customer bonuses, which resulted in £2.5m of incremental RGD in the year.

Our Spanish operations, Enracha, delivered a strong performance with euro revenue[1] up 11.0% and euro operating profit up 2.8%.

£m	**Group Revenue[1]**		**Operating profit[2]**	
	2017/18	2016/17	**2017/18**	2016/17
Grosvenor Venues	**373.0**	397.2	**48.6**	52.1
Mecca Venues	**208.1**	213.6	**28.6**	29.9
UK Digital	**122.5**	111.5	**20.9**	22.7
meccabingo.com	**75.0**	67.6		
grosvenorcasinos.com	**47.5**	43.9		
Enracha	**37.5**	32.8	**6.5**	6.2
Central costs			**(27.6)**	(27.4)
Total	**741.1**	755.1	**77.0**	83.5

1 Before adjustments for customer incentives.
2 Before exceptional items, as per note 2.

Pre-tax exceptional items relating to continuing operations produced an exceptional cost of £26.9m in the year. Further detail can be found in the Financial Review.

Acquisition of YoBingo

In May 2018, we completed the acquisition of QSB Gaming Limited, the owner of YoBingo.es, a leading Spanish digital bingo business for an initial consideration of €23.1m and, subject to future performance, up to a maximum consideration of €52.0m. The acquisition of YoBingo.es provides Rank with a secure and strong digital bingo presence in Spain, a high growth and regulated digital gaming market.

YoBingo is performing ahead of expectations but, due to the timing of the acquisition, has not materially benefited Group revenues in 2017/18. For further detail on the acquisition please refer to note 13.

Responsible gambling

Rank remains committed to promoting responsible gambling to those customers who enjoy gambling as a recreational activity and reducing the use for those who are vulnerable or otherwise at risk of experiencing harm. During the year, we continued to develop our approach in reducing the social impact of problem gambling and have made the following progress in the last 12 months:

- Additional colleague training around enhanced customer due diligence;
- Creation of a dedicated customer verification teams for both retail and digital;
- Improved customer interaction record keeping following the introduction of the enhanced Neon system in our casinos;
- Developed a data driven alerts system to help identify problem gamblers at an earlier stage in their game play;
- Creation of complex models based on problem 'markers' in our digital business to help drive customer interventions;
- Continued the trial of a customer risk identification initiative alongside members of the National Casino Forum; and
- Increased social responsibility messaging in our bingo venues alongside the introduction of machine gaming safeguards.

Focus for 2018/19

We have initiated a transformation programme to deliver revenue growth, greater cost efficiency and improved organisational effectiveness in this and future years. The programme will be all pervasive, providing the framework for the delivery of operational improvements right across the Group. Each workstream is owned by a member of the executive team and governance is provided through a Transformation Programme Office with the whole programme coordinated by the recently appointed chief transformation officer.

Over the coming year the transformation programme will drive an increased focus on four key areas to help us deliver against our strategic objectives:

- Increased focus on the customer
    - We have recently rolled out 'Project Experience', a standards setting and training programme focussed on delivering the optimal customer experience in our Mecca and Grosvenor venues;
    - We will continue with the good work already started on customer segmentation at a venue level within the Grosvenor estate to provide the right experience to the right customer, moving away from a 'one size fits all' approach;
    - We will increase the focus on offering a wider portfolio of entertainment within our Mecca venues to attract new customers and diversify our customer base;
    - We will significantly increase data driven customer insights within the business and use our data to ensure a stronger performance orientation;
    - We will be forensic in evaluating capital investments in our venues and in our product offering; and
    - It is essential that we create a sustainable business and all initiatives will be viewed through a sustainability lens to ensure we are growing a business founded on responsible gambling.

- Grow our digital business
    - We are optimising user journeys on our digital sites to make sure they are frictionless for customers;
    - Our delayed omni-channel service, Grosvenor One, will be delivered across the estate within the second half of the year. This is critical to growing both our Grosvenor venues and digital business;
    - Having delivered Grosvenor One, we will be reviewing the development of a minimum viable omni-channel service for Mecca customers;
    - Cost savings delivered within the transformation programme will be reinvested in marketing within the digital business to further increase customer acquisition and loyalty; and
    - The acquisition of YoBingo provides an opportunity to drive significant digital growth within the Spanish market under both the Enracha and YoBingo brands.

- Drive cost efficiencies
    - Our central costs are too high for a business of our size. We will be reviewing central costs to ensure appropriate sizing and control going forwards; and
    - The transformation programme will have a key focus on cost efficiencies across the Group.

- Organisational capabilities
    - Central to the transformation programme is the objective of creating a better quality, more effective organisation; and
    - The programme will create opportunities for our best people to develop and grow and improve the attractiveness of Rank as an employer of choice.

Management team changes

Retail structure

During the year, the Group created a single leadership team across its UK retail businesses with the promotion of Alan Morgan to retail managing director, covering both Grosvenor Casinos and Mecca. The retail team was further strengthened by the appointment of Olly Raeburn, chief marketing officer, and Debbie Husband, operations director for Grosvenor Casinos.

Given that a single customer view is the cornerstone of a successful multi-channel brand, Olly has also assumed responsibility for marketing across both the Group's retail and digital channels and has joined the Rank Executive Committee.

Chief Transformation Officer

I am pleased to announce that Jim Marsh will join the Group on 1 October 2018 to take up his position as chief transformation officer. Jim has led and delivered transformations in a variety of sectors and will join the Rank Executive Committee. He joins us from McKinsey & Company where he was a partner in their transformation team.

Chief Information Officer

I am also pleased to announce the recent appointment of Jonathan Greensted as chief information officer. Jonathan was most recently chief information officer at Travelodge where he led a successful IT transformation project. Phil Moyes will leave the business following a comprehensive handover.

Board changes

Chief Executive

In March 2018, the Group announced that Henry Birch would step down as chief executive, having advised the Board of his decision to leave the business. The Board would like to thank Henry for his contribution to the Group over his four-year tenure and wishes him every success in his future ventures.

John O'Reilly assumed the role of chief executive on 7 May 2018, with Henry leaving the business at the same time.

Finance Director

Rank's finance director, Clive Jennings, will leave the business on 17 August 2018 to pursue other opportunities. Clive leaves with Board's appreciation and thanks for the significant role he has played in the development of the Company over his 18-year tenure. A search for Clive's successor is currently underway.

The Group's head of reporting, James Pizey, will step up as interim chief financial officer until Clive's successor has been appointed.

Alan Morgan

Alan joined the Board as executive director on 7 May 2018. Alan has an in-depth understanding of our venues business and he will contribute significantly to the future development of Rank.

Richard Kilmorey

The Rt. Hon. The Earl of Kilmorey, PC, currently chair of the responsible gambling committee, has notified the board of his intention not to seek re-election at the 2018 annual general meeting and will therefore step down later this year having completed over six years on the Board.

Current trading and outlook

Trading in the short six-week period to 12 August 2018 has been challenging following the unseasonal hot weather which has adversely impacted our UK retail businesses.

Despite this, Group financial performance for 2018/19 is expected to be in line with the current consensus expectations.

The Board has full confidence in the strategic direction of the Group and the new leadership team is focused on operational improvements to drive sustained profit growth. The company-wide transformation programme outlined above is currently in development to identify, validate and prioritise the key initiatives to grow revenue and extract cost savings. This programme is expected to be self-funding in this financial year.

Regulation and taxation

In the recent Government review of machine allocations in UK casinos the Government stated that machine allocations were low by international standards. The Government also stated that if additional measures are put in place to manage the risk of gambling-related harm effectively, they would look again at casino machine limits. Rank has been working within the National Casino Forum to enhance player protection measures across the casino industry.

The Department for Culture, Media and Sport ('DCMS') has indicated that an increase in Remote Gaming Duty ('RGD') will be required to compensate for the predicted loss in machine duty following the introduction of the £2 maximum stake for FOBTs. The earliest implementation of any increase to RGD is expected to be April 2019.

Dividend

The board is pleased to recommend a final dividend of 5.3 pence per share to be paid on 30 October 2018 to shareholders on the register at 21 September 2018. This will take the full-year dividend to 7.45 pence per share, up 2.1% on the previous year. The Group's dividend has thus reduced cover to 2.0 times from 2.2 times in the prior year.

Operating Review

Grosvenor Casinos - Venues

2017/18 was a challenging year for Grosvenor's casinos, with like-for-like[4] revenue down 4.6%.

Key financial performance indicators

	2017/18	2016/17	Change
Revenue[1] (£m)	**373.0**	397.2	(6.1)%
London	123.7	140.1	(11.7)%
Provinces	238.7	242.1	(1.4)%
Belgium	10.6	15.0	(29.3)%
EBITDA[2] (£m)	**70.6**	76.6	(7.8)%
Operating profit[3] (£m)	**48.6**	52.1	(6.7)%
London	17.6	24.6	(28.5)%
Provinces	29.6	25.9	14.3%
Belgium	1.4	1.6	(12.5)%
Like-for-like revenue[4]	**(4.6)%**		

1 Before adjustments for customer incentives.

2 Before exceptional items.

3 Before exceptional items, as per note 2.

4 Excludes venues openings, closures and relocations.

Total Grosvenor revenue[1] fell 6.1% in the year principally impacted by more stringent customer due diligence following the UK Gambling Commission's published advice in September 2017, a lower win margin from our major players and periods of extreme weather in Q3.

Operating profit[3] fell by 6.7% in the year due to lower revenues. Delivering cost savings continued to be a priority in the year with a particular focus on labour costs, down 4.9%. Work continues into 2018/19 to improve labour efficiencies in both the casinos and wider support functions.

In line with the London casino segmentation work carried out in the period, targeted capital investments were made in the year. The Barracuda casino in London which targets a higher spending transactional customer completed the first phase of its refurbishment, with the VIP room redevelopment completed in June 2018. The second phase of the refurbishment is due to be completed in H1 2018/19.

Towards the end of the year, new experiential gaming product and impactful internal and external electronic signage was put into the St Giles casino in Tottenham Court Road, which targets a younger casino player.

In the provinces, the Soames casino in Manchester was refurbished and performance post its relaunch in February 2018 has been encouraging.

During the year, five underperforming casinos were impaired resulting in a £9.8m exceptional cost at year end. In June 2018, the Grosvenor casino in Bradford was closed following a prolonged period of underperformance.

Key non-financial performance indicators

	2017/18	2016/17	Change
Customer visits (000s)[5]	**7,004**	7,732	(9.4)%
London	1,303	1,398	(6.8)%
Provinces	5,559	6,087	(8.7)%
Belgium	142	247	(42.5)%
Spend per visit (£)[5]	**53.26**	51.37	3.7%
London	94.93	100.21	(5.3)%
Provinces	42.94	39.77	8.0%
Belgium	74.65	60.73	22.9%

5 Unaudited

Customer visits fell by 9.4% in the year. Spend per visit increased in the year with Grosvenor's lower spending, more leisure orientated, customers visiting less often.

Refurbishments in the first half of the year at the Golden Horseshoe and the Rialto (formerly the Piccadilly) severely disrupted London visits in the period. If these clubs visit performances were excluded London visits would have been broadly flat for the year. Provincial visits fell in the period following a reduction in the leisure customer base.

The wider casino market has been in decline in the last three years. However, new concepts like the Hippodrome Casino, with its broader leisure based offer which includes a strong entertainment and F&B offer, and Aspers Stratford, offering over 150 slot machines, have delivered growth. This supports management's view that an increased focus on customer service and a wider leisure offer can provide growth opportunities for Grosvenor's casinos.

In September 2017, the casino concession at Middlekerke in Belgium expired following a decision by management not to renew. Therefore, from 1 September 2017, the Belgian operations consisted of only one casino in Blankenberge. With the Blankenberge concession due to end on 31 December 2020, the local council commenced the process to grant a new concession which was subsequently successfully secured by Grosvenor.

Venues revenue analysis – Great Britain only

£m	**2017/18**	2016/17	Change
Casino games	**229.7**	248.3	(7.5)%
Gaming machines	**90.8**	89.5	1.5%
Card room games	**14.7**	15.3	(3.9)%
Food and drink/other	**27.2**	29.1	(6.5)%
Total	**362.4**	382.2	(5.2)%

Gaming machines revenue was up 1.5% in the year despite total revenue declining. Investments previously made into new product and the reallocation of additional licences at Glasgow Merchant City, Glasgow Riverboat and Gloucester Road Casino drove this positive performance.

Mecca – Venues

Mecca's like-for-like[4] revenue was down 2.4% in the year. Falling customer visits driven by the ongoing market trend were worsened by the widespread adverse weather in Q3 and Q4.

Key financial performance indicators

	2017/18	2016/17	Change
Revenue[1,5] (£m)	**208.1**	213.6	(2.6)%
EBITDA[2,5] (£m)	**40.2**	41.8	(3.8)%
Operating profit[3,5] (£m)	**28.6**	29.9	(4.3)%
Like-for-like revenue[4]	**(2.4)%**		

1 Before adjustments for customer incentives.

2 Before exceptional items.

3 As per note 2.

4 Excludes venues closures.

5 Includes Luda

Total revenue[1,5] for the year fell by 2.6% with two clubs closed in the comparable period. Strong cost discipline led to a 1.9% fall in operating costs in the year despite increases from National Living Wage, however the fall in revenue led to a 4.3% decline in operating profit[3,5].

For both visits and revenue, though in decline, Mecca's is outperforming other national operators.

Key non-financial performance indicators[6]

	2017/18	2016/17	Change
Customer visits (000s)	**9,698**	10,528	(7.9)%
Spend per visit (£)	**21.46**	20.29	5.8%

6 Unaudited

Customer visits fell by 7.9% in the period. Spend per visit increased by 5.8% due to growth in main stage bingo.
In July 2018, Mecca closed its venue in Ashford reducing the total number of venues to 84.

Mecca hosted 63 of its new experimental bingo events aimed at attracting a new and younger customer base. There has been an increased focus on their cost with all, apart from Big Bingo Bash, now positively contributing to operating profit.

This year also saw the first tie up with P&O Mini Cruises where 500 passengers engaged with Bonkers Bingo during a mini cruise to Amsterdam. During the year, a new concept, 'Newbie Bingo', was also launched in collaboration with a founder of Rebel Bingo which focuses on the concept of social gaming along with other more broader entertainment events, for example band nights and eSport competitions.

With the increasing popularity of these events we plan to double the number of events in 2018/19. In addition to incremental revenue and profit these events help us drive brand awareness, reappraise our traditional offer and drive new customers to Mecca.

Venues revenue analysis

£m	**2017/18**	2016/17	Change
Main stage bingo	**36.7**	35.0	4.9%
Interval games	**76.2**	82.9	(8.1)%
Amusement machines	**68.9**	69.7	(1.1)%
Food and drink/other	**26.3**	26.0	1.2%
Total	**208.1**	213.6	(2.6)%

Main stage bingo continued to benefit from the introduction of new bingo games, resulting in a 4.9% uplift in main stage bingo revenues. However, these new games consequently reduced interval sessions and contributed to the 8.1% fall in interval games revenue.

Amusement machine investments (product and promotions) continued in the year, however the impact of lower visits resulted in a 1.1% fall in amusement machine revenue. Food and beverage revenue was marginally up due to improved menu management.

Luda - venues
During the year three experimental high street gaming venues were opened designed to target a different demographic from Mecca – Walsall (August 2017), Weston-super-Mare (September 2017) and Leeds (October 2017).

Performance to date has been below management's expectations, consequently all three venues have been impaired resulting in an exceptional cost of £2.1m. All three venues are under review to improve returns, specifically modifications are underway to create a better offer more suited to their individual local market.

UK digital
Rank's UK digital business continued to grow, with revenue[1] up 9.9%.

Key financial performance indicators

	2017/18	2016/17	Change
Revenue[1] (£m)	**122.5**	111.5	9.9%
meccabingo.com	**75.0**	67.6	10.9%
grosvenorcasinos.com	**47.5**	43.9	8.2%
EBITDA[2] (£m)	**25.1**	27.8	(9.7)%
Operating profit[3] (£m)	**20.9**	22.7	(7.9)%

1 Before adjustments for customer incentives.

2 Before exceptional items.

3 As per note 2.

A successful 'Meccarena' marketing campaign and ongoing investment into the meccabingo.com offer drove revenue[1] up 10.9%, following two years of low single digit growth rates. Grosvenorcasinos.com grew revenue[1] 8.2% in the year, however the more stringent approach to customer due diligence impacted H2 performance resulting in revenue to decline following a strong H1. A temporary system issue resulted in some of Grosvenor's more valuable multi-channel casino customers not being contacted which exacerbated grosvenorcasinos.com's H2 poor performance.

Operating profit[3] fell in the year due to higher employment costs and higher taxes following the change in taxation of free bets that came into effect from October 2017.

Customer numbers grew in the year by 7.0% driven by strong increases in grosvenorcasinos.com.

The new slots-led digital casino brand, bellacasino.com, was recently launched on the Group's new digital content management system ('CMS'). A targeted customer marketing campaign is scheduled for H1 2018/19.

Key non-financial performance indicators[4]

	2017/18	2016/17	Change
Customers (000s)	**428**	400	7.0%

4 Unaudited

The Group invested £4.2m in the year into Grosvenor One, the single account and wallet casino product. Roll-out across the casino estate should be completed in H2 2018/19 with a comprehensive marketing programme to drive omni-channel use within our existing digital and retail casino customer base.

Enracha and YoBingo
The Group's Spanish operations, continued to deliver a strong performance principally driven by its venues. Revenue[1] and operating profit[3] of €42.4m and €7.4m, grew by 11.0% and 2.8% respectively.

Key financial performance indicators

	2017/18	2016/17	Change
Revenue[1] (€m)	**42.4**	38.2	11.0%
Revenue[1] (£m)	**37.5**	32.8	14.3%
EBITDA[2] (£m)	**8.4**	7.7	9.1%
Operating profit[3] (€m)	**7.4**	7.2	2.8%
Operating profit[3] (£m)	**6.5**	6.2	4.8%
Euro like-for-like revenue[4]	**4.5%**		

1 Before adjustments for customer incentives.

2 Before exceptional items.

3 As per note 2.

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

The above revenue and operating profit for 2017/18 includes a £1.6m revenue and £0.3m operating profit contribution from the recently acquired Spanish digital business, YoBingo, and a £0.6m revenue and £1.3m operating loss contribution from enracha.es.

Enracha's venues continued to leverage the recovery in the Spanish economy which led to euro venues revenue to grow by 4.5% in the year.

During the year, Enracha launched its first Enracha Stadium concept in Seville. The concept focuses on sports betting, amusement machines, electronic roulette and food and beverage.

Following gaming tax changes, the Group reversed previous exceptional impairment charges of £1.8m regarding its venue in Gorbea. Following a change in provincial legislation, the Zahira venues was impaired resulting in an impairment cost of £0.7m.

Key non-financial performance indicators – venues only[5]

	2017/18	2016/17	Change
Customer visits (000s)	**2,006**	1,984	1.1%
Spend per visit (€)	**21.14**	19.25	9.8%
Spend per visit (£)	**18.69**	16.53	13.1%

5 Unaudited

Venues revenue analysis

€m	**2017/18**	2016/17	Change
Bingo	**22.0**	21.1	4.3%
Amusement machines	**13.0**	12.7	2.4%
Food & drink/other	**4.9**	4.4	11.4%
Total	**39.9**	38.2	4.5%

Our strategy

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

1. Creating a compelling multi-channel offer

In the markets we operate, Rank is one of the few gaming companies in a position to provide customers a genuine multi-channel gaming offer. We have a number of key assets, including a portfolio of 149 venues, our membership-based models, our loyalty and reward programmes and the high levels of engagement that our team members enjoy with customers.

2017/18 progress:

- Trial of Grosvenor's single account and wallet, Grosvenor One, in Grosvenor's Stockport casino;
- Dual play launched, the live streaming of electronic roulette and baccarat at the Victoria casino to the Group's digital channels;
- Roll-out of a new affiliate programme rewarding Grosvenor employees for converting retail customers to digital play; and
- Mobile ordering of F&B in Mecca successfully trialled in seven additional venues; further roll-out currently under review.

2018/19 current plans:

- Grosvenor One to be rolled out across Grosvenor's casinos with a full marketing programme to be launched in H2; and
- Continue development of an omni-channel service for Mecca customers.

2. Building digital capability and scale

Rank has built strong positions in venue-based gaming which we seek to replicate across our digital channels (online and mobile). In 2017/18, our digital operations generated 17% of Group revenue whereas digital channels now represent around 35% of Great Britain's gambling market (excluding National Lottery), presenting a significant growth opportunity. We continue to enhance our capability in this area such that we can leverage our active retail customer base and meet their changing needs.

2017/18 progress:

- Acquisition of YoBingo to increase Rank's digital presence in a high growth and regulated Spanish digital market;
- Enracha.es soft launched;
- New Live Casino app successfully launched in August 2017 and performing well;
- New Grosvenor and Mecca android apps launched with positive results;
- Relaunch of Bellacasino.com on the new content management system; and
- Launched new customer relationship management system, Adobe Campaign.

2018/19 current plans:

- Support the ongoing growth of YoBingo;
- Launch new content management system for grosvenorcasinos.com;
- Deliver a suite of improvements to our promotion and bonus tools;
- Appointment of new digital games suppliers to provide our customers with bespoke and exclusive games; and
- Increase customer acquisition marketing investment underpinned by strong Return On Investment analytics.

3. Developing our venues

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

2017/18 progress:

- Opened three experimental Luda venues. Ongoing reviews of each venue is underway to address under performance with a focus on their local market;
- Utilisation of three unused casino licences (Glasgow and London);
- Completion of refurbishments at The Rialto (formerly The Piccadilly) and The Golden Horseshoe casinos in London and the Soames casino in Manchester;
- Refurbishment of the VIP area at the Barracuda casino completed;
- Enhancement of St Giles casino with the installation of new high impact signage and experiential gaming product;
- External refurbishment of Mecca Beeston completed and new F&B offer launched;
- Roll-out of 470 new digital gaming machines in Mecca's venues incorporating server-based gaming and Ticket-In-Ticket-Out functionality;
- Roll-out of new bingo concepts to additional bingo venues, with a total of 63 events held during the year;
- £2.2m of property savings realised in the year following negotiations with landlords;
- Condensed Mecca F&B menu rolled out across the estate with three different menu types (premium, core and reduced); and
- Renewal of Belgium casino concession for another 15 years.

2018/19 current plans:

- Continue with customer research and testing programme centring around a new casino venue and product concept;
- Complete second phase refurbishment at Grosvenor's Barracuda casino in London; and
- Continue negotiations with venue landlords to re-gear and extend leases whilst reducing property costs.

4. Investing in our brands and marketing

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

2017/18 progress:

- Launch of a new fully integrated 'Meccarena' marketing campaign, including TV advertising;
- New Customer Relationship Management ('CRM') system launched;
- Olly Raeburn appointed as chief marketing officer;
- Improvements made to the Luda proposition driven by their individual local markets;
- Development and implementation of more impactful external displays at two London casinos (The Rialto and St Giles casinos in London);
- Segmentation of retail estate to improve marketing effectiveness with tailored promotions;
- Increased focus on customer communications to drive our venue customers to their complementary digital offer; and
- Clear new customer propositions created for each London casino with bespoke marketing plans.

2018/19 current plans:

- Increase marketing investment in digital across both meccabingo.com and grosvenorcasinos.com;
- Comprehensive rollout of Grosvenor One to Grosvenor's casino customers to drive omni-channel service;
- Complete an integrated CRM and loyalty strategy including the launch of interactive reward pods in Grosvenor's casinos;
- Roll-out of new customer propositions for Grosvenor's London casinos;
- Continue roll-out of new customer experience project to drive improved customer journeys in both our bingo and casino venues;
- Roll-out of new VIP strategy following the recent appointment of the new VIP casino team; and
- New local marketing platform to be rolled out in H1 2018/19 providing clubs with better support and consistency over local promotional activity.

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.

2017/18 progress:

- Four electronic roulette pricing experiments were carried out across eight casinos with the aim of improving efficiency and suitability of the offer;
- A review of rostering software was carried out and concluded that an upgrade of our current system was appropriate;
- Roll-out of additional side bets on electronic roulette;
- Dual play, the live streaming of electronic roulette and baccarat at the Victoria casino to the Group's digital channels;
- Broadcast blackjack and baccarat piloted in four casinos to improve customer experience;
- New bingo side bet launch on Mecca Max in Mecca retail; and
- New product installed in the St Giles casino which includes the creation of a new slots area to accommodate tournament style gaming and the installation of more experiential roulette wheels.

2018/19 current plans:

- Comprehensive rollout of Grosvenor One to Grosvenor's casino customer to drive omni-channel service;
- Continue development of an omni-channel service for Mecca customers.
- Refurbishment of 3,500 Mecca Max units;
- £4.0m investment into new casino gaming machines;
- Introduction of Ticket In Ticket Out ('TiTo') for table gaming;
- Self-service TiTo cash terminals to be installed across casinos to allow customers to buy in and cash out their TiTo tickets; and
- Contactless chip and pin payment to be introduced at the casino's cash desk.

Financial Review

	2017/18 (£m)	2016/17 (£m)	Change
Revenue	**741.1**	755.1	(1.9)%
Less: customer incentives	**(50.1)**	(47.9)	4.6%
Statutory revenue	**691.0**	707.2	(2.3)%
Operating profit[1]	**77.0**	83.5	(7.8)%
Less: net finance charges[1]	**(2.8)**	(4.8)	(41.7)%
Add: other financial losses	**0.1**	0.6	
Adjusted profit before taxation[2]	**74.3**	79.3	(6.3)%
Group operating profit before interest and tax	**50.1**	84.5	(40.7)%
Net financing charge	**(3.4)**	(4.8)	(29.2)%
Taxation	**(10.8)**	(16.8)	(35.7)%
Profit after taxation	**35.9**	62.9	(42.9)%
Earnings per share	**9.2p**	16.1p	(42.9)%
Adjusted earnings per share[3]	**15.0p**	16.0p	(6.3)%

1 Before exceptionals, as per note 2.
2 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.
3 Adjusted EPS is calculated using adjusted profit which excludes 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.

For the year ended 30 June 2018, statutory revenue decreased by 2.3% to £691.0m.

Operating profit was down by 7.8% due to lower revenues, with adjusted profit before taxation down 6.3%.

Total costs before exceptional items were lower driven by labour efficiency savings and lower taxes due to lower revenues.

The net financing charge before exceptional items fell by 41.7% to £2.8m as debt levels continued to reduce.

Exceptional items

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

Exceptional item:	**£m**
Impairments	12.1
Onerous leases	9.1
Closure of venues	3.7
Group restructuring	1.6
Acquisition costs	0.4
Total exceptional operating costs	**26.9**

Impairments of £12.1m principally relate to the underperformance of five Grosvenor casinos (£9.8m) and the experimental Luda venues (£2.1m). A reversal of a prior impairment in Enracha's Gorbea venue was booked in the year (£1.8m) due to a sustained improvement in performance and following a change in provincial legislation, the Zahira venue was impaired resulting in an impairment cost of £0.7m.

£9.0m of the onerous lease costs related to Grosvenor's casinos, principally regarding leases at two operating casinos (Southend and Sunderland) and a closed site (New Brighton).

Closure costs includes a £4.3m charge regarding the closure of Grosvenor's loss-making casino in Bradford.

In H1 2017/18 the Group completed a group restructuring project. The total cost of the project was £10.4m, with the remaining £1.6m recognised in 2017/18. Total costs include costs associated with changes to management and team structures at both venue and central levels, the decision to centralise support functions in a new office in Maidenhead and the merging of the separately run brand teams supporting the digital business into one operational team.

Acquisition-related costs include one-off costs to professional service firms that have resulted from the completed acquisition of YoBingo.

Total exceptional items resulted in a £1.2m cash outflow in the year.

Earnings per share

Basic EPS was down 42.9% to 9.2 pence. Adjusted EPS[3] was down 6.3% to 15.0 pence. For further details refer to note 7.

Taxation

The Group's effective corporation tax rate in 2017/18 was 21.1% (2016/17: 21.1%) based on a tax charge of £15.7m on adjusted profit before taxation. This is in line with the Group's anticipated effective tax rate of 20%-22% for the year. Further details on the taxation charge are provided in note 5. On a statutory unadjusted basis, the Group had an effective tax rate of 23.1% (2016/17: 21.0%), based on a tax charge of £10.8m and total profit for the year of £46.7m.

Cash tax rate

In the year ended 30 June 2018, the Group had an effective cash tax rate of 19.4% on adjusted profit (2016/17: 18.5%). The cash tax rate is lower than the effective tax rate mainly as a result of the use of losses within the Group and the timing of tax instalment payments.

Cash flow and net cash

As at 30 June 2018, net debt was £9.3m, £3.1m lower than at the previous year end. Net debt comprised £50.0m in bank term loans, £7.0m in finance leases and £2.7m in overdrafts, offset by cash at bank and in hand of £50.4m. In February 2018, the term loan facilities were reduced to £50.0m, from £70.0m, in line with the agreed amortisation profile. The £90.0m of revolving credit facilities ('RCF') was undrawn at the year-end.

In August 2018, the £50.0m term loan will be further amortised to £20.0m and will be settled by drawing on the Group's RCF. The final term loan repayment of £20.0m is due in March 2019.

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

In January 2018, the Group's Yankee Bonds matured and were settled from surplus cash.

	2017/18	2016/17
Cash inflow from operations	**109.4**	128.4
Net cash payments in respect of provisions and exceptional items	**(7.0)**	(12.1)
Cash generated from operations	**102.4**	116.3
Capital expenditure	**(37.0)**	(42.7)
Acquisition of YoBingo	**(16.5)**	-

Net interest and tax payments	**(16.8)**	(17.7)
Dividends paid	**(29.1)**	(26.2)
Refund on unclaimed dividend	**-**	0.2
Other (including exchange translation)	**0.1**	(1.1)
Cash inflow	**3.1**	28.8
Opening net debt	**(12.4)**	(41.2)
Closing net debt	**(9.3)**	(12.4)

Capital expenditure

Cash	**2017/18**	2016/17
Grosvenor Casinos – venues	**9.2**	17.1
Mecca – venues	**3.2**	9.0
Luda – venues	**2.1**	0.3
UK digital	**9.0**	2.3
Spain – venues	**0.7**	1.2
Spain – digital	**0.3**	-
Central	**12.5**	12.8
Total	**37.0**	42.7

During the year there were two key refurbishments in Grosvenor's London casino estate, at The Golden Horseshoe and The Rialto (formerly The Piccadilly), the cost in the year of both refurbishments was £3.0m. £1.2m was also spent in the year on the new casino management system, Neon.

Regarding the Group's UK digital business, £4.2m was spent on the continued development of Grosvenor One and £1.9m on the new content management system in the year.

Within central, £1.0m was spent on the roll out of the new finance system and £7.2m on the purchase of the freehold at Stockton.

During 2018/19 the Group is planning to invest between £45m and £55m.

Total capital committed at 30 June 2018 was £1.0m.

Acquisition of YoBingo

On 21st May 2018, Rank Digital Holdings Limited (a wholly owned group company) acquired the entire share capital of QSB Gaming Limited, the owner of YoBingo.es, the second largest online bingo operator in Spain for an estimated total consideration of €52.0m. The results of that business have been incorporated into the Enracha segment and details on the provisional acquisition accounting are set out in note 13.

Further contingent consideration will be paid based on the EBITDA generated by YoBingo in the calender year 2018 and has been estimated based on recent business performance and expectations for future growth. Payment is expected in H2 2018/19 and the Group currently intends to fund this through drawing on its revolving credit facility.

Acquisition accounting will be finalised in the Group's 2018/19 report.

Bede convertible loan

The Group provided £3.5m of finance to Bede Gaming (the supplier of its UK digital gaming platform) in the form of a convertible loan which can be converted into 17.2% of the share capital of Bede. Notice of conversion was given on 4 June 2018 but the shares in Bede were not issued until after 30 June 2018. The Group intends to hold the shares as a trade investment in accordance with IAS39.

Taxation changes

Changes to remote gaming duty in relation to freeplays and non-cash prizes were effective for Rank from October 2017. These changes resulted in additional remote gaming duty of £2.5m in the year.

In May 2018, it was announced that the rate of remote gaming duty will be increased to offset reduced tax revenues from the proposed changes to the maximum stakes of Fixed Odds Betting Terminals ("FOBTs"). Based on the Group's current levels of online gaming, each 1% increase in remote gaming duty would increase Rank's tax liability by approximately £1.1m.

From 1 April 2017, new rules were introduced restricting the amount of interest which can be treated as tax deductible in the UK (corporate interest restriction rules). In 2017/18, this results in non-deductible interest costs of £1.0m, increasing Rank's tax liability by approximately £190k.

IFRS 16 – Lease

IFRS16 'Leases' will replace IAS17 in its entirety and will be effective for the Group from its 2019/20 accounting year. It will result in most leases being recognised in the Statement of Financial Position, with additional fixed assets and liabilities being recognised. The Group continues to assess the full impact of IFRS16 and it is not yet possible to reasonably quantify its financial effects. The effect will be impacted by interest rates in future years, along with changes to the terms of the Group's existing leases. The directors believe that the new standard will have a material impact upon the Group's reported performance with increases in EBITDA being largely offset by increases in both depreciation and interest charges, and increases I operating profit largely offset by increases in interest charges. There is no current expectation that the group's cashflows will be materially impacted.

IFRS 9 and IFRS 15
IFRS 9 and IFRS 15 will be effective for the Group from its 2018/19 accounting year. The Group does not anticipate a material impact on the results or net assets from these standards that are in issue but not yet effective.

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

Principal risks and uncertainties

Risk	Impact	Mitigation
Laws and regulation Regulatory and legislative regimes for betting and gaming in key markets are constantly under review and can change at short notice. These changes could benefit or have an adverse effect on the business and additional costs might be incurred in order to comply. Current key risk areas include: • Responsible gambling (including adverse impact on brand and reputation); • AML EDD requirements; and	Increasing With the increased focus of regulators the risk here is considered to be increasing, and the impact of non-compliance could result in the imposition of licence conditions, the loss of gaming licences and/or fines.	The Group ensures that it actively provides and promotes a compliant environment in which customers can play safely. The Group participates in trade bodies' representations to political and regulatory bodies to ensure that such stakeholders clearly understand the positive contribution that the business provides to the economy. The Group also works with stakeholders, customers and

• Jurisdiction management.		regulators to help public understanding of the gaming offers it provides. The Group engages with regulators as appropriate and examines the learnings from, and measures adopted by, other operators and sectors of the gambling industry.
Taxation Changes in fiscal regimes for betting and gaming in key markets can change at short notice. These changes could benefit or have an adverse effect and additional costs might be incurred in order to comply with any fiscal requirements. Current key risk areas include: • Remote Gaming Duty, • Machine Gaming Duty, and • Gaming Duty.	Stable It is envisaged that there will be no further changes in taxation in the immediate future other than Remote Gaming Duty, with the risk and impact of current regimes being understood.	 The Group continues to monitor taxation levels, performs regular analysis of the financial impact to organisation on changes to taxation rates and develops organisational contingency plans as appropriate.
Changing customer needs Progressive changes over time in retail consumer spending habits is resulting in lower numbers of customer visits. This can be also attributable to the overall retail proposition declining in relevance to the consumer and changes in the macroeconomic environment.	Increasing With the retail macroeconomic environment, changes in consumer spending habits and the need to continually asses the relevance of the proposition, this is requiring an ever-increasing focus by the Group.	 The Group monitors financial performance across the clubs with clubs performing adversely being raised for remedial attention. Changing the club product and service offering to have greater appeal to today's more leisure oriented customer is being developed through segmentation and new product offerings.
Strategic programmes Key strategic projects fail to deliver resulting in missed market opportunities and/or take longer to deliver resulting in missed synergies and savings. Current key strategic projects include: • Single Account Wallet (Grosvenor One), and • Content Management System (CMS).	Increasing A failure to deliver key strategic projects impacts on customer loyalty and strategic growth of the organisation.	 Key strategic projects are subject to detailed management oversight from a project board as well as having sponsorship from a senior-level stakeholder. The Group has a structured and disciplined project delivery methodology to ensure that critical projects are robustly managed to achieve their outcome. A comprehensive project risk approach is also undertaken

		within the project, managed by experienced project managers.
Business Continuity Planning Planning and preparation of the organisation to ensure it overcomes serious incidents or disasters and resumes its normal operations within a reasonably short period is critical to ensure that minimal impact occurs to its operations, customers and reputation. Typical disasters that business continuity covers can include: natural disasters including fires, floods, accidents impacting key people, insolvency of key suppliers, negative media campaigns and market upheavals.	Stable The geographical nature of the operating environment and key risk exposures having not changed significantly and are known and understood.	 Group business continuity plans have been developed and are in place for key business areas with an ongoing refresh to ensure that they remain current for all business areas. This approach includes the development, embedding and refinement of the incident and crisis management approach for the Group in order to proactively manage these incidents
Customer Data Management Processing of personal customer data (including name, address, age, bank details and betting/gaming history) is performed and therefore must comply with strict data protection and privacy laws in all jurisdictions in which the Group operates, such as GDPR. The Group is exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, or processed in breach of data protection regulations. This could result in prosecutions including potential financial penalties and the loss of the goodwill of its customers and could deter new customers.	Stable The Group has developed a robust control environment in relation to customer data controls and the regulatory requirements.	 Awareness, training and recruitment of a data protection officer to oversee ongoing data regulation compliance. Programme of activity initiated and in place to ensure the Group meets the GDPR requirements and continues to improve its current control environment.
Cyber Security and Resilience Cyber-attacks can disrupt and cause considerable financial and reputational damage to the Group. If a cyber-attack were to occur the Group could lose assets, reputation and business, and potentially face regulatory fines and litigation – as well as the costs of remediation.	Increasing Due to the persistent nature of this threat and reliance on core technology systems, this is considered an increasing risk to the Group.	 External cyber benchmarking has been performed to understand level of maturity of controls with a roadmap of further work planned to enhance these within the current IT estate. Programme of work ongoing to enhance cyber security and resilience within the IT estate

Operations are highly dependent on technology and advanced information systems (such as cloud computing) and there is a risk that such technology or systems could fail or outages occur.		with dedicated specialised resources.
Third Party Supply Chain The Group is dependent on a number of third party suppliers for the operation of its business. The withdrawal or removal from the market of one or more of these third-party suppliers, or failure of these suppliers to comply with contractual obligations could adversely affect operations, especially where these suppliers are niche.	Stable The third party operating environment and key risk exposures remaining unchanged.	 The Group has a central team in place to oversee the processes for acquisition of suppliers across the Group. Close communication and relationships are in place with suppliers to ensure that Group requirements can be met.
Volatility of gaming win The nature of the games played means that win margin can fluctuate in the short term although it will generally perform at a stable average over a longer period. The important VIP sector of the business in both retail and digital contains a small volume of customers who can themselves create volatility in the overall margin given the value of their gaming play. Issues with misfeasance or the accurate management of the games can also affect win margins.	Stable Fluctuations in gaming win margin directly affect profitability.	Gaming limits are utilised across all areas of gaming operations to continually manage risk exposure. Such limits are reviewed as appropriate.

Directors' Responsibility Statement

Each of the directors named below confirm that to the best of his or her knowledge:

- The financial statements, prepared under International Financial Reporting Standard (IFRS) 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 management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings including in the consolidation taken as a whole, together with a description of the risk and uncertainties that they face.

The directors of The Rank Group Plc are:

Chris Bell
Ian Burke
Steven Esom
Susan Hooper
Clive Jennings
Lord Kilmorey
Alan Morgan
John O'Reilly
Alex Thursby

Signed on behalf of the board on 15 August 2018

John O'Reilly	Clive Jennings
Chief Executive	Finance Director

Group Financial Information

Group Income Statement

For the year ended 30 June 2018

	Year ended 30 June 2018			Year ended 30 June 2017		
	Before exceptional items £m	**Exceptional items (note 3) £m**	**Total £m**	Before exceptional items £m	Exceptional items (note 3) £m	Total £m
Continuing operations						
Revenue before adjustment for customer incentives	**741.1**	**-**	**741.1**	755.1	-	755.1
Customer incentives	**(50.1)**	**-**	**(50.1)**	(47.9)	-	(47.9)
Revenue	**691.0**	**-**	**691.0**	707.2	-	707.2
Cost of sales	**(376.6)**	**-**	**(376.6)**	(391.4)	-	(391.4)
Gross profit	**314.4**	**-**	**314.4**	315.8	-	315.8
Other operating costs	**(237.4)**	**(26.9)**	**(264.3)**	(232.3)	1.0	(231.3)
Group operating profit (loss)	**77.0**	**(26.9)**	**50.1**	83.5	1.0	84.5
Financing:						
– finance costs	**(3.0)**	**(0.3)**	**(3.3)**	(4.4)	-	(4.4)
– finance income	**0.3**	**-**	**0.3**	0.2	-	0.2
– other financial losses	**(0.1)**	**(0.3)**	**(0.4)**	(0.6)	-	(0.6)
Total net financing charge	**(2.8)**	**(0.6)**	**(3.4)**	(4.8)	-	(4.8)
Profit (loss) before taxation	**74.2**	**(27.5)**	**46.7**	78.7	1.0	79.7
Taxation	**(15.7)**	**4.9**	**(10.8)**	(15.6)	(1.2)	(16.8)
Profit (loss) for the year	**58.5**	**(22.6)**	**35.9**	63.1	(0.2)	62.9
Attributable to:						
Equity holders of the parent	**58.5**	**(22.6)**	**35.9**	63.1	(0.2)	62.9
Earnings (loss) per share attributable to equity shareholders						
– basic	**15.0p**	**(5.8)p**	**9.2p**	16.2p	(0.1)p	16.1p
– diluted	**15.0p**	**(5.8)p**	**9.2p**	16.1p	(0.1)p	16.0p

Group Statement of Comprehensive Income
For the year ended 30 June 2018

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Comprehensive income:		
Profit for the year	**35.9**	62.9
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange adjustments net of tax	**0.8**	2.3
Items that will not be reclassified to profit or loss:		
Actuarial gain (loss) on retirement benefits net of tax	**0.1**	(0.6)
Total comprehensive income for the year	**36.8**	64.6
Attributable to:		
Equity holders of the parent	**36.8**	64.6

Group Statement of Changes in Equity
For the year ended 30 June 2018

	Share capital £m	Share premium £m	Capital redemption reserve £m	Exchange translation reserve £m	Retained earnings (losses) £m	Total £m
At 1 July 2016	54.2	98.4	33.4	13.5	153.1	352.6
Comprehensive income:						
Profit for the year	-	-	-	-	62.9	62.9
Other comprehensive income:						
Exchange adjustments net of tax	-	-	-	2.3	-	2.3
Actuarial loss on retirement benefits net of tax	-	-	-	-	(0.6)	(0.6)
Total comprehensive income for the year	-	-	-	2.3	62.3	64.6
Transactions with owners:						
Dividends paid to equity holders (see note 6)	-	-	-	-	(26.2)	(26.2)
Refund of unclaimed dividends (see note 6)				-	0.2	0.2
Debit in respect of employee share schemes including tax	-	-	-	-	(0.6)	(0.6)
At 30 June 2017	**54.2**	**98.4**	**33.4**	**15.8**	**188.8**	**390.6**
Comprehensive income:						
Profit for the year	**-**	**-**	**-**	**-**	**35.9**	**35.9**
Other comprehensive income:						
Exchange adjustments net of tax	**-**	**-**	**-**	**0.8**	**-**	**0.8**
Actuarial gain on retirement benefits net of tax	**-**	**-**	**-**	**-**	**0.1**	**0.1**
Total comprehensive income for the year	**-**	**-**	**-**	**0.8**	**36.0**	**36.8**
Transactions with owners:						
Dividends paid to equity holders (see note 6)	**-**	**-**	**-**	**-**	**(29.1)**	**(29.1)**
Debit in respect of employee share schemes including tax	**-**	**-**	**-**	**-**	**(1.8)**	**(1.8)**
At 30 June 2018	**54.2**	**98.4**	**33.4**	**16.6**	**193.9**	**396.5**

Group Balance Sheet
At 30 June 2018

	As at 30 June 2018 £m	As at 30 June 2017 £m
Assets		
Non-current assets		
Intangible assets	**459.1**	411.5
Property, plant and equipment	**171.5**	187.9
Other investments	**3.5**	-
Deferred tax assets	**0.4**	0.1
Other receivables	**3.7**	6.5
	638.2	606.0
Current assets		
Inventories	**2.5**	2.8
Other receivables	**29.2**	25.3
Income tax receivable	**-**	0.3
Cash and short-term deposits	**50.4**	79.0
	82.1	107.4
Total assets	**720.3**	713.4
Liabilities		
Current liabilities		
Trade and other payables	**(153.1)**	(128.9)
Income tax payable	**(10.3)**	(12.7)
Financial liabilities – loans and borrowings	**(54.2)**	(34.6)
Provisions	**(8.0)**	(10.0)
	(225.6)	(186.2)
Net current liabilities	**(143.5)**	(78.8)
Non-current liabilities		
Trade and other payables	**(30.6)**	(31.8)
Financial liabilities – loans and borrowings	**(5.5)**	(57.0)
Deferred tax liabilities	**(24.4)**	(19.9)
Provisions	**(33.6)**	(23.7)
Retirement benefit obligations	**(4.1)**	(4.2)
	(98.2)	(136.6)
Total liabilities	**(323.8)**	(322.8)
Net assets	**396.5**	390.6
Capital and reserves attributable to the Company's equity shareholders		
Share capital	**54.2**	54.2
Share premium	**98.4**	98.4
Capital redemption reserve	**33.4**	33.4
Exchange translation reserve	**16.6**	15.8
Retained earnings	**193.9**	188.8
Total shareholders' equity	**396.5**	390.6

Group Statement of Cash Flow
For the year ended 30 June 2018

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Cash flows from operating activities		
Cash generated from operations (see note 10)	**102.4**	116.3
Interest received	**0.3**	0.2
Interest paid	**(2.7)**	(3.2)
Tax paid	**(14.4)**	(14.7)
Net cash from operating activities	**85.6**	98.6
Cash flows from investing activities		
Purchase of intangible assets	**(11.6)**	(13.1)
Purchase of property, plant and equipment	**(25.4)**	(29.6)
Purchase of subsidiaries (net of cash acquired)	**(16.5)**	-
Net cash used in investing activities	**(53.5)**	(42.7)
Cash flows from financing activities		
Dividends paid to equity holders	**(29.1)**	(26.2)
Refund of unclaimed dividends	**-**	0.2
Repayment of term loans	**(20.0)**	(10.0)
Repayment of Yankee bond	**(10.1)**	-
Finance lease principal payments	**(1.4)**	(1.3)
Net cash used in financing activities	**(60.6)**	(37.3)
Net (decrease) increase in cash, cash equivalents and bank overdrafts	**(28.5)**	18.6
Effect of exchange rate changes	**(0.3)**	-
Cash and cash equivalents at start of year	**76.5**	57.9
Cash and cash equivalents at end of year	**47.7**	76.5

1. General information, basis of preparation and accounting policies

General information

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 TOR, Saint-Cloud Way, Maidenhead, SL6 8BN.

This condensed consolidated financial information was approved for issue on 15 August 2018.

This condensed consolidated financial information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for the year ended 30 June 2018 were approved by the board of directors on 15 August 2018, but have not yet been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement made under Section 498 of the Companies Act 2006. The statutory accounts for the year ended 30 June 2017 have been delivered to the Registrar of Companies.

Basis of preparation

The financial information attached has been extracted from the audited financial statements for the year ended 30 June 2018. The financial information has been prepared in accordance with IFRS as adopted by the European Union.

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 business review above and have reviewed the Group's projected compliance with its banking covenants. Based on the Group's cash flow forecasts and operating budgets, 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.

Accounting policies

(a) Standards, amendments to and interpretations of existing standards adopted by the Group

The Group has not been materially impacted by the adoption of any standards. The Group has not early adopted any 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

IFRS 16 'Leases' represents a significant change, notably for lessees, in how leases are accounted for and reported. The standard will be effective for the Group for the period beginning 1 July 2019, and will replace IAS 17 'Leases'. IFRS 16 will require all lessees to recognise a right of use asset and lease liability for all leases, except for leases with a lease term of 12 months or less or where the underlying asset is of low value.

The Group expects the standard to apply to the majority of its operating lease commitments and to have a material impact on the Group's reported results and balance sheet. The recognition of right of use assets and lease liabilities will result in an increase in total assets and total liabilities reported. Within the income statement, the current rent expense will be replaced with a depreciation and interest expense. The standard will also impact a number of statutory reporting measures such as operating profit and cash generated from operations, as well as alternative performance measures used by the Group.

The full impact of IFRS 16 on the Group is currently being assessed, including the practical application of the principles of the standard to the Group's leases, and it is therefore not yet possible to provide a reasonable estimate of its effect.

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

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 that makes strategic and operational decisions.

The Group currently reports five segments: Grosvenor Venues, Mecca Venues, UK Digital, Enracha and Central Costs. The acquisition of QSB Gaming Limited ('YoBingo') has been included within Enracha.

2. Segment information

	Year ended 30 June 2018					
	Grosvenor Venues £m	**Mecca Venues £m**	**UK Digital £m**	**Enracha £m**	**Central Costs £m**	**Total £m**
Continuing operations						
Revenue before adjustment for customer incentives	**373.0**	**208.1**	**122.5**	**37.5**	**-**	**741.1**
Customer incentives	**(13.0)**	**(9.1)**	**(27.9)**	**(0.1)**	**-**	**(50.1)**
Statutory revenue	**360.0**	**199.0**	**94.6**	**37.4**	**-**	**691.0**
Operating profit (loss) before exceptional items	**48.6**	**28.6**	**20.9**	**6.5**	**(27.6)**	**77.0**
Exceptional (loss) profit	**(23.4)**	**(3.7)**	**0.2**	**1.2**	**(1.2)**	**(26.9)**
Segment result	**25.2**	**24.9**	**21.1**	**7.7**	**(28.8)**	**50.1**
Finance costs						**(3.3)**
Finance income						**0.3**
Other financial losses						**(0.4)**
Profit before taxation						**46.7**
Taxation						**(10.8)**
Profit for the year						**35.9**

	Year ended 30 June 2017					
	Grosvenor Venues £m	Mecca Venues £m	UK Digital £m	Enracha £m	Central Costs £m	Total £m
Continuing operations						
Revenue before adjustment for customer incentives	397.2	213.6	111.5	32.8	-	755.1
Customer incentives	(14.9)	(10.0)	(23.0)	-	-	(47.9)
Statutory revenue	382.3	203.6	88.5	32.8	-	707.2
Operating profit (loss) before exceptional items	52.1	29.9	22.7	6.2	(27.4)	83.5
Exceptional (loss) profit	(5.2)	11.2	(2.0)	0.6	(3.6)	1.0
Segment result	46.9	41.1	20.7	6.8	(31.0)	84.5
Finance costs						(4.4)
Finance income						0.2
Other financial losses						(0.6)
Profit before taxation						79.7
Taxation						(16.8)
Profit for the year						62.9

2. Segment information (continued)

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 2018					
	Grosvenor Venues £m	**Mecca Venues £m**	**UK Digital £m**	**Enracha £m**	**Central Costs £m**	**Total £m**
Employment and related costs	**133.4**	**52.2**	**12.1**	**15.3**	**18.4**	**231.4**
Taxes and duties	**75.2**	**33.2**	**15.0**	**2.5**	**1.8**	**127.7**
Direct costs	**18.6**	**20.9**	**28.0**	**4.1**	**-**	**71.6**
Property costs	**32.1**	**26.9**	**0.5**	**1.3**	**1.6**	**62.4**
Marketing	**14.5**	**8.7**	**7.8**	**1.3**	**-**	**32.3**
Depreciation and amortisation	**22.0**	**11.6**	**4.2**	**1.9**	**3.3**	**43.0**
Other	**15.6**	**16.9**	**6.1**	**4.5**	**2.5**	**45.6**
Total costs before exceptional items	**311.4**	**170.4**	**73.7**	**30.9**	**27.6**	**614.0**
Cost of sales						**376.6**
Operating costs						**237.4**
Total costs before exceptional items						**614.0**

	Year ended 30 June 2017					
	Grosvenor Venues £m	Mecca Venues £m	UK Digital £m	Enracha £m	Central Costs £m	Total £m
Employment and related costs	140.2	53.7	9.2	13.8	21.1	238.0
Taxes and duties	82.7	33.5	10.6	1.8	1.8	130.4
Direct costs	17.2	20.4	27.4	3.5	-	68.5
Property costs	30.1	27.3	0.7	1.4	1.3	60.8
Marketing	13.7	8.4	9.1	1.0	0.2	32.4
Depreciation and amortisation	24.5	11.9	5.1	1.5	2.3	45.3
Other	21.8	18.5	3.7	3.6	0.7	48.3
Total costs before exceptional items	330.2	173.7	65.8	26.6	27.4	623.7
Cost of sales						391.4
Operating costs						232.3
Total costs before exceptional items						623.7

3. Exceptional items

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Continuing operations		
Impairment charges	**(13.9)**	(6.7)
Impairment reversals	**1.8**	2.5
Group restructuring including relocation costs	**(1.6)**	(8.8)
Onerous lease and other property (costs) income	**(9.1)**	14.7
Closure of venues	**(3.7)**	-
Acquisition related costs	**(0.4)**	(0.7)
Exceptional operating (costs) income[1]	**(26.9)**	1.0
Finance costs (see note 4)	**(0.3)**	-
Other financial losses (see note 4)	**(0.3)**	-
Taxation (see note 5)	**4.9**	(1.2)
Exceptional items	**(22.6)**	(0.2)

[1]It is Group policy to reverse exceptional costs in the same line as they were originally recognised.

Year ended 30 June 2018 exceptional items

Impairment charges
The Group recognised impairment charges of £13.9m, of which £9.8m related to five venues within Grosvenor Casinos, £3.4m related to eight venues within Mecca and £0.7m related to a venue within Enracha. Performance at these venues (most notably admissions) has not been in line with expectations and is not expected to significantly improve in the future. These have been presented as an exceptional item due to both its material scale and one-off nature.

Impairment reversals
The Group reversed a £1.8m impairment charge in Enracha due to a reduction in the local gaming tax rate which has significantly improved performance at one venue. This has been presented as an exceptional item due to both its material scale and one-off nature.

Group restructuring including relocation costs
In the first six months of 2017/18 the Group completed its group restructuring project. The total cost of the project was £10.4m, the remaining £1.6m has been recognised in the current financial year. Total costs include costs associated with changes to management and team structures at both venue and central levels, the decision to centralise support functions in a new office in Maidenhead and the merging of the separately run brand teams supporting Digital into one operational team. This has been presented as an exceptional item due to both its material scale and one-off nature.

Onerous lease and other property costs
The group has recognised a net charge of £9.1m as a result of committed onerous costs on property leases.

A charge of £9.0m has been recognised within Grosvenor. Of this charge £8.0m is attributable to two venues where expected improvements in trading results have not been realised and unavoidable committed costs exceed forecast future trading performance and £1.0m to a potential tenant for a vacant site deciding not to proceed despite advance negotiations to sub-let the onerous property.

Within Mecca a £0.3m charge has been recognised as a result of an increase in expected onerous costs at four venues and a £0.2m credit has been recognised in Central due to revisions in expected future costs and income at onerous multi-let sites. These costs have been presented as an exceptional item due to both its material scale and one-off nature.

3. Exceptional items (continued)

Closure of venues

The group has recognised a net charge of £3.7m as a result of closed clubs.

Grosvenor has recognised a £4.3m charge due to costs associated with closing a loss-making venue for which it is not expected the remaining lease can be sublet. Mecca has recognised a net credit of £0.5m. This is due to £0.4m of cost from closing one club having been offset by a £0.6m surrender premium having been received in return for agreeing to exit a lease early at one site and an additional £0.3m overage payment having been received for a site previously disposed of. Enracha has recognised a net credit of £0.1m due to it having successfully won an employee dispute for unfair dismissal at a disposed of club.

These have been presented as an exceptional item due to both its material scale and one-off nature.

Acquisition related costs

Acquisition related costs of £0.4m include one-off costs to professional service firms that have resulted from acquisitions. The finance cost and foreign exchange loss associated with contingent consideration payable has also been recognised as an exceptional finance cost and exceptional other financial loss. This has been presented as an exceptional item due to its one-off nature.

4. Financing

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Continuing operations		
Finance costs:		
Interest on debt and borrowings(2)	**(1.9)**	(2.6)
Amortisation of issue costs on borrowings(2)	**(0.4)**	(0.4)
Interest payable on finance leases	**(0.5)**	(0.6)
Unwinding of discount in property lease provisions	**(0.2)**	(0.8)
Total finance costs	**(3.0)**	(4.4)
Finance income:		
Interest income on short-term bank deposits(2)	**0.2**	0.1
Interest income on loans(2)	**0.1**	0.1
Total finance income	**0.3**	0.2
Other financial losses	**(0.1)**	(0.6)
Total net financing charge before exceptional items	**(2.8)**	(4.8)
Exceptional finance costs	**(0.3)**	-
Exceptional other financial losses	**(0.3)**	-
Total net financing charge	**(3.4)**	(4.8)

(2) Calculated using the effective interest method.

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

Exceptional finance costs and other financial losses includes interest recognised and foreign exchange loss on deferred consideration payable as a result of the acquisition of QSB Gaming Limited ('YoBingo').

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

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Total net financing charge before exceptional items	**(2.8)**	(4.8)
Adjust for :		
Other financial losses	**0.1**	0.6
Adjusted net interest payable	**(2.7)**	(4.2)

5. Taxation

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Current income tax		
Current income tax – UK	**(11.3)**	(11.8)
Current income tax – overseas	**(3.7)**	(3.4)
Current income tax on exceptional items	**3.0**	(1.8)
Amounts over provided in previous period	**0.1**	0.5
Total current income tax charge	**(11.9)**	(16.5)
Deferred tax		
Deferred tax – UK	**(0.5)**	(1.3)
Deferred tax – overseas	**-**	(0.3)
Restatement of deferred tax due to rate change	**-**	1.1
Deferred tax on exceptional items	**1.9**	0.6
Amounts under provided in previous period	**(0.3)**	(0.4)
Total deferred tax credit (charge)	**1.1**	(0.3)
Tax charge in the income statement	**(10.8)**	(16.8)

Tax on exceptional items
The taxation impacts of exceptional items are disclosed below:

	Year ended 30 June 2018			Year ended 30 June 2017		
	Current income tax £m	**Deferred tax £m**	**Total £m**	Current income tax £m	Deferred tax £m	Total £m
Impairment charges	**-**	**2.3**	**2.3**	-	1.0	1.0
Impairment reversals	**-**	**(0.4)**	**(0.4)**	-	(0.5)	(0.5)
Group restructuring including relocation costs	**0.3**	**-**	**0.3**	1.5	0.1	1.6
Onerous lease and other property costs (income)	**1.7**	**-**	**1.7**	(3.3)	-	(3.3)
Closure of venues	**0.9**	**-**	**0.9**	-	-	-
Finance costs and other financial losses	**0.1**	**-**	**0.1**	-	-	-
Tax credit (charge) on exceptional items	**3.0**	**1.9**	**4.9**	(1.8)	0.6	(1.2)

Tax effect of items within other comprehensive income

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Current income tax credit on exchange movements offset in reserves	**-**	0.2
Deferred tax credit on actuarial movement on retirement benefits	**-**	0.1
Total tax credit on items within other comprehensive income	**-**	0.3

The debit 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 2017: £0.1m).

5. Taxation (continued)

Factors affecting future taxation
UK corporation tax is calculated at 19.00% (year ended 30 June 2017: 19.75%) 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 19.00% for the year starting 1 April 2017 and a further 1.00% reduction to 18.00% from 1 April 2020. These changes were substantively enacted in October 2015.

On 16 March 2016, the Chancellor of the Exchequer announced a further 1.00% reduction to the previously announced 18.00% main rate of UK corporation tax to 17.00% from 1 April 2020. This change was substantively enacted in September 2016. The rate reductions will reduce the amount of cash tax payments to be made by the Group.

On 26 July 2017, the Belgian Government announced the reduction in the corporation tax rate in Belgium from 33.99% to 29.58% for financial years beginning in 2018 and to 25.00% for financial years beginning in 2020 and onwards. These changes were substantively enacted in December 2017.

6. Dividends paid to equity holders

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Final dividend for 2015/16 paid on 20 October 2016 - 4.70p per share	**-**	18.4
Interim dividend for 2016/17 paid on 21 March 2017 - 2.00p per share	**-**	7.8
Final dividend for 2016/17 paid on 31 October 2017 - 5.30p per share	**20.7**	-
Interim dividend for 2017/18 paid on 15 March 2018 - 2.15p per share	**8.4**	-
Dividends paid to equity holders	**29.1**	26.2
Refund of unclaimed dividends	**-**	(0.2)

A final dividend in respect of the year ended 30 June 2018 of 5.30p per share, amounting to a total dividend of £20.7m, is to be recommended at the Annual General Meeting on 18 October 2018. These financial statements do not reflect this dividend payable.

7. 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 2018 £m	Year ended 30 June 2017 £m
Profit attributable to equity shareholders	**35.9**	62.9
Adjust for:		
Exceptional items after tax	**22.6**	0.2
Other financial losses	**0.1**	0.6
Taxation on adjusted items and impact of reduction in tax rate	**-**	(1.2)
Adjusted net earnings attributable to equity shareholders (£m)	**58.6**	62.5
Adjusted earnings per share (p) – basic	**15.0p**	16.0p
Adjusted earnings per share (p) – diluted	**15.0p**	15.9p

8. Provisions

	Property lease provisions £m	Disposal provisions £m	Restructuring provisions £m	Indirect tax provision £m	**Total £m**
At 1 July 2017	24.6	4.2	3.7	1.2	33.7
Unwinding of discount	0.2	-	-	-	**0.2**
Charge to the income statement - exceptional	14.3	-	0.2	-	**14.5**
Release to the income statement - exceptional	(0.7)	-	(0.2)	-	**(0.9)**
Release to the income statement - operating	-	(0.1)	-	-	**(0.1)**
Utilised in year	(2.4)	(0.1)	(3.3)	-	**(5.8)**
At 30 June 2018	**36.0**	**4.0**	**0.4**	**1.2**	**41.6**
Current	6.2	0.2	0.4	1.2	**8.0**
Non-current	29.8	3.8	-	-	**33.6**
Total	**36.0**	**4.0**	**0.4**	**1.2**	**41.6**

Further details of the exceptional charge and release to the income statement are provided in note 3.

9. Borrowings to net debt reconciliation

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

	As at 30 June 2018 £m	As at 30 June 2017 £m
Total loans and borrowings	**(59.7)**	(91.6)
Less: Accrued interest	**0.1**	0.4
Add: Unamortised facility fees	**(0.1)**	(0.2)
	(59.7)	(91.4)
Less: Cash and short-term deposits	**50.4**	79.0
Net debt	**(9.3)**	(12.4)

10. Cash generated from operations

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Continuing operations		
Operating profit	**50.1**	84.5
Exceptional items	**26.9**	(1.0)
Operating profit before exceptional items	**77.0**	83.5
Depreciation and amortisation	**43.0**	45.3
Settlement of share-based payments	**(1.7)**	-
Share-based payments	**(0.2)**	(0.7)
Loss on disposal of property, plant and equipment	**0.3**	0.9
Impairment of intangible assets	**0.3**	-
Impairment of property, plant and equipment	**0.2**	0.5
Decrease in inventories	**0.3**	0.1
(Increase) decrease in other receivables	**(3.4)**	11.0
Decrease in trade and other payables	**(6.4)**	(12.2)
	109.4	128.4
Cash utilisation of provisions	**(5.8)**	(7.8)
Cash payments in respect of exceptional items	**(1.2)**	(4.3)
Cash generated from operations	**102.4**	116.3

11. Contingent liabilities

Property leases
Concurrent to the £211.0m 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, eight of these have not expired or been surrendered. These eight leases have durations of between eight months and 95 years and a current annual rental obligation (net of sub-let income) of approximately £0.8m.

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

12. Related party transactions and ultimate parent undertaking

Guoco Group Limited (Guoco), a company incorporated in Bermuda, and listed on the Hong Kong stock exchange has a controlling interest in The Rank Group Plc. The ultimate parent undertaking of Guoco is Hong Leong Company (Malaysia) Berhad (Hong Leong) which is incorporated in Malaysia. At 30 June 2018, entities controlled by Hong Leong owned 56.2% of the Company's shares, including 52.0% through Guoco's wholly-owned subsidiary, Rank Assets Limited, the Company's immediate parent undertaking.

13. Acquisition of subsidiary undertakings

On 21 May 2018, the Group acquired 100 per cent of the issued share capital of QSB Gaming Limited and its subsidiaries ('YoBingo') for an initial consideration of €23.1m. Of the initial consideration, €21.1m was paid in cash on completion and €2.0m is deferred for 24 months. Further contingent consideration will also be paid in cash, subject to 2018 calendar year performance, up to a total consideration cap of €52.0m.

YoBingo.es is a leading digital bingo business in the high growth regulated Spanish gaming market. The acquisition provides the Group with a nationally recognised brand, an established customer base and a proprietary platform including bingo, roulette and video bingo content for the Spanish market. The acquisition also provides the potential to accelerate the multi-channel strategy of Rank's established Enracha brand and operate in other regulated markets.

The provisional fair value of the assets acquired and liabilities assumed, goodwill and consideration are outlined below. The amounts disclosed are provisional due to the proximity of the acquisition to the Group's year-end and the completion account process, outlined by the sale and purchase agreement, extending beyond the finalisation of these financial statements. The accounting will be completed within the 12-month measurement period permitted by IFRS 3 Business Combinations.

	£m
Intangible assets	14.9
Trade and other receivables	1.4
Cash and short-term deposits	1.9
Trade and other payables	(0.9)
Income tax payable	(0.4)
Deferred tax liability	(5.2)
Net assets acquired	**11.7**
Goodwill	31.9
Total consideration	**43.6**

The fair value of each component of consideration is analysed as:	
Cash	18.4
Deferred cash consideration	1.7
Contingent cash consideration	23.4
Estimated completion account adjustment	0.1
Total consideration	**43.6**

13. Acquisition of subsidiary undertakings (continued)

A reconciliation of total consideration to the cash outflow from acquisition of subsidiary undertakings included in investing activities in the Group cash flow statement is as follows:

	£m
Total consideration	43.6
Less:	
Cash and short-term deposits acquired	(1.9)
Deferred cash consideration	(1.7)
Contingent cash consideration	(23.4)
Estimated completion account adjustment	(0.1)
Acquisition of subsidiary including deferred consideration	**16.5**

The contingent consideration is determined based on a multiple of adjusted EBITDA for the year ended 31 December 2018, less an amount of €21.0m. The Group has recognised the maximum contingent consideration under the cap. The range of outcomes, on an undiscounted basis, is between €nil and €28.9m such that the maximum total consideration payable cannot exceed €52.0m. The contingent consideration is expected to be paid in the first half of calendar year 2019 following completion of the process to prepare, review and agree adjusted EBITDA. The finance cost associated with the discount rate has been recognised as an exceptional item further details of which can be found in note 3.

The identified intangible assets recognised separately from goodwill are as follows:

	£m
Customer Relationships	8.6
Brand	2.8
Software and technology	3.5
Total intangible assets	**14.9**

The fair value of trade and other receivables of £1.4m corresponds to the book value at which all receivables are expected to be received.

The goodwill consists of future revenue opportunities, the assembled workforce (including marketing and technological expertise) and the deferred tax liability recognised on certain fair value adjustments. No amount of the goodwill recognised is expected to be deductible for tax purposes.

Acquisition related costs of £0.4m have been recognised as an exceptional finance cost in the Group income statement.

In the year ended 30 June 2018, QSB Gaming Limited 'YoBingo' contributed statutory revenue of £1.4m and £0.3m of profit before tax.