

News release



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10 September 2020

The Rank Group Plc (“Rank” or the “Group”)

Preliminary results for the 12 months ended 30 June 2020

Strong results pre-COVID-19 demonstrating efficacy of new strategy

Actions to address COVID-19 position Rank well for recovery

Rank (LSE: RNK) is pleased to announce its preliminary results for the 12 months ended 30 June 2020.

Financial highlights

		2019/20	2018/19	Change
Financial KPIs	Group underlying net gaming revenue (NGR) ¹	£585.1m	£685.1m	(15)%
	Digital underlying NGR ¹	£145.3m	£118.5m	23%
	Venues underlying NGR ¹	£439.8m	£566.6m	(22)%
	Underlying operating profit ²	£51.1m	£75.7m	(32)%
	Underlying operating profit ^{1,2} pre IFRS 16 ³	£42.3m	£76.9m	(45)%
	Impact of IFRS 16 to underlying operating profit	£7.8m	-	-
	Underlying net (debt)/cash	£(63.2)m	£1.8m	-
	Underlying earnings per share ²	7.0p	15.3p	(54)%
		2019/20	2018/19	Change
Statutory performance	Reported NGR	£638.1m	£695.1m	(8)%
	Group operating profit	£23.5m	£39.0m	(40)%
	Profit after taxation	£9.4m	£27.6m	(66)%
	Cash generated from operations	£171.9m	£113.1m	52%
	Net (debt)/cash	£(297.5)m	£1.8m	-
	Basic earnings per share	2.5p	7.4p	(66)%
	Dividend per share	2.80p	7.65p	(63)%

1 On a like-for-like (“LFL”) basis which removes the impact of club openings, closures, acquired businesses and foreign exchange movements.

2 2018/19 restated to reflect the reclassification of IFRS 3 to separately disclosed items.

3 2018/19 is not restated for the impact of IFRS 16.

Strong Performance pre-COVID-19

- The Group entered lockdown with significant momentum to revenues and profits driven by its transformation strategy, a tightly controlled cost base and a strong balance sheet
- For the eight-month (pre-COVID-19) period to 29 February 2020:
 - LFL Underlying NGR up 11% and LFL underlying operating profit up 61%
 - Divisional underlying operating profit: Grosvenor venues up 121%; Digital up 15%, International up 29%; Mecca down 4%

Successful actions taken during COVID-19 pandemic

- Immediate focus of preserving cash during lockdown, the strength of the balance sheet and lower cost base resulting from transformation initiatives implemented in the prior year helped navigate the crisis and prepare for reopening of our venues
- Delivered numerous local community initiatives which provided support to key workers and vulnerable residents during the COVID-19 pandemic
- The Group has secured waivers for its financial covenants test on 31 December 2020
- As at 30 June 2020, net debt before IFRS 16 was £63.2m. Debt comprised £128.1m in bank loans, £6.2m in finance leases and £2.5m in overdrafts, offset by cash at bank and in hand of £73.6m

Encouraging progress since venues were allowed to reopen in July and August

- Grosvenor venues revenue is running at 60% of the prior year's levels since reopening on 15 August, which is in line with our base case scenario modelling
- Mecca, which has been open for a longer period, is running at 70% of prior year, slightly ahead of our base case scenario modelling
- Our Enracha venues are running at 65% of prior year

Other operational highlights

- Acquisition of Stride completed 4 October 2019 and comprehensive integration plan is on track
- Strong performance from Rank's legacy digital brands, up 23%; however, Stride's performance reduced pro forma Digital growth to 11% in the year
- Seeing robust returns from investments into product, technology and facilities
- Preparation for the next phase of the Group's transformation with new three-year plans being developed for each business unit aimed at driving revenue growth and delivering further cost and ways of working efficiencies
- Significant progress made regarding the embedding of safer gambling across the Group including the first bingo operator to add safer gambling controls for time and spend to our gaming machines
- In light of the COVID-19 pandemic and its subsequent material impact on the business the Board will not be proposing a final year dividend. The Board is committed to paying a dividend when circumstances permit, and this will be kept under regular review

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

"With positive momentum from the transformation programme, Rank performed very strongly during the first part of the year and into the second half. Despite continued good growth in our digital brands,

with our venues closed from mid-March, the impact of the COVID-19 pandemic on the Group has been significant. However, with the huge commitment and dedication of our colleagues, very tight cost control across the business and the support we have received from Government, we have carefully navigated the past few months and are now beginning to successfully emerge. We know the recovery will take time, but the underlying strength of our business provides us with confidence that we are well equipped to return to full strength.

“We’ve been encouraged by the first few weeks of trading following reopening and whilst the supply-side constraints, including social distancing and changes to the way we operate table gaming, are going to be challenging over the coming months, the response from customers to the extensive safety measures we have in place has been very positive.

“The need to deliver on Rank’s long-standing promise to excite and to entertain our customers has never been more important. The post-lockdown expectations of customers who are looking for ways to safely enjoy their leisure time and spend will be higher than ever, and we are determined to ensure our brands are well-positioned to benefit from this shift. Our venues, in particular, are ultra-safe and invariably benefit from being large in size. This gives us extra opportunities to offer something special to our casino and bingo customers within a COVID-19 safe environment and we are looking forward to welcoming more of our customers back.”

Current Trading and Outlook

Our Mecca venues have been reopening over the course of July and August. 72 of our 77 venues have now reopened with venues typically achieving 70% of prior year revenue and with visit numbers now typically at 55% of prior year levels. As a result, Mecca achieved cash break even in August. With Grosvenor’s casinos in England only being permitted to reopen from 15 August there is more limited trading experience. Venues outside of London are typically achieving 75% of prior year revenue levels and consequently are cash positive. In common with other hospitality businesses, trading in our London venues is weak, with revenue at around 40% of prior year levels. With 49 Grosvenor venues now open, Grosvenor is likely to be cash generative from September. Enracha venues are operating at approximately 65% of prior year levels and are cash generative.

Building on the double-digit revenue growth at the year end, our Digital businesses are performing broadly in line with expectations. Mecca, Yo and the Stride non-proprietary brands are performing well. The Stride proprietary brands continue to perform below expectations following harmonisation of safer gambling controls across the Digital businesses. Grosvenor revenue has also softened reflecting the lengthy closure of our venues and the consequent impact on the benefits available to multichannel customers. With cost reduction measures being applied across the business, and assuming no material disruptions, we expect the Group to be at cash breakeven or above in September before the impact of repaying deferred duty and rent.

We expect to rebuild our revenues through the year with an increase in footfall expected once social distancing and other supply constraints reduce and customer confidence returns. The pace at which revenues return will determine our ability to restore the dividend and invest in the transformation of Rank.

Dividend

In light of the recent COVID-19 pandemic and the material impact to our business the Board will not be proposing a final year dividend. The full year dividend will be 2.8 pence per share reflecting the interim dividend paid on 13 March 2020. As outlined above, the Board is mindful of the importance

of the dividend to our shareholders. The Board is committed to paying a dividend when circumstances permit, and this will be kept under regular review.

Ends

Definition of terms:

- Net gaming revenue ("NGR") is revenue less customer incentives;
- The Group has changed the adjusted results it discloses on its consolidated income statement in addition to the IFRS compliant measures. The presentation of the income statement has changed from "before exceptional items" and "exceptional items" in the prior year to "underlying" and "separately disclosed items" in the current year. The comparatives in the income statement have been restated to reflect this change;
- Underlying measures exclude the impact of amortisation of acquired intangibles; profit or loss on disposal of businesses; acquisition and disposal costs including changes to deferred or contingent consideration; impairment charges; reversal of impairment charges; restructuring costs as part of an announced programme; retranslation and remeasurement of foreign currency contingent consideration; discontinued operations and the tax impact of these, should they occur in the period. Collectively these items are referred to as Separately Disclosed Items ("SDIs");
- EBITDA is operating profit before SDIs, depreciation and amortisation and the accounting impact of IFRS 16;
- Underlying earnings per share is calculated by adjusting profit attributable to equity shareholders to exclude SDIs;
- "2019/20" refers to the 12-month period to 30 June 2020 and "2018/19" refers to the 12-month period to 30 June 2019;
- Like-for-like ("LFL") measures have been disclosed in this report to show the impact of club openings, closures, acquired businesses and foreign exchange movements;
- Prior year LFL measures are amended to show an appropriate comparative for the impact of club openings, disposals, closures and acquired businesses;
- The Group results make reference to "underlying" 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 SDIs impair visibility of the underlying performance of the Group's business because these items are often material, non-recurring and do not relate to the underlying trading performance. Accordingly, these are excluded from our non-GAAP measurement of revenue, EBITDA, operating profit, profit before tax and underlying EPS. Underlying measures are the same as those used for internal reports; and
- Venues includes Grosvenor venues, Mecca venues and International venues.

Enquiries

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Photographs available from www.rank.com

Conference Call

An analyst call will be held at 9:30am today. The corresponding presentation will be posted on the Group's website shortly before the call: <https://www.rank.com/en/investors/results--reports---presentations.category2.html>

Participants may join the call by dialling one of the following numbers approximately 15 minutes before the start of the call:

United Kingdom: 0800 640 6441
United Kingdom (Local): 020 3936 2999
Participant access code: 597815

Participants will be greeted by an operator who will register their details and manage the Q&A at the end of the call.

A webcast can also be accessed via the following link:
<https://streamstudio.world-television.com/538-539-25084/en>

Please note there may be a time delay of 30 seconds between the webcast and the conference call.

A replay of the webcast 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

Following the groundwork put into the transformation programme during financial year 2018/19, Rank made a great start to 2019/20. We started the year with strong revenue growth in Grosvenor's venues, in our venues in Spain and Belgium and across our digital businesses, with good progress being made in slowing the decline in Mecca. Our momentum, and the delivery of key transformation initiatives throughout the year, delivered very strong underlying NGR and profit growth up until March 2020, when the impact of the COVID-19 pandemic hit and our venues businesses, which represent 76%¹ of the Group's LFL revenues, were forced to close. The strength and robust nature of our balance sheet, our lower cost base resulting from the transformation initiatives implemented in the prior year and the commitment and professionalism of our colleagues have helped us to best navigate this crisis and to prepare for the successful reopening of our venues. It will inevitably take time and a return of consumer confidence to get the Group fully back on track, but Rank is now a stronger business than it was with good opportunities for revenue and profit growth.

1. H1 2019/20 including pro forma NGR for Stride

The Group's performance for the eight months to 29 February 2020 has also been provided to help illustrate the Group's performance before the impact of COVID-19.

NGR / £m	12 months to 30 June 2020	12 months to 30 June 2019	Change	Unaudited		
				8 months to 29 Feb 2020	8 months to 28 Feb 2019	Change
Digital ²	145.3	118.5	23%	89.1	76.7	16%
Grosvenor venues ²	275.9	338.0	(18)%	259.6	224.0	16%
Mecca venues ²	128.4	183.7	(30)%	119.6	120.5	(1)%
International venues ²	35.5	44.9	(21)%	32.2	29.8	8%
Group ²	585.1	685.1	(15)%	500.5	451.0	11%
Impact of Stride, venue closures and foreign exchange*	53.0	10.0	-	31.5	7.4	-
NGR	638.1	695.1	(8)%	532.0	458.4	16%

Operating profit ^{2,3} / £m	12 months to 30 June 2020	12 months to 30 June 2019	Change	Unaudited		
				8 months to 29 Feb 2020	8 months to 28 Feb 2019	Change
Digital ^{2,3}	26.9	23.9	13%	14.2	16.7	(15)%
Grosvenor venues ^{2,3}	36.0	44.7	(19)%	58.0	26.3	121%
Mecca venues ^{2,3}	3.2	30.0	(89)%	16.3	17.0	(4)%
International venues ^{2,3}	5.4	9.3	(42)%	7.5	5.8	29%

Central costs ^{2,3}	(29.2)	(31.0)	6%	(24.4)	(21.4)	(14)%
Group ^{2,3}	42.3	76.9	(45)%	71.6	44.4	61%
Impact of Stride, venue closures, foreign exchange, IFRS 16 and SDIs*	(18.8)	(37.9)	-	(0.7)	(10.6)	-
Operating profit	23.5	39.0	(40)%	70.9	33.8	110%

2. On a like-for-like (LFL) basis which removes the impact of club openings, closures, acquired businesses and foreign exchange.

3. Before the impact of IFRS 16 and Separately Disclosed Items.

*A full analysis of these adjustments can be found in the Alternative Performance Measures (“APMs”) section.

Venues performance in the year up to lockdown

Grosvenor venues continued to deliver strong revenue growth until February 2020 when tourist visitors to London venues began to fall in the wake of the COVID-19 pandemic. In the eight months to the end of February, Grosvenor venues LFL revenue was up 16% with lower operating costs delivered through transformation initiatives largely undertaken in the prior year resulting in LFL underlying operating profit increasing 121% to £58.0m, pre the impact of IFRS 16. All our key trading metrics of table handle, table margin, electronic roulette and gaming machine revenue and F&B were strong, and we were seeing good returns from our investments into product, technology and facilities.

Mecca venues’ LFL revenue declined 1% in the eight months to February 2020 with underlying LFL operating profit down 4%. Lockdown in March interrupted a number of changes to the core Mecca customer proposition which are now being implemented. The focus is on giving our customers better value with more entertainment and more chances to win in main stage bingo.

LFL revenue in our international venues in Belgium and Spain grew 8% to the end of February 2020 with underlying LFL operating profit up 28%.

Securing the business through lockdown

The strength of our balance sheet and our immediate focus of preserving cash as we entered lockdown have helped support our business through the current crisis, as has the help we have received from government. Our monthly net cash outflow on entering lockdown was £25.0m yet with the huge support of the UK Government through the Coronavirus Job Retention Scheme (“CJRS”), Business Rates relief and gaming tax deferrals, similar employment support in Spain and Belgium, and our own mitigating measures to reduce costs and slow cash outflow, we were able to cut our monthly net cash outflow to £10.0m during the period of full closure.

Whilst over 7,600 colleagues had to go into furlough, we retained a core team to focus on regular wellbeing communication with our customers and furloughed colleagues, to manage our key supplier relationships and to prepare for reopening. In addition, our colleagues kept kitchens open wherever possible across the Mecca and Grosvenor estates to prepare and deliver over 50,000 free meals for

emergency service workers, NHS staff and vulnerable residents within our local communities. We have been grateful to have received significant support for this initiative from a number of MPs, local councils and from our suppliers. Our colleagues, including those on furlough, have also been participating in various initiatives to raise money for the Carers Trust, all of which have helped the Group give back to the community during these particularly challenging months.

Reopening our venues

The safety of our venues for both our customers and our colleagues has inevitably been our paramount consideration in preparing for reopening. Social distancing measures, capacity constraints, extensive cleaning regimes, hand cleaning and sanitisation facilities and extensive Perspex screening to provide additional protections for customers and colleagues were developed and introduced during lockdown in preparation for the 'all clear' from governments to reopen. Our colleagues have done an amazing job in redesigning our operations to ensure a safe and secure environment. All of our venues' colleagues have been through training programmes in the new operational procedures to protect them and our customers.

International venues

Enracha venues reopened at various points through June 2020 having received regional government permissions. Trading started in line with our expectations at around 65% of prior year revenue levels. Venues in Cordoba, Seville and Tarragona have seen gradually improving visit numbers and revenues as consumer confidence has increased. In the city centre locations of Madrid and Barcelona, however, visits and revenues have remained low and two Barcelona venues were required to close again for 10 days in mid-July following a new spike in virus cases. We are now back open in all venues, but we expect it will be some time before trading at pre-COVID-19 levels will be achieved. Conversely, our casino in Belgium is now trading in line with the same period of the prior year.

Mecca venues

In England, we reopened 35 Mecca venues on 4 July with a further 16 reopening later in the month. A further 21 venues have opened in August, including those in Scotland and Wales where permission to open has come later than in England. The five Mecca venues which remain closed at the end of August are marginal clubs on short term leases which are the subject of ongoing negotiations with landlords. Mecca has large, spacious venues which provide considerable scope for community-based entertainment in today's socially distanced environment. We have reopened with a renewed emphasis on main stage bingo in a revised daily schedule offering customers the opportunity to pop in and play bingo in hourly sessions throughout the day. We are slowing the game, adding additional entertainment and delivering great value food and beverage deals to provide an attractive and safe setting for consumers who have been cooped up at home for longer than they would wish.

Trading has started a little ahead of our expectations at 70% of prior year levels on a like-for-like basis. LFL visit volumes are down 45%. As expected, our audiences are currently much younger than normal with customers aged over 55 years old, and particularly those aged over 70 years old, markedly down on pre-COVID-19 levels. Spend per head is up 15% reflecting both the increased emphasis on main stage bingo, other community entertainment and food and beverage. The age profile of our customers is very much younger with customers aged 55+ and particularly those aged 70+ markedly down on pre COVID-19 levels.

Grosvenor venues

We had hoped and expected to be reopening Grosvenor casinos alongside pubs, restaurants and bingo on 4 July. Casinos are typically large venues which readily enable social distancing and across the

sector we had collaborated on stringent protocols which had been reviewed by Public Health England. Disappointingly, casinos were excluded from the list of venues able to reopen on 4 July. On 9 July, a team of scientists from Public Health England and officials from the Cabinet Office and DCMS visited a central London Grosvenor casino to experience the social distancing protocols and to examine measures put in place to ensure players only touch their own sanitised chips in blackjack and roulette and are restricted from touching playing cards in blackjack or have one time only paper cards in baccarat. Clearance from the scientists that casinos were COVID-19 safe venues was immediate. On 17 July, the Prime Minister announced that casinos would be allowed to reopen on 1 August. 3,600 colleagues were brought out of furlough to complete the preparations for reopening including extensive training of the new social distancing and other safety protocols. On 31 July, with less than 12 hours to go before our clubs were allowed to reopen, the Prime Minister announced that casinos would have to remain closed for at least a further two weeks until 15 August. It was finally announced on 13 August that we were able to reopen 35 of our 45 casinos across England from 15 August 2020. Four of our five Scottish casinos were allowed to reopen on 24 August with Aberdeen being delayed until 26 August and our two casinos in Wales reopened on 28 August. This week we have reopened four further casinos in the Greater Manchester area, leaving just Bolton and Leicester subjected to continued closure under local lockdown measures. Our venue in Sunderland remains closed as we review its viability under social distancing measures.

Whilst it remains early days, trading has started positively outside of London but is weaker in the capital. Our nine London casinos are witnessing visit numbers at 30% of prior year levels. The absence of tourists and office workers in London alongside concerns about using public transport and the extension of congestion charges into evenings and weekends are weighing heavily on the hospitality sector in the City. Revenue in London is running 60% behind prior year levels. Outside of London the picture is more positive with revenue running 25% behind prior year levels. Overall, Grosvenor LFL revenue is running at 60% of prior year levels in the period since reopening.

Driving Scale in Digital

Having successfully completed the acquisition of Stride Gaming plc on 4 October 2019, our focus has been on the integration programme of both businesses including the development of the Stride proprietary technology in advance of migrating Rank's legacy digital brands onto the Stride platform before the end of calendar year 2021. In the meantime, we continue to drive digital growth in the UK and Spain, with LFL revenues up 23% in the year.

In the UK, whilst Rank's legacy digital brands, Mecca and Grosvenor, grew 23% in the year, Stride's performance, following work to harmonise safer gambling controls across our business, reduced pro forma Digital growth to 11% in the year. Additional protections for vulnerable customers added across all sites by Rank together with those imposed by the Gambling Commission during lockdown have impacted revenues as they add inevitable friction for all customers.

In Spain, the Yo branded bingo and casino sites performed very strongly in the second half to deliver 18% growth in revenue across the year. Even with the marketing restrictions being introduced by Spain's new government, we are confident of continuing to deliver strong growth in 2020/21.

Despite the ongoing challenges of the high incidence of the COVID-19 pandemic in India, Passion Gaming, our online rummy business, delivered a fivefold growth in pro forma revenues to £5.4m for the 12 months ending 30 June 2020.

The integration programme with Stride is progressing in line with our expectations. There is now one management structure across the combined business with the next phase being the integration of the customer support, payments and safer gambling teams in Mauritius and Sheffield. We expect to migrate Mecca onto our proprietary technology platform early next summer with the Grosvenor brand completing the migration in autumn 2021. We currently expect cost synergies to be £2.0m higher than first estimated at £15.0m.

Financial Performance and Liquidity

The Group's underlying operating profit for 2019/20 of £51.1m (underlying operating profit pre IFRS 16 £42.3m) reflects the closure of nearly all our venues businesses from mid-March through to the year end. The profit outturn is at the lower end of our previous guidance of £48m - £58m, post IFRS 16, because we expensed £2.5m of reopening costs in the year. The underlying operating loss of £25.5m in the four months to 30 June 2020 offset the underlying operating profit in the first eight months highlighting the impact of the COVID-19 pandemic on a business which derives 76% of its revenues from venues. The impact of closure and our estimates of the rate at which some of our venues will return to prior levels has crystallised impairment charges of £37.9m.

The Group entered lockdown with a tightly controlled cost base and a strong balance sheet. Cash and bank facilities were £163.0m as at the end of February 2020, of which £30.0m is in the form of an undrawn RCF that expires at the end of September 2020. At year end cash and available facilities were £140.0m, following several months of cash outflows, but supported by furlough payments, tax deferrals agreed with HMRC, strong support from our suppliers and additional assistance from landlords. In April 2020, the Group also received £25.3m following the conclusion of a VAT case related to the treatment of gaming machines in the period from 2002 to 2005.

At the end of August, cash and available facilities were £125.0m which, as mentioned above, will reduce by £30.0m at the end of September. The speed with which we can restore the Group to a net cash position will largely be determined by the rate at which our revenues recover as our venues reopen for business.

The following factors are important to the Group's liquidity position over the coming months:

- The Group continues to utilise the support provided by the Government's CJRS. The Group has claimed £7.1m for July. The CJRS tapers down from August to October with employers responsible for paying NI and pension contributions from August, 10% of salary costs in September and 20% in October;
- Rank continues to benefit from the holiday in Business Rates which amounts to circa £1.0m per month until March 2021;
- We continue to negotiate rent deferral agreements with landlords. At year end, £13.2m of rent has been deferred with repayments being made over one to 18 months. Five Mecca venues with leases ending in September 2021 are currently mothballed and are expected to close unless we can reach agreement with landlords to reduce the rent substantially;
- We have agreed a payment schedule with HMRC for £37.5m in gaming taxes deferred from April 2020. £7.7m was paid in June, a further £10.8m in July and the balance will be paid in monthly instalments with payments being completed by December 2020;
- We have cut capital expenditure, restricting it to critical ongoing projects including the proprietary technology platform development, essential health and safety and a small number of projects that had already started as we entered lockdown that deliver fast pay backs. Our capital expenditure in 2019/20 was £44.0m and we expect to cut this to an annual run rate of £30.0m in 2020/21 until we have line of sight to stable cashflow; and

- The Board is mindful of the importance of the dividend to our shareholders. The Board is committed to paying a dividend when circumstances permit, and this will be kept under regular review.

The Group's banking facilities require it to meet two financial covenant tests biannually, a net debt to EBITDA ratio of less than 3x and an EBITDA to interest charge of no less than 3x, at 30 June and 31 December. Our forecasts indicated that the Group would probably fail to meet both the financial covenant tests at the 31 December 2020 testing date, therefore the Group has secured a covenant waiver. During the period of the waiver, Rank's lending banks have imposed certain restrictions principally regarding any disposals, acquisitions and dividends. In addition, the Group is required to meet a defined minimum available cash and facilities of no less than £50.0m, tested quarterly, until financial covenant testing resumes for the 30 June 2021 testing date.

In the event of a larger than anticipated disruption due to the COVID-19 pandemic, a waiver on banking covenants would need to be obtained in respect of the 30 June 2021 testing date. The Group would seek to take mitigating actions within its control including but not limited to a further reduction in capital expenditure, a reduction in overhead expenditure and the closure of some venues. If actions within management control were not sufficient to offset the downside scenario, the Group would also seek other mitigating actions such as securing additional funding or seeking further waivers from its banks.

The continued transformation of Rank

Whilst our immediate priority has been to get our venues back open and trading, and to return to a cash positive position, we have been preparing for the next phase of the Group's transformation. New three-year plans are being developed for each business unit aimed at driving revenue growth and delivering further cost and ways of working efficiencies. The rebooted transformation plan reflects the heavy constraints on capital for investment in the immediate term, the need to ensure we deploy cash most effectively across tactical and strategic options and the need for flexibility to be able to pivot quickly as opportunities arise. It is clear from the performance of our businesses in the period prior to lockdown, and in our subsequent transformation planning, that Rank has a strong pipeline of opportunities to drive revenue growth once the constraints on our business are removed.

Safer gambling

Safer gambling is a key strategic pillar of the business and a critical enabler in our ambition to become a £1 billion revenue international gaming company by 2023. We are committed to building sustainable relationships with our customers by providing them with a safe environment in which to play, whether at our venues or online. This is combined with our relentless focus on the risk of gambling-related harm, working on an ongoing basis to improve the way in which we identify and interact with those customers who show signs of problem gambling, or who may be at risk of playing beyond an affordable level. We strive to achieve more than simply complying with our regulatory requirements, challenging ourselves to continue developing new initiatives to deliver a safe gambling experience to our customers. During the year, amongst a range of new initiatives, we were the first bingo operator to add safer gambling controls for time and spend to our gaming machines and in Digital we implemented affordability models across all our brands to enable a risk based approach to identifying customers who may be playing at an unaffordable level.

Please refer the Strategic Update for further details of what progress we have made in the year regarding our approach to safer gambling and what are the key areas of focus for the coming year.

Board changes

Chair

Alex Thursby was appointed as chair on 17 October 2019 following the conclusion of Rank's 2019 Annual General Meeting ("2019 AGM").

Alex succeeds Ian Burke who previously had notified the Board of his intention not to seek re-election at the 2019 AGM.

Non-executive director and audit chair

On 4 November 2019, Karen Whitworth was appointed to the Board as a non-executive director. Karen chairs Rank's audit committee and also serves on our safer gambling and remuneration committees.

Strategic update

Our purpose is fundamental to what we do. It guides our ambition, values, and our overall strategy, providing us with a truly cohesive approach within which to run our business. Despite the challenges caused by the COVID-19 pandemic the Group remains committed to its current strategy which will present opportunities for revenue and profit growth.

1. Create a compelling multi-channel offer

In the markets in which we operate, Rank is one of the few gaming companies in a position to provide customers with a genuine multi-channel gaming offer. Our key assets are our 140 venues, our newly acquired in-house proprietary platform, our membership-based models, our customer relationships and the high level of engagement that our team members enjoy with our customers.

Activity in the year

- Additional improvements to customer proposition delivered with improvements to sign up promotions and offers for Mecca and Grosvenor;
- Customer journey improvements to Grosvenor's single account and wallet, Grosvenor One, driving omni-channel customers up 43% in the year;
- Single sign up capability for Grosvenor One developed and expected to launch in Q1 2020/21 enabling customers to sign up once and have access to all channels and services;
- Mecca digital sign up in venues through Mecca Max terminals developed and expected to launch in Q2 2020/21; and
- Enhanced digital experience across our Mecca venues including the introduction of a digital membership card.

Focus for 2020/21

- Continue development of Mecca's omni-channel offer including games accessible across channel.

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. Before the impact of the COVID-19 pandemic in 2019/20, our digital operations generated 24% of Group revenue. Across the UK as a whole, digital channels now represent around

52% of the gambling market (excluding the National Lottery), presenting a significant growth opportunity. International growth is also central to the Group's strategy to build digital scale.

Activity in the year

- Acquisition of Stride Gaming plc ("Stride") for £116.0m was completed in October 2019;
- Stride technology platform developed in preparation for the migration of Rank's digital brands in 2021;
- Commenced the in-housing of third-party technology support, a key driver for achieving post Stride acquisition cost synergies;
- Grosvenor's content management system migration completed in September 2019;
- Dedicated resource now responsible for Grosvenor sportsbook focused on targeted marketing and operational improvements;
- Launch of proprietary games in the year - Buffalo Wild and Chilli Con Cash;
- Successful Daily Retention Game ("DRG") launched across both Mecca and Grosvenor brands;
- Numerous customer journeys improvements delivered in the year – from registration to first time deposit, incorporation of improved safer gambling controls and launch of new cashier;
- CRM automation progressed in the year with a focus on early life stage depositors based upon improved customer modelling;
- Appointment of key hires in Yo to improve management capability;
- Investment in YoBingo operations – diversification of marketing channels, development of customer relationship management tools and product improvements; and
- Launch of YoCasino.es in Spain.

Focus for 2020/21

- Further development of Stride's proprietary technology in preparation for the migration of Rank digital's legacy brands;
- Migration of meccabingo.com onto the Stride platform;
- New Grosvenor sportsbook site to be launched;
- Mecca Content Management System migration planned for H1 2020/21;
- Complete CRM automation; and
- YoBingo.pt to be launched in Portugal in H2 2020/21.

3. Continuously evolve our venues proposition

Our casino and bingo venues provide entertainment for millions of customers each year and generate 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

- New concept casino, Pier Nine, in Brighton opened in December 2019 aimed at providing a more exciting and entertaining casino experience with a wider and more relevant non-gaming offer;
- Investment into new electronic roulette terminals and curve gaming machines deployed across the Grosvenor estate delivering good returns;
- Investment in new hardware to enhance Grosvenor's gaming machine progressive offer contributing to strong machines performance;

- An improved outdoor customer terrace at Grosvenor's flagship casino in London, the Victoria casino, was completed in August 2020 now providing its customers with an upgraded outdoor gaming facility;
- Key investments across the casino estate were completed in the year, including new external signage at Reading Central and refurbishment of the Rialto casino in London;
- Mecca customer proposition developed in the year with more main stage bingo and a reduction in interval games alongside a greater emphasis on more attractive linked venue prize pools, bingo centric entertainment and an enhanced food and beverage offer;
- Mecca successfully launched its new cashline game, Win Fall, creating more in club winners;
- Four Enracha venues underwent refurbishments focused principally on improving the gaming machine offer; and
- A new Enracha venue in Girona, with a greater focus on electronic gaming and sports betting, was opened in August 2020.

Focus for 2020/21

- Planning for further investments in product, technology and facilities across the Grosvenor estate to be implemented as cash headroom permits;
- Introduce hourly bingo sessions to maximise Mecca capacity and provide an alternative to historic peak sessions;
- Introduce a timetable of non-gaming activity, e.g. quiz and comedy nights into Mecca to attract new customers not being serviced by other space restricted leisure operators; and
- Increase food and beverage promotional activity, e.g. Beer and Gin Festival, to attract new customers and take advantage of available capacity in Mecca.

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

- Ticket In Ticket Out ("TiTo", technology which prints out a barcoded slip of paper which can either be redeemed for cash or inserted to play other TiTo machines) for casino table gaming launched across the casino estate;
- ID scanning technology introduced in Grosvenor to accelerate benefits to membership, cross channel and safer gambling;
- An additional four casinos outside of London now participating in food and drink home delivery;
- Roll-out of task management software and hardware to Grosvenor to improve operating standards and deliver additional cost efficiencies;
- Trialled automated ticket vending machine dispensing pre-bundled bingo books which will be rolled out across Mecca during H1 2020/21;
- The roll-out of food and drink home delivery from Mecca's kitchens completed;
- Fixed larger screen Mecca Max positions were introduced in our Leicester venue which provide a more comfortable customer experience, further roll outs are scheduled for FY21; and
- TiTo was introduced across 23 key Mecca sites.

Focus for 2020/21

- Ensuring we operate COVID-19 secure venues with measures to ensure social distancing and exceptional hygiene standards for our customers and colleagues;
- Increase use of cashless transactions in our venues;
- Deliver enhanced single customer view across all channels; and
- The launch of management dashboards providing near real time performance metrics across our venues.

5. Committed to safe and fair gambling

We are committed to operating in a responsible manner and recognise 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 experiencing gambling-related harm, or who may be at risk of playing beyond an affordable level.

Activity in the year

- Safer gambling controls introduced to our gaming machines in venues for both time and spend to better help customers manage their play;
- Trial of algorithms to identify problem gambling at risk behaviour completed;
- Affordability models implemented across all digital brands;
- Centralised the management of all digital customer safer gambling interactions into our Customer Solutions Hub in Sheffield;
- Expert level training provided by GamCare to dedicated safer gambling team in Sheffield;
- Further development of our safer gambling programme across our Grosvenor venues – improvements to customer affordability checks, creation of data led triggers for at risk customers and strengthened protections throughout the customer journey; and
- Additional safer gambling protections implemented for our digital customers during lock down including numerous pledges made in conjunction with the Betting and Gaming Council (“BGC”), even tighter restrictive measures implemented regarding markers of harms and restrictions to marketing activity.

Focus for 2020/21

- Develop and deliver further engaging and interactive Safer Gambling training across our digital and venues businesses;
- Review customer communications at key touch points throughout the customer journey to ensure safer gambling messaging and communications are embedded;
- Evaluate and review the newly implemented controls in Grosvenor venues to enable their enhancement and continuous improvement;
- Continue to invest in, and implement, new player protection tools on machines and electronic bingo terminals in Mecca venues;
- Continue to develop a single-customer view to allow automated assessment of holistic customer risk across channels and brands; and
- Further evolve protections for customers across our digital platforms and brands, to ensure robust controls are applied consistently for all customers.

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

We continue to build a high-performing culture through the engagement and development of colleagues who want to put exciting and entertaining customers at the heart of what they do. We strive for a culture of ownership and transparency that empowers our teams to achieve goals they didn't think possible and to be the very best that they can be.

Activity in the year

- Leading@Rank and Managing@Rank development programmes implemented across all relevant colleague groups with activity continuing to account for new hires and internal promotions;
- Group wide intranet, Stay Connected, relaunched with enhanced discoverability and more regular news updates;
- Groupwide Town Halls introduced enabling colleagues from offices across the world to ask questions or offer comments and receive answers/feedback in real time;
- Work commenced on defining sub-cultures across the Group to help create effective and cohesive engagement across the different business segments; and
- Created the opportunity during lockdown for colleagues to contribute to the national effort by cooking meals for emergency service and NHS workers and to provide a range of other community support.

Focus for 2020/21

- Continue to develop team briefing e.g. Town Hall updates and ensure there is clear communication of the Group's priorities;
- Continue to develop a high-performance culture;
- Continue the work on defining sub-cultures across the Group to help create effective and cohesive engagement across the different business segments;
- Focus on improving colleague's well-being by empowering leaders and managers to effectively engage with their teams and to talk more openly about issues, including mental health; and
- Continue to deliver the Group's inclusion and diversity strategy, including the annual calendar of events and specific interventions, such as building on our group of Diversity Champions and Mental Health First Aiders.

Operating review – Digital

Digital performed strongly in the year with LFL NGR¹ up 23%, principally driven by the performance of the Mecca and Grosvenor brands.

Key financial performance indicators

£m	2019/20	2018/19	Change
LFL NGR	145.3	118.5	23%
Mecca	76.5	62.2	23%
Grosvenor	52.4	42.4	24%
Enracha	1.0	0.9	11%
Yo	15.4	13.0	18%
Underlying LFL operating profit ¹ pre IFRS 16	26.9	23.9	13%
IFRS 16	0.1		
Underlying LFL operating profit ¹	27.0		

Total NGR		196.2	118.5	66%
	Mecca	76.5	62.2	23%
	Grosvenor	52.4	42.4	24%
	Enracha	1.0	0.9	11%
	Yo	15.3	13.0	18%
	Stride ²	51.0	-	-
Total underlying operating profit ¹		28.7	23.9	20%
Total operating profit		17.8	20.2	(12)%

1. Before the impact of Separately Disclosed Items.

2. Includes post acquisition performance only from 4 October 2019.

Strong promotional activity and an increase in customer numbers drove Mecca's LFL NGR up 23% in the year. Following a successful first six months, LFL NGR growth accelerated in the second half of the year driven by increased customer demand during the UK lockdown and improved margins resulting from a greater bingo revenue mix.

Strong growth in Grosvenor's customer base helped deliver a 24% increase in LFL NGR in the year. Successful promotional activity and an increase in Grosvenor One customers contributed to the 35% increase in customer numbers. During the year, Grosvenor migrated onto a new content management system which helped expedite the delivery of overdue customer journey enhancements.

Grosvenor saw an increase in customer demand during the UK lockdown, with first time depositors up 17% on the first half of the year.

Average revenue per user fell in the year for both Mecca and Grosvenor due to growth in new lower spending customers and the introduction of enhanced safer gambling controls including rigid affordability checks and corresponding net deposit limits applied on a monthly basis.

Yo grew LFL NGR by 18% in the year following the development of a robust improvement plan and a strengthened management team to ensure its delivery. The plan is in its early stages, but key deliverables post launch included the launch of new improved gaming content, an increased focus on data led marketing and the launch of YoCasino in December 2019. Yo recently received approval for operating online bingo in Portugal and its launch, subject to final regulatory clearance, is planned for H2 2020/21.

Total NGR grew by 66% following the contribution of Stride's performance following its acquisition on 4 October 2019.

Underlying LFL operating profit pre IFRS 16 was up 13% in the year despite an additional £6.2m of remote gaming duty following its increase to 21% in April 2019.

Total operating profit fell by 12% in the year principally due to the amortisation expense of £9.6m relating to the acquired intangibles of Stride.

Stride³

£m	FY 2019/20	FY 2018/19	Change
NGR	67.1	73.6	(9)%

³ Pre acquisition performance included

Stride's NGR declined by 9% on a pro forma basis with a strong performance from its non-proprietary brands offset by a weaker proprietary brands performance following work to harmonise safer gambling controls across our digital business.

The successful integration of Stride is key in growing the Group's digital scale and capability. To ensure the right level of rigour and discipline is applied, the integration is being managed through the Group's transformation programme with over 100 initiatives to deliver approximately £15.0m of cost synergies.

Two key integration workstreams progressed well in the year, that being the implementation of a new operating model for the combined digital business and the required investment into the Stride platform in preparation for the migration of Rank's legacy digital brands.

The priorities for 2020/21 include the offshoring of Rank's digital customer support and back office functions to Stride's Mauritian operation and investment into Stride's Cape Town operations to further support Stride's London based development team.

Operating review – Grosvenor venues

Key financial performance indicators

£m	2019/20	2018/19	Change
LFL NGR	275.9	338.0	(18)%
Underlying LFL operating profit ⁴ pre IFRS 16	36.0	44.7	(19)%
<i>IFRS 16</i>	4.2		
Underlying LFL operating profit ⁴	40.2		
Total NGR	275.9	338.2	(18)%
Total underlying operating profit ⁴	40.2	44.9	(10)%
Total operating profit	32.8	23.4	40%

4. Before the impact of separately disclosed items.

LFL NGR and total NGR fell by 18% following the closure of our Grosvenor venues from March 2020. Underlying LFL operating profit pre IFRS 16 fell by 19% due to lower NGR.

Total operating profit increased by 40% in the year. Impairment charges of £13.9m regarding five of Grosvenor's venues were offset by a £2.9m reversal of the prior year pay provision following the conclusion of the HMRC investigation into breaches of the National Minimum Wage regulations and £3.6m regarding the successful conclusion of a VAT reclaim in the year.

During the year, customer alerts were introduced for both time played and loss limits across gaming machines and electronic roulette terminals. Prior to the casinos in England reopening in August, a new customer entry control system was rolled out across all casinos following its successful trial earlier in the year. The system uses scanning technology to quickly capture the customer's identity on entry. Further safer gambling enhancements were also implemented during lockdown and are outlined in *Activity in the year* under our safe and fairer gambling strategic pillar update.

As highlighted at our preliminary results for the year ended 30 June 2019, Grosvenor is not able to measure customer visit numbers on a basis consistent with prior periods following staffing reductions under the new operating model. Following the roll out of Grosvenor's new customer entry control system we expect customer visit numbers will be reinstated as a reported KPI for the financial year 2020/21.

Operating review - Mecca venues

Key financial performance indicators

£m	2019/20	2018/19	Change
LFL NGR	128.4	183.7	(30)%
Underlying LFL operating profit ⁵ pre IFRS 16	3.2	30.0	(89)%

<i>IFRS 16</i>	3.3		
Underlying LFL operating profit ⁵	6.5		
Total NGR	130.7	193.5	(32)%
Total underlying operating profit ⁵	6.0	28.6	(79)%
Total operating profit	5.6	23.6	(76)%

5. Before the impact of Separately Disclosed Items.

LFL NGR fell by 30% principally as a result of the closure of our Mecca venues from March 2020. Total NGR, which includes the contribution pre-sale of the five Mecca venues that were disposed of in the year, fell by 32%.

Prior to the closure of Mecca's venues good progress had been made on reducing Mecca's operating costs, however due to the loss of revenue during lock-down underlying LFL operating profit pre IFRS 16 declined 89% in the year.

Total operating profit fell by 76% in the year. Impairment charges of £15.7m regarding 41 of Mecca's venues and a property related provision of £10.2m were offset by a £1.8m profit on the disposal of five Mecca venues in the year, a £2.0m reversal of the prior year pay provision following the conclusion of the HMRC investigation into breaches of the National Minimum Wage regulations and £21.7m regarding the successful conclusion of a VAT reclaim in the year.

Operating review – International venues

Key financial performance indicators

	2019/20	2018/19	Change
LFL NGR	35.5	44.9	(21)%
Enracha	27.1	35.3	(23)%
Blankenberge Casino	8.4	9.6	(13)%
Underlying LFL operating profit ⁶ pre IFRS 16	5.4	9.3	(42)%
<i>IFRS 16</i>	0.1		
Underlying LFL operating profit ⁶	5.5		
Total NGR	35.3	44.9	(21)%
Total underlying operating profit ⁶	5.3	9.3	(43)%
Total operating (loss) profit	(3.3)	9.2	(136)%

6. Before the impact of Separately Disclosed Items.

LFL NGR for the 12-month period fell by 21% following the closure of our International venues in March 2020.

Underlying LFL operating profit before the impact of IFRS 16 fell by 42% due to reduced revenues.

Total operating profit fell to a loss of £3.3m with impairment charges of £8.3m regarding five of International's venues and other costs of £0.3m.

Alternative Performance Measures

When assessing, discussing and measuring the Group's financial performance, management refer to measures used for internal performance management. These measures are not defined or specified under International Financial Reporting Standards (IFRS) and as such are considered to be Alternative Performance Measures ("APMs").

By their nature, APMs are not uniformly applied by all preparers including other operators in the gambling industry. Accordingly, APMs used by the Group may not be comparable to other companies within the Group's industry.

Purpose

APMs are used by management to aid comparison and assess historical performance against internal performance benchmarks and across reporting periods. These measures provide an ongoing and consistent basis to assess performance by excluding items that are materially non-recurring, uncontrollable or exceptional. These measures can be classified in terms of their key financial characteristics.

Profit measures allow management and users of the financial statements to assess and benchmark underlying business performance during the year. They are primarily used by operational management to measure operating profit contribution and are also used by the Board to assess performance against business plan.

Impact of IFRS 16 adoption on the Group's APMs

With the current year being a transitional year following the introduction of IFRS 16, the Group has not adjusted its APMs for the impact of the adoption of IFRS 16. For periods starting after 30 June 2020, all APMs will be disclosed post IFRS16.

The impact of IFRS 16 is explained fully in note 1 of the Financial Statements. The Group has applied the modified retrospective approach to adoption and has not restated comparative information.

The following table explains the key APMs applied by the Group and referred to in these statements:

APM	Purpose	Closest equivalent IFRS measure	Adjustments to reconcile to primary financial statements
Like-for-like (LFL) net gaming revenue (NGR)	Revenue measure	Reported NGR	<ul style="list-style-type: none"> • Separately Disclosed Items • Excludes contribution from any venue openings, closures, disposal and acquired businesses during the period • Foreign exchange movements
LFL EBITDA (earnings before interest, taxation, depreciation and amortisation)	Profit measure	Operating profit	<ul style="list-style-type: none"> • Separately Disclosed Items • Excludes contribution from any venue openings, closures, disposals and acquired businesses during the period • Depreciation and amortisation before separately disclosed items • Foreign exchange movements • IFRS 16 lease accounting impact
LFL operating profit	Profit measure	Operating profit	<ul style="list-style-type: none"> • Separately Disclosed Items • Excludes contribution from any venue openings, closures, disposal and acquired businesses during the period • Foreign exchange movements • IFRS 16 lease accounting impact

APM	Purpose	Closest equivalent IFRS measure	Adjustments to reconcile to primary financial statements
LFL profit before taxation	Profit measure	Profit before tax	<ul style="list-style-type: none"> • Separately Disclosed Items • Excludes contribution from any venue openings, closures, disposals and acquired businesses during the period • Foreign exchange movements • IFRS 16 lease accounting impact
LFL profit after taxation	Profit measure	Profit before tax	<ul style="list-style-type: none"> • Separately Disclosed Items • Excludes contribution from any venue openings, closures, disposals and acquired businesses during the period • Foreign exchange movements • IFRS 16 lease accounting impact
Underlying earnings per share	Profit measure	Earnings per share	<ul style="list-style-type: none"> • Separately Disclosed Items
Underlying net debt	Debt	Net debt	<ul style="list-style-type: none"> • IFRS 16 lease accounting impact

Rationale for adjustments – Profit and debt measure

1. Separately Disclosed Items (“SDIs”)

The Group has changed its presentational format to improve the definitions and terminology to provide greater clarity on the underlying performance of the business. The terminology has changed from “before exceptional items” and “exceptional items” to “underlying” and “separately disclosed”. SDIs are those that bear no relation to the Group’s underlying ongoing performance. This helps users of the accounts better assess the underlying performance of the Group, helps align to the APMs used to run the business and still maintains clarity to the statutory reported numbers. The following provides the rationale for treating these items as SDIs.

Further details of the SDIs can be found in the Financial Review and note 4 of the Financial Statements.

2. Contribution from any venue openings, closures, disposal and acquired businesses during the period

During the year, the Group sold five Mecca venues and acquired Stride Gaming plc. For the purpose of calculating like-for-like (“LFL”) measures their contributions have been excluded from both current (2019/20) and prior year (2018/19) numbers to ensure comparatives are made to measures calculated on the same basis.

3. IFRS 16 lease accounting impact

On adoption of IFRS 16, the Group's reported loans and borrowings include lease liabilities, as explained in note 1, which are not directly related to the external financing of the Group. The Group excludes these liabilities from its underlying net debt and to better reflect the Group's underlying funding position with its primary sources of capital.

4. Foreign exchange movements

During the year the exchange rates may fluctuate, therefore by using an exchange rate fixed throughout the year the impact on overseas business performance can be calculated and eliminated.

The tables below reconcile the underlying performance measures to the reported measures of the continuing operations of the Group.

£m	12 months to 30 June 2020	12 months to 30 June 2019	8 months to 29 Feb 2020	8 months to 28 Feb 2019
LFL net gaming revenue (NGR)	585.1	685.1	500.5	451.0
Stride Gaming NGR	51.0	-	29.9	-
Closed venues NGR	2.3	10.0	2.3	7.4
Foreign exchange	(0.3)	-	(0.7)	-
Total NGR	638.1	695.1	532.0	458.4

Calculation of comparative NGR

	2018/19
LFL GGR	729.5
Customer incentives	(51.4)
Acquired businesses - Yo	14.6
Reversal of 2018/19 closed clubs	2.4
2019/20 closed clubs	(10.0)
Restated LFL NGR	685.1

£m	12 months to 30 June 2020	12 months to 30 June 2019	8 months to 29 Feb 2020	8 months to 28 Feb 2019
LFL operating profit	42.3	76.9	71.6	44.4
Acquired businesses - Stride	1.7	-	1.8	-
Opened and closed venues	(0.6)	(1.2)	(0.5)	(0.8)
Foreign exchange	(0.1)	-	(0.1)	-
Operating profit pre IFRS 16	43.3	75.7	72.8	43.6
IFRS 16	7.8	-	3.8	-
Operating profit	51.1	75.7	76.6	43.6
Separately disclosed items	(27.6)	(36.7)	(5.7)	(9.8)
Operating profit	23.5	39.0	70.9	33.8

Calculation of comparative operating profit

	2018/19
LFL reported operating profit	72.1
YoBingo contribution	1.6
IFRS 3	3.2
LFL operating profit pre IFRS 16	76.9

	2019/20 £m	2018/19 £m
LFL EBITDA	88.3	118.9
Depreciation, amortisation before separately disclosed items	(46.0)	(42.0)
LFL operating profit	42.3	76.9

2019/20 £m	Underlying
LFL EBITDA	88.3
Acquired businesses - Stride	1.7
Opened, closed venues and foreign exchange movements	(0.7)
EBITDA pre IFRS 16	89.3
IFRS 16	37.3
EBITDA	126.6

	2019/20 £m	2018/19 £m
Underlying current tax charge	(6.9)	(12.4)
Deferred tax	(3.7)	(0.7)
Tax on separately disclosed items	4.6	6.1
Total tax charge on continuing operations	(6.0)	(7.0)

	2019/20 £m	2018/19 £m
Underlying net (debt)/cash	(63.2)	1.8
IFRS 16 lease adjustments	(234.3)	-
Reported net (debt)/cash	(297.5)	1.8

	2019/20	2018/19
Underlying EPS	7.0	15.3
Separately disclosed items	(4.5)	(7.9)
Reported EPS	2.5	7.4

Financial review

Reported NGR

For the 12 months ended 30 June 2020, reported NGR decreased by 8% to £638.1m as the impact of our closed venues during the Coronavirus pandemic offset both the good progress we had made in the first eight months of the financial year, the continued strong growth in our digital business and the contribution from Stride following its acquisition on 4 October 2019.

Operating profit

In line with Group NGR, operating profit was adversely impacted by the closures of our venues during the Coronavirus pandemic with the loss of venues NGR resulting in full year operating profit declining by 40% to £23.5m, reflecting the operational leverage in the business and the impact of the Separately Disclosed Items.

Separately Disclosed Items (“SDIs”)

SDIs are items that are infrequent in nature and/or do not relate to underlying business performance. They are effectively “exceptional items” as per the prior year plus other items that do not relate to underlying business performance. “Exceptional items” in the prior year were described as material

non-recurring items. The change was made to provide more relevant information to the users of the accounts as the 'underlying' results more appropriately represent the underlying performance of the group, enable comparability between years and amongst peers within the industry, is in line with common practice and shows the underlying measures used to run the business. As a result of the change, the results for the year ended 30 June 2019 have been restated to include the reclassification of £3.2m of amortisation relating to the acquisition of QSB Gaming Limited and its subsidiaries ('YoBingo') from underlying to separately disclosed items within the Digital segment (see Note 4). The EPS impact of this restatement is to increase underlying EPS for the prior year from 14.8p to 15.3p.

Total net SDIs for the year were £(17.7)m, a 42% reduction from last year.

The key SDIs in the year were as follows:

- £25.3m following the successful conclusion of a VAT reclaim regarding VAT paid on gaming machines between 2002 and 2005. A further £5.0m is recognised as a Separately Disclosed Items within net financing income offset by;
- £37.9m of impairment charges following the closure of our venues as a result of the COVID-19 pandemic and relate to five Grosvenor casinos, 41 Mecca venues and five International venues;
- £9.6m of amortisation charge relating to the acquired intangible assets of Stride and YoBingo; and
- £10.2m of property related provision created on a property where the liability will revert to the Group if the tenant defaults. The provision of £10.2m is the present value of the amount expected to be paid over the remaining term of the lease.

Further details of Separately Disclosed Items can be found in note 3.

Net financing charge

The £13.4m underlying net financing charge for the year includes a net £7.9m IFRS 16 adjustment following the adoption of the standard in the year. Pre IFRS 16, the underlying financing charge was £5.5m, £2.7m higher than the comparable period due to the financing costs associated with the Stride acquisition.

Taxation

On a statutory basis, the Group had an effective tax rate of 39.0% (2018/19 20.2%) based on a tax charge of £6.0m and total profits of £15.4m. This is higher than the effective tax rate on underlying profit of 21.5% because of separately disclosed items which do not result in a tax credit (including amortisation of intangible assets and acquisition costs) and a lower level of statutory profit compared to adjusted profit.

The Group's effective underlying corporation tax rate in 2019/20 was 21.7% (2018/19: 18.0%) based on a tax charge of £8.2m on underlying profit before taxation. This is higher than the Group's anticipated effective tax rate of 18% to 19% for the year as a result of a Maltese tax credit associated with a dividend payment being reflected in 2020/21 rather than 2019/20 which will result in 6/7ths of the tax paid in Malta in 2019/20 being repaid to the shareholder in 2020/21.

Further details on the tax charge are provided in note 5.

Earnings per share

Basic EPS fell by 66% to 2.5 pence. Underlying EPS was down 54% to 7.0 pence. For further details refer to note 7.

Cash flow and net debt

As at 30 June 2020, net debt was £297.5m. Debt comprised £128.1m in bank loans, £240.5m in finance leases and £2.5m in overdrafts, offset by cash at bank and in hand of £73.6m.

In the period, bi-lateral term loan facilities of £50.0m were fully repaid, in line with the agreed amortisation profile.

Following the completion of Stride Gaming plc, the pre-arranged five-year £128.1m term loan was fully drawn in the period to cover the total cash consideration and associated acquisition costs.

	2019/20 £m	2018/19 £m
Cash inflow from operations	101.4	129.0
Net cash receipts/(payments) in respect of provisions and Separately Disclosed Items	25.4	(15.9)
Cash generated from operations	126.8	113.1
Capital expenditure	(50.7)	(34.0)
Acquisition of Stride Gaming plc	(85.5)	-
Acquisition of YoBingo	(2.3)	(24.2)
Net interest and tax payments	(21.3)	(13.0)
Dividends paid	(32.4)	(29.1)
Proceeds from sale of investment	5.6	-
Repayment of acquired loans	(2.5)	-
Loan arrangement fees	(2.9)	-
Other (including exchange translation)	0.2	(1.7)
Cash (outflow) / inflow	(65.0)	11.1
Opening net cash/(debt) pre IFRS 16	1.8	(9.3)
Closing net (debt)/cash pre IFRS16	(63.2)	1.8
Closing net (debt) post IFRS 16	(297.5)	

Net debt for covenant purposes (pre IFRS16 adjustments) at 30 June 2020 was £67.1m, a £68.9m increase from 30 June 2019 following the acquisition of Stride Gaming plc.

Cash tax rate

In the year ended 30 June 2020, the Group had an effective cash tax rate of 33.6% on underlying profit (2018/19: 14.6%). The cash tax rate is above the effective tax rate because of changes to the timing of UK tax instalment payments effective from 2019/20 and an overpayment of UK tax.

Acquisition of Stride Gaming plc

On 4 October 2019, the Group acquired Stride Gaming plc for a total cash consideration of £116.0m. The provisional fair value of the assets acquired, and liabilities assumed, goodwill and consideration are outlined in note 13.

Taxation changes

From April 2019, UK Remote Gaming Duty (RGD) was increased to 21% and resulted in £6.2m of additional RGD in the year. Total RGD for 2019/20 was £42.3m.

IFRS 16 – Leases

The Group has adopted IFRS 16 using the modified retrospective method. Consequently, IFRS 16 is adopted from 1 July 2019 but has not restated comparatives for the 12-months ended 30 June 2019, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing standard are therefore recognised in the opening balance sheet on 1 July 2019.

The following table outlines the 2019/20 impact of IFRS 16.

£m	Underlying	Separately Disclosed Items	Total
Operating profit pre IFRS 16	43.3	(27.6)	15.7
IFRS 16	7.8	-	7.8
Operating profit	51.1	(27.6)	23.5
Net financing charge pre IFRS 16	(5.5)	5.3	(0.2)
IFRS 16	(7.9)	-	(7.9)
Net financing charge	(13.4)	5.3	(8.1)
Profit after tax pre IFRS 16	27.2	(17.7)	9.5
IFRS 16	(0.1)	-	(0.1)
Profit after tax	27.1	(17.7)	9.4
EPS pre IFRS 16	7.0p	(4.5)p	2.5p
IFRS 16	-	-	-
EPS	7.0p	(4.5)p	2.5p

Note 1 outlines in further detail the approach taken and associated impact to the Group.

IFRS 3 amortisation of acquired intangibles

As a result of a change in reporting to Separately Disclosed Items, £3.2m of amortisation relating to the acquired intangible assets for YoBingo in the Digital segment has been reclassified from underlying to separately disclosed for the 12-months to 30 June 2019.

The following table shows the impact to the comparative period following the reclassification.

2018/19 £m	Underlying	Separately Disclosed items	Total
Reported operating profit	72.5	(33.5)	39.0
Reclassification of IFRS 3	3.2	(3.2)	-
Restated operating profit	75.7	(36.7)	39.0

Going concern

Assessment

In adopting the going concern basis and viability statement for preparing the financial information, the directors have considered the circumstances impacting the Group during the year as detailed in the operating review, the three-year strategic plan (which was presented in May 2020 and then updated in August 2020) and have reviewed the Group's projected compliance with its banking covenants and access to funding options.

The directors consider, following their review, that there are two material uncertainties during the going concern period

1. Forecasting uncertainty – a material uncertainty exists over future forecasts caused by the impact of the COVID-19 pandemic on consumer sentiment, government policy and the overall impact on consumer demand.

2. Covenant headroom in a downside scenario – a material uncertainty exists in relation to compliance with banking covenants at June 2021 should trading results fall short of management’s base case scenario, and no remedy be secured through actions taken by management that are within their control, and no remedy be secured either through alternative funding, covenant waiver or other action, before the June 2021 covenant test date.

The directors have reviewed and challenged management’s assumptions on the resumption of trading in the Group’s venues. Key considerations are the assumptions on the timing of venues reopening and the levels of revenue achieved upon reopening in comparison to pre-COVID-19 levels. Management’s assumptions and the latest performance against those assumptions are as follows:

Assumption	Outcome to-date
Grosvenor venues	
<p>Clubs reopen from 1 September 2020 with revenue levels at on average 60% of pre-COVID-19 levels until June 2021, improving to pre-COVID-19 levels by June 2023.</p> <p>The Group continues to receive Coronavirus Job Retention Scheme (“CJRS”) support for c. 4,500 furloughed colleagues until re-opening.</p>	<p>35 venues in England opened on 15 August 2020. Early indications from the first two weeks of trading are that revenue is broadly in line with management’s assumptions and therefore does not adversely impact management’s forecast.</p> <p>From 7 September 2020, 49 venues had reopened across the UK. Two venues remained closed at that date due to local lockdown. One venue remains closed and the future of this club is under review. The potential trading outcome from this venue is marginal to the Group position and the venue is fully impaired as detailed in note 4 to the financial statements. The Group continues to utilise CJRS support in respect of colleagues that remain on furlough.</p>
Mecca venues	
<p>Venues reopen from 1 July 2020 with revenue at an average of 60% of pre- COVID-19 levels until June 2021 improving to pre- COVID-19 levels by June 2023.</p> <p>No further claims under the CJRS scheme from 1 July 2020.</p>	<p>35 venues in England opened on 4 July 2020, increasing to 72 venues across the UK by 26 August 2020. Revenue performance across this period averaged 70% of pre- COVID-19 levels and therefore does not adversely impact management’s assumptions.</p> <p>Five venues remain closed and the future of these clubs is under review. The potential trading outcome from these venues is marginal to the Group position and all venues have been fully impaired as detailed in note 4 to the financial statements.</p>

	The Group continues to utilise CJRS support in respect of colleagues that remain on furlough.
Enracha venues	
Venues reopen from 1 July 2020 with revenue at 50% of pre- COVID-19 levels until 30 June 2021 and improving to pre- COVID-19 levels by June 2023.	<p>All venues opened by 22 June 2020 and have remained open subject to short term localised lockdowns, which had only a marginal impact.</p> <p>The latest indication from the Spanish government is that any further closures are likely to continue to be on a localised basis, rather than on a national scale.</p> <p>The aggregate performance of the venues from 1 July to 30 August 2020 is that revenue has achieved 65% of pre-COVID-19 levels, with gradual improvement through the period.</p>
Casino Blankenberge	
The casino opens on 1 July 2020 with revenue at 50% of pre- COVID-19 levels until 30 June 2021 and improving to pre- COVID-19 levels by June 2023.	The club reopened on 1 July 2020 with revenue in the period from 1 July to 30 August 2020 being in line with pre-COVID-19 levels.

The key base case assumptions on cost are substantially within management control and are as follows:

- Payroll costs are forecast at pre-COVID-19 levels, with offsets from the CJRS in line with the current scheme rules where applicable
- Rent due during the 2020/21 financial year is paid on time. Rent deferrals from the 2019/20 financial year are phased during and completed by the end of 2020/21
- All tax and duty is paid on time, with duty deferred from 2019/20 paid to HMRC by December 2020
- Capital expenditure is constrained to £30.0m, to cover all essential expenditure and to allow for some investment if circumstances allow
- Standard payment terms are assumed for supplier payments
- Allowance is made for one-off costs in relation to the Stride integration programme and in the event that a small number of club closures are made

The base case contains certain discretionary costs within management control that could be reduced in the event of a revenue downturn. These include reductions to overheads, reduction to marketing costs, reductions to the venues' operating costs and further reductions to capital expenditure.

The key financing assumptions in the base case within the going concern assessment period are that the Group continues to have access to the following committed facilities:

- Stride acquisition term loan of £128.1m which reduces to £108.4m in May 2021 due to a scheduled loan repayment
- Revolving credit facilities (“RCF”) of £85.0m which reduce to £55.0m in September 2020 when a £30.0m facility expires

The plan also assumes that no additional funding is raised during the plan period. At the date of approval of the financial statements, the Stride term loan was fully drawn and £11.0m of RCF was drawn, with £74.0m of RCF undrawn.

In undertaking their assessment, the directors also reviewed the covenant calculations based on the Group’s base case strategic plan, noting that the Group achieved its banking covenants at the 30 June 2020 test date. Through the combination of the venues being closed from late March 2020 until July/August 2020 and the assumptions made by management in its base case forecast, the Group anticipated breaching its banking covenants at the 31 December 2020 test date. Rank therefore renegotiated its banking covenants to temporarily replace the normal tests with a minimum liquidity test that is set at £50.0m and is tested quarterly in September and December 2020 and in March 2021 (“Revised Covenants”). Rank continues to support NatWest in the syndication of £39.0m of the £128.1m term loan facility. The Group expects to meet the Revised Covenants and based on the strategic plan (as reassessed and updated in August 2020 as set out in the assumptions above) the Group expects to achieve its normal banking covenants at the 30 June 2021 test date when the testing reverts back to being on a 6-monthly basis, and at future testing dates during the plan period.

During the period from September 2020 to 30 June 2021 for which the Revised Covenants apply, Rank has agreed to certain restrictions. These are:

- To provide regular financial updates to the banks
- Not to make acquisitions in excess of £10.0m unless agreed by the banks
- Not to make disposals unless agreed by the banks
- Not to pay dividends or make other distributions to shareholders

Rank has the ability to exit the Revised Covenant period early, if it believes that it can meet its original banking covenants.

Sensitivity Analysis

The base case strategic plan reflects the directors’ best estimate of the future prospects of the business. A number of plausible but severe downside risks, including consideration of possible mitigating actions, have been modelled with particular focus on the potential impact to cash flows, cash headroom and covenant compliance throughout the period of review. The potential impact on the Group of a combination of scenarios over and above those included in the plan has also been tested. The main downside risk is:

Covid-19 – Larger than anticipated disruption due to the pandemic. The downside case assumes more widespread business interruption (i) reducing revenue by 20% below the base case from November 2020 to March 2021 and (ii) by 10% below the base case from April 2021 to March 2022. This assumption is based on the latest government approach at the date of approving the financial statements to continue with a trend of localised closures (as seen in Leicester, Greater Manchester

and Aberdeen) rather than returning to full national lockdowns. Having modelled the downside case on this basis, the indication is that the Group would breach its banking covenants at the 30 June 2021 test date. In these circumstances, the Group would re-enter negotiations to revise its covenants further or seek additional financing or both. Furthermore, even though full national lockdowns are not at this time considered probable enough to model, if this were to happen again for a prolonged period, subject to further government support that may be offered, further funding would be required.

In the event of the downside scenario crystallising, waivers on banking covenants would need to be obtained in respect of the 30 June 2021 test date, but not at any of the later testing dates in the plan period. The Group would seek to take mitigating actions within its control including but not limited to a reduction in capital expenditure, a reduction in overhead expenditure, securing additional funding and the closure of some venues. If actions within management control were not sufficient to offset the downside scenario, the Group would seek a covenant waiver at June 2021 from its banks.

The Group has also modelled an upside scenario based on changes to the key assumptions within the venues reopening plans referenced above. The upside case assumes revenue achieved following venues reopening is at 80% of pre-COVID-19 levels from 1 October 2020 for Grosvenor and 70% of pre-COVID-19 levels from 1 October 2020 for Mecca until June 2021. This scenario is based on performance post-reopening of Mecca, albeit that there has only been a short trading period to assess. In this upside scenario, the Group would be able to exit the Revised Covenant period early and the associated restrictions would no longer apply.

Going concern statement

Based on the Group's cash flow forecasts and strategic plan, the directors believe that the Group will generate sufficient cash to meet its liabilities as they fall due for at least 12 months from the approval of this report. The directors considered the period up to 30 September 2021. In making such statement, the directors highlight forecasting accuracy in relation to the re-opening of venues as the key material uncertainty in the approved base three-year strategic plan.

The directors have considered a downside plan which reflects larger than anticipated disruption to the business due to the pandemic. In this event, the Group will generate sufficient cash to meet its liabilities as they fall due for at least 12 months from the approval of this report. The Group would require a waiver in respect of its banking covenants test for the 12 months ending 30 June 2021, if it did not take mitigating actions in the intervening period.

Principal risk and uncertainties

Principal risk	Change in risk impact	Risk mitigation strategy
1. COVID-19 pandemic		
The immediate organisational risks following the COVID-19 outbreak arose primarily as a result of the closure of our venues and offices. Such risks included business continuity and the ability of our technology and IT infrastructure to adapt to sustained working from home	Due to the nature of the pandemic and the ongoing uncertainty this is considered an increasing risk.	<i>Mitigation in relation to lockdown.</i> The Company has a pandemic policy, crisis management and resilience planning processes and venues-closure plans, which were implemented successfully in response to the lockdown and consequential closure of our venues and

requirements imposed by governments, colleague and customer welfare, cashflow (liquidity), financing, supply-chain disruption and impact on the ability of the Group to execute its strategic plans.

In line with respective Government requirements, all of the Group's venues were closed in March 2020. In the UK, re-opening commenced for Mecca on 4 July 2020 and for Grosvenor on 15 August 2020. In Spain re-opening commenced on 10 June 2020 and in Belgium on 1 July 2020. All venues are required to comply with social distancing measures, impacting on capacity. There can be no certainty as to when or to what extent applicable ongoing government measures will be lifted or whether they will be reintroduced after they have been lifted. Furthermore, even after restrictions are lifted, there is a risk of depressed demand in the leisure sector. Customers may also be more reluctant to attend our venues.

In response to the COVID-19 pandemic, we have prepared a number of planning scenarios based on a range of assumptions and potential outcomes. In light of the above, the risk remains of further significant impact on our future operations, and cashflows beyond the range of assumptions that have been used to develop the modelled scenarios.

offices. The Company implemented a working-from-home policy in order to ensure that those colleagues and areas of the business less directly impacted from the closure of venues could continue to function. The Company communicates with its employees in a number of different ways and during lockdown we increased significantly our communications to our colleagues in order to keep them up to date with developments, our plans and welfare support arrangements. In relation to our customers, the Company developed, and participated in a number of initiatives aimed at ensuring our customers did not feel a loss of community due to the closure of our venues.

The Company reviewed its financing arrangements and engaged with its banks, suppliers and landlords. We continued to communicate with legislators and regulators throughout lockdown in connection with the measures we have implemented. Government support initiatives have been utilised such as the Coronavirus Job Retention Scheme and UK business rates holiday.

Mitigation in relation to re-opening

Detailed analysis and modelling, with consideration of all stakeholders' views, went into the formulation of re-opening plans. Such plans are flexible to take account of local lockdowns, restrictions being re-introduced, changes

		<p>in customer demand and other uncertainties that will only be understood with the passage of time. We continue to review the assumptions and modelling work and are revisiting our transformation plan.</p> <p>We continue to review our financial covenants and financing options, our property portfolio and supply-chain.</p> <p>We continue to have constructive dialogue with those bodies that influence our markets, including Government and regulators. The importance of such discussions was demonstrated in the process to obtain permission to re-open our venues.</p> <p>The health and safety of our colleagues and customers remains of paramount importance and risk assessments have been an essential part of our re-opening plans.</p> <p><i>Digital</i> In relation to the digital business, which has been largely unaffected operationally by the crisis, we have focused on the implementation of increased safer gambling measures.</p>
2. Changing consumer needs (venues)		
<p>Progressive changes over time in consumer spending habits and changes in macroeconomic environment can result in lower numbers of customer visits.</p>	<p>Increasing</p> <p>With the macroeconomic environment and continuous changes in consumer spending habits, there is an ever-increasing need for the Group to focus on assessing the</p>	<p>The Group monitors financial performance across the venues. Venues performing adversely are raised for remedial attention with customer satisfaction metrics being used to also monitor venues performance.</p>

	relevance of our customer proposition.	Changing the venues product and service offering to have greater appeal to today's more leisure-oriented customer is a priority within the transformation programme. This will continue to evolve as there is a better understanding of the ongoing impact of COVID-19 on our customers' habits.
3. Gambling 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.	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: <ul style="list-style-type: none"> actively provides and promotes a compliant environment in which customers can play safely; participates in trade 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.
4. Health and Safety		
Failure to meet the requirements of the various domestic and international rules and regulations relating to the health and safety of our employees and customers could expose the Company (and individual directors and employees) to material civil, criminal and/or regulatory action with the associated	Stable It is envisaged that there will be no further immediate changes in standards.	The Company has defined policies and procedures in place which are periodically reviewed and updated as appropriate. The Company requires all staff to undertake annual training and more specific training is undertaken as appropriate. Communication plans are in place across the Group.

financial and reputational consequences.		The health and safety committee meets regularly and its attendees include the senior management of the venues business. In addition, the head of health and safety provides updates on health and safety practices to each Risk Committee meeting. The health and safety team have been heavily involved in the closure and reopening of our venues as a result of COVID-19.
5. Taxation		
Changes in fiscal regimes for betting and gaming in key markets can change at short notice. These changes could benefit or have an adverse effect and additional costs might be incurred in order to comply with any fiscal requirements. Current key risk areas include: <ul style="list-style-type: none"> • Remote Gaming Duty; • Machine Gaming Duty; and • Gaming Duty 	Stable It is envisaged that there will be no material changes in taxation in the immediate future.	The Group ensures that it: <ul style="list-style-type: none"> • 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.
6. Integration, 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: <ul style="list-style-type: none"> • are subjected to detailed management oversight as well as having sponsorship from a senior-level stakeholder; • use a structured and disciplined delivery methodology to ensure that they are robustly managed to achieve their outcome; and • use a comprehensive risk management approach managed by experienced project and programme managers.
7. Business continuity planning and disaster recovery (operational resilience)		
Planning and preparation of the organisation to ensure it	Stable	This approach includes the development, embedding and

<p>could overcome serious incidents or disasters and resume normal operations within a reasonably short period, is critical to ensure that there is minimal impact to its operations, customers and reputation.</p> <p>Typical disasters might include: natural disasters such as fires and floods, accidents impacting key people, insolvency of key suppliers, negative media campaigns and market upheavals.</p>	<p>The geographical nature of the operating environment and key risk exposures are known and understood and the business was able to continue operating notwithstanding the impact of COVID-19.</p>	<p>refinement of the incident and crisis management approach for the Group in order to proactively manage these incidents.</p> <p>Group business continuity plans have been refreshed for key sites and business areas.</p>
<p>8. Data management</p>		
<p>The inability to adequately protect sensitive customer data and other key data and information assets that could be leaked, exposed, hacked or transmitted would result in customer detriment, formal investigations and/or possible litigation leading to prosecution, fines and damage to our brands.</p>	<p>Stable</p> <p>The Group has developed a robust control environment in relation to customer data controls and the regulatory requirements.</p>	<p>The Group has in place data protection policies and colleague training in order to protect the privacy rights of individuals in accordance with the relevant local data protection and privacy legislation and with GDPR. These are monitored by an experienced data protection officer to ensure that the business is aware of, and adheres to, industry best practice standards and relevant laws. Technology and IT security controls are in place to restrict access to sensitive data and ensure individuals only have access to the data they need to do their job.</p>
<p>9. Cyber resilience</p>		
<p>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.</p> <p>Operations are highly dependent on technology and advanced information systems (such as cloud computing) and</p>	<p>Stable</p> <p>Due to the programme of work in place and response to previous incidents and lessons learned this is considered a stable risk to the Group.</p>	<p>We carry out a number of cyber exercises on a regular basis 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.</p>

there is a risk that such technology or systems could fail, or outages occur.		
10. Dependency on third parties and supply chain		
<p>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.</p>	<p>Stable</p> <p>The third-party operating environment and key risk exposures have changed as a result of COVID-19, but the risk to the business is nevertheless considered stable.</p>	<p>The Group has a central procurement team in place to oversee the process for acquisition of suppliers across the Group together with the development of a 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.</p> <p>Discussions have taken place with suppliers as a result of the impact of COVID-19, particularly in relation to the closure and then re-opening of our venues.</p>
11. People		
<p>People are pivotal to the success of the organisation and a failure to attract or retain key individuals may impact the Company's ability to deliver on its strategic priorities.</p> <p>A pre-requisite to achieving all of the strategic priorities is ensuring the Company has the right people with the right skills, deployed within the right area of the business.</p>	<p>Stable</p> <p>Considered 'stable' as the risk to the business is unchanged, notwithstanding that the impact of COVID-19 cannot be ignored.</p>	<p>A programme of activity is focused on developing diversity across the organisation.</p> <p>A programme of activity is focused on succession planning for the business particularly at senior levels. The Company regularly reviews its reward propositions.</p> <p>Culture is a specific transformation workstream, but is also considered across all other workstreams including safer gambling.</p>

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

Steven Esom

Bill Floydd

Susan Hooper

John O'Reilly

Tang Hong Cheong

Alex Thursby

Karen Whitworth

Signed on behalf of the board on 9 September 2020

John O'Reilly
Chief Executive

Bill Floydd
Chief Financial Officer

Group Financial Information

Group Income Statement

For the year ended 30 June 2020

	Year ended 30 June 2020			Year ended 30 June 2019		
	Underlying £m	Separately disclosed items (note 3) £m	Total £m	Underlying £m	Separately disclosed items (note 3) £m	Total £m
Continuing operations						
Revenue	638.1	-	638.1	695.1	-	695.1
Cost of sales	(365.5)	-	(365.5)	(378.2)	-	(378.2)
Gross profit	272.6	-	272.6	316.9	-	316.9
Other operating income	29.0	-	29.0	-	-	-
Other operating costs	(250.5)	(27.6)	(278.1)	(241.2)	(36.7)	(277.9)
Group operating profit (loss)	51.1	(27.6)	23.5	75.7	(36.7)	39.0
Financing:						
– finance costs	(13.8)	-	(13.8)	(2.7)	(1.6)	(4.3)
– finance income	0.6	-	0.6	0.1	-	0.1
– other financial (losses) gains	(0.2)	5.3	5.1	(0.2)	-	(0.2)
Total net financing (charge) income	(13.4)	5.3	(8.1)	(2.8)	(1.6)	(4.4)
Profit (loss) before taxation	37.7	(22.3)	15.4	72.9	(38.3)	34.6
Taxation	(10.6)	4.6	(6.0)	(13.1)	6.1	(7.0)
Profit (loss) for the year from continuing operations	27.1	(17.7)	9.4	59.8	(32.2)	27.6
Discontinued operations - profit	-	-	-	-	1.5	1.5
Profit (loss) for the year	27.1	(17.7)	9.4	59.8	(30.7)	29.1
Attributable to:						
Equity holders of the parent	27.5	(17.7)	9.8	59.8	(30.7)	29.1
Non-controlling interest	(0.4)	-	(0.4)	-	-	-
	27.1	(17.7)	9.4	59.8	(30.7)	29.1
Earnings (loss) per share attributable to equity shareholders						
– basic	7.0p	(4.5)p	2.5p	15.3p	(7.9)p	7.4p
– diluted	7.0p	(4.5)p	2.5p	15.3p	(7.9)p	7.4p
Earnings (loss) per share – continuing operations						
– basic	7.0p	(4.5)p	2.5p	15.3p	(8.2)p	7.1p
– diluted	7.0p	(4.5)p	2.5p	15.3p	(8.2)p	7.1p
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 2020

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
<hr/>		
Comprehensive income:		
Profit for the year	9.4	29.1
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange adjustments net of tax	1.1	1.1
Items that will not be reclassified to profit or loss:		
Actuarial loss on retirement benefits net of tax	(0.1)	-
Total comprehensive income for the year	10.4	30.2
<hr/>		
Attributable to:		
Equity holders of the parent	10.8	30.2
Non-controlling interest	(0.4)	-
	10.4	30.2
<hr/>		

Group Balance Sheet
At 30 June 2020

	As at 30 June 2020 £m	As at 30 June 2019 £m
Assets		
Non-current assets		
Intangible assets	521.0	447.8
Property, plant and equipment	144.6	161.5
Right-of-use assets	145.1	-
Other investments	-	3.5
Deferred tax assets	0.9	0.1
Other receivables	7.0	4.1
	818.6	617.0
Current assets		
Inventories	2.0	2.7
Other receivables	19.6	27.2
Government grants	11.9	-
Income tax receivable	1.4	0.6
Cash and short-term deposits	73.6	61.8
	108.5	92.3
Total assets	927.1	709.3
Liabilities		
Current liabilities		
Trade and other payables	(142.6)	(145.2)
Lease liabilities	(50.9)	-
Income tax payable	(2.5)	(7.2)
Financial liabilities – loans and borrowings	(21.7)	(54.7)
Provisions	(3.0)	(14.9)
	(220.7)	(222.0)
Net current liabilities	(112.2)	(129.7)
Non-current liabilities		
Trade and other payables	(1.1)	(26.0)
Lease liabilities	(189.6)	-
Financial liabilities – loans and borrowings	(107.4)	(5.3)
Deferred tax liabilities	(22.5)	(22.1)
Provisions	(15.9)	(31.9)
Retirement benefit obligations	(4.0)	(4.0)
	(340.5)	(89.3)
Total liabilities	(561.2)	(311.3)
Net assets	365.9	398.0
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	18.8	17.7
Retained earnings	161.3	194.3
Total equity before non-controlling interest	366.1	398.0
Non-controlling interest	(0.2)	-
Total shareholders' equity	365.9	398.0

Group Statement of Changes in Equity
For the year ended 30 June 2020

	Share capital £m	Share premium £m	Capital redemption reserve £m	Exchange translation reserve £m	Retained earnings £m	Reserves attributable to the Company's equity shareholders £m	Non- controlling interest £m	Total equity £m
At 1 July 2018	54.2	98.4	33.4	16.6	193.9	396.5	-	396.5
Comprehensive income:								
Profit for the year	-	-	-	-	29.1	29.1	-	29.1
Other comprehensive income:								
Exchange adjustments net of tax	-	-	-	1.1	-	1.1	-	1.1
Total comprehensive income for the year	-	-	-	1.1	29.1	30.2	-	30.2
Transactions with owners:								
Dividends paid to equity holders (see note 6)	-	-	-	-	(29.1)	(29.1)	-	(29.1)
Credit in respect of employee share schemes including tax	-	-	-	-	0.4	0.4	-	0.4
At 30 June 2019	54.2	98.4	33.4	17.7	194.3	398.0	-	398.0
At 1 July 2019	54.2	98.4	33.4	17.7	194.3	398.0	-	398.0
Effect of adoption of IFRS 16 Leases	-	-	-	-	(10.8)	(10.8)	-	(10.8)
At 1 July 2019 - Adjusted	54.2	98.4	33.4	17.7	183.5	387.2	-	387.2
Comprehensive income:								
Profit (loss) for the year	-	-	-	-	9.8	9.8	(0.4)	9.4
Other comprehensive income:								
Exchange adjustments net of tax	-	-	-	1.1	-	1.1	-	1.1
Actuarial loss on retirement benefits net of tax	-	-	-	-	(0.1)	(0.1)	-	(0.1)
Total comprehensive income (loss) for the year	-	-	-	1.1	9.7	10.8	(0.4)	10.4
Business acquired	-	-	-	-	-	-	0.2	0.2
Transactions with owners:								
Dividends paid to equity holders (note 6)	-	-	-	-	(32.4)	(32.4)	-	(32.4)
Credit in respect of employee share schemes including tax	-	-	-	-	0.5	0.5	-	0.5
At 30 June 2020	54.2	98.4	33.4	18.8	161.3	366.1	(0.2)	365.9

Group Statement of Cash Flow
For the year ended 30 June 2020

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Cash flows from operating activities		
Cash generated from operations (see note 10)	171.9	113.1
Interest received	0.8	0.2
Interest paid	(16.4)	(2.5)
Tax paid	(14.0)	(10.2)
Discontinued operations	-	(0.5)
Net cash from operating activities	142.3	100.1
Cash flows from investing activities		
Purchase of intangible assets	(18.0)	(11.1)
Purchase of property, plant and equipment	(32.7)	(22.9)
Deferred consideration	(2.3)	-
Purchase of subsidiaries (net of cash acquired)	(85.5)	(24.2)
Proceeds from sale of investments	5.6	-
Net cash used in investing activities	(132.9)	(58.2)
Cash flows from financing activities		
Dividends paid to equity holders	(32.4)	(29.1)
Repayment of term loans	(50.0)	(50.0)
Repayment of acquired loans	(2.5)	-
Drawdown of term loans	128.1	50.0
Lease principal payments	(37.1)	(1.2)
Loan arrangement fees	(2.9)	-
Net cash used in financing activities	3.2	(30.3)
Net increase in cash, cash equivalents and bank overdrafts	12.6	11.6
Effect of exchange rate changes	(0.2)	(0.6)
Cash and cash equivalents at start of year	58.7	47.7
Cash and cash equivalents at end of year	71.1	58.7

1. General information, basis of preparation and accounting policies

General information

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

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.

Summary of significant accounting policies

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

Basis of preparation

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

Statement of compliance

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

Going concern

Based on the Group's cash flow forecasts and strategic plan, the directors believe that the Group and Company will generate sufficient cash to meet its liabilities as they fall due for at least 12 months from the approval of this report. In adopting the going concern basis in preparing the financial information, the directors have considered the circumstances impacting the Group during the year as detailed in the operating review, the three-year strategic plan (which was presented in May 2020 and then updated in August 2020) and have reviewed the Group's projected compliance with its banking covenants and access to funding options.

The directors consider, following their review, that there are two material uncertainties during the going concern period.

1. Forecasting uncertainty - a material uncertainty exists over future forecasts caused by the impact of the Covid-19 pandemic on consumer sentiment, government policy and the overall impact on consumer demand.

2. Covenant headroom in a downside scenario - a material uncertainty exists in relation to compliance with banking covenants at June 2021 should trading results fall short of management's base case scenario, and no remedy be secured through actions taken by management that are within their control, through alternative funding, covenant waiver or other action, before the June 2021 covenant test date.

Accepting the two material uncertainties that may cast significant doubt over the group's ability to continue as a going concern, relating to forecasting uncertainty and covenant headroom in a downside scenario, the board has a reasonable expectation that the group is able to manage its business risks and to continue in operational existence for at least 12 months from the date of signing of the accounts. The financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern. Key considerations in the 12-month period going concern period are the assumptions on venues remaining open and the levels of revenue achieved in comparison to pre- COVID-19 levels. The key assumptions applied and the latest performance against those assumptions are as follows:

	Assumption	Outcome to date
Grosvenor venues	<p>Clubs reopen from 1 September 2020 with revenue levels at on average 60% of pre-COVID-19 levels until June 2021 improving to pre- COVID-19 levels by June 2023.</p> <p>The Group continues to receive Coronavirus Job Retention Scheme ("CJRS") support for c. 4,500 furloughed colleagues until re-</p>	<p>35 venues in England opened on 15 August 2020. Early indications from the first two weeks of trading are that revenue performance is broadly in-line with management's assumptions and therefore does not adversely impact management's forecast.</p> <p>From 7 September 49 venues had reopened across the UK. Two venues remained closed due to local</p>

	opening.	lockdown. One venue remains closed and the future of this club is under review. The potential trading outcome from this venue is marginal to the Group position and the venue is fully impaired as detailed in note 3. The Group continues to utilise CJRS in respect of colleagues that remain on furlough.
Mecca venues	Venues reopen from 1 July 2020 with revenue at an average of 60% of pre-COVID-19 levels until June 2021 improving to pre- COVID-19 levels by June 2023. No further claims under the CJRS scheme from 1 July 2020.	35 venues in England opened on 4 July 2020, increasing to 72 venues across the UK by 26 August 2020. Revenue performance across this period averaged 70% of pre- COVID-19 levels and therefore does not adversely impact management's assumptions. Five venues remain closed and the future of these clubs is under review. The potential trading outcome from these venues is marginal to the Group position and all venues have been fully impaired as detailed in note 3. The Group continues to utilise CJRS in respect of colleagues that remain on furlough.
Enracha venues	Venues reopen from 1 July 2020 with revenue at 50% of pre- COVID-19 levels until 30 June 2021 and improving to pre- COVID-19 levels by June 2023.	All venues opened by 22 June 2020 and have remained open, subject to short term localised lockdowns, which had only a marginal impact. The latest indication from the Spanish Government is that any further closures are likely to continue to be on a localised basis, rather than on a national scale. The aggregate performance of the venues from 1 July to 30 August 2020 is that revenue has achieved 65% of pre- COVID-19 levels, with gradual improvement through the period.
Casino Blankenberge	The casino opens on 1 July 2020 with revenue at 50% of pre- COVID-19 levels until 30 June 2021 and improving to pre- COVID-19 levels by June 2023.	The club reopened on 1 July 2020 with revenue in the period from 1 July to 30 August 2020 being in line with pre- COVID-19 levels.

The key base case assumptions on cost are substantially within management control and are as follows:

- Payroll costs are forecast at pre- COVID-19 levels, with offsets from the CJRS in line with the current scheme rules where applicable

- Rent due during the 2020/21 financial year is paid on time. Rent deferrals from the 2019/20 financial year are phased during and completed by the end of 2020/21
- All tax and duty is paid on time, with duty deferred from 2019/20 paid to HMRC by December 2020
- Capital expenditure is constrained to £30.0m, to cover all essential expenditure and to allow for some investment if circumstances allow
- Standard payment terms are assumed for supplier payments
- Allowance is made for one-off costs in relation to the Stride integration programme and in the event that a small number of club closures are made

The base case contains certain discretionary costs within management control that could be reduced in the event of a revenue downturn. These include reductions to overheads, reduction to marketing costs, reductions to the venues' operating costs and further reductions to capital expenditure.

The key financing assumptions in the base case within the going concern assessment period are that the Group continues to have access to the following committed facilities:

- Stride acquisition term loan of £128.1m which reduces to £108.4m in May 2021 due to a scheduled loan repayment
- Revolving credit facilities ("RCF") of £85.0m which reduce to £55.0m in September 2020 when a £30.0m facility expires

The plan also assumes that no additional funding is raised during the plan period. At the date of approval of the financial statements, the Stride term loan was fully drawn and £11.0m of RCF was drawn, with £74.0m of RCF undrawn.

In undertaking their assessment, the directors also reviewed the covenant calculations based on the Group's base case strategic plan, noting that the Group achieved its banking covenants at the 30 June 2020 test date. Through the combination of the venues being closed from late March 2020 until July/August 2020 and the assumptions made by management in its base case forecast, the Group anticipated breaching its banking covenants at the 31 December 2020 test date. Rank therefore renegotiated its banking covenants to temporarily replace the normal tests with a minimum liquidity test that is set at £50.0m and is tested quarterly in September and December 2020 and in March 2021 ("Revised Covenants"). Rank continues to support NatWest in the syndication of £39.0m of the £128.1m term loan facility. The Group expects to meet the Revised Covenants and based on the strategic plan (as reassessed and updated in August 2020 as set out in the assumptions above) the Group expects to achieve its normal banking covenants at the 30 June 2021 test date when the testing reverts back to being on a 6-monthly basis, and at future testing dates during the plan period.

During the period from September 2020 to 30 June 2021 for which the Revised Covenants apply, Rank has agreed to certain restrictions. These are:

- To provide regular financial updates to the banks
- Not to make acquisitions in excess of £10.0m unless agreed by the banks
- Not to make disposals unless agreed by the banks
- Not to pay dividends or make other distributions to shareholders

Rank has the ability to exit the Revised Covenant period early, if it believes that it can meet its original banking covenants.

Sensitivity Analysis

The base case strategic plan reflects the directors' best estimate of the future prospects of the business. A number of plausible but severe downside risks, including consideration of possible mitigating actions, have been modelled with particular focus on the potential impact to cash flows, cash headroom and covenant compliance throughout the period of review. The potential impact on the Group of a combination of scenarios over and above those included in the plan has also been tested. The main downside risk is:

Covid-19 – Larger than anticipated disruption due to the pandemic. The downside case assumes more widespread business interruption (i) reducing revenue by 20% below the base case from November 2020 to March 2021 and (ii) by 10% below the base case from April 2021 to March 2022. This assumption is based on the latest government

approach at the date of approving the financial statements to continue with a trend of localised closures (as seen in Leicester, Greater Manchester and Aberdeen) rather than returning to full national lockdowns. Having modelled the downside case on this basis, the indication is that the Group would breach its banking covenants at the 30 June 2021 test date. In these circumstances, the Group would re-enter negotiations to revise its covenants further or seek additional financing or both. Furthermore, even though full national lockdowns are not at this time considered probable enough to model, if this were to happen again for a prolonged period, subject to further government support that may be offered, further funding would be required.

In the event of the downside scenario crystallising, waivers on banking covenants would need to be obtained in respect of the 30 June 2021 test date, but not at any of the later testing dates in the viability statement period. The Group would seek to take mitigating actions within its control including but not limited to a reduction in capital expenditure, a reduction in overhead expenditure, securing additional funding and the closure of some venues. If actions within management control were not sufficient to offset the downside scenario, the Group would seek a covenant waiver at June 2021 from its banks.

Accounting policies

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

The following accounting standards, interpretations, improvements and amendments have become applicable for the current period:

Amendments to IFRS 3 Business Combinations

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

Amendments to IAS 1 and IAS 8: Definition of material

Amendments to References to the Conceptual Framework in IFRS standards

IFRS 16 - Leases

IFRIC 23 - Uncertainty over Income Tax Treatments

Other than IFRS 16 – Leases, which is discussed below, the Group has not been materially impacted by the adoption of any of the above standards and amendments and has not early adopted any standard, amendment or interpretation that was issued but is not yet effective.

IFRS 16 - Leases

The Group has adopted IFRS 16 using the modified retrospective method. Consequently, IFRS 16 is adopted from 1 July 2019 and comparatives for the year ended 30 June 2019 have not been restated, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing standard are therefore recognised in the opening balance sheet on 1 July 2019.

Transitional and current year impact

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.55%.

	£m
Operating lease commitments disclosed as at 30 June 2019	302.9
Impact of discounting using the lessee's incremental borrowing rate at the date of initial application	(45.0)
Subtotal	257.9
Finance lease liabilities already recognised as at 30 June 2019	7.2
Lease liability recognised as at 1 July 2019	265.1
Current lease liabilities	39.2
Non-current lease liabilities	225.9
Lease liability recognised as at 1 July 2019	265.1

Under the modified retrospective approach, the majority of associated right-of-use assets were measured as if IFRS 16 had always been applied. The remainder were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019. This approach was used for these leases due to the practical complexities of restating the right-of-use assets as though IFRS 16

had always been applied, for example, due to a lack of available historic data, and/or lease specific complexities such as a large number of modifications and peppercorn rent.

The Group did not change the initial carrying amounts of the recognised assets and liabilities at the date of the initial application for leases previously classified as finance leases, which amounted to £6.9m (i.e. the right of use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 July 2019 onwards.

The recognised right-of-use assets relate to property leases and fleet & machinery and amount to £188.0m and £145.1m as at 1 July 2019 and 30 June 2020 respectively. The effect of adopting IFRS 16 as at 1 July 2019 is as follows:

Assets	£m
Right-of-use assets (*)	184.6
Net investment in finance leases	5.5
Prepaid rent	(11.1)
Intangible assets	(1.9)
Deferred tax assets	(1.6)
Total assets	175.5
Liabilities	
Lease liabilities (*)	258.2
Onerous lease provisions	(30.2)
Rent accruals	(41.7)
Total liabilities	186.3
Total adjustment on equity:	
Retained earnings	(10.8)

(*) These balances exclude the impact of IAS 17 finance leases on transition since the Group as a lessee used the carrying amount of the lease asset and lease liability immediately before the date of initial application on transition. There is no impact to retained earnings.

As at 30 June 2019, the onerous lease provision was £30.2m. The Group has taken the practical expedient to use this amount as an alternative to perform an impairment review. In the prior year accounts, it was disclosed that only £15m would be reallocated to the right-of-use asset as an impairment, representing only the rental payments. However, as at 1 July 2019, the Group reallocated the full onerous lease provision as an impairment against the right-of-use asset.

For the year ended 30 June 2020 operating profit increased by £7.8m, finance costs increased by £8.0m and finance income increased by £0.1m as a result of applying IFRS 16. The net impact was £0.1m of loss before tax. This is illustrated in the table below

	Operating Profit £m	Finance Costs £m	Finance Income £m	Profit Before Tax £m
Digital	0.1	(0.1)	-	-
Grosvenor Venues	4.2	(4.9)	-	(0.7)
Mecca Venues	3.3	(2.6)	0.1	0.8
International Venues	0.1	(0.2)	-	(0.1)
Central Costs	0.1	(0.2)	-	(0.1)
Total	7.8	(8.0)	0.1	(0.1)

Earnings per share remains unchanged for the year ended 30 June 2020 as a result of the adoption of IFRS 16.

Practical expedients applied as part of transitioning to IFRS 16

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;

- not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 determining whether an arrangement contains a lease;
- the use of hindsight in determining the lease term where the contract contains options to extend the lease; and
- onerous lease provisions have been netted against the right-of-use asset balances at the initial application date.

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

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

2. Segment information

	Year ended 30 June 2020*					
	Digital £m	Grosvenor Venues £m	Mecca Venues £m	International Venues £m	Central Costs £m	Total £m
Continuing operations						
Statutory revenue***	196.2	275.9	130.7	35.3	-	638.1
Other operating income	0.2	19.3	7.8	0.8	0.9	29.0
Underlying operating profit (loss)	28.7	40.2	6.0	5.3	(29.1)	51.1
Separately disclosed items	(10.9)	(7.4)	(0.4)	(8.6)	(0.3)	(27.6)
Segment result	17.8	32.8	5.6	(3.3)	(29.4)	23.5
Finance costs						(13.8)
Finance income						0.6
Other financial gains						5.1
Profit before taxation						15.4
Taxation						(6.0)
Profit for the year from continuing operations						9.4
	Year ended 30 June 2019**					
	Digital £m	Grosvenor Venues £m	Mecca Venues £m	International Venues £m	Central Costs £m	Total £m
Continuing operations						
Statutory revenue***	118.5	338.2	193.5	44.9	-	695.1
Underlying operating profit (loss)	23.9	44.9	28.6	9.3	(31.0)	75.7
Separately disclosed items	(3.7)	(21.5)	(5.0)	(0.1)	(6.4)	(36.7)
Segment result	20.2	23.4	23.6	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

* Results for the 12 months ended 30 June 2020 include the acquisition of Stride Gaming plc ('Stride') from 4 October 2019 within the Digital segment.

** Results for the 12 months ended 30 June 2019 include the reclassification of £3.2m of amortisation relating to the acquisition of QSB Gaming Limited and its subsidiaries ('YoBingo') from underlying to separately disclosed items within the Digital segment.

*** The Group no longer discloses revenue before adjustment for customer incentives in line with the changes documented in note 1 to the 2020 Financial Statements.

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 2020*						
	Digital	Grosvenor Venues	Mecca Venues	International Venues	Central Costs	Total
	£m	£m	£m	£m	£m	£m
Employment and related costs	22.0	109.3	45.1	17.4	18.1	211.9
Taxes and duties	44.3	61.5	23.8	3.3	1.4	134.3
Direct costs	47.6	20.8	15.1	1.9	-	85.4
Property costs	1.0	10.1	6.5	1.5	0.5	19.6
Marketing	34.7	9.6	5.5	1.7	-	51.5
Depreciation and amortisation	11.0	31.8	23.9	2.9	5.9	75.5
Other	7.1	11.9	12.6	2.1	4.1	37.8
Total costs before separately disclosed items	167.7	255.0	132.5	30.8	30.0	616.0
Cost of sales						365.5
Operating costs						250.5
Total costs before separately disclosed items						616.0

Year ended 30 June 2019**						
	Digital	Grosvenor Venues	Mecca Venues	International Venues	Central Costs	Total
	£m	£m	£m	£m	£m	£m
Employment and related costs	15.9	120.0	49.0	19.0	19.6	223.5
Taxes and duties	23.7	73.0	32.4	3.7	1.9	134.7
Direct costs	32.3	25.1	21.7	3.3	-	82.4
Property costs	0.7	29.1	26.4	2.2	1.5	59.9
Marketing	11.6	12.1	7.6	2.5	-	33.8
Depreciation and amortisation	5.6	19.1	10.5	2.7	4.1	42.0
Other	4.8	14.9	17.3	2.2	3.9	43.1
Total costs before separately disclosed items	94.6	293.3	164.9	35.6	31.0	619.4
Cost of sales						378.2
Operating costs						241.2
Total costs before separately disclosed items						619.4

* Results for the 12 months ended 30 June 2020 include the acquisition of Stride Gaming plc ('Stride') from 4 October 2019 within the Digital segment.

** Results for the 12 months ended 30 June 2019 include the reclassification of £3.2m of amortisation relating to the acquisition of QSB Gaming Limited and its subsidiaries ('YoBingo') from underlying to separately disclosed items within the Digital segment.

3. Separately disclosed items

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Continuing operations		
Impairment charges	(37.9)	(11.1)
Profit on disposal of venues	1.8	-
Profit on disposal of investments	2.1	-
Acquisition related costs	(1.4)	(2.2)
Integration costs	(2.6)	-
Pay provision	4.9	(8.0)
VAT claim	25.3	-
Amortisation of acquired intangible assets	(9.6)	(3.2)
Property related provisions	(10.2)	(1.4)
Business transformation costs	-	(10.8)
Separately disclosed items ⁽¹⁾	(27.6)	(36.7)
Finance costs	-	(1.6)
Other financial gains	5.3	-
Taxation (see note 5)	4.6	6.1
Separately disclosed items relating to continuing operations	(17.7)	(32.2)
Separately disclosed items relating to discontinued operations		
Taxation (see note 5)	-	1.5
Separately disclosed items relating to discontinued operations	-	1.5
Total separately disclosed items	(17.7)	(30.7)

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

The results for the year ended 30 June 2019 have been restated to include the reclassification of £3.2m of amortisation relating to the acquisition of QSB Gaming Limited and its subsidiaries ('YoBingo') from underlying to separately disclosed items. The following items have been identified as separately disclosed items in the current year:

Impairment charges

Following the closure of venues as a result of the Covid-19 outbreak, the group recognised impairment charges of £13.8m relating to five venues within Grosvenor Venues, £15.7m relating to 41 venues in Mecca Venues and £8.3m relating to five venues in International Venues. These non-cash charges are material and not expected to occur every year and as such have been disclosed separately to allow comparability between periods and to reflect the underlying performance of the business. In the prior year, the Group recognised impairment charges of £11.1m, of which £10.7m related to five venues within Grosvenor Casinos.

Profit on disposal of venues

The Group recognised a net credit of £1.8m as a result of the sale of five venues from Mecca Venues. Such profits are not expected to occur every year and as such it has been excluded from the underlying results.

Profit on disposal of investments

During the year the Group sold its investment in Bede for cash consideration of £5.6m and a profit of £2.1m. Such profits are not expected to occur every year and as such it has been excluded from the underlying results.

Acquisition related costs

Fees and directly associated costs of potential or actual acquisitions are charged to the income statement. As such items are material, infrequent and not considered to be part of the underlying business, they are excluded from the underlying performance of the Group. In the year there were £1.4m (2019: £2.2m) of one-off costs relating to the acquisition of Stride totalling £3.6m across current and prior year.

3. Separately disclosed items (continued)

Integration costs

One-off fees and directly associated costs with the integration of business acquisitions are charged to the income statement. Such items are material, infrequent in nature and are not considered to be part of the underlying business performance. As such, costs of £2.6m have been excluded from underlying operating results of the Group.

Pay provision

In the year ended 30th June 2019, the Group made a £8.0m provision for the ongoing HMRC investigation into breaches of the National Minimum Wage regulations. The Group reached agreement with HMRC in early 2020 for total costs of £3.1m resulting in a provision release of £4.9m. All costs have been settled. As these are material, infrequent items and do not form part of the underlying business performance, they are removed from the underlying results.

VAT claim

During the year, the Group successfully concluded the legal process to reclaim VAT paid on slot machines between 2002 and 2005. The total amount recognised of £25.3m is the VAT claim of £25.2m plus protective VAT assessment of £1.0m offset by advisor fees of £0.9m. A further £5.0m is recognised as a separately disclosed item within interest. These have been removed from underlying operating results as they are material, infrequent in nature and do not represent underlying performance.

Amortisation of acquired intangible assets

Acquired intangible assets are amortised over the life of the assets with the charge being included in the Group's reported amortisation expense. Given these charges are material and non-cash in nature, the Group's underlying results have been adjusted to exclude the amortisation expense of £9.6m (2019: £3.2m) relating to the acquired intangible assets of Stride and YoBingo.

Property related provisions

As a result of the Covid-19 lockdown, the Group has determined it is now probable that they will be required to make payments under a property arrangement for which the liability will revert to the Group if the tenant defaults. A provision of £10.2m has been recognised, being the present value of the amount expected to be paid over the remaining term of the lease. This is a material, one-off provision and as such has been excluded from underlying results. In the prior year, the Group recognised a charge of £1.4m in relation to onerous lease provisions which has been included within separately disclosed items.

Business transformation costs

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. The transformation programme started in January 2019 and was expected to last 3 years. This timeframe is being revisited in light of Covid-19. The multi-year change programme is a material, infrequent programme and is not considered to be part of the underlying business performance. As such, costs are excluded from the underlying performance of the Group. No costs were incurred in the current year due to Covid-19 but costs of £10.8m are shown as a separately disclosed item in the prior year.

Finance income / costs and other finance losses and gains relating to specific items

Those finance charges or credits associated with (1) VAT claims and (2) revaluation and retranslation of foreign currency denominated contingent consideration are material and considered to relate to liabilities that are not part of the underlying performance of the business. The Group's underlying results have therefore been adjusted to remove these items. In the year, £5.0m of finance income relates to interest on the successful VAT claim and £0.3m relates to foreign exchange gains on the remeasurement of contingent consideration. In the prior year, £1.6m relating to the revaluation and retranslation of contingent consideration was separately disclosed.

The related tax impact of all of the above items is also not considered to be part of the underlying operations of the Group.

Discontinued operations

In the prior year, 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 were released following payments made during in the prior year to settle the outstanding issues with the relevant tax authorities.

4. Financing

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Continuing operations		
Finance costs:		
Interest on debt and borrowings ⁽²⁾	(3.7)	(1.4)
Amortisation of issue costs on borrowings ⁽²⁾	(1.2)	(0.3)
Interest payable on leases	(8.9)	(0.5)
Unwinding of discount in property lease provisions	-	(0.5)
Total finance costs	(13.8)	(2.7)
Finance income:		
Interest income on net investments in leases	0.1	-
Interest income on short-term bank deposits ⁽²⁾	0.5	0.1
Total finance income	0.6	0.1
Other financial losses	(0.2)	(0.2)
Total net financing charge before separately disclosed items	(13.4)	(2.8)
Separately disclosed items - finance costs	-	(1.6)
Separately disclosed items - other financial gains	5.3	-
Total net financing charge	(8.1)	(4.4)

⁽²⁾ Calculated using the effective interest method.

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

Separately disclosed items - other financial gains at year ended 30 June 2020 includes £5.0m interest income received from the successful VAT claim and £0.3m of gains recognised on contingent consideration payable as a result of the acquisition of QSB Gaming Limited ('YoBingo').

Separately disclosed items - finance costs at year ended 30 June 2019 includes interest recognised and foreign exchange loss on contingent and deferred consideration payable as a result of the acquisition of QSB Gaming Limited ('YoBingo').

5. Taxation

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Current income tax		
Current income tax – UK	(4.2)	(10.6)
Current income tax – overseas	(3.3)	(4.6)
Current income tax on separately disclosed items	(1.3)	3.3
Amounts over provided in previous period	0.6	2.8
Amounts over provided in previous period on discontinued operations	-	1.5
Total current income tax charge	(8.2)	(7.6)
Deferred tax		
Deferred tax – UK	(1.2)	(0.4)
Deferred tax – overseas	0.1	0.2
Restatement of deferred tax due to rate change	(2.4)	-
Deferred tax on separately disclosed items	5.9	2.8
Amounts under provided in previous period	(0.2)	(0.5)
Total deferred tax credit	2.2	2.1
Tax charge in the income statement	(6.0)	(5.5)

5. Taxation (continued)

Tax on separately disclosed items

The taxation impacts of separately disclosed items are disclosed below:

	Year ended 30 June 2020			Year ended 30 June 2019		
	Current	Deferred	Total	Current	Deferred	Total
	income tax	tax		income tax	tax	
	£m	£m	£m	£m	£m	£m
Impairment charges	2.4	5.0	7.4	0.1	1.7	1.8
Profit on disposal of venues	-	(0.2)	(0.2)	-	-	-
Integration costs	0.4	-	0.4	-	-	-
Pay provision	(0.2)	-	(0.2)	0.8	-	0.8
VAT claim	(4.8)	-	(4.8)	-	-	-
Amortisation of acquired intangible assets	-	1.1	1.1	-	1.1	1.1
Property related provisions	1.9	-	1.9	0.3	-	0.3
Business transformation costs	-	-	-	2.0	-	2.0
Finance costs and other financial gains	(1.0)	-	(1.0)	0.1	-	0.1
Tax credit on separately disclosed items	(1.3)	5.9	4.6	3.3	2.8	6.1

Tax effect of items within the statement of changes in equity

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Deferred tax charge on employee share schemes	(0.1)	(0.1)
Deferred tax charge on adoption of IFRS 16 Leases	(1.6)	-
Total tax charge on items within the statement of changes in equity	(1.7)	(0.1)

Tax effect of items within other comprehensive income

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Current income tax credit on exchange movements offset in reserves	0.1	0.1
Total tax credit on items within other comprehensive income	0.1	0.1

Factors affecting future taxation

UK corporation tax is calculated at 19.00% (year ended 30 June 2019: 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.

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.

On 11 March 2020, the Chancellor of the Exchequer announced that the proposed reduction in the main rate of UK corporation tax rate to 17.00% from 1 April 2020 will no longer be taking place and instead the main rate of UK corporation tax will remain at 19.00%. This change was substantively enacted on 17 March 2020.

5. Taxation (continued)

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.

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

6. Dividends paid to equity holders

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
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
Final dividend for 2018/19 paid on 29 October 2019 - 5.50p per share	21.5	-
Interim dividend for 2019/20 paid on 13 March 2020 - 2.80p per share	10.9	-
Dividends paid to equity holders	32.4	29.1

No final dividend in respect of the year ended 30 June 2020 will be recommended at the Annual General Meeting on 11 November 2020.

7. Underlying earnings per share

Underlying earnings is calculated by adjusting profit attributable to equity shareholders to exclude discontinued operations, separately disclosed items and the related tax effects. Underlying earnings is one of the business performance measures used internally by management to manage the operations of the business. Management believes that the underlying earnings measure assists in providing a view of the underlying performance of the business.

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

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Profit attributable to equity shareholders	9.8	29.1
Adjust for:		
Discontinued operations	-	(1.5)
Separately disclosed items after tax	17.7	32.2
Underlying net earnings attributable to equity shareholders	27.5	59.8
Weighted average number of ordinary shares in issue	390.7m	390.7m
Underlying earnings per share (p) - basic	7.0p	15.3p
Underlying earnings per share (p) - diluted	7.0p	15.3p

8. Provisions

	Property related provisions £m	Disposal provisions £m	Restructuring provisions £m	Indirect tax provision £m	Pay provision £m	Total £m
At 1 July 2019	33.5	3.9	0.2	1.2	8.0	46.8
Impact on application of IFRS 16	(30.2)	-	-	-	-	(30.2)
Adjusted balance at 1 July 2019	3.3	3.9	0.2	1.2	8.0	16.6

Charge to the income statement - separately disclosed items	10.2	-	-	-	-	10.2
Release to the income statement - separately disclosed items	-	-	-	-	(4.9)	(4.9)
Utilised in year	-	-	(0.1)	-	(2.9)	(3.0)
At 30 June 2020	13.5	3.9	0.1	1.2	0.2	18.9
Current	1.3	0.2	0.1	1.2	0.2	3.0
Non-current	12.2	3.7	-	-	-	15.9
Total	13.5	3.9	0.1	1.2	0.2	18.9

Provisions have been made based on management's best estimate of the future cash flows, taking into account the risks associated with each obligation.

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 2020 £m	As at 30 June 2019 £m
Total loans and borrowings	(129.1)	(60.0)
Adjusted for:		
Accrued interest	0.2	0.1
Unamortised facility fees	(1.7)	(0.1)
	(130.6)	(60.0)
Cash and short-term deposits	73.6	61.8
Net (debt) cash excluding IFRS16 Lease liabilities	(57.0)	1.8
IFRS 16 Lease liabilities	(240.5)	-
Net (debt) cash	(297.5)	1.8

10. Cash generated from operations

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Continuing operations		
Operating profit	23.5	39.0
Separately disclosed items	27.6	36.7
Operating profit before separately disclosed items	51.1	75.7
Depreciation and amortisation	75.5	42.0
Settlement of share-based payments	-	(0.4)
Share-based payments	0.8	1.1
Loss on disposal of property, plant and equipment	-	0.2
Gain on surrender of finance lease	-	(0.3)
Impairment of property, plant and equipment	-	0.3
Assets written off	1.0	-
Decrease (increase) in inventories	0.7	(0.2)
(Increase) decrease in other receivables	(8.4)	3.7
Increase (decrease) in trade and other payables	26.6	6.9
	147.3	129.0
Cash utilisation of provisions	(3.0)	(4.7)
Cash receipts (payments) in respect of separately disclosed items	27.6	(11.2)
Cash generated from operations	171.9	113.1

11. Contingent liabilities

Property arrangements

The group has certain property arrangements under which rental payments revert to the Group in the event of default by the third party. At 30 June 2020, it is not considered probable that the third party will default. As such, no provision has been recognised in relation to these arrangements. If the third party was to default on these arrangements, the obligation for the Group would be £2.3m on a discounted basis.

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 4 October 2019, the Group acquired 99.8% of the issued share capital of Stride Gaming plc ('Stride') for a total cash consideration of £116.0m which included £1.5m in respect of employee benefit schemes. There was no deferred or contingent consideration.

Stride is an established scale player in the highly regulated UK soft gaming market and provides B2C services through a portfolio of 150 online brands, 14 of which are operated on Stride's proprietary platform and also B2B services licensing its proprietary platform. The acquisition of Stride will accelerate the transformation of Rank and create one of the UK's leading online gaming businesses.

The provisional fair value of the assets acquired and liabilities assumed, goodwill and consideration are outlined below. Whilst a detailed purchase price allocation exercise has been performed, the amounts have been disclosed as provisional in the event that additional information becomes available which would change these provisional numbers. The accounting will be completed within the 12-month measurement period permitted by IFRS 3 'Business Combinations'.

13. Acquisition of subsidiary undertakings (continued)

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

	£m
Intangible assets	41.1
Other non-current assets	3.7
Trade and other receivables	5.3
Cash and short-term deposits	30.5
Trade and other payables	(14.3)
Loans and borrowings	(2.5)
Income tax liability	(0.5)
Deferred tax liability	(0.1)
Net assets acquired	63.2
Non-controlling interests	(0.2)
Goodwill	53.0
Total consideration	116.0

The fair value of each component of consideration is analysed as:	£m
Total consideration- cash	116.0

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

	£m
Customer Relationships	6.2
Brand	3.7
Technology	29.8
Software and technology	1.4

The determination of the fair value of intangibles is considered to be a key source of estimation uncertainty, including having to estimate expected cash flows and identify appropriate royalty and discount rates. The above provisional valuations were prepared by third party valuers who performed detailed sensitivity analysis when determining the value of the intangibles acquired in respect of the Stride Group acquisition.

The goodwill of £53.0m consists of forecast synergies, high expected growth in the combined business and the assembled workforce, including marketing and technological expertise. No amount of the goodwill recognised is expected to be deductible for tax purposes.

Acquisition related costs of £1.4m have been recognised as a separately disclosed item in the Group income statement.

In the year ended 30 June 2020, Stride contributed statutory revenue of £51.2m and £2.1m 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 2020 would have been £67.1m and profit before tax would have been £3.2m.

During the 2019/20 financial year deferred consideration of €1.5m was paid in connection with the acquisition of QSB Gaming Limited and its subsidiaries ("YoBingo") following the acquisition in May 2018.