News release

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22 August 2019

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

Preliminary results for the 12 months ended 30 June 2019

Expectations delivered, transformation programme starting to drive growth

Financial highlights

		2018/19	2017/18	Change
Financial KPIs	Group like-for-like revenue	£729.5m	£731.3m	0%
	Venues like-for-like revenue	£597.8m	£608.2m	(2)%
	Digital like-for-like net gaming revenue (NGR)	£105.5m	£95.3m	11%
	Operating profit before exceptional items	£72.5m	£77.0m	(6)%
	Adjusted earnings per share	14.8p	15.0p	(1)%
Statutory performance	Statutory revenue	£695.1m	£691.0m	1%
	Group operating profit	£39.0m	£50.1m	(22)%
	Profit after taxation from continuing operations	£27.6m	£35.9m	(23)%
	Cash generated from operations	£113.1m	£102.4m	10%
	Net cash/(debt)	£1.8m	£(9.3)m	
	Basic earnings per share	7.4p	9.2p	(20)%
	Dividend per share	7.65p	7.45p	3%

Operational highlights

- All businesses delivering LFL revenue growth in H2
- H2 operating profit of £42.2m, up 20%, following a tough first half in which operating profit was £30.3m
- The transformation programme launched in December 2018 is driving improved Group performance and new ways of working
- £10.7m of savings delivered in the year with an additional £9.3m from these initiatives flowing into 2019/20
- New operating model launched for Grosvenor Casinos, resulted in £8.2m of savings in 2018/19 and a further £11.3m in 2019/20 (pre-wage increases)
- Mecca offer enhanced by initiatives including new games, side bets and extending session lengths resulted in revenue growth in H2
- Strong growth in Digital NGR of 23% including contribution from YoBingo acquired in May 2018. Excluding YoBingo, Digital NGR grew by 11%
- £28.6m of exceptional costs, includes an £8.0m provision for technical non-compliance with National Minimum Wage Regulations
- Agreed terms to sell five Mecca bingo clubs to a UK bingo operator

- On 31 May 2019, announced agreement on the terms of an offer to acquire Stride Gaming plc to create one of the UK's leading online gaming businesses
- Full year dividend up by 3%

Outlook

- Encouraging start to 2019/20
- Expect the acquisition of Stride to complete early in Q2 2019/20
- Optimistic about 2019/20 outturn

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

"We are pleased with the Group's second half performance and the full year results, especially given the challenges we faced in the first half of the year. The transformation programme is pivotal to our growth strategy both in the UK and internationally. We are excited by the important initiatives that are being implemented across each of our businesses. We have made a good start to the transformation of Rank and there remains a lot of improvement to be delivered. I would like to thank my colleagues across the Group for their enthusiasm and commitment in delivering much needed improvements in the ways in which we are meeting the needs of our customers.

The acquisition of Stride, which we expect to complete in 2019/20, will help step change our digital business, deliver strong synergies, bring proprietary technology in house and create one of the UK's leading online gaming businesses."

Ends

Definition of terms:

- Any reference to revenue or like-for-like group revenue is before adjustment for customer incentives;
- Net gaming revenue ('NGR') is revenue less customer incentives;
- Revenue is also referred to as gross gaming revenue ('GGR');
- 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 exceptional items, other financial gains or losses, unwinding of the discount rate in the disposal provisions and the related tax effects as detailed in note 7;
- "2018/19" refers to the audited 12-month period to 30 June 2019 and "2017/18" refers to the audited 12-month period to 30 June 2018;
- Like-for-like ('LFL') measures have been disclosed in this report to show the impact of club openings, closures, relocations and acquired businesses;
- Prior year LFL measures are amended to show an appropriate comparative for the impact of club openings, closures, relocations, acquired businesses, discontinued operations and foreign exchange movements;
- 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, EBITDA, operating profit, profit before tax and adjusted EPS. Adjusted measures are the same as those used for internal reports;
- Venues includes Grosvenor Venues, Mecca Venues and International Venues; and
- The Group reports segmental information on the basis by which the chief operating decision maker utilises internal reporting within the business. In the current year, the internal reporting of the operating segments has been modified following changes in management responsibilities. From 1 July 2018, UK Digital, Enracha Digital and YoBingo! were combined into a single operating segment which is now known as Digital. Enracha Venues and our Belgium casino were also combined into a single operating segment which is now known as International Venues. All prior period comparables have been restated to reflect these changes.

Enquiries

The Rank Group Plc
Sarah Powell, director of investor relations and communications Tel: 01628 504 303

FTI Consulting LLP

Ed Bridges	Tel: 020 3727 1067
Alex Beagley	Tel: 020 3727 1045

Photographs available from www.rank.com

Analyst meeting and webcast details:
Thursday 22 August 2019
There will be an analyst meeting at 10.30 am, 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 review

We are pleased with our full year results, with revenue growth being delivered in each of the Group's businesses in H2 following a weak start to the year. The Group's transformation programme, launched in December 2018, is now starting to drive performance improvements in both our UK and international venues businesses. Rank's digital business grew strongly with like-for-like H2 net gaming revenue (NGR) up 14% compared to the H1 growth of 7%.

As at 30 June 2019, there were a total of 13 workstreams and 388 initiatives within the transformation programme which is now embedded in the business and driving new improved ways of working. Initiatives in the transformation programme delivered £10.7m of cost savings in H2 and it is expected that a further £9.3m of cost savings will be delivered in 2019/20. Whilst we have further cost saving initiatives in the programme, the transformation of Rank inevitably centres on initiatives which drive revenue growth.

The performance of Grosvenor's casinos across the year is very much a tale of two halves. H1 was disappointing with both like-for-like revenue and operating profit down 5% and 35% respectively. However, in H2 both revenue and cost initiatives started to drive performance with H2 revenue up 1% and operating profit up strongly at 40%. The introduction of a new casino operating model, with simplified management structures and reduced labour hours, was launched in December 2018 and led to H2 savings of £8.2m. A further £11.3m of savings is expected to flow through into 2019/20.

Mecca's like-for-like revenue was down 2% in the year driven by a 9% fall in customer visits. Like-for-like operating profit was broadly flat in the year as operating costs continued to be tightly controlled. Several initiatives within the transformation programme were successfully delivered in the second half of the year and will continue to be developed into 2019/20, focusing on improving the gaming machine offer and delivering additional value to our bingo customers.

Due to the ongoing underperformance of Luda, the decision was made in the year to close all three venues which ceased trading on 24 July 2019.

International venues grew like-for-like revenue by 1%. Improvements to the management, product and delivery of the gaming machine offer contributed to an 8% increase in operating profit.

Like-for-like digital NGR, excluding the contribution for YoBingo, increased by 11% in the year, driven by various improvements to both the Mecca and Grosvenor offers and in the more effective delivery of customer bonusing. Total digital revenue grew by 17% in the year due to the contribution from YoBingo. Digital like-for-like operating profit was down 3% in the year as improvements to revenue were offset by £0.8m of incremental Remote Gaming Duty ('RGD') on player bonuses and £1.9m of additional RGD following its increase to 21% (from 15%) from 1 April 2019.

£m	**Group revenue**			**LFL[1] Group revenue**		
	2018/19	2017/18	Change	**2018/19**	2017/18	Change
Grosvenor venues	**353.2**	362.4	(3)%	**353.0**	360.4	(2)%
Mecca venues	**202.1**	208.1	(3)%	**199.9**	203.2	(2)%
International venues	**44.9**	45.9	(2)%	**44.9**	44.6	1%
Digital	**146.3**	124.7	17%	**131.7**	123.1	7%
Total	**746.5**	741.1	1%	**729.5**	731.3	0%
Digital NGR	*118.5*	*96.7*	*23%*	*105.5*	*95.3*	*11%*

	Operating profit			LFL operating profit		
	2018/19	2017/18	Change	**2018/19**	2017/18	Change
Grosvenor venues	**44.9**	47.2	(5)%	**44.7**	47.8	(7)%
Mecca venues	**28.6**	28.6	0%	**30.0**	30.1	0%
International venues	**9.3**	8.8	6%	**9.3**	8.6	8%
Digital	**20.7**	19.9	4%	**19.1**	19.6	(3)%
Central costs	**(31.0)**	(27.5)	13%	**(31.0)**	(27.5)	13%
Total	**72.5**	77.0	(6)%	**72.1**	78.6	(8)%

1 Excludes the contribution from YoBingo, Luda, clubs closed partway through a year and the impact of foreign exchange.

Safer Gambling

Rank is committed to promoting gambling as a recreational activity and, as importantly, to managing or preventing its use by those people who may be vulnerable, at risk of experiencing harm or who have developed a problem. The last 12 months have seen significant changes in the way our industry is asked to think about this commitment. Not least, we are encouraged to no longer frame our work in terms of responsible gambling, which risks placing too much emphasis on individual responsibility. Rather, we must actively pursue improvements in the promotion and delivery of safer gambling, specifically:

- Continuously assessing the risks relating to our products and environments, so that we may design controls to make gambling safer in the first instance; and
- Promoting safer participation in gambling by all those people who choose to play with us.

During the year, with this in mind, we revisited our safer gambling policy and developed a new strategy, under the auspices of the re-named safer gambling committee. We also determined that safer gambling should be one of our six strategic pillars and included it as a specific workstream within the transformation programme to set the course, and build upon the momentum within the business, for significant ongoing improvement across the Group.

We made significant progress on a number of safer gambling initiatives during the year, including the development of affordability models to improve our ability to detect customers potentially playing outside of their financial means and establishing a dedicated safer gambling team within our Sheffield Customer Solutions Hub.

In addition, Rank became a member of the Senet Group to increase our contribution to cross-sector collaboration and the sharing of best practice.

In the coming year, we will further increase our investment into safer gambling activities, with a view to ensuring that our commitment to safer gambling is truly embedded within the culture of the business for the benefit of all our stakeholders.

Acquisition of YoBingo

In May 2018, we completed the acquisition of QSB Gaming Limited, the owner of YoBingo, the leading Spanish digital bingo business, for an initial consideration of €23.1m. Contingent consideration of €28.1m was paid during the year.

Offer for Stride Gaming plc

On 31 May 2019, Rank announced that it had reached an agreement with the directors of Stride Gaming plc ('Stride') on the terms of a recommended cash offer for the entire issued share capital of Stride.

Rank believes that the acquisition of Stride will accelerate the transformation of the Group and create one of the UK's leading online gaming businesses. In particular the combination will:

- Create a business with genuine scale and capability in the digital market;
- Create a leading multi-channel operator in the UK;
- Improve Rank's performance and reduce costs through migration to Stride's proprietary technology platform and in-house ecosystem;
- Leverage complementary strengths, capabilities and expertise;
- Strengthen Rank's management team;
- Create significant value from strong synergies; and
- Be materially earnings accretive for Rank once synergies are released.

On 24 July 2019, Stride's shareholders voted in support of Rank's offer. Rank expects the acquisition of Stride to be completed early in Q2 2019/20 once all the necessary conditions outlined in the Scheme Document are met or, if applicable, waived.

The Scheme Document and further detail regarding the offer can be found at:
www.rank.com/en/investors/offer-for-stride-gaming-plc.html

Management team changes

The transformation programme identified the need to improve organisational capability which has led to a number of key management changes in the year.

Chief Financial Officer

Bill Floydd joined the Group on 12 November 2018 as chief financial officer. Bill has successfully led business turnarounds and finance transformation projects in other listed organisations. Bill joined us from Experian plc where he was CFO for its UK and Ireland region.

Chief Information Officer

Jonathan Greensted joined the Group on 13 August 2018 as chief information officer. Jonathan is a highly experienced IT and programme director and brings with him over 20 years' experience across a variety of sectors. Jonathan joined us from Travelodge where he was their chief technology officer.

Chief Transformation Officer

Jim Marsh joined the Group on 1 October 2018 as chief transformation officer. Jim has led and delivered transformations in a variety of sectors and joined us from McKinsey & Company where he was a partner in its transformation team.

Retail Managing Director

On 10 April 2019, Alan Morgan tendered his resignation to the Board and left the business on 31 July 2019 to pursue other opportunities.

Today we are pleased to announce the appointment of Jonathon Swaine as retail managing director. Jonathon will join Rank in October 2019 from Fullers, Smith and Turner Plc ('Fullers') where he has been managing director of Fullers Inns since 2012. Jonathon has been instrumental in developing Fuller's service driven growth strategy across its 400 pub estate, underpinned by investment in fresh food. Between 2005 and 2012 Jonathon held various operational positions with Fullers, prior to which he held account management and account director roles with Bass Plc.

Retail Marketing Director

In August 2019, Catrin White joined the Group's retail business as retail marketing director, following the departure of Olly Raeburn, chief marketing officer. Catrin joined Rank from Sodexo UK where she held marketing director positions across various Sodexo business units.

Director of Digital and Cross-Channel Services

Colin Cole-Johnson, director of digital and cross-channel services, left the business in June 2019. As outlined in Rank's offer announcement for Stride, Eitan Boyd and Darren Sims, currently chief executive officer and chief operating officer of Stride, will assume the roles of managing director digital and operations director digital for Rank's digital business following completion.

Other

With the ongoing focus on capability within the Group key hires were also made in finance, HR, IT, marketing and procurement in addition to the appointment of 14 new general managers across the Grosvenor and Mecca estate.

Board changes

Chairman

Today we are pleased to announce that Alex Thursby, non-executive director, will be appointed as chair, with effect from the conclusion of Rank's upcoming Annual General Meeting on 17 October 2019 ('2019 AGM').

Alex will succeed Ian Burke who, as previously announced on 1 May 2019, had notified the board of his intention not to seek re-election at the 2019 AGM.

Alex joined the Rank board in August 2017 and has chaired the audit committee since October 2017. Upon his appointment Alex will step down as chair of Rank's audit committee. The search for a new audit committee chair has commenced.

Richard Kilmorey

The Rt. Hon. The Earl of Kilmorey, PC did not seek re-election at the 2018 Annual General Meeting and therefore stepped down during the year having completed over six years on the Board.

Tang Hong Cheong

On 15 January 2019, Tang Hong Cheong was appointed to the Board. Hong Cheong is a director of Guoco Group Limited, Rank's major shareholder, and has been working with the management of Rank since 2010. The appointment of Tang Hong Cheong has further enhanced the communication between Rank and its major shareholder.

Bill Floydd

On 1 May 2019, after six months with the Group, Bill Floydd was appointed to the Board.

Dividend

The Board is pleased to recommend a final dividend of 5.5 pence per share to be paid on 29 October 2019 to shareholders on the register on 20 September 2019. This will take the full year dividend to 7.65 pence per share, up 3% on the previous year.

Brexit

The Group is as prepared as it can be for a no deal Brexit. The risks of a no deal Brexit centre on colleagues in our UK venues who are EU nationals and who have not applied for, or received, settled status; the timely supply of food and beverage products to our UK venues; the challenges which could arise for commuters at the Spain/Gibraltar border and the general economic shock of a no deal Brexit and its impact on consumer confidence and expenditure. Mitigations have been prepared for each of these risks to reduce the potential impact.

Current trading and outlook

Trading in the short seven-week period to 18 August 2019 has been encouraging and we are optimistic about the full year outturn with both growth in revenue and additional cost savings from the transformation programme.

Operating review - Grosvenor Casinos

Following a challenging first half with like-for-like revenue down 5%, Grosvenor's performance improved in H2 with revenue up 1%.

*Key financial performance indicators**

	FY 2018/19	FY 2017/18	H1 YOY	H2 YOY	FY YOY
Revenue[1,2] (£m)	**353.0**	360.4	(5)%	1%	(2)%
London[4]	**128.3**	129.9	(3)%	0%	(1)%
Provinces[4]	**224.7**	230.5	(6)%	1%	(3)%
EBITDA[1,3] (£m)	**63.8**	68.4	(28)%	23%	(7)%
Operating profit[1,3] (£m)	**44.7**	47.8	(35)%	40%	(6)%
Total revenue[2]	**353.2**	362.4	(5)%	0%	(3)%
Total operating profit[3]	**44.9**	47.2	(34)%	42%	(5)%

1 Excludes venues openings, closures and relocations.
2 Before adjustments for customer incentives.
3 Before exceptional items.
4 Adjusted for the reallocation of beamed roulette from Provinces to London following tax treatment agreement with HMRC.
*From 1 July 2018, figures exclude the contribution of the Belgian casino which is now reported under International venues.

Under the Group's transformation programme, a new casino operating model was introduced across the estate focused on removing layers of management in our casinos and ensuring the scheduling of colleagues' hours better matched consumer demand. The new model led to gross labour savings of £8.2m in the year. To mitigate any adverse impact on customer service, licensed casino employees, such as dealers, were largely unaffected by the changes.

Further transformation programme initiatives began to drive revenue growth in the year which were partly offset by lower handle and win margin from Grosvenor's major players. The lower major player revenues were almost entirely the result of lower win margin primarily felt in two London casinos, the Barracuda and Park Tower, which experienced a £9.6m revenue decline year on year.

During the year we completed two key London refurbishments, both aimed at improving the customer experience and ensuring each casino's specific customer base is better served. The first was at the Barracuda casino where a complete refurbishment of the Baker Street club has delivered a much-enhanced playing environment for higher-spending customers. The second was at Grosvenor's flagship, the Victoria casino. Here we focused on making improvements to the gaming floor layout alongside a full renewal of the electronic roulette and gaming machine offering. Trading following the investment has been strong. New VIP facilities were completed post year-end and plans are underway to improve the entrance and outdoor terrace which will incorporate live gaming and improved customer facilities. These successful refurbishments will better inform future Grosvenor investments.

In May 2019, we also completed the refurbishment of the Sheffield casino. The refurbishment was based upon the successful Nottingham casino concept which targets both traditional and leisure customers. The casino now provides an improved food and beverage offer alongside state-of-the-art gaming which includes tournament electronic gaming, a dedicated VIP area and a sports bar.

Venues revenue analysis

£m	**2018/19**	2017/18	Change
Casino games	**221.7**	228.5	(3)%
Gaming machines	**91.3**	90.2	1%
Card room games	**14.3**	14.6	(2)%
Food and drink/other	**25.7**	27.1	(5)%
Total[5]	**353.0**	360.4	(2)%

5 Excludes venues openings, closures and relocations.

We also made some key improvements to Grosvenor's electronic roulette offer during the year, including the addition of new electronic roulette machines, product improvements and the introduction of tournament play at our Sheffield and St Giles casinos. The performance of Grosvenor's electronic roulette offer has improved following these investments and was particularly strong in the later part of Q4 following the introduction of the £2 maximum stake for B2 machines in UK betting shops.

Key non-financial performance indicators

	2018/19	2017/18	Change
Customer visits (000s)[6,7]	**6,502**	6,804	(4)%
London	**1,325**	1,303	2%
Provinces	**5,177**	5,501	(6)%
Spend per visit (£)[6,7]	**54.29**	52.97	2%
London	**96.83**	99.69	(3)%
Provinces	**43.40**	41.90	4%

6 Excludes venues opening, closures and relocations.
7 Unaudited.

Reduced staffing following the introduction of the new casino operating model led to inaccuracies in the manual counting of customer visit numbers in H2. Sample testing suggests that the figures could be understated by 5-10%. Any understatement in customer visits will result in overstated spend-per-visit numbers. We are currently looking at technology solutions to address this issue going forward.

During the year, an exceptional impairment charge of £10.7m was recognised relating to five of Grosvenor's casinos.

Operating review - Mecca

Mecca's like-for-like revenue was down 2% in the year resulting from a 9% fall in customer visits offset by an 8% increase in spend per visit.

Key financial performance indicators

	FY 2018/19	FY 2017/18	H1 YOY	H2 YOY	FY YOY
Revenue[1,2] (£m)	**199.9**	203.2	(3)%	0%	(2)%
EBITDA[1,3] (£m)	**40.5**	41.7	(10)%	3%	(3)%
Operating profit[1,3] (£m)	**30.0**	30.1	(8)%	5%	0%
Total revenue[2]	**202.1**	208.1	(4)%	(2)%	(3)%
Total operating profit[3]	**28.6**	28.6	(10)%	8%	0%

1 Excludes venues closures.

2 Before adjustments for customer incentives.

3 Before exceptional items.

During the year, Mecca reviewed the relationship between the price to play and the prizes on offer with a focus on enhancing the value for our customers. This led to the introduction of lower priced sessions in the quieter mid-week sessions and guaranteed big prizes at the busier weekend sessions.

Mecca's offer was further enhanced by a number of transformation initiatives including the development of new games and side bets and extending the length of afternoon bingo sessions. The drive to improve the offer began to bear fruit in H2 with Mecca growing revenue, albeit modestly and against a weak comparative period, the first time since H2 2016.

During the year, Mecca also progressed several transformation programme initiatives aimed at enhancing the gaming machine offer which included the introduction of new and upgraded machines offering new and popular games titles. The accessibility of machines was also addressed by some clubs moving their machines to the more prominent, but less used, foyer area and extending opening hours across some locations. Effective management of the machine estate is critical in delivering the right customer experience and to this end new in-club teams were introduced solely focused on machine management.

Mecca's wider entertainment offer, now a well-managed and coordinated programme, continued to contribute to revenue and operating profit in the year. It has a strong audience appeal and has broadened the attractiveness of Mecca clubs within their local communities.

Operating costs continued to be tightly controlled with savings delivered through more efficient rotas and promotional costs.

Three clubs (Ashford, Ellesmere Port and Catford) were closed early 2018/19 as part of our ongoing estate review.

On 16 August 2019, Rank entered into a conditional agreement to sell five Mecca bingo clubs (Cwmbran, Greenock, Hyde Road, Ipswich and Leith) to Club 3000 for £2.2m. The five clubs' contribution to Mecca's operating profit is not material and the disposals are expected to be completed over the coming months.

Key non-financial performance indicators

	2018/19	2017/18	Change
Customer visits (000s)[4,5]	**8,676**	9,508	(9)%
Spend per visit (£)[4,5]	**23.04**	21.37	8%

4 Excludes venues opening, closures and relocations.

5 Unaudited.

Spend per visit increases were seen across all revenue categories in the year.

Venues revenue analysis

£m	**2018/19**	2017/18	Change
Main stage bingo	**36.0**	36.1	0%
Interval bingo	**72.0**	74.7	(4)%
Amusement machines	**67.0**	66.9	0%
Food and drink/other	**24.9**	25.5	(2)%
Total[6]	**199.9**	203.2	(2)%

6 Excludes venues openings, closures and relocations.

Luda

In 2017/18, three new high street bingo shops were opened under the Luda brand. The Luda concept targeted a more casual customer base with a highly accessible electronic bingo offer alongside gaming machines and a convenient food and beverage offer. Despite considerable experimentation with the customer offering, revenues have remained below the breakeven point and the decision was taken to close all three Luda shops. All three shops ceased trading in July 2019 and closure costs are estimated to be £2.0m, principally reflecting future lease obligations.

Operating review – International venues
Since 1 July 2018, we have reported Enracha's venues and Grosvenor's casino in Belgium under International venues.

Like-for-like revenue from these venues grew by 1% in the year.

Key financial performance indicators

	FY 2018/19	FY 2017/18	H1 YOY	H2 YOY	FY YOY
Revenue[1,2] (£m)	**44.9**	44.6	1%	0%	1%
Enracha	**35.3**	35.3	(1)%	1%	0%
Grosvenor Belgium	**9.6**	9.3	6%	0%	3%
EBITDA[1,3] (£m)	**12.0**	11.4	0%	10%	5%
Operating profit[1,3] (£m)	**9.3**	8.6	0%	16%	8%
Enracha	**7.8**	7.4	(3)%	13%	5%
Grosvenor Belgium	**1.5**	1.2	20%	29%	25%
Total revenue[2]	**44.9**	45.9	(4)%	0%	(2)%
Total operating profit[3]	**9.3**	8.8	(5)%	16%	6%

1 Excludes venue closures
2 Before adjustments for customer incentives
3 Before exceptional items

Following a challenging first half of the year, in which trading was negatively impacted by a combination of regulatory change and competitor activity, Enracha's venues grew revenue by 1% in H2 as the early benefits of the transformation programme were realised.

Operating at a higher margin, Enracha's gaming machines and sports betting offering (branded Enracha Stadium), performed well in the year. This supports our decision to invest in both the refurbishment and expansion of non-bingo gaming and the roll out of the stand-alone Enracha Stadium concept venues, the first three of which are expected to open in 2020.

Key non-financial performance indicators – Enracha only

	2018/19	2017/18	Change
Customer visits (000)s[4]	**1,977**	2,015	(2)%
Spend per visit (£)[4]	**17.86**	17.52	2%

4 Unaudited.

The Blankenberge casino concession was successfully renewed during the year and a new 15-year concession will start in January 2021. Investment in electronic gaming products continued to drive strong growth in the year.

Operating review - Digital

From 1 July 2018, UK Digital, Enracha Digital and YoBingo were combined into a single operating segment which is now disclosed as Digital.

Improvements to bonusing led to strong growth in net gaming revenue (NGR) for both Mecca and Grosvenor in the year, up 9% and 13% respectively.

Key financial performance indicators

	FY 2018/19	FY 2017/18	H1 YOY	H2 YOY	FY YOY
Revenue[1,2] (GGR, £m)	**131.7**	123.1	5%	9%	7%
Grosvenor	**51.1**	47.5	0%	15%	8%
Mecca	**79.7**	75.0	8%	5%	6%
Enracha	**0.9**	0.6	150%	0%	50%
Revenue[1](NGR, £m)	**105.5**	95.3	7%	14%	11%
Grosvenor	**42.4**	37.4	5%	22%	13%
Mecca	**62.2**	57.3	8%	9%	9%
Enracha	**0.9**	0.6	150%	0%	50%
EBITDA[1,3] (£m)	**24.7**	24.0	(2)%	8%	3%
Operating profit[1,3] (£m)	**19.1**	19.6	(2)%	(3)%	(3)%
Total revenue[2]	**146.3**	124.7	16%	19%	17%
Total operating profit[3]	**20.7**	19.9	6%	2%	4%

1 Excludes contribution from YoBingo
2 Before adjustments for customer incentives
3 Before exceptional items

Grosvenor One, Grosvenor's single account and wallet omni-channel offering, was rolled out across all of Grosvenor's casinos between January and April. By the end of July 2019, over 80,000 casino customers had registered with Grosvenor One, of which approximately 80% were new to Grosvenor's digital channel. There is still plenty of work required to improve the customer proposition, however we are encouraged by the early results.

The success of Mecca's new Daily Retention Game, a spin to win bonus mechanic, helped increase customer numbers and FTDs in the year, and we believe increased our share of wallet. Grosvenor's focus on attracting and retaining profitable customers led to a 4% reduction in active customers in the year.

Like-for-like Digital costs rose by 14% in the year. This was due to £0.8m of incremental RGD on player bonuses, £1.9m of additional RGD following its increase to 21% (from 15%) from 1 April 2019, increased investment in people to strengthen the management team and increased depreciation following the roll-out of Grosvenor One single account and wallet and the introduction of the new in-house content management system for Grosvenor. The increase in Digital's cost base led like-for-like operating profit to reduce by 3% in the year.

Key non-financial performance indicators (UK only)

	2018/19	2017/18	Change
Customers (000s)[4]	**475**	422	13%
Grosvenor	**147**	153	(4)%
Mecca	**328**	269	22%
First time depositors (FTDs, 000)[4]	**230**	230	0%
Grosvenor	**99**	101	(2)%
Mecca	**131**	129	2%

4 Unaudited

YoBingo

	H1 2018/19	H2 2018/19	2018/19
NGR growth	39%	3%	18%

The slowdown in the Spanish digital bingo market was reflected in YoBingo's H2 performance, with NGR growth slowing to 18% for the full year. The YoBingo management team are now fully integrated into the Group and, with a new technology team based in Barcelona, are well placed to drive revenue growth through the launch of YoCasino.es and YoBingo.pt in Portugal in 2019/20.

Our strategy – update

1. Creating a compelling multi-channel offer

In the markets where we operate, Rank is one of the few gaming companies in a position to provide customers a genuine multi-channel gaming offer. We have a number of key assets, including 144 venues, our membership-based models, our loyalty and reward programmes and the high level of engagement that our team members enjoy with customers.

Activity in the year

- Grosvenor One was successfully rolled out across all 52 casinos; and
- Exploratory work commenced into creating a new omni-channel service for the Mecca brand.

Focus for 2019/20

- Enhancements to Grosvenor One customer sign up and other user journeys plus increased focus on the customer benefits; and
- Further development of an omni-channel Mecca service.

2. Build digital capability and scale

We have built strong positions in venues-based gaming which we are seeking to replicate across our digital channel. In 2018/19, our digital operations generated 20% of Group revenue. Across the UK as a whole, digital channels now represent around 47% of the gambling market (excluding the National Lottery), presenting a significant growth opportunity.

Activity in the year

- Ongoing development of the YoBingo.es offer;
- Development of YoCasino.es and YoBingo.pt;
- Successful launch of new content management system ('CMS') for Grosvenor digital customers;
- Go live of a new enhanced buy in and other bonuses for Mecca and Grosvenor;
- Plans approved, and work commenced on the development of new bespoke slot games;
- Continued to evolve our predictive and attribution capability around digital marketing investments;
- Successfully integrated the YoBingo business; and
- Rank's offer for Stride Gaming plc.

Focus for 2019/20

- Investment into and development of Grosvenor's sportsbook offer;
- Develop a suite of proprietary games;
- Launch of a Grosvenor daily retention game;
- Continue with enhancements to customer user and payment journeys;
- Automation and improvements to lifecycle management and CRM more generally;
- Launch of YoCasino.es and YoBingo.pt;
- Complete the migration of Grosvenor's customer base to the new CMS and commence the migration of Mecca's customers; and
- Successfully conclude the acquisition of Stride Gaming plc and commence its integration with Rank Digital.

3. Continuously evolve our venues proposition

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

Activity in the year

- Refresh completed at Grosvenor's flagship Victoria casino in London with improvements to the electronic product offer and VIP facilities;
- Following the appointment of a new VIP team, focus on developing existing and acquiring new VIP customers;
- Refurbishment at the Barracuda casino in London successfully completed providing a more suitable environment for its customer base;
- Refurbishment of the Sheffield casino providing customers with a wider non-gaming offer and improved electronic gaming experience;
- Continued development of Mecca's wider entertainment offer with events such as premium acts (e.g. 5ive), Bonkers Bingo, DJ Nights and Rewind Festivals (multi-act nights);
- 'Players' bingo concept launched at our Camden venue; and
- Ongoing negotiations with venue landlords to re-gear and extend leases whilst reducing property costs.

Focus for 2019/20

- Open a new casino concept at our Brighton venue;
- Continue to upgrade casino slots estate across all venues;
- Investment in a new outdoor customer facility at the Victoria casino incorporating live gaming;
- Accelerated programme of development in the Grosvenor estate based upon learnings from recent investments;
- Roll out of three standalone Enracha Stadia concept venues;
- Additional initiatives to modernise the Mecca brand and product/service offering; and
- Further development of Mecca's bingo and cashline offer.

4. Consistently improve our customer experience through innovation

Our customers are at the heart of our business, and we are always looking for new ways to support and entertain them. We invest in new technologies that drive efficiencies across the Group to the benefit of our customers. We also regularly invest in and introduce innovations that make the customer experience even better – both in our venues and online.

Activity in the year

- Home delivery trials of food and drink from our London casinos through a third-party partnership taking advantage of quieter periods in our venues' kitchens; and
- Self-service ticket-in ticket-out ('TiTo') cash terminal introduced across a majority of the casino sites.

Focus for 2019/20

- Launch of TiTo for casino table gaming;
- Extension of home delivery for food and drink from our provincial casino kitchens;
- Launch of an automated ticket vending machine dispensing pre-bundled bingo books;
- Installation of fixed Mecca Max positions to be trialled to improve customer experience;
- Go live with cross channel liquidity for Mecca; and
- Introduction of TiTo across all Mecca venues.

5. Be committed to safe and fair gaming

We are committed to operating in a responsible manner and have a clear awareness of the harm that can arise from gambling. We recognise the importance of continuous innovation to refine our approach to making gambling as safe as possible. We work to proactively identify and interact with those customers who show signs of problem gambling.

Activity in the year

- Began a trial in five casinos of using algorithms designed and built by Focal Research to help us detect potentially at-risk behaviour among slot machine players;
- Established a dedicated safer gambling team within our Sheffield Customer Solutions Hub;
- Began a trial of affordability modelling in our Digital business:
- Examined the potential use of open-banking as a way of improving customer due diligence; and
- Implemented the first phase of time and money controls to our casinos' slots machines.

Focus for 2019/20

- Better target our customer interactions with those most at risk;
- Extend the Focal Research trial to include electronic roulette play and roll-out across the Grosvenor estate;
- Reduce our reliance on less sophisticated systems of triggers and alerts in our retail businesses;
- Further pursue the assessment of affordability risk, reducing our reliance on generic thresholds and those based only on financial metrics; and
- Refresh and reinvigorate our approach to customer messaging to encourage safer gambling behaviour.

6. Within an environment which enables our colleagues to develop, be creative and deliver exceptional service

Rank's aspiration is to establish and embed a high-performance culture with talented leaders who have the right skills and capabilities to drive the business forward. As part of the transformation programme an initiative was created focused on enhancing employee communications and engagement and improving the performance culture of the Group.

Activity in the year

- Revisited Rank's strategy and culture statements to ensure they are still relevant and appropriate in light of Rank's new ambition;
- Reviewed and created new communication and employee engagement forums to ensure employees are 'being heard' and messaging across the business is consistent; and
- Harmonised employee awards schemes across support offices.

Focus for 2019/20

- Roll-out of Leading@Rank and Managing@Rank to enhance our employee development programmes;
- Re-launch of a new Group intranet to improve engagement with, and communication of, key business issues;
- Define and celebrate sub-cultures within the Group; and
- Ensure our leaders take responsibility for role-modelling our values to drive cultural change.

Financial performance

£m	**2018/19**	2017/18	Change
Revenue	**746.5**	741.1	1%
Less: customer incentives	**(51.4)**	(50.1)	3%
Statutory revenue	**695.1**	691.0	1%
Operating profit[1]	**72.5**	77.0	(6)%
Less: net finance charges[1]	**(2.8)**	(2.8)	0%
Add: other financial gains and losses[2]	**0.2**	0.1	100%
Adjusted profit before taxation[2]	**69.9**	74.3	(6)%
Group operating profit before interest and tax	**39.0**	50.1	(22)%
Net financing charge	**(4.4)**	(3.4)	29%
Taxation	**(7.0)**	(10.8)	(35)%
Profit from discontinued operations	**1.5**	-	
Profit after taxation	**29.1**	35.9	(19)%
Statutory earnings per share (EPS)	**7.4**	9.2	(20)%
Adjusted earnings per share[3]	**14.8**	15.0	(1)%

1 Before exceptionals as per note 2.
2 Adjusted profit before taxation is calculated as 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 exceptional items, other financial gains or losses, unwinding of the discount on 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 2019, statutory revenue increased by 1% to £695.1m reflecting the acquisition of YoBingo and the growth in our digital business offset by revenue decline in our venues businesses.

Operating profit was down by 6% driven by a £8.6m increase in the overall cost base, with employments savings of £7.9m principally offset by increased tax of £7.0m and other inflationary cost increases.

The net financing charge before exceptional items was flat in the year as surplus cash was used to fund the contingent consideration payment relating to the prior year acquisition of YoBingo and transformation programme costs.

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

Details of exceptional items can be found in note 3 to the financial statements.

The key items in the year were impairments of £11.1m on five Grosvenor casinos; transformation costs of £10.8m; a provision of £8.0m relating to Rank not technically complying with the National Minimum Wage ('NMW') Regulations; £2.2m for professional fees on the potential acquisition of Stride Gaming plc and a charge of £2.0m for the closure of Luda.

The provision regarding the NMW Regulations has arisen because Rank's historic pay averaging practice has not met the strict timing requirements of the NMW Regulations. Rank has not had any headline rates of pay below the NMW and over the course of a year colleagues will have received the correct pay. However, in some pay periods where greater than average hours have been worked, colleagues will have been paid less than that required in the NMW Regulations. The £8.0m exceptional cost represents Rank's current best estimate of payments that are required to be made for the previous six years and in fines to HMRC. Rank continues to engage constructively with HMRC to conclude this matter as swiftly as possible and make good any payments to current and former colleagues. This process is expected to last several more months.

Total exceptional items resulted in a £11.2m cash outflow in the year.

Earnings per share
Statutory EPS was down 20% to 7.4 pence. Adjusted EPS was down 1% to 14.8 pence. For further details refer to note 7 to the financial statements.

Taxation
The Group's effective corporation tax rate in the year was 17.2% (2017/18: 21.1%) based on a tax charge of £12.0m on adjusted profit before taxation. This is lower than the Group's anticipated effective tax rate of 18.5% for the year as a result of prior year adjustments. Further details on the taxation charge are provided in note 5 to the financial statements.

On a statutory basis, the Group had an effective tax rate of 20.2% (2017/18: 23.1%), based on a tax charge of £7.0m and total profit for the year of £34.6m.

Cash tax rate
In the year ended 30 June 2019, the Group had an effective cash tax rate of 15.3% (2017/18: 19.4%) on adjusted profit. The cash tax rate is lower than the effective tax rate mainly as a result of losses within the Group and the timing of tax instalment payments.

Cash flow and net cash
As at 30 June 2019, net cash was £1.8m. Net cash comprised cash at bank and in hand of £61.8m offset by £50.0m in bank loans, £6.9m in finance leases, and £3.1m in overdrafts. £90.0m of revolving credit facilities were undrawn at the end of the year.

In January 2019, Rank refinanced its £20.0m term loan facilities to ensure sufficient facilities were in place to cover the contingent consideration payment regarding the acquisition of YoBingo and certain transformation costs. Following the refinancing, the term loan banking facilities now total £50.0m and comprise three bi-lateral facilities. Two of the three facilities expire in January 2020 with the third in March 2020.

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 minimum ratio of net debt to EBITDA, tested biannually. The Group has complied with its banking covenants.

To facilitate the offer by Rank for Stride Gaming plc, a five-year £128.1m term loan has been secured. The facility is committed and will be available for drawing once all the necessary acquisition conditions are fulfilled or, where applicable, waived on completion. The facility agreement can be found at www.rank.com/uk/investors/offer-for-stride-gaming-plc.html

	2018/19	2017/18
Cash inflow from operations	**129.0**	109.4
Net cash payments in respect of provisions and exceptional items	**(15.9)**	(7.0)
Cash generated from operations	**113.1**	102.4
Capital expenditure	**(34.0)**	(37.0)
Acquisition of YoBingo	**(24.2)**	(16.5)
Net interest and tax payments	**(13.0)**	(16.8)
Dividends paid	**(29.1)**	(29.1)
Other (including exchange translation)	**(1.7)**	0.1
Cash inflow	**11.1**	3.1
Opening net (debt)	**(9.3)**	(12.4)
Closing net cash (debt)	**1.8**	(9.3)

Total capital expenditure of £34.0m was spent in the year. Key capital projects included refurbishments at the Barracuda casino in London and Grosvenor's casino in Sheffield, a refresh of the Victoria casino in London and investment into electronic roulette and new gaming machines.

Investments continued in the period into the Grosvenor One product, launched in H2, and a new content management system for the Group's UK digital brands, with the migration of Grosvenor's customers commencing in H2 and completing in H1 2019/20 with Mecca to follow during the year.

In 2019/20, the Group is planning to invest between £35m and £40m in capital expenditure.

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, the leading online bingo operator in Spain for total consideration of €52.0m. The results of that business have been incorporated into the Digital segment. Contingent consideration of €28.1m was subsequently paid in the year.

Taxation changes

In May 2018, it was announced that the rate of UK Remote Gaming Duty (RGD) would be increased to offset reduced tax revenues from the proposed changes to the maximum stakes of B2 gaming machines in betting shops. This change came into effect from April 2019 and resulted in additional RGD of £1.9m in the year.

For 2019/20 we expect a total cash tax rate of approximately 23%. This is higher than the standard rate of tax because of changes to the dates of instalment payments for UK tax which means that in 2019/20 tax payments will include 50% of the liability for 2018/19 and 100% of the liability for 2019/20. From 2019/20 onwards 100% of UK tax will be payable in the year to which it relates under the new rules.

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 intends to apply the modified retrospective approach with the cumulative effect of initially applying IFRS 16 being recognised as an adjustment to the opening balance of retained earnings at the date of initial application. The directors believe that the new standard will have a material impact upon the Group's reported performance with increases in EBITDA being offset by increases in both depreciation and interest charges and increases in operating profit offset by increases in finance charges. There is no current expectation that the group's cashflows will be materially impacted. Please refer to the accounting policies for further detail.

IFRS 9 and IFRS 15

IFRS 9 and IFRS 15 are effective for the Group's current accounting year, 2018/19. There are no material impacts on the results or net assets from the adoption of these standards. Please refer to the accounting policies for further detail.

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 operating review and have reviewed the Group's projected compliance with its banking covenants detailed in the financial review. 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.

Principal risks and uncertainties

Principal Risk	**Change in Risk/Impact**	**Risk Mitigation strategy**
1. Laws and Regulations		
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); - anti-money-laundering enhanced due diligence requirements; and - jurisdiction management.	**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; • 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; • works with stakeholders, and customers to help public understanding of the gaming offers it provides; and • engages with regulators as appropriate and examines the learnings from, and measures adopted by, other operators and sectors of the gambling industry.

2. 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.	**Stable** It is envisaged that there will be no further changes in taxation in the immediate future.	The Group ensures that it: • continues to monitor taxation legislation; • performs regular analysis of the financial impact to the organisation of changes to taxation rates; and • develops organisational contingency plans as appropriate.
3. Changing Consumer Needs (Retail)		
Progressive changes over time in retail consumer spending habits are resulting in lower numbers of customer visits. This can also be attributable to the overall retail proposition declining in relevance to the consumer and changes in the macroeconomic environment.	**Increasing** With the retail macroeconomic environment and continuous changes in consumer spending habits, there is an ever increasing need for the Group to focus on assessing the relevance of our customer proposition.	The Group monitors financial performance across the clubs with clubs performing adversely being raised for remedial attention with customer satisfaction metrics being used to also monitor club performance. Changing the club product and service offering to have greater appeal to today's more leisure-oriented customer is a priority within the transformation programme.
4. Transformation and Technology Projects and Programmes		
Key Group projects and programmes could fail to deliver resulting in missed market opportunities, and/or take longer to deliver resulting in missed synergies and savings.	**Stable** A failure to deliver key strategic projects and programmes impacts on customer loyalty and the strategic growth of the organisation.	The Group ensures that projects and programmes are: • Subjected to detailed management oversight as well as having sponsorship from a senior-level stakeholder; • Using a structured and disciplined delivery methodology to ensure that they are robustly managed to achieve their outcome; and • Comprehensive risk management approach is in place and that these are managed by experienced project and programme managers.

5. Business continuity planning and Disaster Recovery		
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 can include: natural disasters including fires and 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 have not changed significantly and are known and understood.	Group business continuity plans are being refreshed for key sites and 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.
6. Data Management		
Processing of personal customer data (including name, address, age, bank details and betting/gaming history) is undertaken regularly by the business and must be performed in accordance with data protection and privacy laws in all jurisdictions in which the Group operates.	**Stable** The Group has developed a robust control environment in relation to customer data controls and the regulatory requirements.	The Group addresses this risk by way of continued programmes for awareness, ongoing training for all colleagues and an experienced data protection officer to oversee ongoing data regulation compliance. A programme of activity ensures that the Group continues to improve its control environment.
7. Cyber Security and Operational 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. 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.	**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 the maturity of controls with a roadmap of further work planned to enhance them within the current IT estate. A programme of work is ongoing to enhance cyber security and resilience within the IT estate with dedicated specialised resources.

8. **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 remain unchanged.	The Group has a central team in place to oversee the process for acquisition of suppliers across the Group in accordance with a developing supplier risk management framework. Close communication and accountability for relationships within the Group are in place for these suppliers, with suppliers required to ensure that Group requirements are met.

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 included 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

Bill Floydd

Susan Hooper

John O'Reilly

Tang Hong Cheong

Alex Thursby

Signed on behalf of the board on 21 August 2019

John O'Reilly Chief Executive	Bill Floydd Chief Financial Officer

Group Financial Information

Group Income Statement
For the year ended 30 June 2019

	Year ended 30 June 2019			Year ended 30 June 2018		
	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	**746.5**	**-**	**746.5**	741.1	-	741.1
Customer incentives	**(51.4)**	**-**	**(51.4)**	(50.1)	-	(50.1)
Revenue	**695.1**	**-**	**695.1**	691.0	-	691.0
Cost of sales	**(378.2)**	**-**	**(378.2)**	(376.6)	-	(376.6)
Gross profit	**316.9**	**-**	**316.9**	314.4	-	314.4
Other operating costs	**(244.4)**	**(33.5)**	**(277.9)**	(237.4)	(26.9)	(264.3)
Group operating profit (loss)	**72.5**	**(33.5)**	**39.0**	77.0	(26.9)	50.1
Financing:						
– finance costs	**(2.7)**	**(1.6)**	**(4.3)**	(3.0)	(0.3)	(3.3)
– finance income	**0.1**	**-**	**0.1**	0.3	-	0.3
– other financial losses	**(0.2)**	**-**	**(0.2)**	(0.1)	(0.3)	(0.4)
Total net financing charge	**(2.8)**	**(1.6)**	**(4.4)**	(2.8)	(0.6)	(3.4)
Profit (loss) before taxation	**69.7**	**(35.1)**	**34.6**	74.2	(27.5)	46.7
Taxation	**(12.0)**	**5.0**	**(7.0)**	(15.7)	4.9	(10.8)
Profit (loss) for the year from continuing operations	**57.7**	**(30.1)**	**27.6**	58.5	(22.6)	35.9
Discontinued operations - profit	**-**	**1.5**	**1.5**	-	-	-
Profit (loss) for the year	**57.7**	**(28.6)**	**29.1**	58.5	(22.6)	35.9
Attributable to:						
Equity holders of the parent	**57.7**	**(28.6)**	**29.1**	58.5	(22.6)	35.9
Earnings (loss) per share attributable to equity shareholders						
– basic	**14.8p**	**(7.4)p**	**7.4p**	15.0p	(5.8)p	9.2p
– diluted	**14.8p**	**(7.4)p**	**7.4p**	15.0p	(5.8)p	9.2p
Earnings (loss) per share – continuing operations						
– basic	**14.8p**	**(7.7)p**	**7.1p**	15.0p	(5.8)p	9.2p
– diluted	**14.8p**	**(7.7)p**	**7.1p**	15.0p	(5.8)p	9.2p
Earnings per share – discontinued operations						
– basic	**-**	**0.3p**	**0.3p**	-	-	-
– diluted	**-**	**0.3p**	**0.3p**	-	-	-

Group Statement of Comprehensive Income
For the year ended 30 June 2019

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Comprehensive income:		
Profit for the year	**29.1**	35.9
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange adjustments net of tax	**1.1**	0.8
Items that will not be reclassified to profit or loss:		
Actuarial gain on retirement benefits net of tax	**-**	0.1
Total comprehensive income for the year	**30.2**	36.8
Attributable to:		
Equity holders of the parent	**30.2**	36.8

Group Statement of Changes in Equity
For the year ended 30 June 2019

	Share capital £m	Share premium £m	Capital redemption reserve £m	Exchange translation reserve £m	Retained earnings (losses) £m	Total £m
At 1 July 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**
Comprehensive income:						
Profit for the year	**-**	**-**	**-**	**-**	**29.1**	**29.1**
Other comprehensive income:						
Exchange adjustments net of tax	**-**	**-**	**-**	**1.1**	**-**	**1.1**
Total comprehensive income for the year	**-**	**-**	**-**	**1.1**	**29.1**	**30.2**
Transactions with owners:						
Dividends paid to equity holders (see note 6)	**-**	**-**	**-**	**-**	**(29.1)**	**(29.1)**
Credit in respect of employee share schemes including tax	**-**	**-**	**-**	**-**	**0.4**	**0.4**
At 30 June 2019	**54.2**	**98.4**	**33.4**	**17.7**	**194.3**	**398.0**

Group Balance Sheet
At 30 June 2019

	As at 30 June 2019 £m	As at 30 June 2018 £m
Assets		
Non-current assets		
Intangible assets	**447.8**	459.1
Property, plant and equipment	**161.5**	171.5
Other investments	**3.5**	3.5
Deferred tax assets	**0.1**	0.4
Other receivables	**4.1**	3.7
	617.0	638.2
Current assets		
Inventories	**2.7**	2.5
Other receivables	**27.2**	29.2
Income tax receivable	**0.6**	-
Cash and short-term deposits	**61.8**	50.4
	92.3	82.1
Total assets	**709.3**	720.3
Liabilities		
Current liabilities		
Trade and other payables	**(145.2)**	(153.1)
Income tax payable	**(7.2)**	(10.3)
Financial liabilities – loans and borrowings	**(54.7)**	(54.2)
Provisions	**(14.9)**	(8.0)
	(222.0)	(225.6)
Net current liabilities	**(129.7)**	(143.5)
Non-current liabilities		
Trade and other payables	**(26.0)**	(30.6)
Financial liabilities – loans and borrowings	**(5.3)**	(5.5)
Deferred tax liabilities	**(22.1)**	(24.4)
Provisions	**(31.9)**	(33.6)
Retirement benefit obligations	**(4.0)**	(4.1)
	(89.3)	(98.2)
Total liabilities	**(311.3)**	(323.8)
Net assets	**398.0**	396.5
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	**17.7**	16.6
Retained earnings	**194.3**	193.9
Total shareholders' equity	**398.0**	396.5

Group Statement of Cash Flow
For the year ended 30 June 2019

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Cash flows from operating activities		
Cash generated from operations (see note 10)	**113.1**	102.4
Interest received	**0.2**	0.3
Interest paid	**(2.5)**	(2.7)
Tax paid	**(10.2)**	(14.4)
Discontinued operations	**(0.5)**	-
Net cash from operating activities	**100.1**	85.6
Cash flows from investing activities		
Purchase of intangible assets	**(11.1)**	(11.6)
Purchase of property, plant and equipment	**(22.9)**	(25.4)
Purchase of subsidiaries (net of cash acquired)	**(24.2)**	(16.5)
Net cash used in investing activities	**(58.2)**	(53.5)
Cash flows from financing activities		
Dividends paid to equity holders	**(29.1)**	(29.1)
Repayment of term loans	**(50.0)**	(20.0)
Drawdown of term loans	**50.0**	-
Repayment of Yankee bond	**-**	(10.1)
Finance lease principal payments	**(1.2)**	(1.4)
Net cash used in financing activities	**(30.3)**	(60.6)
Net increase (decrease) increase in cash, cash equivalents and bank overdrafts	**11.6**	(28.5)
Effect of exchange rate changes	**(0.6)**	(0.3)
Cash and cash equivalents at start of year	**47.7**	76.5
Cash and cash equivalents at end of year	**58.7**	47.7

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 21 August 2019.

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 2019 were approved by the board of directors on 21 August 2019, 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 2018 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 2019. 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.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors, as the chief operating decision-makers, to enable them to make strategic and operational decisions.

In the current year the internal reporting of operating segments has been modified following changes in management responsibilities. As from 1 July 2018;

- UK Digital, Enracha Digital and YoBingo were combined into a single operating segment which is now known as Digital,
- Grosvenor Venues now excludes our Belgium casino, and
- Enracha Venues and our Belgium casino were combined into a single operating segment known as International Venues.

The Group now reports five segments: Grosvenor Venues, Mecca Venues, Digital, International Venues and Central Costs. The prior period comparative information has been restated to assist with comparability.

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. The Group applies, for the first time, IFRS 15 - Revenue from Contracts with Customers and IFRS 9 - Financial Instruments.

IFRS15 - Revenue from Contracts with Customers
IFRS 15 supersedes IAS 11 Construction Contracts and IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances, when applying each step of the model to contracts with their customers. The Group adopted IFRS 15 using the full retrospective method of adoption with no material impact on the financial statements of the Group.

(a) Gaming Win - Casino
The Group's income earned from gaming win - casino does not fall within the scope of IFRS 15. Income from this activity is disclosed as revenue although is accounted for and meets the definition of a gain under IFRS 9.

(b) Gaming Win – Bingo, Gaming Win – Poker, Food and Beverage and Other
The Group's income earned from the above items is recognised when the goods or services are transferred to the customer and is within the scope of IFRS 15.

IFRS9 - Financial Instruments
IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has applied IFRS 9 retrospectively with no material impact on the financial statements of the Group.

(a) Classification and measurement
The Group's income earned from gaming win falls within the scope of IFRS 9, the change has not resulted in a material impact on accounting or presentation of this income. There were no changes in classification and measurement of other financial assets and liabilities.

(b) Impairment
The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward looking expected credit loss (ECL). IFRS 9 application did not result in material changes to the Group's financial statements.

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

(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.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date and subsequently measured at amortised cost with interest expense recognised within finance income (cost) in the consolidated income statement. Right-of-use assets are initially measured at cost which comprises the initial measurement of the lease liability, lease payments made before or at the commencement date and any initial direct costs. Right-of-use assets are depreciated over their useful life or over the lease term.

The Group will apply the modified retrospective approach for IFRS 16 transition. Under this approach the Group will measure lease liabilities at the present value of the remaining lease payments, discounted at the incremental borrowing rate at the date of initial application. Right-of-use assets will be recognised, on a lease by lease basis, at their carrying amount as if the standard had been applied since the commencement date but discounted at the incremental borrowing rate at the date of initial application or at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The cumulative effect of initially applying IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at the date of initial application. The Group intends to apply the below practical expedients permitted under the modified retrospective approach;

- apply a single discount rate to a portfolio of leases with similar characteristics;
- adjust the right-of-use asset on transition by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application;
- exclude leases for measurement and recognition where the lease term ends within 12 months from the date of initial application and account for these leases as short-term leases;
- exclude initial direct lease costs in the measurement of the right-of-use asset; and
- use hindsight to determine the lease term if the contract contains options to extend or terminate.

The estimated impacts of IFRS 16 before adjustments for tax on the opening balance in the financial statements at 1 July 2019 are as follows:

- opening right-of-use assets c. £185m;
- opening lease liabilities c. £255m;
- opening lease receivables c. £5m;
- release of onerous lease balances held on balance sheet prior to transition c. £15m;
- release of rent related balances held on balance sheet prior to transition c. £30m; and
- cumulative effect of applying IFRS 16 against retained earnings is a decrease of c. £20m.

The estimated impacts of IFRS 16 on the financial statements for the period ending 30 June 2020 are:

- decrease in the operating lease expense c. £40m;
- increase in EBITDA c. £40m;
- increase in depreciation c. £31m;
- increase in operating profit c. £9m;
- increase in finance costs c. £9m; and
- increase in profit before taxation c.£nil.

There is no current expectation that the Group's cashflows will be materially impacted.

2. Segment information

	Year ended 30 June 2019					
	Grosvenor Venues £m	**Mecca Venues £m**	**Digital £m**	**International Venues £m**	**Central Costs £m**	**Total £m**
Continuing operations						
Revenue before adjustment for customer incentives	**353.2**	**202.1**	**146.3**	**44.9**	**-**	**746.5**
Customer incentives	**(15.0)**	**(8.6)**	**(27.8)**	**-**	**-**	**(51.4)**
Statutory revenue	**338.2**	**193.5**	**118.5**	**44.9**	**-**	**695.1**
Operating profit (loss) before exceptional items	**44.9**	**28.6**	**20.7**	**9.3**	**(31.0)**	**72.5**
Exceptional loss	**(21.5)**	**(5.0)**	**(0.5)**	**(0.1)**	**(6.4)**	**(33.5)**
Segment result	**23.4**	**23.6**	**20.2**	**9.2**	**(37.4)**	**39.0**
Finance costs						**(4.3)**
Finance income						**0.1**
Other financial losses						**(0.2)**
Profit before taxation						**34.6**
Taxation						**(7.0)**
Profit for the year from continuing operations						**27.6**

	Year ended 30 June 2018*					
	Grosvenor Venues £m	Mecca Venues £m	Digital £m	International Venues £m	Central Costs £m	Total £m
Continuing operations						
Revenue before adjustment for customer incentives	362.4	208.1	124.7	45.9	-	741.1
Customer incentives	(13.0)	(9.1)	(28.0)	-	-	(50.1)
Statutory revenue	349.4	199.0	96.7	45.9	-	691.0
Operating profit (loss) before exceptional items	47.2	28.6	19.9	8.8	(27.5)	77.0
Exceptional (loss) profit	(23.4)	(3.7)	0.2	1.2	(1.2)	(26.9)
Segment result	23.8	24.9	20.1	10.0	(28.7)	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 from continuing operations						35.9

* Year ended 30 June 2018 figures have been restated based on the following changes to operating segments effective from 1 July 2018;

- UK digital, Enracha Digital and YoBingo were combined into a single operating segment which is now known as Digital,
- Grosvenor Venues now exclude our Belgium casino, and
- Enracha and our Belgium casino were combined into a single operating segment known as international Venues.

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 2019					
	Grosvenor Venues	**Mecca Venues**	**Digital**	**International Venues**	**Central Costs**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Employment and related costs	**120.0**	**49.0**	**15.9**	**19.0**	**19.6**	**223.5**
Taxes and duties	**73.0**	**32.4**	**23.7**	**3.7**	**1.9**	**134.7**
Direct costs	**25.1**	**21.7**	**32.3**	**3.3**	**-**	**82.4**
Property costs	**29.1**	**26.4**	**0.7**	**2.2**	**1.5**	**59.9**
Marketing	**12.1**	**7.6**	**11.6**	**2.5**	**-**	**33.8**
Depreciation and amortisation	**19.1**	**10.5**	**8.8**	**2.7**	**4.1**	**45.2**
Other	**14.9**	**17.3**	**4.8**	**2.2**	**3.9**	**43.1**
Total costs before exceptional items	**293.3**	**164.9**	**97.8**	**35.6**	**31.0**	**622.6**
Cost of sales						**378.2**
Operating costs						**244.4**
Total costs before exceptional items						**622.6**

	Year ended 30 June 2018*					
	Grosvenor Venues	Mecca Venues	Digital	International Venues	Central Costs	Total
	£m	£m	£m	£m	£m	£m
Employment and related costs	130.0	52.2	12.7	19.5	17.0	231.4
Taxes and duties	73.2	33.2	15.5	4.0	1.8	127.7
Direct costs	18.3	20.9	28.9	3.5	-	71.6
Property costs	31.3	26.9	0.6	2.1	1.5	62.4
Marketing	14.3	8.7	7.9	1.4	-	32.3
Depreciation and amortisation	20.6	11.6	4.8	2.8	3.2	43.0
Other	14.5	16.9	6.4	3.8	4.0	45.6
Total costs before exceptional items	302.2	170.4	76.8	37.1	27.5	614.0
Cost of sales						376.6
Operating costs						237.4
Total costs before exceptional items						614.0

* Year ended 30 June 2018 figures have been restated based on the following changes to operating segments effective from 1 July 2018;

- UK digital, Enracha Digital and YoBingo were combined into a single operating segment which is now known as Digital,
- Grosvenor Venues now exclude our Belgium casino, and
- Enracha and our Belgium casino were combined into a single operating segment known as international Venues.

3. Exceptional items

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Continuing operations		
Impairment charges	**(11.1)**	(13.9)
Impairment reversals	**-**	1.8
Group restructuring including relocation costs	**-**	(1.6)
Onerous lease and other property costs	**(1.4)**	(9.1)
Closure of venues	**-**	(3.7)
Acquisition related costs	**(2.2)**	(0.4)
Pay provision	**(8.0)**	-
Business transformation costs	**(10.8)**	-
Exceptional operating costs[1]	**(33.5)**	(26.9)
Finance costs	**(1.6)**	(0.3)
Other financial losses	**-**	(0.3)
Taxation (see note 5)	**5.0**	4.9
Exceptional items relating to continuing operations	**(30.1)**	(22.6)
Exceptional items relating to discontinued operations		
Taxation (see note 5)	**1.5**	-
Exceptional items relating to discontinued operations	**1.5**	-
Total exceptional items	**(28.6)**	(22.6)

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

Year ended 30 June 2019 exceptional items

Impairment charges
The Group recognised impairment charges of £11.1m, of which £10.7m relate to five venues within Grosvenor Casinos. Performance at these venues 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.

Onerous lease and other property costs
The Group has recognised a net charge of £1.4m as a result of committed onerous costs on property leases.

A charge of £2.0m has been recognised within Mecca where the decision to close three Luda venues has been made. These costs have been presented as an exceptional item due to both its material scale and one-off nature.

Acquisition related costs
Acquisition related costs of £2.2m include one-off costs to professional service firms that have resulted from acquisitions or potential 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.

Pay provision
The provision regarding the National Minimum Wage (NMW) Regulations has arisen because Rank's pay averaging practice does not meet the strict timing requirements of the NMW Regulations. Rank does not have any headline rates of pay below the NMW and over the course of a year colleagues will have received their contractual rate of pay. However, in some pay periods where greater than average hours are worked colleagues will have been paid less than that required in the NMW Regulations. The £8.0m exceptional cost represents Rank's current best estimate of payments that are required to be made for the previous six years. Rank continues to engage constructively with HMRC to conclude this matter as swiftly as possible and make good any payments to current and former colleagues. This process is expected to last several more months.

3. Exceptional items (continued)

Business transformation costs
The Group has incurred £10.8m of exceptional costs relating to the transformation programme. This is a multi-year change programme for the Group focussed around revenue growth, cost savings/efficiencies and ensuring the key enablers including organisational capability, core technology and key processes and systems are in place.

Discontinued operations
The £1.5m credit in respect of discontinued operations relates to the release of excess provisions for potential tax liabilities attributable to disposed entities with historic tax audits. The provisions have been released following payments made during the year to settle the outstanding issues with the relevant tax authorities.

4. Financing

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Continuing operations		
Finance costs:		
Interest on debt and borrowings[2]	**(1.4)**	(1.9)
Amortisation of issue costs on borrowings[2]	**(0.3)**	(0.4)
Interest payable on finance leases	**(0.5)**	(0.5)
Unwinding of discount in property lease provisions	**(0.5)**	(0.2)
Total finance costs	**(2.7)**	(3.0)
Finance income:		
Interest income on short-term bank deposits[2]	**0.1**	0.2
Interest income on loans[2]	**-**	0.1
Total finance income	**0.1**	0.3
Other financial losses	**(0.2)**	(0.1)
Total net financing charge before exceptional items	**(2.8)**	(2.8)
Exceptional finance costs	**(1.6)**	(0.3)
Exceptional other financial losses	**-**	(0.3)
Total net financing charge	**(4.4)**	(3.4)

[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 contingent and 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 2019 £m	Year ended 30 June 2018 £m
Total net financing charge before exceptional items	**(2.8)**	(2.8)
Adjust for :		
Other financial losses	**0.2**	0.1
Adjusted net interest payable	**(2.6)**	(2.7)

5. Taxation

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Current income tax		
Current income tax – UK	**(10.6)**	(11.3)
Current income tax – overseas	**(4.6)**	(3.7)
Current income tax on exceptional items	**3.3**	3.0
Amounts over provided in previous period	**2.8**	0.1
Amounts over provided in previous period on discontinued operations	**1.5**	-
Total current income tax charge	**(7.6)**	(11.9)
Deferred tax		
Deferred tax – UK	**(0.4)**	(0.5)
Deferred tax – overseas	**1.3**	-
Deferred tax on exceptional items	**1.7**	1.9
Amounts under provided in previous period	**(0.5)**	(0.3)
Total deferred tax credit	**2.1**	1.1
Tax charge in the income statement	**(5.5)**	(10.8)

The adjustments relating to prior periods include a £1.5m credit in respect of discontinued operations. This relates to the release of excess provisions for potential tax liabilities attributable to disposed entities with historic tax audits. The provisions have been released following payments made during the year to settle the outstanding issues with the relevant tax authorities.

Tax on exceptional items

The taxation impacts of exceptional items are disclosed below:

	Year ended 30 June 2019			Year ended 30 June 2018		
	Current income tax £m	**Deferred tax £m**	**Total £m**	Current income tax £m	Deferred tax £m	Total £m
Impairment charges	**0.1**	**1.7**	**1.8**	-	2.3	2.3
Impairment reversals	**-**	**-**	**-**	-	(0.4)	(0.4)
Group restructuring including relocation costs	**-**	**-**	**-**	0.3	-	0.3
Onerous lease and other property costs	**0.3**	**-**	**0.3**	1.7	-	1.7
Closure of venues	**-**	**-**	**-**	0.9	-	0.9
Pay provision	**0.8**	**-**	**0.8**	-	-	-
Business transformation costs	**2.0**	**-**	**2.0**	-	-	-
Finance costs and other financial losses	**0.1**	**-**	**0.1**	0.1	-	0.1
Tax credit on exceptional items	**3.3**	**1.7**	**5.0**	3.0	1.9	4.9

Tax effect of items within other comprehensive income

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Current income tax credit on exchange movements offset in reserves	**0.1**	**-**
Total tax credit on items within other comprehensive income	**0.1**	**-**

The debit in respect of employee share schemes included within the Statement of changes in equity includes a deferred tax charge of £0.1m (year ended 30 June 2018: £0.1m credit)

5. Taxation (continued)

Factors affecting future taxation
UK corporation tax is calculated at 19.00% (year ended 30 June 2018: 19.00%) 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.

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 2019 £m	Year ended 30 June 2018 £m
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
Final dividend for 2017/18 paid on 30 October 2018 - 5.30p per share	**20.7**	-
Interim dividend for 2018/19 paid on 14 March 2019 - 2.15p per share	**8.4**	-
Dividends paid to equity holders	**29.1**	29.1

A final dividend in respect of the year ended 30 June 2019 of 5.50p per share, amounting to a total dividend of £21.5m, is to be recommended at the Annual General Meeting on 17 October 2019. 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 2019 £m	Year ended 30 June 2018 £m
Profit attributable to equity shareholders	**29.1**	35.9
Adjust for:		
Discontinued operations	**(1.5)**	-
Exceptional items after tax	**30.1**	22.6
Other financial losses	**0.2**	0.1
Adjusted net earnings attributable to equity shareholders (£m)	**57.9**	58.6
Adjusted earnings per share (p) – basic	**14.8p**	15.0p
Adjusted earnings per share (p) – diluted	**14.8p**	15.0p

8. Provisions

	Property lease provisions £m	Disposal provisions £m	Restructuring provisions £m	Indirect tax provision £m	Pay provision £m	**Total £m**
At 1 July 2018	36.0	4.0	0.4	1.2	-	41.6
Unwinding of discount	0.5	-	-	-	-	**0.5**
Charge to the income statement - exceptional	2.3	-	-	-	8.0	**10.3**
Release to the income statement - exceptional	(0.9)	-	-	-	-	**(0.9)**
Utilised in year	(4.4)	(0.1)	(0.2)	-	-	**(4.7)**
At 30 June 2019	**33.5**	**3.9**	**0.2**	**1.2**	**8.0**	**46.8**
Current	5.3	0.2	0.2	1.2	**8.0**	**14.9**
Non-current	28.2	3.7	-	-	**-**	**31.9**
Total	**33.5**	**3.9**	**0.2**	**1.2**	**8.0**	**46.8**

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 2019 £m	As at 30 June 2018 £m
Total loans and borrowings	**(60.0)**	(59.7)
Less: Accrued interest	**0.1**	0.1
Add: Unamortised facility fees	**(0.1)**	(0.1)
	(60.0)	(59.7)
Less: Cash and short-term deposits	**61.8**	50.4
Net cash (debt)	**1.8**	(9.3)

10. Cash generated from operations

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Continuing operations		
Operating profit	**39.0**	50.1
Exceptional items	**33.5**	26.9
Operating profit before exceptional items	**72.5**	77.0
Depreciation and amortisation	**45.2**	43.0
Settlement of share-based payments	**(0.4)**	(1.7)
Share-based payments	**1.1**	(0.2)
Loss on disposal of property, plant and equipment	**0.2**	0.3
Gain on surrender of finance lease	**(0.3)**	-
Impairment of intangible assets	**-**	0.3
Impairment of property, plant and equipment	**0.3**	0.2
(Increase) decrease in inventories	**(0.2)**	0.3
Decrease (increase) in other receivables	**3.7**	(3.4)
Increase (decrease) in trade and other payables	**6.9**	(6.4)
	129.0	109.4
Cash utilisation of provisions	**(4.7)**	(5.8)
Cash payments in respect of exceptional items	**(11.2)**	(1.2)
Cash generated from operations	**113.1**	102.4

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, seven of these have not expired or been surrendered. These seven leases have durations of between three and 94 years and a current annual rental obligation (net of sub-let income) of approximately £0.4m.

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 2019, entities controlled by Hong Leong owned 56.1% 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 was deferred for 24 months. Further contingent consideration was payable in cash, subject to 2018 calendar year performance, up to a total consideration cap of €52.0m. During the course of the 2018/19 financial year contingent consideration totalling €28.1m (£24.2m) was paid in cash based upon the 2018 calendar year performance. In the prior year total consideration of £16.5m was paid and included in investing activities in the Group cash flow statement.

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.

In the year to 30 June 2019 completion accounts were finalised with a net adjustment to goodwill of £0.5m.

The final fair value of the assets acquired and liabilities assumed, goodwill and consideration are outlined below.

	£m
Intangible assets	14.9
Trade and other receivables	1.3
Cash and short-term deposits	1.9
Trade and other payables	(0.9)
Income tax receivable	0.2
Deferred tax liability	(5.2)
Net assets acquired	**12.2**
Goodwill	31.4
Total consideration	**43.6**

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

13. Acquisition of subsidiary undertakings (continued)

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 £1.3m corresponds to the book value at which all receivables were 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 exceptionals finance cost in the Group income statement in prior year.

In the year ended 30 June 2018, QSB Gaming Limited 'YoBingo' contributed statutory revenue of £1.4m and £0.3m of profit before tax. If the Acquisition had occurred at the beginning of the year, the continuing statutory revenues of the combined entity in the 12 months to 30 June 2018 would have been £702.0m and profit before tax would have been £47.7.m.